

## OFFERING MEMORANDUM

*This offering document (the “Offering Memorandum”) constitutes an offering of the securities described herein only in those jurisdictions where they may be lawfully offered for sale and may be sold only by persons permitted to sell these securities and only to those persons to whom they may be lawfully offered for sale. This Offering Memorandum is not, and under no circumstances is it to be construed as, a prospectus or an advertisement or a public offering of these securities. No securities commission or similar regulatory authority has reviewed this Offering Memorandum nor has it in any way passed upon the merits of the securities offered hereunder and any representation to the contrary is an offence. No prospectus has been filed with any such authority in connection with the securities offered hereunder.*



### PROOF-EFM GLOBAL FINANCIAL SERVICES AND TECHNOLOGY FUND

**DATE:** December 1, 2021

**THE ISSUER:**

**Name:** Proof-EFM Global Financial Services and Technology Fund (the “Fund”)  
**Head Office of Issuer/Promoter/ Address:** 3017 7th Street SW, Calgary AB, T2T 2X6  
**Portfolio Advisor:** Phone No.: (403) 615-7962  
Email: info@proofcapital.ca  
Website: [www.proofcapital.ca](http://www.proofcapital.ca)

**Currently listed or quoted?** No – These securities do not trade on any exchange or market.

**Reporting Issuer:** No

**SEDAR Filer:** No

**THE OFFERING:**

**Securities Offered:** Class A units of the Fund (“Class A Fund Units”) and Class F units of the Fund (“Class F Fund Units”) and collectively or individually, as the context requires, the “Fund Units”) shall be offered pursuant to the terms of this Offering Memorandum (the “Offering”). See ITEM 5.1 – *Terms of Securities*.

**Price Per Security:** Subscriptions for Fund Units shall be offered at a subscription amount equal to the Net Asset Value per Fund Unit (as defined herein) of such Class (as defined herein), calculated as at the Valuation Date (as defined herein). See ITEM 5.1 – *Terms of Securities*. The Net Asset Value of a Class need not be equal to the Net Asset Value of any other Class.

**Minimum/Maximum offering:** **The minimum offering is \$100,000USD. There is no maximum offering. You may be the only purchaser.**  
**Funds available under the Offering may not be sufficient to accomplish our proposed objectives.**

**Minimum Subscription:** There is a minimum \$10,000CAD subscription amount for investment in Class A Fund Units and Class F Fund Units. The Fund reserves the right to change the minimum subscription amount at any time.

**Income Tax Consequences:** There are important tax consequences to investing in the Fund Units. See ITEM 7 – *Income Tax Consequences and Registered Plan Eligibility*.

**Selling Agent:** The Fund may pay a sales fee to registered dealers, or where permitted, non-registrants, in an amount determined by the Manager in its discretion, acting reasonably, payable at the time of the initial investment. See ITEM 8 – *Compensation Paid to Dealers*.

**Resale Restrictions:** You will be restricted from selling your Fund Units until the day which is four months and a day after the date the Fund becomes a reporting issuer in any province or territory of Canada. As the Fund is not currently a reporting issuer in any province or territory of Canada, and does not contemplate becoming a reporting issuer, the statutory hold period could be indefinite. Additionally, you are not permitted to transfer Fund Units to any other person except with the consent of the Manager and in compliance with the Trust Agreement. See ITEM 12 – *Resale Restrictions*. However, you will be able to redeem your Fund Units from the Fund at certain times if you follow the procedures established by the Fund. See ITEM 5.1 – *Terms of Securities*.

**Purchaser’s Rights** You have two Business Days to cancel your agreement to purchase these Fund Units. If there is a Misrepresentation in this Offering Memorandum, or, if applicable, in any OM Marketing Materials, you have the right to sue either for damages or to cancel the agreement. See ITEM 13 – *Purchaser’s Rights*.

No securities regulatory authority or regulator has assessed the merits of the Fund Units or reviewed this Offering Memorandum. Any representation to the contrary is an offence. Investment in the Fund entails a number of risks. *This Offering is not suitable for investors who cannot afford to assume risks in connection with their investments. See ITEM 9 – Risk Factors and Schedule A - EFM Global Financial Services and Technology Master Fund Related Risk Factors and Conflicts of Interest.*

<b>FundSERV Codes:</b>	Class A Fund Units: QWE170 Class F Fund Units: QWE175
<b>Additional Subscriptions:</b>	The Manager reserves the right to restrict the amount of additional investments in the Fund.
<b>Selling Jurisdictions:</b>	All provinces and territories in Canada, the United States, and all other foreign jurisdictions.
<b>Eligible Purchasers:</b>	Accredited Investors only.
<b>Fund Manager:</b>	Qwest Investment Fund Management Ltd or its successor (the “ <b>Manager</b> ”).
<b>Portfolio Advisor:</b>	Proof Capital Inc.’s subsidiary, Proof Asset Management Inc. (the “ <b>Portfolio Advisor</b> ” or “ <b>PAM</b> ”).
<b>Promoter:</b>	Proof Capital Inc. (the “ <b>Promoter</b> ” or “ <b>Proof</b> ”).
<b>Payment terms:</b>	Full subscription amount is payable by cheque, bank draft, wire order or other form of payment acceptable to the Fund and subscriptions are subject to acceptance or rejection as determined solely by the Manager.
<b>Subscription Procedure:</b>	The Fund Units are offered on a continuous basis with closings generally occurring on each Business Day of every month, with settlement expected to occur on or about 2 Business Days from the closing date, or such other dates as the Manager may determine. See ITEM 5.2 – <i>Subscription Procedure</i> .

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## SUMMARY

*The following is a summary of certain information contained in this Offering Memorandum, and reference should be made to the more detailed and additional information contained elsewhere in this Offering Memorandum. Capitalized terms in this Summary have the meanings ascribed to them in the Glossary unless the context otherwise requires. All dollar amounts stated herein, unless otherwise stated, are expressed in Canadian dollars.*

<b>Offering:</b>	A continuous offering of Fund Units. The minimum offering is \$100,000USD. There is no maximum offering amount. See ITEM 5 – <i>Securities Offered</i> . A subscriber whose subscription is accepted will become a Fund Unitholder.
<b>Subscription Amount:</b>	The subscription amount per Fund Unit is equal to the Net Asset Value per Fund Unit at the applicable Valuation Date. See ITEM 5 – <i>Securities Offered</i> .
<b>Minimum Subscription:</b>	There is a minimum \$10,000CAD subscription amount for investment in Class A Fund Units and Class F Fund Units. The Fund reserves the right to change the minimum subscription amount at any time. See ITEM 5 – <i>Securities Offered</i> .
<b>Investment Objective:</b>	<p>The Fund will use the net proceeds of the Offering to purchase Class P Participating Shares in the EFM Global Financial Services and Technology Master Fund (the “<b>Underlying Fund</b>”), which is managed by EFM Asset Management.</p> <p>The Underlying Fund’s objective is to deliver capital appreciation for unitholders over the investment cycle through investment in a global portfolio and to seek investment opportunities that generate strong absolute returns over a long-term horizon. The Underlying Fund may also invest in cash and cash equivalent instruments.</p>
<b>Fund Classes:</b>	Fund Units are issuable in Classes. The outstanding Classes are denominated in Canadian dollars. All Classes have the same objectives, strategies and restrictions, but differ with respect to commissions and fees, as set out in this Offering Memorandum. The book value per Fund Unit will be expressed in Canadian dollars. However, distributions allocable to each Class will differ as a result of the deduction of the amounts payable in respect of Trailer Fees for the Class A Fund Units. The Manager may, at any time and from time to time, authorize the Fund to issue additional Classes without the authorization of Fund Unitholders. Each Class will share in the same pool of investments on an equal <i>pro rata</i> basis. See ITEM 5.1 – <i>Terms of Securities</i> .
<b>FundSERV Codes:</b>	<p>Purchases of Fund Units may be affected by registered dealers through the settlement network operated by FundSERV using the following codes:</p> <p>Class A Fund Units: QWE170 Class F Fund Units: QWE175</p>
<b>Distribution Policy:</b>	The Fund shall pay distributions to each Fund Unitholder of a Class as and when distributions are paid on the Class P Participating Shares by the Underlying Fund.

The Underlying Fund does not currently expect to pay dividends or make other distributions to its shareholders, although it has the right to do so subject always to applicable law.

Subject to a Fund Unitholder's election to receive distributions partially or wholly in Fund Units, distributions by the Fund may be paid in cash or Fund Units at the Manager's discretion. If the Fund has taxable income for which it has not received cash, the Fund may make distributions of such taxable income in Fund Units. Payment of income by the distribution of Fund Units may result in Fund Unitholders having a tax liability without a corresponding distribution of cash to pay that tax liability.

**Fund Unitholders who redeem their Fund Units will not participate in any distributions declared after the date of redemption.**

The Fund intends to distribute its net income and net realized capital gains, if any, in the year they are earned or realized to ensure that no income tax is payable by the Fund. If distributions to Fund Unitholders are in excess of net income and net realized capital gains, if any, of the Fund, the adjusted cost base of the Fund Units will generally be reduced. See ITEM 6 – *Distributions* and ITEM 7 – *Income Tax Consequences and Registered Plan Eligibility*.

**Redemption by Fund Unitholder:**

Each Fund Unitholder may, upon request to the Manager in a manner and form acceptable to the Manager, redeem all or any part of such Fund Unitholder's Fund Units on a Redemption Date. Fund Units will be redeemed at a redemption price equal to the Net Asset Value per Fund Unit calculated as of the applicable Redemption Date, less applicable deductions and fees.

Redemption requests must be given via FundSERV to the Manager not less than 10 Business Days prior to the Redemption Date in order for the redemption to be effective as of such Redemption Date. The redemption proceeds, less any applicable deductions and fees, will be paid to the redeeming Fund Unitholder not later than 20 Business Days following the applicable Redemption Date. No interest will be paid to the Fund Unitholder on account of any delay in forwarding the proceeds of redemption to the Fund Unitholder.

Redemptions on each Redemption Date will be limited to 20% of the aggregate number of Fund Units in issue at the Redemption Date unless otherwise approved by the Manager.

Redemptions and the payment of redemption proceeds may be suspended in certain circumstances. See ITEM 5.1 – *Terms of Securities – Suspension of Redemptions*.

**Closings:**

Closings will generally occur on each Business Day of every month, with settlement expected to occur on or about 2 Business Days from the closing date, or such other dates as the Manager may determine.

**Management Fees:**

Annual Fee

The Fund will pay to the Manager an Annual Fee equal to 0.35%pa of the

Net Asset Value of the Fund Units, accrued daily and paid monthly in arrears, plus any applicable Federal or Provincial taxes.

Management Fee – paid by Underlying Fund

The Underlying Fund will pay to the Investment Manager a Management Fee in relation to the Class P Participating Shares of 1.15%pa of the Net Asset Value of the Participating Shares, payable monthly in arrears.

Performance Fee - paid by Underlying Fund

The Underlying Fund will pay to the Investment Manager an annual Performance Fee equal to 15% (for Class P Participating Shares) of the positive difference in the amount of the Net Asset Value per Participating Share of a particular class as of the relevant calculation date over the Prior High Watermark of such class, multiplied by the number of relevant Participating Shares as of such calculation date.

See ITEM 2.3 - *Fees and Expenses*.

**Sales Commissions and Trailer Fees:**

Registered dealers may, at their discretion, charge purchasers a Sales Commission, which is a front-end sales commission of up to 5% of the subscription amount of the Fund Units being purchased. Any Sales Commission will be negotiated between the registered dealer and the purchaser and will be deducted from the subscription amount of the Gross Subscription Order and paid by the purchaser, directly to the registered dealer.

In addition, in certain circumstances, registered dealers may be reimbursed for their due diligence costs, and other forms of consideration, and charge purchasers the Dealer Fee, which is an amount equal to up to 1% of the subscription amount of the Fund Units being purchased. The Dealer Fee will be deducted from the subscription amount of the Gross Subscription Order and paid by the purchaser directly to the registered dealer.

The Fund will pay the Trailer Fee on Class A Fund Units, which is an annual servicing fee equal to 1% per annum of the Net Asset Value of the Fund Units sold by a registered dealer in respect of the Fund Units, payable monthly in arrears. The amount of the Trailer Fee will be deducted from distributions to the holders of Fund Units. See ITEM 8 – *Compensation Paid to Dealers*.

**Use of Proceeds:**

The Fund will use the net proceeds of the Offering to purchase Class P Participating Shares in EFM Global Financial Services and Technology Master Fund (the “**Underlying Fund**”), which is managed by EFM Asset Management. See ITEM 1.1 – *Funds*.

**Distribution on Termination:**

In the event of the termination of the Fund, the Fund would distribute to the Fund Unitholders, *pro rata*, their interest in the net assets of the Fund available for such distribution, subject to the rights of the Manager to determine and retain monies for termination costs and expenses.

**Taxation of the Fund and Fund Unitholders:**

See ITEM 7 – *Income Tax Consequences and Registered Plan Eligibility*.

<b>Investment by Deferred Plans:</b>	Provided the Fund qualifies as “a mutual fund” as defined in the Tax Act at all relevant times, the Fund Units will be qualified investments for Deferred Plans. See ITEM 7 – <i>Income Tax Consequences and Registered Plan Eligibility</i> .
<b>No Transferability:</b>	No Fund Unitholder is permitted to transfer Fund Units to any other person except with the consent of the Manager and in compliance with the Trust Agreement and applicable securities laws. See ITEM 12 – <i>Resale Restrictions</i> .
<b>Risk Factors:</b>	<b>You should consult with your advisors and carefully consider your financial objectives when considering an investment in the Fund. Investment in the Fund Units involves risk. An investment in Fund Units is appropriate only for investors who have the ability to absorb a loss of some or all of their investment. See ITEM 9 – Risk Factors and Schedule A - EFM Global Financial Services and Technology Master Fund Related Risk Factors and Conflicts of Interest.</b>
<b>Certificates:</b>	Certificates for Fund Units will not be issued to Fund Unitholders.
<b>Custodian and Trustee:</b>	RBC Investor Services Trust.



## GLOSSARY

*The following terms appear throughout this Offering Memorandum. Care should be taken to read each term in the context of the particular provision of this Offering Memorandum in which such term is used.*

**“Accredited Investor”**, except in Ontario, has the meaning ascribed to the term “accredited investor” in NI 45-106 *Prospectus Exemptions*, and in Ontario, has the meaning ascribed to the term “accredited investor” in the *Securities Act* (Ontario).

**“Administrator”** means the administrator and transfer agent of the Underlying Fund being Northern Trust Global Fund Services Cayman Limited or such other administrator and transfer agent appointed by the Underlying Fund from time to time.

**“Amending Agreement”** means the Trust Agreement Amending Agreement dated June 22, 2021 between the Promoter and the Trustee. See ITEM 2.6 – *Material Agreements*.

**“Annual Fee”** means the amount paid to the Manager by the Fund being equal to 0.35%pa of the Net Asset Value of the Fund, accrued daily and paid monthly in arrears, plus any applicable Federal or Provincial taxes.

**“Articles”** means the memorandum and articles of association of the Underlying Fund.

**“Board of Directors”** means the board of directors of the Underlying Fund, including duly authorized committees or delegates thereof.

**“Business Day”** means a week day that is not a holiday in the Province of British Columbia.

**“Class”** means a class of Fund Units.

**“Class A Fund Units”** means Class A Units of the Fund as described in ITEM 2.1 – *Structure*.

**“Class F Fund Units”** means Class F Units of the Fund as described in ITEM 2.1 – *Structure*.

**“Class P Participating Share”** means a participating non-voting Class P Share of par value US\$0.01 each in the capital of the Underlying Fund which the Fund will be purchasing with the net proceeds of the Offering.

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

**“CRS”** means the Common Reporting Standard.

**“Custodian”** means RBC Investor Services Trust.

**“Dealer Fee”** means the up to 1% fee paid to registered dealers as described in ITEM 8 – *Compensation Paid to Dealers*.

**“Deferred Plan”** means an RDSP, RESP, RRIF, RRSP, TFSA, and a trust governed by a deferred profit-sharing plan, as defined in the Tax Act.

**“Distribution Payment Date”** means a date on which the Fund makes a distribution.

**“DRIP”** means the distribution reinvestment plan of the Fund.

**“FATCA”** means the United States Foreign Account Tax Compliance Act, as amended.

**“Final Year End Distribution”** means the final distribution of the Fund’s net income and net realized capital gains for

the applicable Class for the year to be made in respect of each December 31 year end. See ITEM 6 – *Distributions*.

**“FundSERV”** means FundSERV Inc.

**“Fund Unitholders”** means holders of Class A Fund Units and/or Class F Fund Units.

**“Fund Units”** means the Class A Fund Units and/or Class F Fund Units.

**“Gross Subscription Order”** means a subscription for Fund Units.

**“IGA”** means 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.

**“Investment Advisor”** means EFM Asset Management Limited, a private company limited by shares incorporated in Hong Kong.

**“Investment Manager”** means the investment manager of the Underlying Fund, being EFM Asset Management, an exempted company incorporated with limited liability in the Cayman Islands.

**“IRS”** means the United States Internal Revenue Service.

**“Manager”** or **“Qwest”** means Qwest Investment Fund Management Ltd., the portfolio manager and investment fund manager of the Fund, or its successor.

**“Management Fee”** means the fee paid by Underlying Fund to the Investment Manager in relation to the Class P Participating Shares of 1.15%pa of the Net Asset Value of the Participating Shares, payable monthly in arrears. See ITEM 2.3 - *Fees and Expenses*.

**“Material Fact”** means a fact that would reasonably be expected to have significant effect on the value of Fund Units.

**“Misrepresentation”** means: (a) an untrue statement of a Material Fact; (b) an omission to state a Material Fact that is required to be stated; or (c) an omission to state a Material Fact that is necessary to be stated in order for a statement not to be misleading.

**“Net Asset Value”** or **“NAV”** means the Net Asset Value of the Fund, the Net Asset Value of a Class, or the Net Asset Value per Fund Unit, as the context requires. See ITEM 5.1 – *Terms of Securities*.

**“Net Asset Value of a Class”** means the net asset value of the Fund Units of a particular Class calculated in accordance with ITEM 5.1 – *Terms of Securities*.

**“Net Asset Value of the Fund”** means the net asset value of all of the Fund Units calculated in accordance with ITEM 5.1 – *Terms of Securities*.

**“Net Asset Value per Fund Unit”** means the net asset value of a particular Fund Unit calculated in accordance with ITEM 5.1 – *Terms of Securities*.

**“Net Asset Value per Participating Share”** means the amount determined in accordance with the Articles being the Net Asset Value per Participating Share of a particular class and/or series.

**“NI 45-106”** means National Instrument 45-106 *Prospectus Exemptions*.

**“Non-Residents”** means non-residents of Canada within the meaning of the Tax Act.

**“Offering”** means the offering of the Fund Units contemplated by this Offering Memorandum.

**“Offering Memorandum”** means this offering memorandum.

**“OM Marketing Materials”** means the investor presentation of the Fund for prospective investors regarding the Offering.

**“Operating Expenses”** means the operating expenses of the Fund, including, without limitation: legal fees related to the preparation of the Fund’s documents, dealer approval expenses, administrative fees and expenses of the Fund, such as the fees of the Trustee; accounting and legal costs; insurance premiums; audit, registrar and transfer agency fees; administrative and valuation services fees; bookkeeping and recordkeeping costs; costs associated with FundSERV; reasonable out-of-pocket expenses incurred by the Manager or its agents in connection with their ongoing obligations to the Fund; additional fees payable to the Manager for the performance of extraordinary services on behalf of the Fund; fees, costs and expenses relating to the issue, re-designation and redemption of Fund Units; all Fund Unitholder related communication (e.g. print and electronic) and meeting expenses; all costs incurred in the preparation of documents required to comply with applicable securities laws and reasonable extraordinary or non-recurring expenses, including litigation expenses.

**“Participating Share”** means a participating redeemable share in the capital of the Underlying Fund of US\$0.01 par value and having the rights provided for in the Articles. Participating Shares may be divided into classes in the discretion of the Board of Directors in accordance with the provisions of the Articles and each class may be further divided into different series of Participating Shares and the term “Participating Share” shall include all such classes and series of Participating Share.

**“Performance Fee”** means the performance fee paid by Underlying Fund to the Investment Manager in the amount of 15% (for Class P Participating Shares) of the positive difference in the amount of the Net Asset Value per Participating Share of a particular class as of the relevant calculation date over the Prior High Watermark of such class, multiplied by the number of relevant Participating Shares as of such calculation date. See ITEM 2.3 - *Fees and Expenses*.

**“person”** includes any individual, corporation, partnership, association, syndicate, organization, trust, trustee, executor, administrator or other legal representative.

**“Portfolio Advisor”** or **“PAM”** means Proof Capital Inc.’s subsidiary, Proof Asset Management Inc. The Portfolio Advisor, a corporation incorporated under the laws of the Province of Alberta, will act as an industry advisor and service provider to the Manager and will receive fees from the Manager therefor.

**“Prior High Watermark”** in relation to the Underlying Fund means the higher of (i) the issue price per Participating Share of the relevant class at the initial issue date, and (ii) the Net Asset Value per Participating Share as at the last calculation date (before payment of Performance Fee) at which the last Performance Fee was payable in respect of such class, as more particularly described in ITEM 2.3 - *Fees and Expenses*.

**“Promoter”** or **“Proof”** means Proof Capital Inc. The Promoter has taken the initiative in organizing the Fund and accordingly may be considered to be a “promoter” of the Fund within the meaning of the Applicable Securities Laws.

**“RDSP”** means a trust governed by a registered disability savings plan, as defined in the Tax Act.

**“Redemption Date”** means the first Business Day of a calendar month, or such other dates as the Manager may permit.

**“RESP”** means a trust governed by a registered education savings plan, as defined in the Tax Act.

**“RRIF”** means a trust governed by a registered retirement income fund, as defined in the Tax Act.

**“RRSP”** means a trust governed by a registered retirement savings plan, as defined in the Tax Act.

**“Sales Commission”** means the front-end sales commission of up to 5% of the subscription amount of the Class A

Fund Units being purchased as described in ITEM 8 – *Compensation Paid to Dealers*.

**“Securities Authorities”** means the securities commissions and similar regulatory authorities of each of the provinces and territories of Canada.

**“Subscription Agreement”** means the subscription agreement for the Fund Units.

**“Tax Act”** means the *Income Tax Act* (Canada), R.S.C. 1985, c.1 (5th supp.), as amended.

**“TFSA”** means a trust governed by a tax-free savings account, as defined in the Tax Act.

**“Trailer Fee”** means the 1% service fee paid to registered dealers by the Fund as described in ITEM 8 – *Compensation to Dealers*.

**“Trust Agreement”** means the Trust Agreement dated January 15, 2020, as amended effective June 22, 2021 (“the **Amending Agreement**”), between the Promoter and the Trustee, as may be further amended, restated or supplemented from time to time. See ITEM 2.6 – *Material Agreements*.

**“Trustee”** means RBC Investor Services Trust.

**“Underlying Fund”** means EFM Global Financial Services and Technology Master Fund, an exempted company incorporated with limited liability in the Cayman Islands.

**“Valuation Date”** means either at the close of business of each Business Day or the last Business Day of each calendar month as determined by the Manager, or such other date as the Trustee may require.

## CANADIAN CURRENCY

All dollar amounts stated herein, unless otherwise stated, are expressed in the currency of Canada.

## CONFIDENTIALITY

This Offering Memorandum is for the confidential use of only those persons to whom it is transmitted in connection with this Offering. By their acceptance of this Offering Memorandum, recipients agree that they will not transmit, reproduce or make available to anyone, other than their professional advisors, this Offering Memorandum or any information contained herein. No person has been authorized to give any information or to make any representation not contained in this Offering Memorandum. Any such information or representation which is given or received must not be relied upon.

## FORWARD-LOOKING STATEMENTS

Certain statements contained in this Offering Memorandum and OM Marketing Materials may constitute forward-looking information within the meaning of securities laws. Forward-looking information may relate to the Fund's future outlook and anticipated events or results and may include statements regarding financial position, business strategy, budgets, litigation, projected costs, capital expenditures, financial results, taxes, plans and objectives of or involving the Fund. Particularly, statements regarding future results, performance, achievements, prospects or opportunities for the Fund are forward-looking statements. In some cases, forward-looking information can be identified by terms such as "may", "might", "will", "could", "should", "would", "occur", "expect", "plan", "anticipate", "believe", "intend", "estimate", "predict", "potential", "continue", "likely", "schedule", or the negative thereof or other similar expressions concerning matters that are not historical facts. Some of the specific forward-looking statements include, but are not limited to: the use of the net proceeds of the Offering to be received by the Fund; the Fund's access to available sources of debt and/or equity financing; future legislative and regulatory developments which may affect the Fund; the expected tax treatment of the Fund; the Fund's ability to meet its stated business objectives; the expectations for the types of investments to be made, and the anticipated potential return on such investments; the expectations of the Net Asset Value per Fund Unit; and interest rates and the future interest rate environment. The Fund has based these forward-looking statements on factors and assumptions about future events and financial trends that it believes may affect its financial condition, results of operations, business strategy and financial needs, including that the Canadian and United States economies will remain stable over the next 12 months, that inflation will remain relatively low, that tax laws remain materially unchanged, that the Canadian capital markets will provide the Fund with access to equity and/or debt at reasonable rates when required. These statements involve known and unknown risks, uncertainties and other factors, many of which are beyond the Fund's control, which may cause the Fund's or the industry's actual results, performance, achievements, prospects, opportunities or events to differ materially from those anticipated in such forward-looking statements. The Manager believes that the expectations with respect to the Fund reflected in forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this Offering Memorandum and OM Marketing Materials should not be unduly relied on. These statements speak only as of the date of this Offering Memorandum or as of the date specified in such statements, as the case may be. The Fund does not undertake any obligation to update or revise publicly any such forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable law. Information contained in this Offering Memorandum and OM Marketing Materials constituting a financial outlook is presented for information purposes only to indicate management's expectation with respect to specific projects and readers are cautioned that the information may not be appropriate for other purposes. Investors are urged to read ITEM 9 – *Risk Factors* of this Offering Memorandum for a discussion of other factors that may impact the Fund.

## INTERPRETATION

As used in this Offering Memorandum, unless the context otherwise indicates or requires, the term "Fund" is referring to the Fund, as managed by the Manager, and in the context of the Fund's operations, is referring to the Fund's operations as carried out by the Manager on behalf of the Fund.

## ITEM 1 USE OF AVAILABLE FUNDS

### 1.1 Funds

The Units are being issued and sold on a continuous basis. The minimum offering is \$100,000USD. There is no maximum number of Units that may be issued.

The expenses of the Fund are estimated to be to 1.65%pa of the Net Asset Value of the Fund Units, set out as follows:

- Annual Fee - The Fund will pay to the Manager a fee equal to 0.35%pa of the Net Asset Value of the Fund Units, accrued daily and paid monthly in arrears, plus any applicable Federal or Provincial taxes.
- Operating Expenses - The Fund will pay for all expenses incurred in connection with its ongoing operation and administration estimated to be up to 0.3%pa of the Net Asset Value of the Fund Units.
- Trailer Fees - The Fund will pay a 1%pa service fee to registered dealers in respect of the Class A Fund Units.

There is no sales commission payable by a purchaser to the Fund or the Manager upon the purchase of Units from the Fund; however, purchasers of Units may pay a negotiated sales commission to their investment advisor if purchasing through a registered dealer. See ITEM 8 - *Compensation Paid To Dealers*.

See ITEM 2.3 - *Fees and Expenses*.

### 1.2 Use of Available Funds

The Fund will use the net proceeds of this Offering to purchase Class P Participating Shares in EFM Global Financial Services and Technology Master Fund (the “**Underlying Fund**”), which is managed by EFM Asset Management. See ITEM 2.2 - *The Fund’s Business* below.

### 1.3 Reallocation

The Fund intends to spend the net subscription proceeds received from the issuance of Fund Units in accordance with its investment objectives and strategies set out herein. It will reallocate available funds only for sound business reasons.

## ITEM 2 BUSINESS OF THE FUND

### 2.1 Structure

#### The Fund

The Fund is an open-ended unit trust formed by the Trust Agreement effective June 22, 2021. The Trustee acts as the trustee of the Trust and the Promoter acts as manager of the Trust in accordance with the terms of the Trust Agreement. See ITEM 2.6 – *Material Agreements*.

The Promoter has delegated to the Manager, the Promoter’s day to day management duties of the Fund (with the assistance of the Portfolio Advisor) under the Trust Agreement.

An investment in the Fund is represented by Fund Units. The Promoter has the sole discretion to determine whether the capital of the Fund is divided into one or more Classes, the attributes of each Class, and whether the Fund Units of any Class should be re-designated as Fund Units of a different Class. The number of Fund Units that may be issued by the Fund is unlimited. There are currently two classes of fund units (Class A Fund Units and Class F Fund Units) offered for sale by the Fund. The attributes and characteristics of the Fund Units are described in ITEM 5.1 – *Terms of Securities*. Additional Classes of Fund Units may be offered in the future without notice to, or approval of, existing Fund Unitholders and may have different attributes as determined by the Manager.

The Trustee holds the property of the Fund in trust for the Fund Unitholders in accordance with the terms of the Trust Agreement. Fund Unitholders do not have individual ownership of any property or asset of the Fund and the interest of a Fund Unitholder consists only of the right to receive payment from the Fund of the Fund Unitholder's interest in the Fund at the time, place, in the manner and subject to the conditions described herein and in the Trust Agreement.

The Fund may, in the discretion of the Manager (with the advice of the Promoter and the Portfolio Advisor), appoint individuals or firms to one or more committees of the Fund and retain consultants. Any fees payable to the advisory board or consultants shall be paid by the Fund.

The principal office of the Fund is:

3017 7th Street SW  
Calgary AB  
T2T 2X6

The fiscal year end of the Fund is December 31<sup>st</sup> in each year and the taxation year end is December 31<sup>st</sup> in each year.

Qwest Investment Fund Management Ltd. is the investment fund manager and portfolio manager for the Fund and Cameron Reid, Advising Representative (Portfolio Manager) with Qwest, manages the Fund's portfolio.

See ITEM 10 – *Conflicts of Interest*.

### **The Underlying Fund**

The Underlying Fund is an exempted company incorporated with limited liability in the Cayman Islands on June 25, 2018. It is registered as a mutual fund with the Cayman Islands Monetary Authority pursuant to section 4(3) of the Mutual Funds Act of the Cayman Islands. The Underlying Fund comprises assets which are acquired in accordance with the Underlying Fund's investment strategy. The Fund will be purchasing Class P Participating Shares of the Underlying Fund.

The Participating Shares shall have the following rights:

- (a) as to voting: the holder of a Participating Share shall not (in respect of such Participating Share) have the right to receive notice of, attend at or vote at any general meeting of the Underlying Fund, but may vote at a separate class meeting convened in accordance with the Articles; and
- (b) as to capital: a Participating Share shall confer upon the holder thereof the right in a winding up to participate in the surplus assets of the Underlying Fund by reference to the separate account attributable to the relevant class or series of Participating Shares as provided in the Articles; and
- (c) as to income: the Participating Shares shall confer on the holders thereof the right to receive dividends as provided in the Articles.

The Net Asset Value per Participating Share of each class and/or series shall be determined by or on behalf of the Board of Directors as at the relevant valuation point on each relevant valuation date.

In calculating the Net Asset Value per Participating Share, the Board of Directors shall apply such generally accepted accounting principles as they may determine. The assets and liabilities of the Underlying Fund shall be valued in accordance with such policies as the Board of Directors may determine. Absent bad faith or manifest error, any valuation made pursuant to the Articles shall be binding on all persons.

Unless otherwise determined by the Board of Directors in any resolution creating a class and/or Series of Participating Shares, the Net Asset Value per Participating Share of each class (or series) shall be determined by allocating *pro rata* the Net Asset Value, as at the relevant valuation point, of the Underlying Fund and/or of the relevant separate account among each class and/or series, adjusting the amount so calculated to reflect any fees, costs, foreign exchange items

or other assets or liabilities which are properly attributable to a specific class and/or series and then by dividing the resultant amount by the number of Participating Shares of such class and/or series then in issue.

The Board of Directors may determine that the Net Asset Value per Participating Share shall be definitively determined on the basis of estimates and that such determination shall not be modified to reflect final valuations. Any expense or liability may be amortized over such period as the Board of Directors may determine. The Board of Directors may establish such reserves as they deem reasonably necessary for the Underlying Fund expenses and any other contingent assets or liabilities, and may, upon the reversal or release of such reserves, apply any monies resulting therefrom in such manner as they may, in their absolute discretion, determine.

Net Asset Value per Participating Share shall be rounded to the nearest cent or such other amount as the Board of Directors may determine and the benefit of any such roundings may be retained by the Underlying Fund.

The Board of Directors may cause the Underlying Fund to issue new Participating Shares at par or to compulsorily redeem at par such number of Participating Shares as they consider necessary to address, in such manner as they consider equitable, any prior miscalculation of Net Asset Value per Participating Share. The Underlying Fund shall not be required to pay to the holder the redemption proceeds of any such compulsorily redeemed Participating Shares, which proceeds shall be retained by the Underlying Fund.

Subject to the Articles and all applicable law, the Board of Directors of the Underlying Fund may allot, issue, grant options or warrants over, or otherwise dispose of Participating Shares in separate classes and/or series with different terms, preferences, privileges or special rights including, without limitation, with respect to investment strategy and/or policy, participation in assets, profits and losses of the Underlying Fund, voting, fees charged (including management, performance and incentive fees), redemption privileges (including as regards the period and form of notice required to be given (if any)), allocation of costs and expenses (including, without limitation, the costs and expenses incurred in any hedging activities and any profits and losses arising therefrom) as they think proper.

The base currency of the Underlying Fund is US dollars; and its financial year end is December 31st. It is audited by PricewaterhouseCoopers. Northern Trust Global Fund Services Cayman Limited is the administrator of the Underlying Fund.

#### **The Investment Manager - EFM Asset Management**

EFM Asset Management (the "**Investment Manager**"), an exempted company incorporated with limited liability in the Cayman Islands, has been appointed as the Investment Manager of the Underlying Fund. Subject to the overall control of the board of the Underlying Fund, the Investment Manager has the responsibility for the operation and investment management of the Underlying Fund.

The Investment Manager is registered as a "Registered Person" under the Securities Investment Business Act (as revised) of the Cayman Islands and is, therefore, regulated by the Cayman Islands Monetary Authority. The Investment Manager is not registered as an investment adviser pursuant to the U.S. Investment Advisers Act of 1940, as amended. Therefore, the protections of such registration will not be provided to the Underlying Fund's investors.

#### **The Investment Advisor - EFM Asset Management Limited**

The Investment Manager has delegated the day-to-day investment authority to EFM Asset Management Limited ("**Investment Advisor**"), a limited company incorporated in Hong Kong and licensed by the SFC to conduct Type 9 (asset management) regulated activities, that will provide investment advisory, investment management and other services to the Investment Manager with respect to the Underlying Fund. Under the terms of its licence, the Investment Advisor must only provide services to professional investors (as defined under the Hong Kong Securities and Futures Ordinance) and may not hold client assets.



The Investment Advisor is not registered as an investment adviser pursuant to the U.S. Investment Advisers Act of 1940, as amended. Therefore, the protections of such registration will not be provided to the Underlying Fund's investors.

## **2.2 The Underlying Fund's Business**

### ***Investment Objective***

The Fund will use the net proceeds of the Offering to purchase Class P Participating Shares in EFM Global Financial Services and Technology Master Fund (the "**Underlying Fund**"), which is managed by EFM Asset Management. The Underlying Fund's objective is to deliver capital appreciation for unitholders over the investment cycle through investment in a global portfolio and to seek investment opportunities that generate strong absolute returns over a long-term horizon. The Underlying Fund may also invest in cash and cash equivalent instruments.

### ***Significant Features***

The Underlying Fund will be focused on the global Financial Services and Technology industry sectors, with the aim of achieving absolute returns for investors. The Investment Manager seeks to invest in securities that in its view have strong secular growth characteristics. The portfolio typically comprises 30-50 securities. The Underlying Fund may also invest in derivatives, cash and cash equivalents.

### ***Investor Suitability***

The Underlying Fund is aimed at long-term investors seeking capital growth from unhedged investments in global equity markets.

### ***Investment Style and Approach***

The Underlying Fund gains its exposure by investing in global securities, derivatives, cash and cash equivalent instruments.

The investment strategy of the Underlying Fund is based on a fundamental bottom-up research approach, combined with rigorous fundamental qualitative and quantitative analysis to achieve the Underlying Fund's investment objective. The Underlying Fund expects to invest a significant part of its assets in the global markets with a focus towards Financial Services and Technology sectors.

The Investment Manager reserves the right to change its investment strategy from time to time. Any changes to the investment strategy will be notified to investors in accordance with the applicable corporate laws.

### ***Permitted Investments***

The Underlying Fund may invest in global listed securities (including but not limited to, ordinary shares, preference shares, securities convertible into shares, exchange traded funds and other funds). It may also invest in derivatives predominantly for hedging purposes.

The Underlying Fund will not invest in physical commodities or real estate. Further, the Underlying Fund will not take any legal or management control of companies.

### ***Risk Management***

The Underlying Fund will predominantly invest in large capitalization, liquid securities in position sizes that can be easily divested; and will seek to maintain an appropriate level of both geographical and industry diversification.

Market risk reduction strategies may be deployed in times of elevated volatility and to mitigate event risk. Portfolio correlations against relevant benchmarks will be regularly monitored in an effort to monitor risk.

All investments carry risks. The risks of the Underlying Fund are the inherent risks associated with a global strategy. The success of the Investment Manager's investment strategy is subject to a number of factors and subject to a number of key risks and assumptions. These risks factors, assumptions and the Underlying Fund's risk management measures are summarized in Schedule A - EFM Global Financial Services and Technology Master Fund Related Risk Factors and Conflicts of Interest.

### ***Asset Allocation***

Typical asset allocations of the Underlying Fund, as a percentage of net asset value, are:

- Global Equities: 70 to 100%
- Cash: 0 to 20%
- Derivatives: -10 to 10% (Note: the Underlying Fund may use derivatives predominately for hedging purposes.)

The above allocations are indicative only and do not represent limits or guarantees.

## **2.3 Fees and Expenses**

### Annual Fee

The Fund will pay to the Manager an Annual Fee equal to 0.35%pa of the Net Asset Value of the Fund, accrued daily and paid monthly in arrears, plus any applicable Federal or Provincial taxes.

### Management Fee – Payable by the Underlying Fund

A Management Fee will accrue monthly and will be payable by the Underlying Fund on to the Investment Manager monthly in arrears determined on the basis of the Net Asset Value of the Participating Shares as of the valuation date of the relevant month.

The relevant Net Asset Value of the Participating Shares for the purpose of calculating the Management Fee is net of all the Underlying Fund costs and expenses accrued during the month (other than the Management Fee and the Performance Fee (described below) accrued since the last calculation date.

The Management Fee in relation to Class P Participating Shares will be equal to 1/12 of 1.15% per month (i.e. 1.15% per annum). The Management Fee will become payable on the first Business Day of the month following the calendar month to which it relates, or such later time as specified by the Investment Manager, after confirmation of the Net Asset Value of the Participating Shares of relevant month by the Administrator.

The Management Fee payment will be processed and paid by the Administrator on a monthly basis out of the assets of or attributable to the Underlying Fund as soon as practicable after it becomes payable. The Investment Manager may also be entitled to a Management Fee in respect of other additional classes of Participating Shares.

The Investment Manager may reduce, waive, rebate or calculate differently the management fee with respect to one or more shareholders at its absolute discretion. A portion of the management fee received by the Investment Manager may be paid to a particular shareholder in consideration of its investment in the Underlying Fund (as separately agreed by the Investment Manager).

In case the service of the Investment Manager is terminated prior to the end of a calendar month, the Management Fee as provided above, shall be calculated and shall be payable on a pro rata basis for the period of such calendar month for which such services were performed.

#### Performance Fee – Payable by the Underlying Fund

An annual Performance Fee will be paid by the Underlying Fund to the Investment Manager calculated as of the calculation date. The Performance Fee will be calculated separately for each class or sub-class of Participating Shares, and will be paid in the form of cash by the Underlying Fund to the Investment Manager.

The Performance Fee equals 15% (for Class P Participating Shares) of the positive difference in the amount of the Net Asset Value per Participating Share of a particular class as of the relevant calculation date over the Prior High Watermark of such class, multiplied by the number of relevant Participating Shares as of such calculation date. The Prior High Watermark is the higher of (i) the issue price per Participating Share of the relevant class at the initial issue date, and (ii) the Net Asset Value per Participating Share as at the last calculation date (before payment of performance fee) at which the last performance fee was payable in respect of such class.

For the avoidance of doubt, no Performance Fee is payable if the Net Asset Value per Participating Share of a particular class as of the relevant calculation date is below the issue price per Participating Share of the relevant class at the initial issue date. The Net Asset Value for the purpose of calculating the Performance Fee for a financial year (or up to the relevant redemption day in case of a redemption during the financial year) is determined net of all the Underlying Fund costs and expenses accrued during the relevant period (including the Management Fee) but before calculating the Performance Fee for the relevant period.

In the event that a shareholder redeems all or a portion of its Participating Shares of a class that is subject to payment of a Performance Fee other than at the end of the financial year, net realized and unrealized appreciation or depreciation, as the case may be, attributable to such Participating Shares shall be determined through the date of redemption and the Performance Fee, if any, on the Participating Shares which were redeemed will be calculated as of that date and made to the Investment Manager.

If the Investment Management Agreement is terminated at any time other than at the end of a financial year of the Underlying Fund, the Investment Manager will receive any Performance Fee that has accrued (including adjustment with respect to Performance Fee Redemption) in respect of the Participating Shares at the time of termination. The Investment Manager may also receive a Performance Fee in respect of other additional classes of Participating Shares.

The Investment Manager may reduce, waive, calculate differently or rebate the Performance Fee calculated with respect to one or more shareholders at its absolute discretion. A portion of the Performance Fee received by the Investment Manager may be paid to a particular shareholder in consideration of its investment in the Underlying Fund (as separately agreed by the Investment Manager).

In order to minimize the number of series or sub-series of a class and have as many investors as possible using the same Net Asset Value per Participating Share, each new series or sub-series of Participating Shares may be re-designated and converted (after any Performance Fee being paid to the extent applicable as of the end of a financial year) into any other series or sub-series within such designation ("**Rollup Series**"). Such conversion will be effected at the prevailing Net Asset Value per Participating Share of the corresponding shares representing the relevant Rollup Series after the Performance Fee has been paid.

#### Portfolio Advisor Fee

The Manager, and not the Fund, will compensate the Portfolio Advisor pursuant to the Industry Advisor and Service Provider Agreement dated January 14, 2020 out of the Annual Fee. Such fee will be composed of a research and consultation fee. This fee will include reimbursements by the Manager for all reasonable costs and expenses incurred in providing services in respect of the Fund.

#### ***Operating Expenses***

Except as otherwise set forth herein, both the Fund and the Underlying Fund will pay for all of their own respective Operating Expenses.

## 2.4 Short and Long Term Objectives

The short and long term objectives of the Fund are to invest all or substantially all of the Fund's assets according to the Fund's investment objective and investment strategy. See ITEM 2.2 – *The Fund's Business*.

## 2.5 Insufficient Funds

The funds raised by the Fund pursuant to the Offering may not be sufficient to accomplish all of the Fund's proposed objectives and there is no assurance that alternative financings will be available.

## 2.6 Material Agreements

### ***Summary of the Trust Agreement***

The following is a summary of certain provisions of the Trust Agreement not otherwise summarized in this Offering Memorandum and is not necessarily complete. The description of the provisions of the Trust Agreement contained in this Offering Memorandum is subject to and qualified in its entirety by the Trust Agreement. Investors should review the Trust Agreement for complete details of its terms. Investors may request a copy of the Trust Agreement by contacting the Manager at the address, phone number or email address set out herein.

As indicated above, the Promoter's day to day management obligations under the Trust Agreement in relation to funds established by the Promoter, including the Fund, have been delegated to the Manager (with the assistance of the Portfolio Advisor). Qwest may resign, or be terminated by the Promoter, as manager of the Fund, but only on the condition that a duly licensed and qualified successor is appointed by the Promoter to be manager of the Fund subject to the terms and conditions set forth in this Offering Memorandum.

### **The manager of the Fund**

As manager of the Fund, Proof has been delegated the exclusive power and sole responsibility under the terms of the Trust Agreement to manage the business and affairs of the Fund, including managing and directing the investment of the property of the Fund, arranging and providing for the marketing and distribution of Fund Units in accordance with all applicable laws and determining the investment objectives, strategies, policies and restrictions applicable to the Fund. Proof has discretion under the Trust Agreement to delegate certain of its duties to third parties or retain service providers from time to time to provide to the Fund administrative, fund valuation, accounting, financial reporting and unitholder recordkeeping services. Proof has delegated its powers and responsibilities under the Trust Agreement to the Manager. References to "Proof" in this section include Proof and, where applicable, any delegate of Proof including the Manager.

Proof must exercise the powers and discharge the duties of its office honestly, in good faith and in the best interests of the Fund and in connection therewith must exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

Proof, its affiliates, subsidiaries and agents, and their respective directors, officers and employees and any other person (each a "**Manager Indemnified Party**") shall be indemnified by the Fund from and against all legal fees, judgments and amounts paid in settlement, actually and reasonably incurred by it in connection with its services provided under the Trust Agreement, provided that the Fund has reasonable grounds to believe that the action or inaction that caused the payment of the fees, judgments and amounts paid in settlement was in the best interest of the Fund and provided that such Manager Indemnified Party shall not be indemnified by that Fund where the Manager Indemnified Party has breached their standard of care under the Trust Agreement, or a claim is made as a result of a Misrepresentation contained in any current offering documents of the Fund distributed or filed in connection with the issue of Fund Units and officers or partners of Proof or both have granted a contractual right of action under such offering document.

In order for the Fund, acting through the Trustee, to satisfy itself as to whether indemnification is in the best interest of the Fund, the Fund, acting through the Trustee, may obtain a satisfactory legal opinion that the Fund has reasonable grounds to believe that the indemnification is in the best interest of the Fund. Instead of or in addition to the obtainment of such a legal opinion, the Trustee may, in its sole discretion and at the expense of the Fund, call a meeting of the Fund Unitholders pursuant to the Trust Agreement to direct the Trustee as to any such indemnification payments out of the Fund.

Proof has the right to resign as manager by giving notice in writing to the Trustee and the Fund Unitholders not less than 90 days prior to the effective date of resignation. In the case of its resignation, Proof shall appoint a successor manager of the Fund, and, unless the successor manager is an affiliate of Proof, such appointment must be approved by a majority of the Fund Unitholders. If a successor manager is not appointed or if the Fund Unitholders do not provide the required approval prior to the effective date of Proof's resignation, the Trust Agreement shall be terminated upon the effective date of resignation of Proof as manager and the property of the Fund shall be distributed in accordance with the Trust Agreement.

If Proof is, in the opinion of the Trustee, in material default of its obligations under the Trust Agreement and such default continues for a period of 120 days from the date Proof receives notice from the Trustee of such default, then the Trust Agreement shall be terminated and the property of the Fund shall be distributed according to the terms of the Trust Agreement.

If Proof has been declared bankrupt or insolvent or has entered into liquidation or winding up, whether compulsory or voluntary (and not merely a voluntary liquidation for the purposes of amalgamation or reconstruction), Proof makes a general assignment for the benefit of creditors or otherwise acknowledges its insolvency, or the assets of Proof have become subject to seizure or confiscation by any public or governmental authority, then the Trust Agreement shall be terminated and the assets of the Fund shall be distributed according to the terms of the Trust Agreement.

As stated above Proof, manager of the Fund pursuant to the Trust Agreement, has delegated its management functions (as discussed herein) to the Manager and Mr. Cameron Reid, MBA, CFA, Advising Representative (Portfolio Manager) of the Manager will manage the Fund's portfolio.

The head office and principal business address of the Manager is Bentall Four, Box 49256, Suite 732, 1055 Dunsmuir Street, Vancouver, BC V7X 1L2.

#### The Portfolio Advisor

The Portfolio Advisor, a corporation incorporated under the laws of the Province of Alberta, will act as an industry advisor and service provider to the Manager and will receive fees from the Manager therefor. The Portfolio Advisor will provide the Manager with ongoing analysis of both private investment opportunities as well as general private and public market trends and conditions. The Portfolio Advisor's principal office is located at 3017 7th Street SW, Calgary AB, T2T 2X6.

#### The Trustee

The Trustee has been appointed the trustee and custodian of the Fund in accordance with the terms of the Trust Agreement. The Trustee holds the assets of the Fund in trust for the benefit of the Fund Unitholders. The Trustee does not have responsibility for providing any valuation or recordkeeping services to the Fund or for making any investment decisions in respect of the property of the Fund. The Trustee may however dispose of any property of the Fund on such terms as Proof may direct or the Trustee may determine in order to pay any obligations imposed on the Fund.

For its services to the Fund, the Trustee will receive an annual fee payable by the Fund as well as reimbursement for reasonable out-of-pocket expenses incurred by the Trustee in the performance of its duties to the Fund.

In performing its obligations and duties as trustee, the Trustee must act honestly, in good faith and in the best interests of the Fund and in connection therewith must exercise the degree of care, diligence and skill that a reasonably prudent

Canadian trust company would exercise in comparable circumstances. Except to the extent that the Trustee has not complied with the standard of care required under the Trust Agreement, the Trustee shall not be liable for any act or omission in the course of, or connected to, rendering services under the Trust Agreement. The Trustee will not be liable for any losses to, or diminution of, the property of the Fund, except to the extent that such loss or diminution is directly caused by the Trustee's breach of its standard of care under the Trust Agreement.

The Promoter and the Fund shall jointly and severally indemnify and save harmless the Trustee, its affiliates, subsidiaries and agents, and their respective directors, officers, and employees from and against all costs, expenses (including reasonable costs of litigation and reasonable legal fees and expenses), damages, claims, actions, demands and liabilities to which any such indemnified party may become subject as a result of any act or omission in connection with the Trust Agreement or to which any such indemnified party sustains or incurs in relation to the affairs of the Fund, except to the extent such costs, expenses, damages, claims, actions, demands or liabilities are incurred as a result of a breach of the standard of care under the Trust Agreement.

The Trustee may resign as trustee of the Fund upon giving 90 days prior written notice to Proof and the Fund Unitholders. If Proof fails to appoint a successor to the Trustee, the Fund will be terminated in accordance with the terms of the Trust Agreement. Proof may remove the Trustee at any time upon giving 90 days prior notice to the Trustee and the Fund Unitholders, provided that a successor Trustee is appointed or the Fund is terminated in accordance with the Trust Agreement.

In carrying out its duties and obligations as Custodian, the Trustee shall exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in the circumstances, or at least the same degree of care as the Custodian exercises with respect to its own property of a similar kind in the relevant market, whichever is a higher degree of care.

The Trustee's principal place of business is at 155 Wellington Street West, 2nd Floor P.O. Box 7500, Station "A", Toronto, ON M5V 3L3.

#### Status of Fund Unitholders

No Fund Unitholder shall have or be deemed to have individual ownership of any property or asset of the Fund and the interest of a Fund Unitholder shall consist only of the right to receive payment from the Fund of that Fund Unitholder's interest in the Fund at the time, place, in the manner and subject to the conditions set out in the Trust Agreement.

No Fund Units may be assigned, encumbered, pledged, hypothecated or otherwise transferred except with the prior written consent of Proof, which may be withheld in Proof's sole and absolute discretion.

#### Liability of Fund Unitholders

The Trust Agreement provides that, unless otherwise provided by applicable law or the Offering Document, no Unitholder shall be held to have any personal liability as such and no resort shall be had to the Unitholder's private property for satisfaction of any obligation or claim arising out of or in connection with any contract or obligation of the Fund, Proof or the Trustee or any obligation which a Unitholder would otherwise have to indemnify the Trustee for any personal liability incurred by the Trustee as such, but rather, only the Fund's assets are intended to be liable and subject to levy or execution for such satisfaction.

The Trust Agreement further states that if the Fund acquires any investments subject to existing contractual obligations, Proof shall endeavor to have any obligations modified so as to achieve disavowal of the contractual liability of the Unitholders. Proof shall further cause the operations of the Fund to be conducted, with the advice of counsel, in such a way and in such jurisdictions as to avoid as far as possible, any material risk of liability on the Unitholders of reclaims against the Fund and shall, to the extent it determines to be possible and reasonable, including the cost of premiums, cause the Fund to carry insurance for the benefit of the Unitholders and annuitants in such amounts as it considers adequate to cover any such foreseeable non-contractual or non-excluded contractual liability.

### Limitation on Non-Resident Ownership and Redemption at the Demand of the Manager

At no time may Non-Residents be the beneficial owners of a majority of the Fund Units (on a number of Fund Units or on a fair market value basis), and the Manager shall inform the registrar and transfer agent of the Fund of this restriction. The Manager may require declarations as to the jurisdictions in which a beneficial owner of Fund Units is resident and, if a partnership, its status as a Canadian partnership. If the Manager becomes aware, as a result of requiring such declarations as to beneficial ownership or otherwise, that the beneficial owners of 40% of the Fund Units then outstanding (on a number of Fund Units or on a fair market value basis) are, or may be, Non-Residents, or that such a situation is imminent, the Manager may make a public announcement thereof. If the Manager determines that more than 40% of the Fund Units (on a number of Fund Units or on a fair market value basis) are beneficially held by Non-Residents, or that such a situation is imminent, the Manager may send a notice to such Non-Resident Fund Unitholders, chosen in inverse order to the order of acquisition or in such manner as the Manager may consider equitable and practicable, requiring them to dispose of their Fund Units or a portion thereof within a specified period of not less than 30 days. If the Fund Unitholders receiving such notice have not disposed of the specified number of Fund Units or provided the Manager with satisfactory evidence that they are not Non-Residents within such period, the Manager may, on behalf of such Fund Unitholders, redeem such Fund Units at the original subscription amount for the Fund Units and, in the interim, shall suspend the voting and distribution rights attached to such Fund Units. Upon such redemption, the affected holders shall cease to be beneficial holders of Fund Units and their rights shall be limited to receiving the net proceeds of redemption of such Fund Units.

### Amendments

Proof is entitled to make certain amendments to the Trust Agreement (with the approval of the Trustee and upon providing notice to the Unitholders) as long as such amendment in the opinion of counsel for either the Trustee or Proof: (i) does not constitute a material change and does not relate to certain specific matters (that are listed in the Trust Agreement); (ii) removes any conflicts or other inconsistencies which may exist between any terms of the Trust Agreement and any provisions of any law or regulation applicable to or affecting the Fund; (iii) makes any change or correction in the Trust Agreement that is of a typographical nature or is required to cure or correct any ambiguity or defective or inconsistent provision, clerical omission, mistake or manifest error contained in the Trust Agreement; or (iv) brings the Trust Agreement into conformity with securities legislation or other applicable laws.

There are specific provisions set out in the Trust Agreement that can only be amended with the consent of the Unitholders including the following: (i) the basis of the calculation of a fee or expense charged to the Fund where the proposed change could result in an increase in charges to the Fund; (ii) if Proof is replaced as manager (except if the new manager is an affiliate of Proof); (iii) changes to the investment objectives of the Fund; (iv) decreases to the frequency of the calculation of the Net Asset Value of the Fund; or (v) if certain reorganizations are proposed to be undertaken by the Fund.

The Trust Agreement further states that the consent of the Trustee is required for any amendment that restricts any protection provided to the Trustee or impacts the responsibilities of the Trustee under the Trust Agreement.

### Termination

The Fund has no fixed term. The Promoter may, in its discretion, terminate the Fund by giving notice to the Trustee and to the Fund Unitholders and fixing the date of termination not earlier than 90 days following the mailing or other delivery of notice to the Fund Unitholders. The Fund will also be terminated and dissolved in the event that Proof resigns as manager and/or the Trustee resigns as trustee, or if either Proof or the Trustee are removed or becomes incapable of acting and no successor manager and/or trustee, as applicable, is appointed in accordance with the Trust Agreement.

No Fund Units may be redeemed at the option of a Fund Unitholder from the date that the notice of termination is delivered and any right of Fund Unitholders to require payment for all or any of their Fund Units will be suspended. Each Fund Unitholder registered as such at the close of business on the date fixed as the termination date of the Fund

shall be entitled to receive from the Fund such Fund Unitholder's proportionate share of the property of the Fund attributable to the applicable Class and available at that time for the purpose of such distribution.

### ***Summary of the Amending Trust Agreement***

#### Resignation of Manager

By the Amending Trust Agreement, and subject as provided below, Proof shall resign as the manager of the Fund at the election of the Investment Manager. The Investment Manager has agreed with Proof that the Investment Manager shall provide notice of its election of the resignation of Proof as manager and that such notice shall specify the effective date of such resignation and shall be provided not less than ninety (90) days prior to such effective date, and this notice shall be provided to Proof, the Trustee, and the Unitholders of the Fund. Should Proof resign as manager at its own election, it also agrees to provide not less than ninety (90) days prior notice to the Investment Manager, the Trustee, and the Unitholders of the Fund.

#### Appointment of Successor

In the event that the Investment Manager elects to request the resignation of Proof as manager, or if Proof should resign at its own election, subject as provided below, Proof shall appoint the Investment Manager's registered designate as the successor manager of the Fund (the "**Successor Manager**"). Forthwith following such appointment of the Successor Manager, Proof shall execute and deliver all such documents as the Successor Manager may reasonably require for the conveyance of the Fund.

The appointment of the Investment Manager's designate as Successor Manager pursuant to the Amending Trust Agreement is subject to and contingent upon the Investment Manager's designate successfully meeting the Trustee's "*know your client*", "*anti-money laundering*" and counterparty risk review requirements (including but not limited to credit risk review), and new business protocols (collectively, the "**Counterparty Risk Review Requirements**"), which shall be unilaterally determined by the Trustee in its sole discretion. Therefore the Investment Manager's designate will not automatically become the successor manager of the Fund but must first meet the Counterparty Risk Review Requirements.

If the Investment Manager's designate successfully meets the Counterparty Risk Review Requirements, then the Fund shall be continued under a separate trust agreement between the Successor Manager and RBC Investor Services Trust, and for greater certainty the separate trust agreement shall be identical in all material respects to the Trust Agreement, subject to incorporating any mandatory updates added to the Trustee's template of the Trust Agreement in the ordinary course and as otherwise reasonably required by the Trustee, including but not limited to language permitting execution and delivery of the Trust Agreement by electronic means (the "**Separate Trust Agreement**").

If the Investment Manager's designate is unable to meet the Counterparty Risk Review Requirements, or if it has met the Counterparty Risk Review Requirements but is either unable or unwilling to enter into the Separate Trust Agreement, then, in the case where the Investment Manager has exercised its election referred to above, Proof shall continue on as manager of the Fund pursuant to the Trust Agreement, or, in the case where Proof as manager has resigned at its own election, either a substitute successor manager shall be appointed or the Fund shall be terminated and dissolved, each in accordance with the terms of the Trust Agreement and as the circumstances may require.

#### Non-Application of Certain Terms of the Trust Agreement

On the basis that the Amending Trust Agreement shall be added as a schedule to the Trust Agreement in advance of the launch of the Fund, and that therefore prospective unitholders of the Fund shall have advance disclosure of the Amending Trust Agreement prior to purchasing units of the Fund, and also on the basis that the operation of the Amending Trust Agreement would have no direct impact on existing unitholders of any other fund under the Trust Agreement, Proof has determined, with the advice of legal counsel, that:



- (a) the requirement set out in the Trust Agreement that the appointment of a successor manager where that entity is not an affiliate of Proof must be approved by a majority of the Unitholders) shall not apply to the appointment of the Investment Manager's designate as Successor Manager pursuant to the Amending Trust Agreement; and
- (b) a change of Proof as manager of the Fund pursuant to the Amending Trust Agreement shall operate notwithstanding any term of the Trust Agreement that would otherwise require Unitholder approval, and for greater certainty any such Unitholder approval shall not be required in such circumstances.

On the basis that the Amending Trust Agreement has no direct impact on existing Unitholders, Proof has determined, with the advice of legal counsel, that the amendment of this Trust Agreement in order to add the Amending Trust Agreement as a schedule thereto does not trigger the Unitholder consent requirement under the Trust Agreement, it does not constitute a material change in the Trust Agreement and does not relate to any of the matters specified in the Trust Agreement.

#### Indemnification of Trustee

Proof as manager and the Fund shall jointly and severally indemnify and save harmless the Trustee, its affiliates, subsidiaries and agents, and their respective directors, officers, and employees (collectively the "**Indemnified Parties**" and each an "**Indemnified Party**") from and against all costs, expenses (including reasonable costs of litigation and reasonable legal fees and expenses), damages, claims, actions, demands and liabilities (collectively, "**Losses**") to which any one or more of the Indemnified Parties may become subject, or which may arise, as a result of the operation of the terms of the Amending Trust Agreement, except to the extent that any such Losses are incurred as a direct result of a breach of the standard of care by any one or more of the Indemnified Parties.

For greater certainty, the commencement of formal legal proceedings shall not be a precondition for indemnification. Further, none of the provisions of the Amending Trust Agreement or the Trust Agreement shall require the Trustee to expend or risk its own funds, appear in, prosecute or defend proceedings, or otherwise incur financial liability in the performance of any of its duties or in the exercise of any of its rights or powers hereunder, unless the Trustee is first indemnified to its satisfaction.

#### Indemnification of Proof as manager

Proof, its affiliates, subsidiaries and agents, and their respective directors, officers and employees and any other person (each a "**Manager Indemnified Party**") shall be indemnified by the Investment Manager's designate and the Fund from and against all legal fees, judgments, and amounts paid in settlement, actually and reasonably incurred by the Manager Indemnified Party in connection with its services, provided that there are reasonable grounds to believe that the action or inaction that caused the payment of the legal fees, judgments, and amounts paid in settlement was in the best interest of the Fund.

Notwithstanding the above, unless the Manager Indemnified Party has achieved complete or substantial success as a defendant, the Manager Indemnified Party shall NOT be indemnified by the Investment Manager's designate and the Fund when:

- (a) the Manager Indemnified Party has breached the standard of care as set out in the Trust Agreement;
- (b) the claim was made as a result of a misrepresentation contained in a prospectus, offering memorandum, or like documents of the Fund which was distributed or filed in connection with the issue of units of for the fund, and officers or partners of Proof or both had granted a contractual right of action forming part of the prospectus, offering memorandum, or like document.

### Obligations and Expenses of Successor Manager

Prior to RBC Investor Services Trust being required to take on the role of trustee of the Separate Trust Agreement, the Investment Manager's designate shall enter into a written agreement with RBC Investor Services Trust legally binding Investment Manager's designate to the obligation of assuming all lawful outstanding and future obligations and expenses of the Fund, including but not limited to the following:

- (a) brokerage fees and other fees and disbursements directly relating to the implementation of transactions for the portfolio of the Fund;
- (b) any taxes payable by the Fund or to which the fund may be subject;
- (c) interest expenses, if any;
- (d) any performance measurement fees payable by the Fund;
- (e) any fees associated with services provided to the Fund by the Investment Fund Manager;
- (f) custody and safekeeping charges relating to the Fund's activities, including but not limited to all obligations;
- (g) expenses relating to providing information to the Fund's unitholders including annual and interim financial reports;
- (h) audit and legal fees of the Fund and of the Fund's trustee;
- (i) fees for preparing qualifying disclosure documents (other than the initial offering document) and forwarding these documents to unitholders in compliance with applicable law;
- (j) outstanding expenses of conducting unitholder meetings;
- (k) outstanding expenses for bookkeeping, the Fund's accounting, registry and transfer agent services;
- (l) expenses incurred upon the transfer of the Fund; and
- (m) legal, accounting and audit fees and fees and expenses of the trustee, custodian or any subcustodian which are incurred in respect of matters not in the normal course of the Fund's activities.

For greater certainty, such written agreement may form part of the Separate Trust Agreement.

## **ITEM 3 INTERESTS OF DIRECTORS, MANAGEMENT, PROMOTERS AND PRINCIPAL HOLDERS**

### **3.1 Compensation and Securities Held**

The following table provides specified information about each director, officer and Promoter of the Fund and each Person who directly or indirectly beneficially owns or controls 10% or more of any Class of voting securities of the Fund (a "Principal Holder")<sup>(1)</sup>:

<b>Name and Municipality of Principal Residence</b>	<b>Position Held and the Date of Obtaining that Position</b>	<b>Compensation Anticipated to be Paid by the Fund in Current Financial Year</b>	<b>Number, Type and Percentage of Securities Held After the Completion of the Maximum Offering</b>
Jeremy Kaliel <sup>(2)</sup> Calgary, AB	President & Chief Executive Officer of the Promoter since 2016 (inception)	Nil	Nil

Cameron Reid <sup>(3)</sup> Calgary, AB	Chief Investment Officer of the Promoter since September, 2019	Nil	Nil
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**Notes:**

- (1) No Person directly or indirectly own or controls 10% or more of any Class of voting securities of the Fund.
- (2) Mr. Kaliel is an Associate Advising Representative (Associate Portfolio Manager) and Dealing Representative with the Manager. The Fund will pay certain management fees to the Manager. SEE ITEM 2.3 – *Fees and Expenses*.
- (3) Mr. Reid is an Advising Representative (Portfolio Manager) with the Manager. The Fund will pay certain management fees to the Manager. SEE ITEM 2.3 – *Fees and Expenses*.

**3.2 Management Experience**

The following table sets out certain information with respect to the relevant experience and principal occupations of the executive officers of the Promoter of the Fund:

Name	Principal Occupations and Related Experience
Jeremy Kaliel, President and Chief Executive Officer of Proof and Associate Advising Representative (Associate Portfolio Manager) and Dealing Representative of the Manager	Jeremy Kaliel is the President & Chief Executive Officer of Proof Capital Inc., which he founded in early 2016. He is also an Associate Advising Representative (Associate Portfolio Manager) and a Dealing Representative with Qwest Investment Fund Management Ltd. under the supervision of Cameron Reid (Advising Representative (Portfolio Manager)). From July 2017 to September 2018, Mr. Kaliel was the Vice President of Corporate Strategy & Communications for Frontera Energy (FEC-TSX), a publicly listed \$2Bln market cap oil company operating in Colombia and Peru. Prior thereto, Mr. Kaliel had over 12 years of experience in equity research at CIBC, Scotia Capital, and Raymond James - during which time he was ranked the #1 sell-side analyst in his sector multiple times.
Cameron Reid, Chief Investment Officer of Proof and Advising Representative (Portfolio Manager) of the Manager	Cameron Reid is the Chief Investment Officer of Proof Capital Inc., which he joined in September 2019. He is also an Advising Representative (Portfolio Manager) with Qwest Investment Fund Management Ltd. and manages each of Proof's funds. Most recently, Cameron Reid was the Portfolio Manager & Chief Investment Officer for WealthCo Asset Management, where he helped his firm grow AUM to close to \$500MM. Prior to joining WealthCo, Mr. Reid was a Portfolio Manager at BCV Asset Management Inc., and an Associate Portfolio Manager at Brownstone Asset Management. His early career included an Investment Banking Analyst role with Banc of America Securities LLC.

**3.3 Penalties, Sanctions and Bankruptcy**Cease Trade Orders

To the Fund's knowledge, no director, executive officer or control person of the Fund is, as at the date of this Offering Memorandum, or was within 10 years before the date hereof, a director, executive officer or control person of any entity, including the Fund, that:

- (a) was subject to an order that was issued while the director or executive officer was acting in the capacity of a director or executive officer, or was a control person, thereof; or
- (b) was subject to an order that was issued after the director, executive officer or control person ceased to be a director, executive officer or control person thereof and which resulted from an event that occurred while that person was acting in such capacity.

For the purposes of the above, "order" means a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days.

### Bankruptcies

To the Fund's knowledge, no director, executive officer or control person of the Fund:

- (a) is, as at the date of this Offering Memorandum, or has been within the 10 years before the date hereof, a director or executive officer of any entity, including the Fund, that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or
- (b) has, within the 10 years before the date of this Offering Memorandum, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or became subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

### Penalties or Sanctions

To the Fund's knowledge, no director, executive officer or control person of the Fund has been subject to:

- (a) any penalties or sanctions imposed by a court relating to provincial and territorial securities legislation or by a provincial and territorial securities regulatory authority or has entered into a settlement with a provincial and territorial securities regulatory authority; or
- (b) any other penalties or sanctions imposed by a court or regulatory body that would be likely to be considered important to a reasonable investor in making an investment decision.

## **3.4 Loans**

As at the date of this Offering Memorandum, the Fund does not have any debentures or loans due to or from the Trustee, its principal security holders, the Promoter, the Portfolio Advisor, or the Manager or directors or management thereof.

## **ITEM 4 CAPITAL STRUCTURE**

### **4.1 Authorized Capital**

The authorized capital of the Fund consists of an unlimited number of units. Class A Fund Units and Class F Fund Units are being offered pursuant to this Offering. Additional classes may be offered in the future without notice to or approval of Fund Unitholders.

### **4.2 Long Term Debt**

The Fund does not have any long-term debt as of the date hereof.

Notwithstanding the foregoing, the Fund does have the ability to finance its investments through long-term indebtedness. The Manager may, in its sole discretion, borrow on behalf of the Fund sufficient funds on such terms as it deems appropriate to finance the Fund's investments. However, any financing and the incurring of long-term indebtedness will comply with the investment guidelines and investment restrictions of the Fund as set forth in ITEM 2.2 – *The Fund's Business*.

### **4.3 Prior Sales**

As of December 1, 2021, the Fund has issued 12,734,000 Class F Fund Units. Since inception, all Class F Fund Units have been issued at a NAV value of \$10.00 per Class F Fund Unit.

## ITEM 5 SECURITIES OFFERED

### 5.1 Terms of Securities

#### ***Fund Units***

An unlimited number of Fund Units are being offered on a continuous basis to investors resident in all of the provinces and territories of Canada who qualify as Accredited Investors, and to eligible investors in the United States and elsewhere. See ITEM 5.2 – *Subscription Procedure*.

**Class A Fund Units** are designed for investors who were introduced to the Fund through their financial advisor or broker and who are not enrolled in a dealer sponsored fee-for-service or wrap program. Class A Fund Units offer monthly redemptions.

**Class F Fund Units** are designed for investors who are enrolled in a dealer sponsored fee-for-service or wrap program and who are subject to a periodic asset-based fee rather than commissions on each transaction or, at the discretion of the Manager, any other investor for whom the Manager does not incur distribution costs. Class F Fund Units offer monthly redemptions.

Purchases of Fund Units may be effected through the settlement network operated by FundSERV using the following codes:

<b>Class A Fund Units:</b>	<b>QWE170</b>
<b>Class F Fund Units:</b>	<b>QWE175</b>

Each Fund Unit entitles the holder to participate *pro rata*, in accordance with the provisions of the Trust Agreement, with respect to all distributions of property or assets to Fund Unitholders and, upon liquidation of the Fund, to participate *pro rata* with the other Fund Unitholders in the Net Asset Value of the Fund remaining after the satisfaction of outstanding liabilities of the Fund in accordance with the terms of the Trust Agreement.

Fractional Fund Units may be issued and shall be proportionately entitled to all the same rights as whole Fund Units. All Fund Units and fractions thereof will be issued only as fully paid and non-assessable.

Each Unitholder of a Fund shall be entitled to one vote for each whole Unit held by the Unitholder.

Fund Units are not transferable by a Fund Unitholder except by operation of law or with the written consent of the Manager in its absolute discretion and in compliance with all applicable securities laws. Fund Units of a particular Class may be re-designated by the Manager as Fund Units of another Class based on the respective Net Asset Value per Fund Unit of such Class. The Manager may name or rename each Class without otherwise affecting the attributes of such Class.

The Manager may subdivide or consolidate Fund Units of any Class provided the Net Asset Value per Fund Unit of such Class is amended such that the aggregate Net Asset Value per Fund Unit of such Class prior to such subdivision or consolidation is equal to the aggregate Net Asset Value per Fund Unit of such Class following the subdivision or consolidation.

An investor who purchases Fund Units will receive a customer confirmation from the registered dealer from or through whom Fund Units are purchased in accordance with the book-based system. No physical paper certificates for Fund Units will be issued.

#### Offering Price

Fund Units are offered at the Net Asset Value per Fund Unit as of the applicable Valuation Date. See “*Determination of Net Asset Value*” below. The subscription amount for Fund Units of a particular closing will vary depending on what the Net Asset Value per Fund Unit is at the time each Fund Unit is purchased.

### Monthly Redemption of Units

The redemption of Fund Units may be executed on the first Business Day of any calendar month (the “**Redemption Date**”). Each Fund Unitholder may, upon request to the Manager in a manner and form acceptable to the Manager (including through FundSERV), redeem all or any part of such Fund Unitholder’s Fund Units on a Redemption Date. Fund Units will be redeemed at a redemption price equal to the Net Asset Value per Fund Unit calculated as of the applicable Redemption Date, less applicable deductions and fees.

Redemption requests must be given in writing (or via FundSERV) to the Manager not less than 10 Business Days prior to a Redemption Date. The redemption proceeds, less any applicable deductions and fees will be paid to the redeeming Fund Unitholder not later than 20 Business Days following the applicable Redemption Date. No interest will be paid to the Fund Unitholder on account of any delay in forwarding the proceeds of redemption to the Fund Unitholder.

Redemptions on each Redemption Date will be limited to 20% of the aggregate number of Fund Units in issue at the Redemption Date unless otherwise approved by the Manager.

Fund Units of a Class may be surrendered for redemption to FundSERV participants for surrender to FundSERV, or to the registrar and transfer agent if applicable, but will be redeemed only on a Redemption Date as set forth above.

A Fund Unitholder may redeem any Class of Fund Units on a Redemption Date for a redemption price per Fund Unit equal to the NAV per Fund Unit of the Class determined on the Redemption Date less any costs incurred by the Fund in funding the redemption, including commissions paid by the Fund.

Redemptions and the payment of redemption proceeds may be suspended in certain circumstances. See “*Suspension of Redemption*” below.

The Manager may, in its discretion, require any Unitholder, who holds, or who following a redemption would hold, Units having an aggregate Net Asset Value of less than the amount specified by the Manager from time to time, to redeem the remaining Units held by the Unitholder after giving the Unitholder 15 days’ prior written notice to that effect. A Unitholder who receives such notice shall be entitled to increase the aggregate Net Asset Value of the Units in his account by subscribing for additional Units prior to the proposed date of the redemption (which date shall be no earlier than the Valuation Date immediately following the date of expiration of the foregoing notice period). Any such redemption shall be processed at the Net Asset Value per Unit at the closing time on the Valuation Date immediately following the date of expiration of the notice period.

If a redeeming Fund Unitholder owns Fund Units of more than one Class, Fund Units will be redeemed on a “first in, first out” basis. Accordingly, Fund Units of the earliest Class owned by the Fund Unitholder will be redeemed first, at the redemption price for Fund Units of such Class, until such Fund Unitholder no longer owns Fund Units of such Class.

### Suspension of Redemption

The Manager may suspend redemptions of Fund Units when required to do so under applicable securities laws or at any time the Manager is of the opinion in its sole discretion that there are insufficient liquid assets in the Fund to fund such redemptions and that the liquidation of assets and/or borrowing to fund such redemptions would be detrimental to the Fund and the Fund Unitholders generally; however, the suspension period in such circumstances shall not exceed 12 months. During any period of suspension, the Fund will not redeem any Fund Units and the payment of any redemption proceeds will be postponed.

The Manager will advise Fund Unitholders who have requested a redemption if redemptions will be suspended. During the suspension period, redemption requests for which the redemption price has not yet been calculated may be withdrawn within three Business Days following receipt by the Fund Unitholder of notice of such suspension. To the extent that a request for redemption is not withdrawn, the redemption will be effected as of the first Redemption Date following the recommencement of redemptions. Where possible, all reasonable efforts will be made to bring any period of suspension to an end as soon as possible. An investor who has submitted a purchase order for which

the issue price has not yet been calculated may either withdraw such investor's purchase order prior to the end of such suspension period or receive Fund Units based on the Net Asset Value per Unit next calculated after the termination of the suspension.

#### Switches and Exchanges

Subject to the consent of the Manager, Fund Unitholders may exchange or switch all or part of their investment in the Fund from one Class to another Class if the Fund Unitholder is eligible to purchase Fund Units of that other Class. The timing and processing rules applicable to purchases and redemptions of Fund Units also applies to exchanges or switches between Classes. See ITEM 5.1 – *Terms of Securities – Monthly Redemption of Units*. Upon an exchange or switch from one Class of Fund Units to another Class, the number of Fund Units held by the Fund Unitholder may change since each Class has a different Net Asset Value per Fund Unit. Fund Unitholders should consult with their own tax advisors regarding any tax implications of exchanging or switching between Classes.

#### Determination of Net Asset Value

The Net Asset Value of the Fund on a particular date is equal to the fair market value of the assets of the Fund, less the aggregate value of the liabilities of the Fund, including any net income, net realized capital gains and other amounts payable to Fund Unitholders on or before such date, expressed in Canadian dollars at the applicable exchange rate on such date. The Net Asset Value per Fund Unit of each Class on any day is obtained by dividing the Net Asset Value of the Fund on such by the number of Fund Units of each Class then outstanding.

The Net Asset Value of the Fund on any date will be equal to the difference between the fair market value of the assets of the Fund and the aggregate value of the liabilities of the Fund on that date, other than liabilities relating exclusively to a specific Class of Fund Units, as determined from time to time. Such NAV will include any net income, net realized capital gains and other amounts payable to Fund Unitholders on or before such date, and before giving effect to any redemptions or issuances of Fund Units to be implemented as of such date, expressed in Canadian dollars at the applicable exchange rate on such date and rounded to four decimal places.

The Net Asset Value of a Class of Fund Units on any date will be equal to (i) the aggregate value of the property of the Fund on such date less the aggregate amount of the Fund's liabilities on such date, other than liabilities relating exclusively to a specific Class of Fund Units, multiplied by a fraction, the numerator of which is the number of Fund Units of the Class outstanding and the denominator of which is the total number of Fund Units outstanding minus (ii) all liabilities relating exclusively to the Class on such date, as determined from time to time.

The Net Asset Value per Fund Unit of a Class is the NAV of a Class of Fund Units divided by the number of issued and outstanding Fund Units of such Class (determined before giving effect to any reinvestment of net income, net realized capital gains or other distributions then payable to Fund Unitholders and before giving effect to any redemptions or issuances of Fund Units to be implemented as of such date) as determined from time to time.

The NAV and the NAV per Fund Unit of each Class will be calculated by the Manager either at the close of business of each Business Day or the last Business Day of each calendar month as determined by the Manager, , or such other date as the Trustee may require (the "**Valuation Date**"). The NAV is calculated on each Valuation Date.

#### Valuation Policies and Procedures

Most of the investments made by the Fund, including investments that are made through underlying funds, will be in the form of investments for which no published market exists. The Manager will be required to make good faith determinations as to the fair value of these investments in determining the Net Asset Value of the Fund on each Valuation Date and on a semi-annual basis in connection with the preparation of the Fund's financial statements, subject to the following:

- (a) the value of any cash on hand, on deposit or on call, prepaid expenses, cash dividends declared on an ex dividend basis and interest accrued and not yet received, shall be deemed to be the face amount thereof,

unless the Manager determines that any such deposit or call loan is not worth the face amount thereof, in which event the value thereof shall be deemed to be such value as the Manager determines to be the reasonable value thereof;

- (b) the value of any bonds, debentures, and other debt obligations shall be valued by taking the average of the bid and ask prices on a Valuation Date at such times as the Manager, in its discretion, deems appropriate. Short-term investments including notes and money market instruments shall be valued at cost plus accrued interest;
- (c) the value of any security which is listed on any recognized exchange shall be determined by the closing sale price on the Valuation Date or, if there is no closing sale price, the average between the closing bid and the closing asked price on the Valuation Date, all as reported by any report in common use or authorized as official by a recognized stock exchange; provided that if such stock exchange is not open for trading on that date, then on the last previous date on which such stock exchange was open for trading;
- (d) the value of any security or other asset for which a market quotation is not readily available shall be its fair market value as determined by the Manager;
- (e) the value of any security, the resale of which is restricted or limited by reason of any representation, undertaking or agreement or by law, shall be the quoted market value less the most recent percentage discount provided by the Manager for illiquidity amortized over the length of the restricted period;
- (f) purchased or written clearing corporation options, options on futures, over-the-counter options, debt-like securities and listed warrants shall be valued at the current market value thereof;
- (g) where a covered clearing corporation option, option on futures or over-the-counter option is written, the premium received by the Fund shall be reflected as a deferred credit which shall be valued at an amount equal to the current market value of the clearing corporation option, option on futures or over-the-counter option that would have the effect of closing the position. Any difference resulting from revaluation of such options shall be treated as an unrealized gain or loss on investment. The deferred credit shall be deducted in arriving at the Net Asset Value of the Fund. The securities, if any, which are the subject of a written clearing corporation option, or over-the-counter option shall be valued at their then current market value;
- (h) the value of a futures contract, or a forward contract, shall be the gain or loss with respect thereto that would be realized if, at the Valuation Date, the position in the futures contract, or the forward contract, as the case may be, were to be closed out unless daily limits are in effect in which case fair value shall be based on the current market value of the underlying interest;
- (i) margin paid or deposited in respect of futures contracts and forward contracts shall be reflected as an account receivable and margin consisting of assets other than cash shall be noted as held as margin;
- (j) all assets of the Fund valued in a foreign currency and all liabilities and obligations of the Fund payable by the Fund in foreign currency shall be converted into Canadian funds by applying the rate of exchange obtained from the best available sources to the Manager, including, but not limited to, the Trustee or any of its affiliates;
- (k) all expenses or liabilities (including fees payable to the Manager) of the Fund shall be calculated on an accrual basis.

If in the opinion of the Manager, or a service provider appointed by the Manager to provide valuation services to the Fund (a “**Service Provider**”), an investment cannot be valued under the foregoing principles (because no price of yield equivalent quotations are available as provided above, or the current pricing option is not appropriate, or for any other reason), the Manager will make such valuation as it considers fair and reasonable provided that any change to



the standard pricing principles as set out above shall require prior consultation and written agreement with the Service Provider (if applicable).

In determining the value of non-public investments on any Valuation Date, the Manager takes into account all definitive information known at that time. The Manager does not restate or recalculate any prior published NAV based on subsequently received information dated as of (or prior to) such Valuation Date if such information was unknown to the Manager on such Valuation Date.

In determining the value of non-public investments as set forth above, the Manager's determination of fair market value will adhere to generally accepted accounting principles ("**GAAP**"). The determination of fair market value may be based on a number of valuation techniques for non-public investments contemplated in the CICA Handbook Section 3855 – Financial Instruments – Recognition and Measurement ("**Section 3855**"), A.47-A.49 and such other valuation techniques as the Manager determines are appropriate. Section 3855 provides that when the market for a financial instrument is not active, an entity establishes fair value by using a valuation technique. Valuation techniques prescribed by Section 3855 include using recent arm's length market transactions between knowledgeable, willing parties; reference to the current fair value of another instrument that is substantially the same; discounted cash flows analysis; and option pricing models. Section 3855 provides that estimates of fair value should be based on a valuation technique that relies as little as possible on inputs generated by the entity and makes maximum use of inputs observed from the market. Further, Section 3855 requires an entity to periodically test the valuation technique for validity using prices from an observable current market transaction in the same instrument or based on observable market data.

The process used by the Manager to determine the value of non-public investments involves review of quarterly reports provided by underlying funds with a view to assessing whether the valuation of underlying funds is reflective of fair market value based on GAAP requirements. On an annual basis, this valuation process will involve a review of the audited annual valuation reports of underlying funds with the auditor of the Fund, thereby providing two levels of audit review of each investment.

## **5.2 Subscription Procedure**

The Fund Units are offered to Accredited Investors only. The Fund Units are conditionally offered if, as and when subscriptions are accepted by the Fund and subject to prior sale. The minimum offering is \$100,000USD. There is no maximum offering. Subscriptions for Fund Units will be received by the Fund subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. Fund Units are offered on a continuous basis with closings generally occurring on each Business Day of every month, with settlement expected to occur on or about 2 Business Days from the closing date, or such other dates as the Manager may determine. In offering the Fund Units, the Fund will be relying on the Accredited Investor exemptions from the prospectus requirements of securities laws in the various provinces and territories of Canada.

Subscriptions for Fund Units will only be accepted through registered dealers. Prospective investors who wish to subscribe for Fund Units must complete, execute and deliver the Subscription Agreement that accompanies this Offering Memorandum and all accompanying schedules and exhibits to their dealer and tender the subscription amount by cheque, bank draft, wire order or other form of payment acceptable to the Manager (including through facilities of FundSERV) for payment of the subscription amount.

Subscription funds provided prior to a Valuation Date will be kept in a segregated account. Subscriptions for Fund Units are subject to acceptance or rejection in whole or in part by the Manager in its sole discretion. The Fund is not obliged to accept any subscription. No subscription for Fund Units will be accepted from a purchaser unless the Manager is satisfied that the subscription is in compliance with the requirements of applicable securities legislation. If a subscription is not accepted, the Fund will promptly return to the subscriber the Subscription Agreement and the money comprising such subscription without interest or deduction. Confirmation of acceptance of a subscription will be forwarded to the subscriber or, if applicable, to the relevant registered dealer by the Fund. A subscriber has the right to cancel the subscription by sending written notice before midnight of the second Business Day after a

completed and signed Subscription Agreement and funds representing the subscription amount are received by the Manager. The Fund reserves the right to close the subscription books at any time without notice.

Purchasers will be required to make certain representations (including those noted above) in the Subscription Agreement, and the Manager and the Fund are entitled to rely on such representations, to establish the availability of the Accredited Investor exemptions from the prospectus requirements under NI 45-106.

Fund Units may be purchased as at the close of business on a Valuation Date if a duly completed subscription form and the required payment reaches the Manager no later than 4:00 p.m. (Toronto time) prior to or on such Valuation Date.

You should carefully review the terms of the Subscription Agreement accompanying this Offering Memorandum for more detailed information concerning the rights and obligations of you and the Fund. Execution and delivery of the subscription agreement will bind you to the terms thereof, whether executed by you or by an agent on your behalf. You should consult with your own professional advisors.

#### Additional Subscriptions

Following the initial minimum investment in the Fund, Fund Unitholders may make additional minimum investments provided that such investors are, as at the date of such additional investment, Accredited Investors. The Manager may, in its sole discretion, permit additional investments of lesser amounts. Fund Unitholders subscribing for additional Fund Units will be required to complete an additional Subscription Agreement and must qualify as Accredited Investors under NI 45-106.

## **ITEM 6 DISTRIBUTIONS**

### **6.1 Distributions**

The Fund shall pay distributions to each Fund Unitholder of a Class as and when distributions are paid on the Class P Participating Shares by the Underlying Fund. The Underlying Fund does not currently expect to pay dividends or make other distributions to its shareholders, although it has the right to do so subject always to applicable law. The Final Year End Distribution will equal 100% of the Fund's net income and net realized capital gains of the Class for the year, less any reserves that the Manager deems appropriate and any previous distributions made in that year.

Subject to a Fund Unitholder's election to receive distributions in Fund Units, distributions by the Fund may be paid in cash, at the Manager's discretion. If the Fund has taxable income for which it has not received cash, the Fund may make distributions of such taxable income in Fund Units. Payment of income by the distribution of Fund Units can result in Fund Unitholders having a tax liability without a corresponding distribution of cash to pay that tax liability.

A Fund Unitholder who wishes to receive distributions in Fund Units must complete the distribution reinvestment plan enrolment form provided by the Fund's transfer agent.

In order to provide the funds available to pay the Trailer Fee, on each distribution, the amount of the Trailer Fee will be deducted from the distribution otherwise payable to holders of Class A Fund Units. If at any Distribution Payment Date there are insufficient funds to pay the Trailer Fee from the distribution otherwise payable to the holders of Class A Fund Units, the Manager will redeem a sufficient number of Fund Units from each such holder to pay the Trailer Fee payable by such holder.

To the extent distributions are calculated in respect of a period and payable at the end of such period, if for any reason, including the termination of the Fund, such period is not completed or such amounts are no longer payable, then the distribution will be pro-rated to the end of the shortened period and be payable at the end of such shortened period.

**Fund Unitholders who redeem their Fund Units will not participate in any distributions declared after the date of redemption.**

The Fund intends to distribute all of the net income and net realized capital gains, if any, of the Fund to Fund Unitholders, so that the Fund will not be liable to pay income tax pursuant to the Tax Act during any year. Distributions to Fund Unitholders in excess of the net income and net realized capital gains, if any, of the Fund, will generally result in a reduction in the adjusted cost base of the Fund Units to the Fund Unitholder. See ITEM 7 – *Income Tax Consequences and Registered Plan Eligibility*.

Notwithstanding the foregoing, the Manager may, in its sole discretion, borrow on behalf of the Fund sufficient funds on such terms as it deems appropriate to make a cash distribution. In the event that the Manager, in its sole discretion, decides not to borrow funds in order to make a distribution wholly in cash, the distribution payable to the Fund Unitholders may include a distribution of additional Fund Units having a value equal to the cash shortfall. The distribution of Fund Units shall be subject to the requirements of the applicable Securities Authorities and if not permitted, distributions will be made in cash. The Manager may, in exceptional circumstances, consolidate the number of outstanding Fund Units after a distribution of additional Fund Units, so that each Fund Unitholder holds the same number of Fund Units held before the distribution of additional Fund Units.

The Fund has adopted a DRIP, pursuant to which Fund Unitholders are entitled to elect to have all distributions of the Fund automatically reinvested in additional Fund Units. No brokerage commission will be payable in connection with the purchase of Fund Units under the DRIP and all administrative costs will be borne by the Fund. Fund Unitholders resident outside of Canada will not be entitled to participate in the DRIP. Upon ceasing to be a resident of Canada, a Fund Unitholder must terminate his or her participation in the DRIP.

## **6.2 Distribution on Termination of the Trust**

On the termination of the Fund, the assets of the Fund will be liquidated and the proceeds distributed in the following order:

- (a) to pay the liabilities of the Fund (including unpaid fees and expenses of the Manager) and to establish reserves for the contingent liabilities of the Fund; and
- (b) to redeem the Fund Units on a pro rata basis from the Fund Unitholders.

## **ITEM 7 INCOME TAX CONSEQUENCES AND REGISTERED PLAN ELIGIBILITY**

### **7.1 Disclaimer**

Before purchasing Fund Units, you should consult your own professional advisers to obtain advice on any and all income tax consequences that apply to you.

### **7.2 Summary of Significant Tax Consequences**

The following is a general summary, prepared by the Promoter, of the principal Canadian federal income tax considerations as at the date hereof, generally applicable to an investor who acquires Fund Units under this Offering Memorandum and who, for the purposes of the Tax Act, is resident in Canada, deals at arm's length with the Fund, and holds Fund Units as capital property. Generally, Fund Units will be considered to be capital property to a holder provided that the holder does not hold the Fund 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. Certain persons who might not otherwise be considered to hold their Fund Units as capital property may, in certain circumstances, be entitled to have them treated as capital property by making the irrevocable election permitted by subsection 39(4) of the Tax Act.

This summary is based on the information contained in this Offering Memorandum, the current provisions of the Tax Act and the regulations made under the Tax Act, specific proposals to amend the Tax Act and those regulations that have been publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof and the current administrative practices and assessing policies of the CRA made publicly available in writing prior to the date hereof. It is assumed that all amendments will be passed as proposed. This summary does not otherwise take into account or anticipate any other changes in law whether by legislative, governmental, or judicial action, nor does it take into account provincial or foreign income tax considerations which may differ significantly from those discussed herein.

This summary is not exhaustive of all possible Canadian federal income tax considerations applicable to an investment in Fund Units and does not deal with other federal, provincial or foreign income tax legislation or considerations. This summary does not address the deductibility of interest on any funds borrowed by a Fund Unitholder to purchase Fund Units. This summary is of a general nature only and is not intended to constitute legal or tax advice to any particular Investor. Prospective investors are advised to consult their own tax advisers with respect to the tax consequences of investing in Fund Units based upon their particular circumstances, including the provinces in which the Fund Unitholder resides or carries on business. **Investors should consult their own tax advisers with respect to the tax consequences in their particular circumstances.**

This summary assumes that, at all times, no more than 50% of the fair market value of all interests in the Fund are held by holders that are “financial institutions”, as such term is defined in subsection 142.2(1) of the Tax Act. This summary also assumes that none of the underlying investments will constitute a “controlled foreign affiliate” of the Fund for purposes of the Tax Act.

#### *Status of the Fund*

This summary is based on the assumption that the Fund will qualify at all times as a “mutual fund trust” for purposes of the Tax Act and that the Fund will validly elect under the Tax Act to be a mutual fund trust from the date it was established. To qualify as a mutual fund trust, (i) the Fund must be a Canadian resident “unit trust” for purposes of the Tax Act; (ii) the only undertaking of the Fund must be the investing of its funds in property (other than real property or interests in real property or an immovable or a real right in an immovable); and (iii) the Fund must comply with certain minimum requirements respecting the ownership and dispersal of Fund Units. The Manager expects that the Fund will qualify as a mutual fund trust under the Tax Act at all material times, however there can be no assurance that this will be the case. In the event the Fund does not qualify as a mutual fund trust under the Tax Act at all relevant times, the income tax consequences described in this item would, in some respects, be materially and adversely different.

This Summary assumes that the Fund Units will not be listed or traded on a stock exchange or other public market and on this basis, assumes that the Fund will not be a “SIFT Trust” within the meaning of the Tax Act.

#### *Taxation of the Fund*

The Fund will be subject to tax under Part I of the Tax Act on its net income for the year determined under the Tax Act (and computed in Canadian dollars) for each taxation year, including interest that accrues to it to the end of the year or becomes receivable or is received by it before the end of the year (except to the extent that it was included in computing its income for a prior year), dividends received in the year (including all amounts it receives from the Underlying Fund on account of or in lieu of payment of, or in satisfaction of, dividends on the shares of the Underlying Fund), and any net realized taxable capital gains on the disposition of investments, except to the extent such income or capital gains are paid or made payable in such year to Fund Unitholders. An amount will be considered to be payable to a Unitholder in a taxation year if it is paid in the year by the Fund or the Fund Unitholder is entitled in that year to enforce payment of the amount.

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

It is the Fund's intention to distribute to Fund Unitholders in each year its net income and net realized capital gains (net of realized capital losses, if any), taking into account any entitlement to the capital gains refunds (as described below), to such an extent that the Fund will not be liable in any year for ordinary income tax under Part I of the Tax Act. Therefore, provided the Fund makes distributions in each year of its net income and net realized capital gains, the Fund will generally not be liable in such year for income tax under Part I of the Tax Act other than such tax on net realized capital gains that would be recoverable by it in such year by reason of the capital gains refund. The Fund will be entitled for each taxation year throughout which it is a mutual fund trust to reduce (or receive a refund in respect of) its liability, if any, for tax on its net realized capital gains by an amount determined under the Tax Act based on certain factors, including the redemptions of Fund Units during the year ("capital gains refund").

The Fund may pay foreign withholding or other taxes in connection with investments in foreign securities. To the extent that such foreign taxes paid by the Fund exceed 15% of the foreign income (excluding capital gains) from such investments, such excess may generally be deducted by the Fund in computing its income for purposes of the Tax Act. To the extent that such foreign taxes do not exceed 15% and have not been deducted by the Fund in computing its income, the Fund may designate a portion of its foreign source income in respect of a unitholder, so that such income and a portion of the foreign taxes paid by the Fund may be regarded as foreign source income of, and foreign taxes paid by, the unitholder for purposes of the foreign tax credit provisions of the Tax Act.

The "derivative forward agreement" ("**DFA**") rules target certain financial arrangements that seek to reduce tax by converting, through the use of derivative contracts, the return on investments that would have the character of ordinary income to capital gains. If the DFA rules were to apply in respect of any derivatives to be utilized by the Fund, gains realized in respect of the property underlying such derivatives could be treated as ordinary income rather than capital gains. The DFA rules will generally not apply to derivatives used to hedge gains or losses.

The Fund will be entitled to deduct an amount equal to the reasonable expenses that it incurs in the course of issuing Fund Units. Such issue expenses paid by the Fund and not reimbursed will be deductible by the Fund ratably over a five year period subject to reduction in any taxation year which is less than 365 days. In computing its income under the Tax Act, the Fund may deduct reasonable administrative and other expenses incurred to earn income. All of the Fund's deductible expenses, including expenses applicable to specific classes of Fund Units, will be taken into account in determining the income or loss of the Fund as a whole.

To the extent that an investment by the Fund is an "offshore investment fund property" (within the meaning of the Tax Act), the Fund may be required to include in its income the amount determined in accordance with section 94.1 of the Tax Act (the "**OIFP Rules**"). In general terms, the OIFP Rules will apply to the Fund if it is reasonable to conclude, having regard to all the circumstances, that one of the main reasons for the Fund acquiring or holding an investment in a non-resident entity (including potentially the Class P Participating Shares of the Underlying Fund) is to derive a benefit from "portfolio investments" of the non-resident entity in such a manner that taxes under the Tax Act on income, profits and gains for any year are significantly less than they would have been if such income, profits and gains had been earned directly by the Fund. If section 94.1 of the Tax Act were to apply to an investment by the Fund, the Fund would generally include an amount in income in respect of each month equal to the "designated cost" of the investment at the end of the month multiplied by one-twelfth of the sum of a prescribed rate of interest and 2%. The amount to be included in income under section 94.1 of the Tax Act in respect of an investment will be reduced by any income (other than a capital gain) from the investment for the taxation year. The adjusted cost base of the Fund's investment will be correspondingly increased by any such amount included in income. The prescribed rate of interest is linked to the yield on 90-day Government of Canada Treasury Bills and is adjusted quarterly.

The Fund will invest in Class P Participating Shares of the Underlying Fund and it is not currently expected that the Underlying Fund will pay dividends or make other distributions to its shareholders. As a result, the Underlying Fund is not expected to distribute annually substantially all of its net investment income and substantially all of its net realized

gains earned in each year. On this basis, the conditions and circumstances for the application of the OIFP Rules may be considered to be met in connection with the investment in the Underlying Fund. No assurance can be given that the OIFP Rules will not apply to the Fund and that the Fund will not have imputed income that will be allocated and distributed to Fund Unitholders.

Prospective investors should consult their own tax advisors regarding the consequences to them in their particular circumstances if, as a result of the OIFP Rules applying to the Fund, the investors are required to include in income their proportionate share of imputed income, with no corresponding cash distributions.

#### *Taxation of Fund Unitholders*

Fund Unitholders will be required to include in their income for tax purposes for a particular year the amount (computed in Canadian dollars) of net income and the taxable portion of net realized capital gains, if any, paid or payable to them in the year and deducted by the Fund in computing its income, whether or not reinvested in additional Fund Units. Certain provisions of the Tax Act permit the Fund to make designations so that income from foreign sources, taxable dividends and net taxable capital gains retain their character in the hands of the Fund Unitholders. To the extent that appropriate designations are made by the Fund, taxable dividends, net taxable capital gains and foreign source income paid or payable to Fund Unitholders will generally be taxable as if such income had been received by them directly. Income earned derived from foreign sources may be subject to foreign withholding taxes which, to the extent permitted by the Tax Act (and not otherwise deducted by the Fund in computing its income), may be claimed as a deduction or credit by Fund Unitholders.

To the extent that distributions to a Fund Unitholder in a year exceed the Fund Unitholder's share of the Fund's net income and net realized capital gains for the year, such excess distributions will be a return of capital that is not taxable to the Fund Unitholder but will reduce the adjusted cost base to the Fund Unitholder of such Fund Unitholder's Fund Units. If the adjusted cost base to the Fund Unitholder of such Fund Unitholder's Fund Units becomes negative, the amount by which it is negative is an immediate capital gain to the Fund Unitholder, and the adjusted cost base of the Fund Units resets at zero.

Fund Unitholders will be advised each year of the amount of net income, net realized capital gains and excess distributions described above that are paid or payable to them, the amount of net income considered to have been received as a taxable dividend and foreign source income and the amount of any foreign taxes considered to have been paid by them. Individuals and certain trusts may be liable for alternative minimum tax in respect of distributions designated as dividends, if any, from taxable Canadian corporations and taxable capital gains.

A Fund Unitholder's share of distributions paid by the Fund will generally be based on the number of Fund Units held by the Fund Unitholder on the record date of the distribution regardless of how long the Fund Unitholder has owned his or her Fund Units. Where a Fund Unitholder purchases Fund Units, the Net Asset Value per Fund Unit, and therefore the price paid for the Fund Unit, may reflect income and gains that have accrued in the Fund which have not yet been realized or distributed. When such income and gains are distributed by the Fund, the Fund Unitholder will be required to include his or her share of the distribution in his or her income even though some of the distribution the Fund Unitholder received may reflect the purchase price paid by the Fund Unitholder for the Fund Units. This effect could be particularly significant if the Fund Unitholder purchases Fund Units just before a record date for distribution by the Fund.

Where the conditions and circumstances for the application of the OIFP Rules are considered to be met, the OIFP Rules may apply to the Fund and the Fund's imputed income under the OIFP Rules will be allocated and distributed to Fund Unitholders.

Upon the actual or deemed disposition of a Fund Unit, including the redemption of a Fund Unit by the Fund, a capital gain (or a capital loss) will generally be realized to the extent that the proceeds of disposition of the Fund Unit exceed (or are exceeded by) the aggregate of the adjusted cost base of the Fund Unit to the Fund Unitholder and any reasonable costs of disposition. Under the Tax Act, generally one-half of a capital gain must be included in income as

a taxable capital gain. Generally, one-half of a capital loss is an allowable capital loss, which may be deducted against taxable capital gains, subject to the rules in the Tax Act.

### **7.3 Eligibility for Investment**

Provided the Fund qualifies at all relevant times as a “mutual fund trust” within the meaning of the Tax Act, Fund Units will be qualified investments for trusts governed by RRSPs, RRIFs, RESPs, RDSPs, TFSAs and deferred profit sharing plans.

Notwithstanding that Fund Units may be qualified investments for a TFSA, RRSP, RESP, RDSP and RRIF, the holder of a TFSA or a RDSP, the annuitant of a RRSP or RRIF, or the subscriber of the RESP, as the case may be, will be subject to a penalty tax if the Fund Units are a “prohibited investment” under the Tax Act for the TFSA, RRSP, RRIF, RESP or RDSP, as the case may be. A Fund Unit will generally be a “prohibited investment” if the holder of the TFSA or the RDSP, the annuitant of the RRSP or RRIF, or the subscriber of a RESP as the case may be, (i) does not deal at arm’s length with the Fund for purposes of the Tax Act; or (ii) has a “significant interest” (within the meaning of the Tax Act) in the Fund, as the case may be. In addition, the Fund Units will generally not be a “prohibited investment” if the Fund Units are “excluded property” (as defined in the Tax Act) for the RRSP, RRIF, RESPs, RDSP or TFSA. Holders, subscribers and annuitants should consult their own tax advisors with respect to whether units of the Fund would be a prohibited investment in their circumstances.

Before purchasing Fund Units, you should consult your own professional advisers to obtain advice on the eligibility of Fund Units for investment in your particular circumstances.

## **ITEM 8 COMPENSATION PAID TO DEALERS**

### **8.1 Selling Commissions**

Subscriptions for Class A Fund Units will only be accepted through registered dealers. Registered dealers may, at their discretion, charge purchasers a front-end sales commission of up to 5% of the subscription amount of a Gross Subscription Order for Class A Fund Units. Any such sales commission will be negotiated between the registered dealer and the purchaser and will be deducted from the subscription amount of the Gross Subscription Order and paid by the purchaser, directly to the registered dealer.

In addition, in certain circumstances, registered dealers may be reimbursed for their due diligence costs, and other forms of consideration, and charge purchasers a Dealer Fee of up to 1% of the subscription amount of the Class A Fund Units being purchased. The Dealer Fee will also be deducted from the subscription amount of the Gross Subscription Order and paid directly by the purchaser to the registered dealer.

The net subscription amount, being the Gross Subscription Order less any front-end sales commission and any dealer fee, will then be invested into the Fund. There is no sales commission or dealer fee on purchases of Class F Fund Units.

The Fund will pay a Trailer Fee to registered dealers in respect of the Class A Fund Units, payable monthly in arrears. The amount of the Trailer Fee will be deducted from distributions to the holders of the Class A Fund Units. There is no Trailer Fee associated with Class F Fund Units as described in ITEM 8.2 – Dealer Compensation.

**The Fund will not pay any commissions to persons that the Fund is not permitted to pay a commission, notwithstanding the purchase option selected by the purchaser.**

### **8.2 Dealer Compensation**

As set out under in ITEM 8.1 -*Selling Commissions* above, brokers, dealers or advisors selling Fund Units may charge a commission at the time of purchasing Fund Units, which will reduce the amount of money invested in the Fund. The Fund will pay an investor’s authorized broker, dealer or advisor Trailer Fees as compensation for ongoing advice and service in respect of Class A Fund Units. The Trailer Fees are accrued monthly and are paid monthly at the current

annual rate of 1% of the Net Asset Value per Fund Unit of the Class A Fund Units held by clients of the authorized broker, dealer or advisor. The Trailer Fee is calculated based on the Net Asset Value per Fund Unit of the Class A Fund Units for each month. The Trailer Fee will not be paid if Class A Fund Units are redeemed. Trailer Fees are calculated monthly and payable, on or about 15 days following the last day of each month. The amount of the Trailer Fee will be deducted from distributions otherwise payable to the holders of Class A Fund Units. The Fund may, from time to time, pay the Trailer Fee more frequently than monthly, in which event the Trailer Fee will be pro-rated for the period to which it relates.

Trailer Fees payable by the Fund may be modified or discontinued by the Manager at any time. The Manager may, at its discretion, negotiate, change the terms and conditions of, or discontinue the Trailer Fee with brokers, dealers and advisors. Brokers, dealers or advisors qualifying for a Trailer Fee in respect of the Fund for the first time must contact the Manager in writing to arrange the first payment. Payments thereafter are made automatically as long as the broker, dealer or advisor continues to qualify.

## **ITEM 9 RISK FACTORS**

The purchase of Fund Units involves a number of risks. An investor should reach a decision to invest in the Fund after careful consideration with his or her advisors as to the suitability of an investment in the Fund in light of its investment objective and the information set out in this Offering Memorandum. The Promoter, the Portfolio Advisor, and the Manager do not make any recommendation as to the suitability of the Fund for investment by any person. All prospective Fund Unitholders should consider an investment in the Fund within the overall context of their investment objectives. Investment considerations include, but are not limited to setting objectives, defining risk/return constraints and considering time horizons. This Offering is not suitable for investors who cannot afford to assume moderate risks in connection with their investments.

See Schedule A for risk factors related to the Underlying Fund. In addition to the factors set forth elsewhere in this Offering Memorandum, prospective investors should consider the following factors.

### ***COVID-19 Pandemic***

Unexpected volatility or illiquidity in the markets in which positions are held, including due to legal, political, regulatory, economic or other developments, such as public health emergencies, including an epidemic or pandemic, natural disasters, war and related geopolitical risks, may impair the Manager's ability to carry out the objectives of the Fund or cause the Fund to incur losses. The recent spread of the coronavirus disease (also known as COVID-19) has caused a significant slowdown in the global economy and volatility in global financial markets. COVID-19 or any other disease outbreak may adversely affect global markets and the performance of the Fund. Even if general economic conditions do not change, the value of an investment in the Fund could decline if the Underlying Fund does not perform well or are adversely affected by events.

To date the pandemic has not had a material adverse impact on the Fund's operations. However, the future impact of the pandemics is highly uncertain and cannot be predicted, and there is no assurance that the pandemic will not have a material adverse impact on the future results of the Fund. At this point, the extent to which COVID-19 may impact the Fund's results is uncertain. The impacts of the pandemic are unknown and rapidly evolving.

### ***Return on Fund Units Determined By Reference to Underlying Fund***

Fund Unitholders' returns on the Fund Units will be determined by reference to any cumulative net gains or losses (if any) arising from the investment activities of the Fund and any appreciation (including all the accrued interest thereon) earned in the Fund Units. The return on the Fund Units may decrease as well as increase. The Fund makes no representation as to any return that a Unitholder will earn on the Fund Units and there can be no assurance that information set out in this Offering Memorandum will be, in any respect, indicative of how they will perform (either in terms of profitability, volatility or low correlation with other investments) in the future.

### ***Shortfall in Financing***



Until the Fund generates sufficient cash flow to pay for the Operating Expenses, the Promoter intends to pay the Operating Expenses of the Fund and may waive its right to reimbursement from the Fund. However, the Promoter has no obligation to fund such Operating Expenses or any other deficits of the Fund or to advance funds to continue the operation of the Fund. Even if the Promoter elects to do so voluntarily or is held accountable by Fund creditors, its available assets may not be adequate to satisfy the needs of the Fund.

If at any time there is not sufficient cash on hand to redeem Fund Units, the Fund may borrow an amount to finance the redemption of Fund Units. Any such borrowing could have an adverse impact on the net asset value of the Fund, and there can be no assurance that such financing will be available.

If Fund revenues are insufficient to pay the expenses of the Fund and/or fund redemptions and if the Promoter does not advance such additional funds as may be needed by the Fund, the Fund may not be able to continue its operations in the absence of an alternative source of financing, and there can be no assurance that such financing will be available.

### ***General Investment Risk***

The Net Asset Value per Fund Unit will vary directly with the value and return of the Fund's underlying investment in the Underlying Fund. There can be no assurance that the Fund will not incur losses. There is no guarantee that the Fund will earn a return.

### ***Limited Ability to Liquidate Investment***

There is no formal market for Fund Units and one is not expected to develop. The offering of Fund Units is not qualified by way of prospectus, and consequently the resale of Fund Units is subject to restrictions under applicable securities laws. In addition, Fund Units may not be assigned, encumbered, pledged, hypothecated or otherwise transferred except with the prior written consent of the Manager, which may be withheld in the Manager's sole and absolute discretion. Accordingly, it is possible that Fund Unitholders may not be able to resell their Fund Units other than by way of redemption which redemption will be subject to the limitations described in ITEM 5.1 – *Terms of Securities – Monthly Redemption of Units*. There are circumstances where the Fund may suspend redemptions. In certain circumstances, Fund Unitholders may not be able to liquidate their investments in a timely manner. As a result, an investment in the Fund Units is suitable only for sophisticated investors who do not require liquidity for their investment and are able to bear the financial risk of the investment for an extended period of time.

### ***Redemptions***

Redemptions may be suspended in certain circumstances. See ITEM 5.1 – *Terms of Securities – Suspension of Redemption*. Substantial redemptions of Fund Units from the Fund could require the Fund to liquidate positions more rapidly than otherwise desirable or to borrow money to raise the necessary cash to fund redemptions. Such factors could adversely affect the value of the Fund Units redeemed and of the Fund Units remaining.

### ***Tax Matters***

The return on the Fund Unitholder's investment in Fund Units is subject to changes in Canadian federal and provincial tax laws, tax proposals, other governmental policies or regulations and governmental, administrative or judicial interpretation of the same. There can be no assurance that tax laws, tax proposals, policies or regulations, or the interpretation thereof, will not be changed in a manner which will fundamentally alter the tax consequences to Fund Unitholders acquiring, holding or disposing of Fund Units.

If Fund does not qualify as a "mutual fund trust" under the Tax Act or ceases to so qualify, the income tax considerations described under the heading "Income Tax Considerations" would be materially and adversely different in certain respects. For example, if the Fund ceases to qualify as a mutual fund trust, Fund Units may cease to be qualified investments for Deferred Plans. This could result in Deferred Plans which hold Fund Units becoming liable for a penalty tax under the Tax Act. In addition, if the Fund does not qualify or ceases to qualify as a mutual fund trust

under the Tax Act, it will be treated as a “financial institution” for purposes of certain special mark-to-market rules in the Tax Act if more than 50% of the Fund Units are held by one or more Fund Unitholders that are themselves considered to be financial institutions under those rules. In such a case, the Fund will be required to recognize on income account any gains or losses accruing and realized on certain types of debt obligations and equity securities that it holds and disposes of, respectively, and also will be subject to special rules with respect to income inclusion on these securities. Any income arising from such treatment will be included in the amounts distributed to Fund Unitholders.

Payment of income by the distribution of Fund Units can result in Fund Unitholders having a tax liability without a corresponding distribution of cash to pay that tax liability. There can be no assurance that cash distributions to pay that tax liability, in whole or in part, will be made.

If the Fund ceases to qualify as a mutual fund trust, it may be subject to the “loss restriction event” rules (as defined in the Tax Act) (the “**LRE Rules**”) in certain circumstances. Generally, the Fund will have a “loss restriction event” if 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 Fund Units having a fair market value that is greater than 50% of the fair market value of all the Fund Units of the Fund. Upon the occurrence of a “loss restriction event”, the Fund will have a deemed tax year-end resulting generally in a short taxation year, any undistributed income and realized capital gains (net of any applicable losses) would be expected to be made payable as a distribution on the Fund Units held by Fund Unitholders of record of the Fund on the record date for such distribution (which generally would be expected to be the last Business Day in such short taxation year) and the Fund would be restricted in its ability to use tax losses (including any unrealized capital losses) that exist at the time of the “loss restriction event”.

To the extent that any non-Canadian entities in which the Fund directly invests are “foreign affiliates” and “controlled foreign affiliates”, collectively referred to herein as “CFAs”, of the Fund, and such entities earn income that is characterized as “foreign accrual property income”, or “FAPI”, as defined in the Tax Act, the Fund’s proportionate share of such FAPI must be included in computing the income of the Fund for Canadian federal income tax purposes for the fiscal period of the Fund in which the taxation year of such CFA that earned the FAPI ends, whether or not the Fund actually receives a distribution of such income from the CFA. As a result, the Fund may be required to include amounts allocated to it in computing its income for Canadian federal income tax purposes even though there may be no corresponding cash distribution to the Fund. Consequently, Fund Unitholders may be required to include amounts in their income even though they have not and may not receive an actual cash distribution of such amount from the Fund. The Manager, the Promoter, and the Portfolio Advisor do not expect the Fund to invest in entities that constitute CFAs.

Section 94.1 of the Tax Act contains rules relating to investments in non-resident entities that could in certain circumstances cause income to be imputed to the Fund for Canadian federal income tax purposes. These rules would apply if it is reasonable to conclude, having regard to all the circumstances, that one of the main reasons for the Fund acquiring or holding an investment in a non-resident entity is to derive a benefit from “portfolio investments” in such a manner that taxes under the Tax Act on income, profits and gains for any year are significantly less than they would have been if such income, profits and gains had been earned directly. In determining whether this is the case, section 94.1 of the Tax Act provides that consideration must be given to, among other factors, the extent to which the income, profits and gains for any fiscal period are distributed in that or the immediately following fiscal period. If these rules apply to the Fund, income for Canadian federal income tax purposes will be imputed directly to the Fund in accordance with the rules in section 94.1 of the Tax Act. The proportionate share of such income will be allocated to the Fund, and distributed to Fund Unitholders. No assurance can be given that section 94.1 of the Tax Act will not apply to the Fund. The rules in section 94.1 of the Tax Act are complex and prospective investors should consult their own tax advisors regarding the consequences to them in their particular circumstances if, as a result of the rules in section 94.1 of the Tax Act applying to the Fund, the investors are required to include in income their proportionate share of imputed income, with no corresponding cash distributions.

***Not a Prospectus Offered Fund***

The Fund is not a prospectus offering for the purposes of applicable securities law and, accordingly, the Fund is not subject to certain restrictions and disclosure obligations applicable to entities that are considered to be prospectus offered mutual funds and investments funds for the purposes of applicable securities laws. The Fund is also not subject to the restrictions placed on prospectus offered investment funds and mutual funds to ensure diversification and liquidity of the Fund's portfolio.

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

The Fund may be obligated to pay fees, commissions, administration, accounting, filing and other expenses regardless of whether it realizes profits.

### ***Not a Trust Company***

The Fund is not a trust company and, accordingly, is not registered under the trust company legislation of any jurisdiction. Fund Units are not "deposits" within the meaning of the Canada Deposit Insurance Corporation Act (Canada) and are not insured under provisions of that statute or any other legislation.

### ***No Guaranteed Return***

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

### ***Net Asset Value and Estimated Values***

Valuation of the investments held by the Fund may involve uncertainties and judgmental determinations and, if such valuations should prove to be incorrect, the Net Asset Value of the Fund and the Net Asset Value per Fund Unit could be adversely affected. The calculation of the Net Asset Value of the Fund is based on the net asset value of the Underlying Fund, which net asset value may not be calculated in accordance with Canadian rules and regulations. No adjustments will be made to the number of Fund Units purchased or redeemed by an investor in the Fund because of the use of estimated values in determining the net asset value of the investments of the Fund. The valuation of the Fund for the purpose of determining subscription and redemption prices of Fund Units and the calculation of applicable fees, may not be in accordance with generally accepted accounting principles.

### ***Nature of the Fund Units***

The Fund Units are neither fixed income nor equity securities in a corporation. Fund Units are dissimilar to debt instruments in that there is no principal amount owing to Fund Unitholders. Fund Unitholders will not have the statutory rights normally associated with ownership of shares of a corporation including, for example, the right to bring "oppression" or "derivative" actions.

### ***Fund Unitholders not entitled to Participate in Management***

Fund Unitholders are not entitled to participate in the management or control of the Fund or its operations. Fund Unitholders do not have any input into the Fund's investment objectives, strategies and restrictions. The success or failure of the Fund will ultimately depend on the investment of the assets of the Fund by the Manager, with which Fund Unitholders will not have any direct dealings.

### ***Market Risk***

General market risk is the risk that investments made by the Fund may go up or down in value and in some cases, abruptly. All investments are subject to general market risk which in turn is driven by macro-economic factors, interest rate changes, political/governmental influence, natural disasters and other shocks events that may affect the securities marketplace in general.

### ***Marketability of Units***

There is currently no market through which the Fund Units may be sold nor is one expected to develop. Redemptions are permitted only as described herein and there are circumstances in which a Fund may suspend redemptions. Accordingly, Fund Units may not be appropriate for subscribers seeking greater liquidity. Also, Fund Units are only transferable in limited circumstances with the approval of the Manager.

### ***Ownership Concentration Risk***

It is possible that Fund Units may be held in significant amounts in relation to the size of the Fund by a small number of Fund Unitholders. In the event any such Fund Unitholder makes a redemption request, the Fund may be required to sell its investments at prevailing market prices at a time when the Manager would not ordinarily do so. As well, such a sale may further depress the prevailing price for the investments being sold in the market, further contributing to the adverse effect such action will have on the value of the investments held by the Fund.

### ***Operating History***

The Fund does not have a long operating history upon which a subscriber can base a prediction of future performance.

### ***Currency Risk***

The Fund will purchase Class P Participating Shares in the Underlying Fund in U.S. dollars. Changes in foreign currency exchange rates will affect the value of these securities as well as any revenue stream derived from the investments regardless of whether or not the price of the securities or the revenue streams are changing in terms of the investments' local currency. The Manager may or may not hedge against currency risk.

### ***Equity Risk***

The value of equity securities will rise and fall with the changing financial health of the Underlying Fund. The value of equity securities is also affected by the general health of the overall economy in the region or regions where the Underlying Fund's investments operate. Market sentiment may also negatively affect the value of equities issued by otherwise healthy issuers. The Underlying Fund may select equity securities that underperform the market or underperform relative to competing investment choices.

### ***Foreign Markets Risk***

While securities issued in foreign countries may provide significant diversification benefits over a portfolio solely concentrated in Canada and while they may be relatively uncorrelated to Canadian securities, they involve risks not found in domestic investments. The value of foreign investments may fluctuate because of issues unique to the countries in question. These issues may include regional economic influences, and foreign government actions including taxation, nationalization, creation of trade barriers, income repatriation limits, foreign exchange limitations, diplomatic problems and other things that could affect the value of foreign investments.

### ***Administration and Management Fees***

Because the management fees paid out of the Fund's assets (and charged to Fund Unitholders based on the Class of Fund Units they hold) are calculated on a basis which includes unrealized appreciation in the value of the Fund's assets, the fees may be greater or less than they would be if such compensation were based solely on realized appreciation.

### ***Losses and Effects of Substantial Redemptions***

The Fund may at any time incur losses, resulting in substantial redemptions by Fund Unitholders. Substantial redemptions of Fund Units could require a Fund to liquidate positions more rapidly than otherwise desirable to raise

the necessary cash to fund redemptions and achieve a market position appropriately reflecting a smaller asset base. There is a risk that if a Fund's assets become depleted, the Fund's portfolio could become sufficiently restricted to make it difficult to achieve the Fund's fundamental investment objectives. Such factors could adversely affect the value of the Fund Units redeemed and of the Fund Units remaining outstanding.

### ***Lack of Insurance***

The assets of the Fund are not insured by any government or private insurer except to the extent portions may be deposited in bank accounts insured by a government agency such as the Canada Deposit Insurance Corporation or with brokers insured by the Canadian Investor Protection Fund and such deposits and securities are subject to such insurance coverage (which, in any event, is limited in amount). Therefore, in the event of the insolvency of a depository or custodian, the Fund may be unable to recover all of its funds or the value of its securities so deposited.

### ***Changes in Investment Strategy***

The Promoter, the Portfolio Advisor, and the Manager may change the Fund's investment strategies and restrictions, without prior approval of Fund Unitholders, to adapt to changing circumstances and to help achieve the Fund's fundamental investment objective; however, a change to the Fund's fundamental investment objective itself requires prior Fund Unitholder approval.

### ***Unitholders Not Entitled to Participate in Management and Liability of Unitholders***

The Manager acts as manager of the Fund. Fund Unitholders as such may not participate in the management or control of the Funds. The Trust Agreement provides, however, that certain actions may be taken but only if approved by majority vote of the Fund Unitholders. The Trust Agreement provides that no Fund Unitholder will be subject to any personal liability for satisfaction of any obligation in respect of or a claim arising out of or in connection with any contract or obligation of the Fund. The Trust Agreement also provides that the Trustee must indemnify and hold each Fund Unitholder harmless out of the assets of the Fund from and against any and all claims and liabilities to which such Fund Unitholder may become subject, by reason of being or having been a Fund Unitholder and must reimburse such Fund Unitholder for all legal and other expenses reasonably incurred in connection with any such claim or liability. Despite the foregoing, there can be no absolute certainty that a claim will not be made against a Fund Unitholder for liabilities which cannot be satisfied out of the assets of the Fund. The law relating to investment trusts such as the Fund is not certain. Consequently, there is a remote risk that a Fund Unitholder could be held personally liable notwithstanding the foregoing statement in the Trust Agreement, for obligations of the Fund (to the extent that claims are not satisfied by the assets of the Fund). The risk to Fund Unitholders is based on jurisprudence which has held that beneficiaries of a business trust who are given rights to exert control over the assets of the fund will be considered to be acting as principals through the trustee as their agent.

### ***Specific Issuer Risk***

The value of all securities will vary positively or negatively with developments within the specific companies or governments that issue the securities. Changes in the value of the business of the specific issuer may affect the value of the Fund. The price of a security is influenced by larger economic conditions, the market and by the specific outlook for the issuer.

### ***Reliance on Promoter, Portfolio Advisor, and Manager***

The Fund will be relying on the knowledge and expertise of the Promoter, the Portfolio Advisor, and the Manager. The Promoter, the Portfolio Manager, and the Manager will make the actual investment decisions upon which the success of the Fund will depend significantly. No assurance can be given that the investment approaches utilized by the Promoter, the Portfolio Advisor, and the Manager will prove successful. There can be no assurance that satisfactory replacements for the Manager will be available, if the Manager ceases to act as such. Termination of the Manager will expose investors to the risks involved in whatever new investment management arrangements can be made.

### ***Dependence of Manager on Key Personnel***

The Manager will depend, to a great extent, on the services of a limited number of individuals in the administration of the Fund's activities. The loss of such individuals for any reason could impair the ability of the Manager to perform its management activities on behalf of the Fund.

### ***Connected and Related Issuers***

The Manager is registered as a dealer and an adviser with securities regulatory authorities and regulators in Alberta, British Columbia, Nova Scotia, Ontario, Québec, and Saskatchewan. Those securities regulatory authorities and regulators, among others, have expressed concerns that, when a registered dealer trades in, or a registered adviser that advises on, securities of an issuer to which it is "connected" or "related", conflicts of interest may arise. As a result, a registered dealer that trades in, and a registered adviser that advises on, securities of an issuer to which it is "connected" or "related" is required to do so only in accordance with applicable securities law.

The Fund may be considered a "connected" issuer to the Manager when it sells Fund Units on behalf of the Fund. While the Manager does not receive a fee for selling the Fund Units, it does receive management fees for management and advisory services rendered to the Fund. See ITEM 2.3 – *Fees and Expenses*.

### ***Tax Liability***

The Fund is not required to distribute its income in cash. If the Fund has taxable income for Canadian federal income tax purposes for a fiscal year (including any deemed income under section 94.1 of the Tax Act), such income will be distributed to Fund Unitholders in accordance with the provisions of the Trust Agreement by reinvestment in additional Fund Units. Fund Unitholders will be required to include all such distributions in computing their income for tax purposes, even if that cash may not have been distributed to such Fund Unitholders. Cash distributions to a particular Fund Unitholder may not correspond to the economic gains and losses which such Fund Unitholder may experience.

### ***Potential Indemnification Obligations***

Under certain circumstances, the Fund might be subject to significant indemnification obligations in favour of the Trustee, the Manager and other service providers. The Trust may 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. Any indemnification paid by the Fund would reduce the Net Asset Value of the Fund and, by extension, the value of the Fund Units.

### ***Class Risk***

Since the Fund has multiple Classes, each Class will be charged expenses that are specifically attributable to such Class. The Manager will generally allocate all other expenses of the Fund among the Classes in such manner as the Manager considers appropriate and equitable. However, if the Fund cannot pay the expenses of one Class using its proportionate share of the Fund's assets, the Fund will be required to pay those expenses out of the other Class' proportionate share of the Fund's assets which could lower the investment returns of the other Classes.

### ***Liability of Fund Unitholders***

The Fund is a unit Fund and, as such, the Fund Unitholders do not receive the protection of statutorily mandated limited liability as in the case of shareholders of most Canadian corporations. The Trust Agreement provides that no Fund Unitholder shall be subject to any liability whatsoever, in tort, contract or otherwise, to any person in connection with the investment obligations, affairs or assets of the Fund and all such persons shall look solely to the Fund's assets for satisfaction of claims of any nature arising out of or in connection therewith. There is a risk, which is considered by the Promoter, the Portfolio Advisor, and the Manager to be remote in the circumstances, that a Fund Unitholder could be held personally liable, notwithstanding the foregoing statement in the Trust Agreement, for obligations of

the Fund to the extent that claims are not satisfied out of the assets of the Fund. It is intended that the operations of the Fund will be conducted in such manner so as to minimize such risk. In the event that a Fund Unitholder should be required to satisfy any obligation of the Fund, such Fund Unitholder will be entitled to reimbursement from any available assets of the Fund. However, there is no assurance that the assets of the Fund will be sufficient to meet any indemnification obligations.

### ***Lack of Independent Experts Representing Fund Unitholders***

Each of the Fund, the Promoter, the Portfolio Advisor, and the Manager have consulted with a single legal counsel regarding the formation and terms of the Fund and the offering of Fund Units. Fund Unitholders have not, however, been independently represented. Therefore, to the extent that the Fund, Fund Unitholders 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 Fund Units and the suitability of investing in the Fund.

### ***Legal, Tax and Regulatory Risks***

Legal, tax and regulatory changes to laws or administrative practice could adversely affect the Fund. Interpretation of law or administrative practice may affect the characterization of the Fund's earnings as capital gains or income, which may increase the level of tax borne by the investor as a result of increased taxable distributions from the Fund.

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. (the "IGA") and related Canadian legislation found in Part XVIII of the Tax Act, Fund 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, or in the case of certain entities with such information relating to their controlling persons. If a Fund Unitholder is identified as, or in the case of certain entities as having one or more controlling persons who is, a "Specified U.S. Person", as defined under the IGA (including U.S. citizens who are residents of Canada), or if the Unitholder fails to provide the required information and indicia of U.S. status is present, certain account information and other personal identifying details of the Fund Unitholder (and, if applicable, of such controlling persons) will generally be reported to the CRA, unless the investment is held within a Deferred Plan. The CRA will then provide the information to the IRS.

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 tax residents of foreign countries other than the U.S. ("**Reportable Jurisdictions**") or by certain entities any of whose "controlling persons" are tax residents of Reportable Jurisdictions. The CRS Rules provide that Canadian financial institutions must report required information to the CRA annually. Such information will be available to be exchanged by the CRA on a reciprocal, bilateral basis with Reportable Jurisdictions in which the account holders or such controlling persons are tax resident 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, Fund Unitholders of the Fund will be required to provide required information regarding their investment in the Fund to their dealer for the purpose of such information exchange, unless the investment is held within a Deferred Plan.

If the Fund fails to meet its obligations under Part XVIII and/or Part XIX of the Tax Act, as the case may be, it may be subject to the offences and punishment of the Tax Act. In addition, the administrative costs of compliance with FATCA and CRS may also cause an increase in the operating expenses of the Fund, further reducing returns to Fund Unitholders. Fund Unitholders should consult their own tax advisors regarding the possible implications of this legislation on them and their investments.

### **Early Termination**

In the event of the early termination of the Fund, the Fund would distribute to the Fund Unitholders *pro rata*, with the other Fund Unitholders, their interest in the assets of the Fund available for such distribution, subject to the rights of the Manager to retain monies for costs and expenses. Certain assets held by the Fund may be illiquid and might have little or no marketable value. In addition, the assets held by the Fund would have to be sold by the Fund or distributed in kind to the Fund Unitholders. It is possible that at the time of such sale or distribution certain securities held by the Fund would be worth less than the initial cost of such assets, resulting in a loss to the Fund Unitholders.

### **Borrowing**

The Fund does not expect to utilize borrowing to pay expenses or fund redemptions. However, the Fund may borrow in accordance with the terms of the Trust Agreement. If the Fund were to do so, such borrowing may increase the risk that actual returns may be lower than targeted and that losses of capital may occur. The amount borrowed may cause a decrease in the Net Asset Value of the Fund in excess of that which would be experienced if there were no borrowed amount owed by the Fund. If borrowing does take place and the overdraft facility is called by the lender, the Fund may be required to liquidate assets to repay the indebtedness sooner than it may otherwise have chosen to do so. The Fund will pay, and the Fund Unitholders will bear, any costs and expenses associated with any leverage. Any decline in the Fund's assets and ultimately the Net Asset Value of the Fund will be borne entirely by the Fund Unitholders.

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

The success of the Fund's 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 Fund's investments. Unexpected volatility or illiquidity could impair the Fund's profitability or result in losses.

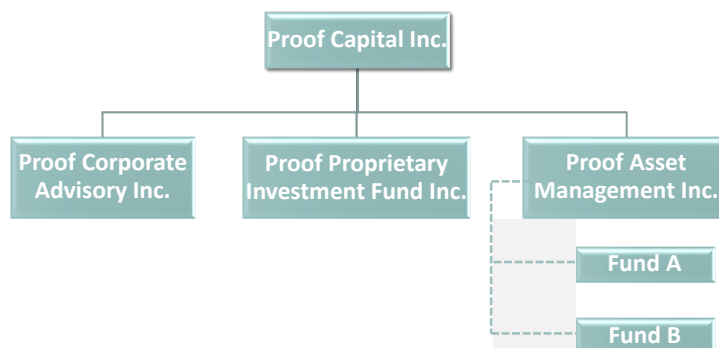
## **ITEM 10 CONFLICTS OF INTEREST**

### **10.1 General Comments on How Conflicts of Interests Are Addressed**

The Fund is subject to several existing and potential conflicts of interest as described in further detail below. Each of Proof Capital Inc., its subsidiaries, the Fund, and the Manager emphasize integrity when dealing with investors and will deal fairly, honestly and in good faith with all investors and will address all conflicts in the best interest of investors in the Fund.

#### Structure and Description of Proof's Wholly Owned Subsidiaries

Proof has the following three wholly owned subsidiaries: Proof Corporate Advisory Inc. ("**Proof Advisory**"), Proof Proprietary Investment Fund Inc. ("**PROP Fund**"), and Proof Asset Management Inc. ("**PAM**"). Transactions between these subsidiaries and with Proof have not been, and cannot be, negotiated at arm's length.





The goal of Proof's corporate structure is to address conflicts with respect to inter-corporate transactions by aligning interests between Proof, its subsidiaries and the Fund. The Board of Directors of Proof believe this alignment is supported by the following four tenets:

- By virtue of the internal sourcing and structuring of its own private investment opportunities by Proof's subsidiary, Proof Corporate Advisory Inc., Proof and the Manager are able to give the Fund access to high quality investment opportunities that may be less volatile than those in the public markets;
- By investing along-side investors in the Fund through Proof Proprietary Investment Fund Inc., Proof demonstrates both confidence in the quality of its investments and willingness to accept the same risks as investors in the Fund;
- By the directors of Proof accepting directorships in certain of the entities in which it has structured its investments, Proof maintains access to information to support Fund investment decisions; and
- By using the PROP Fund as a venture capital incubator, Proof nurtures a potential source of quality future investment opportunities for the Fund.

Proof Advisory may earn advisory and/or origination fees from performing due diligence and structuring securities in which the Manager may or may not direct the Fund to invest. No such fees will be payable by the Fund and no portion of such fees will be payable to the Manager. The PROP Fund may invest in parallel with the Fund or it may invest in opportunities in which the Fund either cannot or chooses not to invest, all as further discussed below. Any related situations that result in a potential conflict of interest shall be referred to the Conflict Advisory Board (see below).

#### Conflict Advisory Board

Proof has established a conflict advisory board ("**Conflict Advisory Board**") whose mandate is to provide recommendations and advice to Proof, Proof Corporate Advisory Inc. ("**Proof Advisory**"), Proof Proprietary Investment Fund Inc. ("**PROP Fund**"), Proof Asset Management Inc. ("**PAM**"), Qwest Investment Fund Management Ltd. (the "**Manager**"), Proof-EFM Global Financial Services and Technology Fund (the "**Fund**") and all proprietary Proof funds, to address existing or potential conflicts of interest in the best interests of the investors of the particular fund and in compliance with all applicable laws and best practices. The Conflict Advisory Board members shall be appointed by Proof's Board of Directors and will include qualified individuals, the majority of whom will at all times be independent from Proof and its subsidiaries. The identities of the members of the Conflict Advisory Board at any given time shall be publicly disclosed on Proof's website ([www.proofcapital.ca](http://www.proofcapital.ca)).

## **10.2 Specific Conflicts and How They Will Be Addressed**

### The Manager

The Manager is a registered Exempt Market Dealer, an Investment Fund Manager, and a Portfolio Manager. The Fund may invest in securities of underlying funds for which the Manager is the manager and/or portfolio manager in accordance with applicable securities laws and with any regulatory orders it has obtained. As a result, there are potential conflicts of interest that could arise in connection with the Manager acting in its capacities as Exempt Market Dealer, Investment Fund Manager, and Portfolio Manager and as the manager and/or portfolio manager of both the Fund and underlying funds. In order to address this conflict, the Manager has adopted a conflict of interest policy to address and minimize those potential conflicts of interest. The policy states that the Manager will deal fairly, honestly and in good faith with all clients (including the Funds and any underlying funds) and not advantage one client over another.

### Services of the Manager, the Promoter and the Portfolio Advisor not Exclusive to the Fund

The Manager, Proof, PAM, and their respective partners, directors, and officers as well as their respective employees, agents and associates who have access to, or participate in formulating and making decisions on behalf of the Fund or advice to be given to the Fund (each, an "**Access Person**" and collectively the "**Access Persons**") are also engaged

in a variety of management, advisory, and other portfolio management and financial planning activities which may or may not involve an investment in the Fund.

The Services of the Access Persons are not exclusive to the Fund. Such examples include, but are not limited to:

- The Chief Investment Officer of the Promoter and the Portfolio Advisor is also an Advising Representative (Portfolio Manager) of the Manager.
- The Manager, Promoter, and Portfolio Advisor may, at any time, engage in the promotion, management or portfolio management of any other fund or trust (including any underlying funds) and provide similar services to other investment funds and other clients and engage in other activities.

Access Persons will, therefore, have conflicts of interest in allocating management time, services and functions among the Fund and such other persons for which it provides services (including any underlying funds). In order to address this conflict, all Access Persons will devote as much of their respective time and resources to the activities of the Fund as in their respective judgment is reasonably required and will ensure a fair and equitable allocation of its management time, services and functions between the Fund and any other such persons to whom it provides services.

#### Proof Corporate Advisory Inc.

Proof Advisory clients may include both public and private entities ("**Advisory Clients**"), some of which the Fund may decide to invest in. Proof Advisory analyzes the risks and opportunities of Advisory Clients, develops structures and terms for potential financing solutions, develops strategic alternatives, and recommends and introduces potential capital providers. The PROP Fund and the Fund are potential funding sources for Advisory Clients, and either may, from time to time and as deemed appropriate, invest solely or with other investors in these opportunities. A potential conflict of interest may arise when the Fund invests in the securities of any entity to which Proof Advisory is also providing advisory services and earning an advisory and/or origination fee from the Advisory Client. To address the potential fee conflict caused by Proof Advisory receiving fees related to the Fund's investments, Proof Advisory shall seek to align its interests with the interests of investors by ensuring that unless otherwise agreed to by the Conflict Advisory Board, the amount of fees it receives shall be consistent with industry practices. Further, unless otherwise agreed by the Conflict Advisory Board, Proof Advisory shall receive such fees in one of the following three manners:

- Payment of least 50% of advisory and origination fees shall be received "in kind" in securities of the issuer, which securities will be subject to a minimum one (1) year holding period;
- Advisory and origination fees shall be received in the form of a carried interest that is earned after the Fund receives an aggregate amount of dividends, distributions or return of capital equal to at least a 100% of invested capital; or
- Advisory or origination fees may only be received 100% in cash if either: (i) the cash fee is not more than 1.0% of aggregate capital raised for the Advisory Client; or (ii) Proof Advisory enters into an agreement with the Advisory Client that in the event the investment is liquidated and the Fund has not received an aggregate amount of dividends, distributions or return of capital equal to at least 100% of invested capital, all fees paid to Proof Advisory by the Advisory Client shall be advanced by Proof Advisory on behalf of the Advisory Client to the Fund as a return of invested capital.

If Proof Advisory receives fees in any way other than the above three manners prior to a Conflict Advisory Board decision with respect to the same, all such fees shall be held either in escrow until the Conflict Advisory Board has had the opportunity to review the potential conflict:

- If/when the Conflict Advisory Board is satisfied that the potential conflict has been adequately addressed, the fees shall be released to Proof Advisory; or
- However, if/when the Conflict Advisory Board concludes that the potential conflict of interest CANNOT be

adequately addressed in the best interest of investors in the fund, the fees being held in escrow are to be returned to the Advisory Client (rather than advanced to Proof Advisory).

Proof Advisory shall promptly notify the Conflict Advisory Board of any such situations. Proof Advisory shall also provide the Conflict Advisory Board with sufficient information to provide considered advice on the matter, and give full and sufficient consideration to the Conflict Advisory Board's recommendations where a potential conflict of interest exists, taking care to adopt recommendations the Conflict Advisory Board believes are sufficient to ensure the conflict has been adequately addressed in the best interests of investors of the Fund. Proof Advisory shall not accept advisory or origination fees in a manner different than the three methods described above without the approval of the Conflict Advisory Board.

#### Directorships

A potential conflict of interest may arise when an individual Access Person accepts a directorship in an entity in which the Fund has invested or in which the Manager and/or PAM are considering an investment. This is a potential conflict of interest because the individual Access Person's fiduciary duty as a director to the 3rd party entity could potentially come into conflict with its fiduciary duty to the Fund.

The individual Access Person shall promptly notify the Conflict Advisory Board of such directorships and shall also provide the Conflict Advisory Board with sufficient information to provide considered advice on any such matter, and give full and sufficient consideration to the Conflict Advisory Board's recommendations where a potential conflict of interest exists, taking care to adopt recommendations the Conflict Advisory Board believes are sufficient to ensure the conflict has been adequately addressed in the best interests of investors in the Fund. If the conflict cannot be adequately addressed by any other means, then the individual Access Person shall recuse themselves from the directorship.

With respect to Directorship disclosure, the Manager shall comply with the *Disclosure to Clients* requirements set out in National Instrument 31-103 – *Registration Requirements, Exemptions And Ongoing Registrant Obligations*, as may be amended from time to time. In addition, Proof will post and maintain on its website ([www.proofcapital.ca](http://www.proofcapital.ca)) a list of all the directorships of Access Persons.

#### Parallel Investments of Access Persons

A potential conflict of interest may arise when Access Persons make a parallel investment alongside the Fund if the allotment of such investments is not equitably distributed. To address this potential conflict, when the Fund and one or more Access Persons are engaged in the purchase or sale of the same security, such parallel investments shall be allocated and disposed of in a fair and equitable basis (and with full consideration to the advice of the Conflict Advisory Board). The Manager and PAM's investment decisions for the Fund shall be made in the best interests of investors of the Fund.

#### Allocation of Investment Opportunities Amongst the Manager's Clients

The Manager may make an investment in the Fund and/or for one or more of its clients. If one or more of the clients of the Manager are engaged in the purchase or sale of the same security, the transactions will generally be effected on an equitable basis. However, the Manager may determine from time to time that some investment opportunities are appropriate for certain investment management clients and not others due to differing objectives, time horizons, liquidity needs or availability, tax consequences and assessments of general market conditions and of individual securities. The Manager may also occasionally determine it to be necessary to allocate limited investment opportunities among the managed accounts under its responsibility, on a basis deemed appropriate by the Manager.

#### Self-Dealing

A potential conflict of interest could develop any time the Fund purchases a security from, or sells a security to, the PROP Fund or its officers or directors (the "**Self-Dealing Parties**").

The Fund shall not be permitted to make an investment in an issuer in which any officer or director of the Fund, Proof, the PROP Fund, or the Manager beneficially owns, either directly or indirectly, more than 10% of the outstanding shares or units of the issuer, or if all officers and directors of the aforementioned entities combined beneficially own, either directly or indirectly, more than 50% of the outstanding shares or units of the issuer.

To address this potential conflict of interest, trades between the Fund and a Self-Dealing Party will only be permitted if the trading price is established to be at fair market value that is validated by a third party transaction (including a coincident equity financing by the issuer). In addition, no permitted trade between the Fund and a Self-Dealing Party shall proceed without first addressing the potential trade with the Conflict Advisory Board. The Fund and the applicable Self-Dealing Party will provide the Conflict Advisory Board with sufficient information to allow the Conflict Advisory Board to advise on any such matter. The Fund and the Self-Dealing Party will give full and sufficient consideration to the Conflict Advisory Board's recommendations on potential investments where a potential conflict of interest exists, taking care to adopt recommendations the Conflict Advisory Board believes are sufficient to ensure the conflict has been adequately addressed in the best interests of investors in the Fund. If the conflict cannot be adequately addressed, then the trade will not be permitted.

With respect to Self-Dealing disclosure, the Manager shall comply with the *Disclosure to Clients* requirements set out in National Instrument 31-103 - *Registration Requirements, Exemptions And Ongoing Registrant Obligations*, as may be amended from time to time. In addition, Proof will post and maintain a list of all the holdings of the PROP Fund on its website ([www.proofcapital.ca](http://www.proofcapital.ca)).

#### Proprietary Products

A potential conflict of interest could be created if both Proof proprietary products and non-proprietary products are sold to investors, and if the proprietary products have higher sales commissions attached to them than the non-proprietary products. To address the potential conflict, Proof has adopted a conflict of interest policy which provides that the same sales commissions shall be attached to all Proof products sold to investors, regardless of whether or not the products are proprietary or non-proprietary. In addition, the name of Proof's firm and the name of its proprietary investment products shall intentionally be made sufficiently similar such that further disclosure is not necessary to affirm which of Proof's funds are proprietary.

#### Separation of Advisory Functions

Units of a fund may be sold by individuals registered as a dealing representatives. In the context of a proprietary fund, there is a conflict of interest between the dealing representative sales function and the advising representative advisory function. Therefore, at all times there shall be a separation of the sales and advisory functions of a fund such that the individual or individuals advising a fund shall not act as a dealing representative with respect to sales of the fund's units.

### **10.3 Connected and Related Issuers**

The Manager is registered as a dealer and an adviser with securities regulatory authorities and regulators in Alberta, British Columbia, Nova Scotia, Ontario, Québec, and Saskatchewan. Those securities regulatory authorities and regulators, among others, have expressed concerns that, when a registered dealer trades in, or a registered adviser that advises on, securities of an issuer to which it is "connected" or "related", conflicts of interest may arise. As a result, Canadian securities laws require registered securities dealers and advisers, when they trade in or advise with respect to their own securities or securities of certain other issuers to which they, or certain other parties related to them, are "connected" or "related", to do so only in accordance with particular disclosure and other rules. These rules require dealers and advisers, prior to trading with or advising their clients, to inform them of the relevant relationships and connections with the issuer of the securities.

The Fund may be considered a "related" or "connected" issuer to the Manager when it sells Fund Units on behalf of the Fund. While the Manager does not receive a fee for selling the Fund Units, it does receive management fees for management and advisory services rendered to the Fund. See ITEM 2.3 – *Fees and Expenses*.

See Schedule A for conflicts of interest related to the Underlying Fund.

#### ITEM 11 REPORTING OBLIGATIONS

The Manager shall provide to Fund Unitholders such financial statements and other reports as are from time to time required by applicable securities laws and the Trust Agreement.

The Net Asset Value per Fund Unit of each Fund Unitholder's Fund Units and of the Fund will be made available on a monthly basis.

The Manager shall send, or cause to be sent, to all Fund Unitholders information required by law for income tax purposes within the time prescribed by law. Financial statements or other information relating to the Fund and provided to you in the future may not by itself be sufficient for your needs to enable you to prepare your income tax returns or to assess the performance of your investment. The Fund will comply with all other reporting and administrative requirements, including the reporting requirements contained in NI 45-106.

**The Fund is not a "reporting issuer" or equivalent under the securities legislation of any jurisdiction. Accordingly, the Fund is not subject to the continuous disclosure requirements of any securities legislation and there is therefore no requirement that the Fund make ongoing disclosure of its affairs including, without limitation, the disclosure of financial information on a quarterly basis or the disclosure of material changes in the business or affairs of the Fund.**

#### ITEM 12 RESALE RESTRICTIONS

##### 12.1 Resale Restriction

Fund Units will be subject to a number of resale restrictions, including a restriction on trading. Until the restriction on trading expires, you will not be able to trade the Fund Units unless you comply with an exemption from the prospectus requirements under applicable securities legislation.

##### 12.2 Restricted Period

Unless permitted under securities legislation, you cannot trade the Fund Units before the date that is four months and a day after the date the Fund becomes a reporting issuer in any province or territory of Canada. As the Fund is not currently a reporting issuer in any province or territory of Canada, and does not contemplate becoming a reporting issuer, the statutory hold period could be indefinite.

##### 12.3 Manitoba Resale Restrictions

For purchasers in Manitoba, unless permitted under securities legislation, you must not trade the securities without the prior written consent of the regulator in Manitoba unless:

- (a) the Fund has filed a prospectus with the regulator in Manitoba with respect to the Fund Units and the regulator in Manitoba has issued a receipt for that prospectus, or
- (b) you have held the Fund Units for at least 12 months.

The regulator in Manitoba will consent to your trade if the regulator is of the opinion that to do so is not prejudicial to the public interest.

#### ITEM 13 PURCHASERS' RIGHTS

Offering memoranda that are used in certain provinces in connection with the Accredited Investor exemption from the prospectus requirements, are required under the securities laws of those provinces to describe the respective rights of action that are statutorily available to purchasers in those provinces. For complete information about the rights, if any, available to you in your jurisdiction, you should consult a lawyer.

### 13.1 British Columbia, Alberta and Québec

A prospective investor of Fund Units pursuant to this Offering Memorandum who is a resident in British Columbia, Alberta and Quebec has, in addition to any other rights the prospective investor may have at law, a right of action for damages or rescission against the Fund if this Offering Memorandum, together with any amendments hereto, contains a Misrepresentation. A prospective investor has additional statutory rights of action for damages against every person who signed this Offering Memorandum.

If this Offering Memorandum contains a Misrepresentation, which was a Misrepresentation at the time the Fund Units were purchased, the prospective investor will be deemed to have relied upon the Misrepresentation and will, as provided below, have a right of action against the Fund for damages or alternatively, while still the owner of any of the Fund Units purchased by that prospective investor, for rescission, in which case, if the prospective investor elects to exercise the right of rescission, the prospective investor will have no right of action for damages against the Fund, provided that:

- (a) no person will be liable if it proves that the prospective investor purchased the securities with knowledge of the Misrepresentation ;
- (b) in the case of an action for damages, 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 ;
- (c) in no case will the amount recoverable in any action exceed the price at which the securities were purchased by the Subscriber under this Offering Memorandum; and
- (d) in the case of a prospective investor resident in Alberta, no person, other than the Fund, will be liable if such person is entitled to rely upon certain statutory provisions set out in subsections 204(3)(a) – (e) of the *Securities Act* (Alberta).

No action may be commenced:

- (a) in the case of an action for rescission, more than 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, more than the earlier of (i) 180 days after the prospective investor first had knowledge of the facts giving rise to the cause of action; or (ii) three (3) years after the date of the transaction that gave rise to the cause of action.

### 13.2 Saskatchewan

*The Securities Act*, 1988 (Saskatchewan) (the “**Saskatchewan Act**”) provides, subject to certain limitations, that if this Offering Memorandum or any amendment thereto sent or delivered to a prospective investor contains a Misrepresentation (as defined in the Saskatchewan Act), a Subscriber who purchases Fund Units pursuant to this Offering Memorandum or an amendment thereto has, without regard to whether the prospective investor relied on the Misrepresentation , a right of action for damages against:

- (a) the Fund;
- (b) every promoter of the Fund at the time this Offering Memorandum or any amendment thereto was sent or delivered;
- (c) every person whose consent has been filed with this Offering Memorandum or an amendment thereto but only with respect to reports, opinions or statements that have been made by them;
- (d) every person that signed this Offering Memorandum or any amendment thereto; and

- (e) every person that sells Fund Units on behalf of the Fund under this Offering Memorandum or any amendment thereto.

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, 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, other than the Issuer or a selling security holder, will be liable for any part of this 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 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 Fund Units were offered; and
- (e) no person is liable in an action for rescission or damages if that person proves that the prospective investor purchased the Fund Units with knowledge of the Misrepresentation.

Similar rights of action for damages and rescission are provided in the Saskatchewan Act also provides that, subject to certain limitations, where any advertising or sales literature (as defined in the Saskatchewan Act) disseminated in connection with the Offering of Fund Units contains a Misrepresentation , a prospective investor who purchases Fund Units referred to in that advertising or sales literature, is deemed to have relied on that Misrepresentation if it was a Misrepresentation at the time of purchase and has a right of action against the Issuer, every promoter of the Issuer at the time the advertising or sales literature was disseminated, and every person who, at the time the advertising or sales literature was disseminated, sells Fund Units on behalf of the Issuer in the Offering with respect to which the advertising or sales literature was disseminated.

The Saskatchewan Act provides that, subject to certain limitations, where an individual makes a verbal statement to a prospective investor of Fund Units that contains a Misrepresentation relating to the Fund Units purchased, and the verbal statement is made either before or contemporaneously with the purchase of the Fund Units, the prospective investor has, without regard to whether the prospective investor relied on the Misrepresentation , a right of action for damages against the individual who made the verbal statement.

No action to enforce the foregoing rights may be commenced:

- (a) in the case of an action for rescission, more than 180 days after the date of the transaction that gave rise to the cause of action; or
- (b) in the case of any action, other than an action for rescission, more than 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.

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 has, without regard to whether the purchaser relied on the Misrepresentation, 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 such Saskatchewan Act, the regulations to such 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 Saskatchewan Act also provides that 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 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.

### 13.3 Manitoba

In the event that this Offering Memorandum (including any amendment hereto) delivered to a purchaser of Fund Units resident in Manitoba, contains a Misrepresentation and it is a Misrepresentation at the time of purchase, the purchaser shall be deemed to have relied upon the Misrepresentation and shall have, in addition to any other rights they may have at law: (a) a right of action for damages against (i) the Fund, (ii) every director of the Fund at the date of this Offering Memorandum (collectively, the "**Directors**"), and (iii) every person who signed this Offering Memorandum (collectively, the "**Signatories**"); and (b) a right of rescission against the Fund.

A purchaser may elect to exercise a right of rescission against the Fund, in which case the purchaser will have no right of action for damages against the Fund, Directors or Signatories.

The Fund, the Directors and Signatories will not be liable if they prove that the purchaser purchased Fund Units with knowledge of the Misrepresentation.

In an action for damages, the Fund, the Directors and Signatories will not be liable for all or any part of the damages that they prove do not represent the depreciation in value of the Fund Units as a result of the Misrepresentation relied upon. The amount recoverable under the right of action shall not exceed the price at which the Fund Units were offered for sale.

A purchaser of Fund Units to whom this Offering Memorandum was not delivered prior to such purchase in circumstances where such Offering Memorandum was required to be delivered has a right of rescission or a right of action for damages against the Fund or any dealer who failed to deliver the Offering Memorandum within the prescribed time.

A purchaser of Fund Units to whom the Offering Memorandum is required to be sent may rescind the contract to purchase the Fund Units by sending a written notice of rescission to the Fund not later than midnight on the second day, excluding Saturdays and holidays, after the purchaser signs the agreement to purchase the Fund Units.

Unless otherwise provided under applicable securities legislation, no action shall be commenced to enforce a right of action unless the right is exercised:

- (a) in the case of rescission, not later than 180 days from the day of the transaction that gave rise to the cause of action; or



- (b) in the case of an action, other than an action for rescission, the earlier of (i) 180 days from the day the purchaser first had knowledge of the facts giving rise to the cause of action; or (ii) two (2) years from the day of the transaction that gave rise to the cause of action.

#### 13.4 Ontario

In accordance with the *Securities Act* (Ontario) (the “**Ontario Act**”), if this Offering Memorandum contains a Misrepresentation (as defined in the Ontario Act), a prospective investor who purchases Fund Units offered by this Offering Memorandum is deemed to have relied on the representation if it was a Misrepresentation at the time of purchase, and the prospective investor has: (a) a right of action for damages against the Issuer and every person or company who signed this Offering Memorandum; or (b) a right of rescission against the Issuer. If the prospective investor chooses to exercise a right of rescission against the Fund, the prospective investor has no right of action for damages against a person or company referred to above.

The amount recoverable shall not exceed the price at which the Fund Units were offered under this Offering Memorandum. In an action for damages, the defendant is not liable for all or any part of the damages that the defendant proves do not represent the depreciation in value of the Fund Units as a result of the Misrepresentation.

No action may be commenced to enforce a right:

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

#### 13.5 New Brunswick

The *Securities Act* (New Brunswick) (the “**New Brunswick Act**”) provides that, subject to certain limitations, where this Offering Memorandum or any amendment thereto, which is provided to a prospective investor of the Fund Units contains a Misrepresentation (as defined in the New Brunswick Act), a prospective investor who purchases the Fund Units shall be deemed to have relied on the Misrepresentation if it was a Misrepresentation at the time of purchase and the prospective investor has, subject to certain defences, a right of action for damages against the Fund or may elect to exercise a right of rescission against the Issuer, in which case the prospective investor shall have no right of action for damages, provided that:

- (a) in an action for damages or rescission, the defendant will not be liable if it proves that the prospective investor purchased the Fund Units 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 Fund Units 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 Fund Units were offered.

No action to enforce the foregoing rights may be commenced:

- (a) in the case of an action for rescission, more than 180 days after the date of the transaction that gave rise to the cause of action; or

- (b) in the case of any action, other than an action for rescission, more than 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.

### 13.6 Nova Scotia

The *Securities Act* (Nova Scotia) (the “**Nova Scotia Act**”) provides that, subject to certain limitations, where this Offering Memorandum, together with any amendment thereto sent or delivered to a prospective investor, or any advertising or sales literature (as such terms are defined in the Nova Scotia Act) contains a Misrepresentation (as defined in the Nova Scotia Act), a prospective investor who purchased Fund Units referred to in it 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 Fund, and subject to certain additional defences, every seller (other than the Issuer) of Fund Units and persons who have signed this Offering Memorandum.

Alternatively, where the prospective investor purchased Fund Units from the Fund, the Subscriber may elect to exercise a right of rescission against the Issuer. If the prospective investor exercises its right of rescission against the Issuer, the prospective investor will not have a right of action for damages against the Fund or against any aforementioned person.

The foregoing rights are subject to, among other limitations, the following:

- (a) no action shall be commenced to enforce any of the foregoing rights more than 120 days after the date on which the initial payment was made for the Fund Units;
- (b) no person will be liable if the person proves that the prospective investor purchased the Fund Units with knowledge of the Misrepresentation ;
- (c) in the case of an action for damages, 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 Fund Units as a result of the Misrepresentation ; and
- (d) the amount recoverable in any action may not exceed the price at which the Fund Units were offered to the prospective investor under this Offering Memorandum or amendment thereto.

### 13.7 Prince Edward Island

The *Securities Act* (Prince Edward Island) (the “**PEI Act**”) provides, subject to certain limitations, that if this Offering Memorandum contains a Misrepresentation (as defined in the PEI Act), a prospective investor who purchases Fund Units offered by this Offering Memorandum during the period of distribution has, without regard to whether the prospective investor relied on the Misrepresentation, a right of action for damages against the Issuer and every person who signed this Offering Memorandum.

Alternatively, the Subscriber may elect to exercise a right of rescission against the Issuer. If the prospective investor exercises its right of rescission against the Fund, the prospective investor will not have a right of action for damages against a person referred to above.

The amount recoverable must not exceed the price at which the Fund Units purchased by the plaintiff were offered. In an action for damages, the defendant is not liable for any damages that the defendant proves do not represent the depreciation in value of the Fund Units resulting from the Misrepresentation.

No action may be commenced to enforce a right:

- (a) in the case of an action for rescission, more than 180 days after the day of the transaction that

gave rise to the cause of action; or

in any other case, more than the earlier of,

- (b) 180 days after the day that the plaintiff first had knowledge of the facts giving rise to the cause of action, or
- (c) three years after the day of the transaction that gave rise to the cause of action.

### **13.8 Newfoundland and Labrador**

The *Securities Act* (Newfoundland and Labrador) provides that if this Offering Memorandum contains a Misrepresentation, a prospective investor who purchases Fund Units offered by this Offering Memorandum is deemed to have relied on the representation if it was a Misrepresentation at the time of purchase, and the prospective investor has a right of action for damages against the Fund and every person who signed this Offering Memorandum and a right of rescission against the Fund.

If the prospective investor chooses to exercise a right of rescission against the Issuer, the prospective investor has no right of action for damages against a person referred to above.

The amount recoverable shall not exceed the price at which the Fund Units were offered under this Offering Memorandum. In an action for damages, the defendant is not liable for all or any part of the damages that the defendant proves do not represent the depreciation in value of the Fund Units as a result of the Misrepresentation.

No action shall be commenced to enforce these contractual 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 an action for damages, before the earlier of,
  - (i) 180 days after the plaintiff first has 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.

The foregoing summary is subject to the express provisions of the securities legislation referred to above and the rules, regulations and other instruments thereunder, and reference is made to the complete text of such provisions. Such provisions may contain limitations and statutory defences on which the Fund may rely.

The statutory rights of action discussed above are in addition to, and without derogation from, any other right or remedy which a prospective investor may have at law.

**In Alberta, New Brunswick, Nova Scotia, Ontario, Québec and Saskatchewan, the foregoing rights shall apply to all of the information in any of the OM Marketing Materials, which are deemed to be incorporated by reference into the Offering Memorandum.**

## **ITEM 14 FINANCIAL STATEMENTS OF THE FUND**

The audited financial statements for the period from June 22, 2021 (commencement of operations) to June 30, 2021, are attached immediately before the certificate page of this Offering Memorandum. As the Fund has not completed one financial year, the audited financial statements consist of a statement of financial position as at June 30, 2021, and the statements of comprehensive loss, changes in net assets Attributable to Holders of Redeemable Units and cash flows for the period ended June 30, 2021.

Interim Financial Statements of

**PROOF-EFM GLOBAL FINANCIAL SERVICES  
& TECHNOLOGY FUND**

For the period from June 22, 2021 (commencement of operations) to June 30,  
2021



Rice & Company LLP  
1422, 510 5th Street SW  
Calgary, AB T2P 3S2

## Independent Auditor's Report

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To the Unitholders of Proof-EFM Global Financial Services & Technology Fund

### Opinion

We have audited the financial statements of Proof-EFM Global Financial Services & Technology Fund (the "Fund"), which comprise the statement of financial position as at June 30, 2021, and the statements of comprehensive income, changes in net assets and cash flows for the period ended June 30, 2021, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at June 30, 2021, and its financial performance and cash flows for then period ended June 30, 2021 in accordance with International Financial Reporting Standards (IFRS).

### Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Responsibilities of Management and Those Charged with Governance of the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

### Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management override of internal control.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Calgary, AB, Canada  
July 7, 2021

*Rice & Company LLP*  
CHARTERED PROFESSIONAL ACCOUNTANTS

**Proof-EFM Global Financial Services & Technology Fund**  
**Statement of Financial Position**

<b>As at June 30,</b>	<b>Note</b>	<b>2021</b>
<b>Assets</b>		
Total assets	\$	-
<b>Liabilities</b>		
Accounts payable	5	6,500
<b>Net assets attributable to holders of units</b>	<b>\$</b>	<b>(6,500)</b>

See accompanying notes to the financial statements.

These financial statements were approved by the President and CEO of the Fund on July 7, 2021.

Signed "Jeremy Kalie", President & CEO

**Proof-EFM Global Financial Services & Technology Fund**  
**Statement of Comprehensive Income**

**For the period from June 22, 2021 to June 30, 2021**

	Note		
Expenses			
Administration Expenses	5	\$	6,500
<b>Total comprehensive loss for the period</b>		<b>\$</b>	<b>6,500</b>



**Proof-EFM Global Financial Services & Technology Fund**  
**Statement of Cash Flows**

**For the period from June 22, 2021 to June 30, 2021**

	2021
<b>Cash provided by:</b>	
<b>Cash flows used in operating activities</b>	
Decrease in net assets from operations	\$ (6,500)
Adjustments for:	
Accrued liabilities	6,500
<b>Net cash received (used) in operating activities</b>	-
<b>Net change in cash</b>	-
<b>Cash at the beginning and end of the period</b>	\$ -

See accompanying notes to the financial statements.

**Proof-EFM Global Financial Services & Technology Fund**  
**Statement of Changes in Net Assets Attributable to Holders of Redeemable Units**

**For the period from June 22, 2021 to June 30, 2021**

	<b>Note</b>	<b>Total</b>
Net assets, at beginning of year	\$	-
Decrease in net assets attributable to holders of units		(6,500)
<b>Net assets, at end of period</b>	<b>\$</b>	<b>(6,500)</b>

See accompanying notes to the financial statements.

## Proof-EFM Global Financial Services & Technology Fund

Notes to Financial Statements

(In thousands of dollars, except for unit amounts)

For the period from June 22, 2021 (commencement of operations) to June 30, 2021

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### 1. Reporting entity:

Proof-EFM Global Financial Services & Technology Fund (the "Fund") is an opened unit trust formed on June 22, 2021 under the laws of the Province of Ontario by the Trust Agreement. The Fund is managed by Qwest Investment Fund Management Ltd (the "Manager"). The Fund's registered address is 817 Rideau Road SW, Calgary, AB T2S 0S1. RBC Investor Services Trust acts as the trustee and custodian of the Fund.

The Fund commenced operations on June 22, 2021.

The Fund's investment objective is to achieve a stable level of current income while preserving capital. The Fund will use the net proceeds of the Offering to purchase Class P Participating shares in EFM Global Financial Services and Technology Mater Fund.

### 2. Basis of preparation:

These financial statements have been prepared in compliance with International Accounting Standard 34 Interim Financial Reporting ("IAS 34"), as published by the International Accounting Standards Board ("IASB") and as required by Canadian securities legislation and the Canadian Accounting Standards Board.

The Fund adopted all issued and outstanding IFRS on the date of its settlement on June 22, 2021, it did not elect to early adopt any upcoming standards.

The financial statements were authorized for issue by the Manager on behalf of the board of directors on July 7, 2021.

#### (a) Basis of measurement:

Investments are measured at fair value through profit or loss. Other receivables and payables are measured at amortized cost.

#### (b) Functional and presentation currency:

These financial statements are presented in Canadian dollars, which is the Fund's functional and reporting currency. All financial information presented in Canadian dollars has been rounded to the nearest thousand.

#### (c) Use of estimates and judgments:

The preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

## Proof-EFM Global Financial Services & Technology Fund

Notes to Financial Statements

(In thousands of dollars, except for unit amounts)

For the period from June 22, 2021 (commencement of operations) to June 30, 2021

### 2. Basis of preparation (continued):

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

No significant adjustments were made by the Manager in preparing these financial statements.

### 3. Significant accounting policies:

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

#### (a) Financial instruments:

##### (i) Classification and measurement:

Financial assets are required to be classified into one of the following categories: fair value through profit or loss ("FVTPL"), amortized cost or fair value through other comprehensive income ("FVTOCI") based on the Fund's business model for managing financial assets and the contractual cash flow characteristics of the financial assets.

A financial asset is classified as Amortized Cost if the objective of the business model is to hold the financial asset for the collection of the cash flows; and all contractual cash flows represent only principal and interest on that principal.

A financial asset is classified as FVOCI if the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and the contractual terms of the financial asset give rise on specified dates to cashflows that are solely payment of principal and interest on the principal amount outstanding.

All financial assets that do not meet the criteria to be classified as Amortized Cost or FVOCI are classified as FVTPL, this includes all derivative financial assets. The Trust may make an irrevocable election to designate a financial asset that would otherwise be classified in another category as FVTPL. If the election is made it is irrevocable, meaning that asset must remain categorized as FVTPL until that asset is derecognized.

Financial liabilities are measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is derivative or it is designated as such on initial recognition.

All financial instruments are measured at fair value on initial recognition. Transaction costs are included in the initial carrying amount of financial instruments except for financial instruments classified as FVTPL, in which case transaction costs are expensed as incurred.

## Proof-EFM Global Financial Services & Technology Fund

Notes to Financial Statements

(In thousands of dollars, except for unit amounts)

For the period from June 22, 2021 (commencement of operations) to June 30, 2021

### 3. Significant accounting policies (continued):

Financial instruments held-for trading or at FVTPL are recognized initially on the trade date, which is the date on which the Fund becomes a party to the contractual provisions of the instrument. Other financial assets and financial liabilities are recognized on the date on which they are originated. The Fund derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statements of financial position only when the Fund has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

At June 30, 2021, no amounts have been offset in the statements of financial position.

#### (ii) FVTPL:

Financial instruments classified as FVTPL are subsequently measured at fair value at each reporting period with changes in fair value recognized in the statements of comprehensive income in the period in which they occur. The Fund has classified its investments in securities, derivative financial assets and derivative financial liabilities as FVTPL.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of financial assets and liabilities traded in active markets (such as publicly traded derivatives and marketable securities) are based on quoted market prices at the close of trading on the reporting date. The Fund uses the last traded market price for both financial assets and financial liabilities where the last traded price falls within that day's bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, the Manager determines the point within the bid-ask spread that is most representative of fair value based on the specific facts and circumstances.

The fair value of financial assets and liabilities that are not traded in an active market, including derivative instruments, is determined using valuation techniques.

Valuation techniques also include the use of comparable recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and others commonly used by market participants and which make the maximum use of observable inputs. Should the value of the financial asset or liability, in the opinion of the Manager, be inaccurate, unreliable or not readily available, the fair value is estimated on the basis of the most recently reported information of a similar financial asset or liability.

The Fund's accounting policies for measuring the fair value of investments are consistent with those used for measuring its net asset value for transactions with unitholders.

## Proof-EFM Global Financial Services & Technology Fund

Notes to Financial Statements

(In thousands of dollars, except for unit amounts)

For the period from June 22, 2021 (commencement of operations) to June 30, 2021

### 3. Significant accounting policies (continued):

#### (iii) Amortized cost:

Financial instruments classified under amortized cost include financial assets that are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest and financial liabilities not classified as FVTPL. Such financial assets and liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent measurement of these financial assets and financial liabilities is at cost, which approximates their fair value. The Fund classifies cash, accrued dividends receivable, accrued interest receivable for distribution purposes, subscriptions receivable, accounts payable and accrued liabilities, redemptions payable and management fees payable, as amortized cost. Cash includes cash on deposit with the custodian.

#### (iv) Impairment:

For financial assets measured at amortized cost, the Fund uses an expected credit loss (ECL) impairment model. The ECL model uses an allowance for expected credit losses being recorded regardless of whether or not there has been an actual loss event.

The Fund measures the loss allowance at an amount equal to lifetime ECL for trade and other receivables. Lifetime ECL's are the ECL's that result from all possible default events over the expected life of the trade and other receivables. ECL's are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (that being the difference between the cash flows due to the Fund in accordance with the contract and the cash flows that the Fund expects to receive). ECL's are discounted at the effective interest rate of the financial asset. The Fund did not recognize any ECL as at the reporting date.

#### (b) Redeemable units:

The Fund classifies financial instruments issued as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments. The Fund has multiple classes of redeemable units that do not have identical features and therefore, does not qualify as equity under International Accounting Standard (IAS) 32, *Financial Instruments - presentation* (IAS 32). The redeemable units, which are measured at the redemption amounts and are considered a residual amount of the net assets attributable to holders of redeemable units, provide investors with the right to require redemption, subject to available liquidity, for cash at a unit price based on the Fund's valuation policies at each redemption date.

#### (c) Foreign currency:

The Fund's subscriptions and redemptions are denominated in Canadian dollars, which is also its functional and reporting currency. Foreign denominated investments and other foreign denominated assets and liabilities are translated into Canadian dollars using the exchange rates prevailing on each valuation date. Purchases and sales of investments, as

## Proof-EFM Global Financial Services & Technology Fund

Notes to Financial Statements

(In thousands of dollars, except for unit amounts)

For the period from June 22, 2021 (commencement of operations) to June 30, 2021

### 3. Significant accounting policies (continued):

Foreign exchange gains and losses relating to cash are presented as "Foreign exchange gain (loss) on cash" and those relating to other financial assets and liabilities are presented within "Net realized gain" and "Change in unrealized appreciation (depreciation)" in the statements of comprehensive income.

#### (d) Investment transactions and revenue recognition:

Interest income for distribution purposes from investments in bonds and short-term investments represents the coupon interest received by the Fund accounted for on an accrual basis. The Fund does not use the effective interest method to amortize premiums paid or discounts received on the purchase of fixed-income securities. Dividend income is recognized on the date that the right to receive payment is established, which for quoted equity securities is usually the ex-dividend date. Portfolio transactions are recorded on the trade date. Realized gains and losses arising from the sale of investments are determined on the average cost basis of the respective investments.

#### (e) Increase (decrease) in net assets attributable to holders of redeemable units, per unit:

Increase (decrease) in net assets attributable to holders of redeemable units, per unit in the statements of comprehensive income represents the net increase (decrease) in the net assets from operations for each class for the period divided by the weighted average units outstanding for each class for the period.

### 4. Management fees and expenses:

#### (a) Management Fee

The Fund will pay to the Manager a fee equal to 1.15% of the Net Asset Value of the Fund, accrued monthly, plus any applicable Federal or Provincial taxes.

#### (b) Performance Fee

The Fund will pay to the Manager a performance fee equal to 15% of the amount by which the total return of the Fund Units exceeds the High-Water Mark (the greater of: (a) the issue price per Participating Share of the relevant class at the initial issue date; or (b) the Net Asset Value per Participating Share as at the last calculation date (before payment of performance fee) at which the last performance fee was payable in respect of such class.

#### (c) Operating Expenses

The Fund will pay for all of its Operating Expenses, which include the administrative fees, such as the fees of the Trustee; accounting and legal costs; insurance premiums; audit, registrar and transfer agency fees; administrative and valuation services fees; bookkeeping and recordkeeping costs; and other operating costs.



## Proof-EFM Global Financial Services & Technology Fund

Notes to Financial Statements

(In thousands of dollars, except for unit amounts)

For the period from June 22, 2021 (commencement of operations) to June 30, 2021

### 5. Related party transactions:

All related party transactions are in the normal course of operations and are measured at the exchange amount which is the amount of consideration established and agreed to by the related parties.

#### 5.1 Quest Investment Fund Management Ltd. (the "Manager")

The Fund is related to Quest Investment Fund Management Ltd.

The Fund has entered into an agreement with the Manager where the Fund will pay a fee equal to 1.15% of the Net Asset Value of the Fund, accrued monthly, plus any applicable Federal or Provincial taxes. The Fund will also pay a performance fee equal to 15% of the amount by which the total return of the Fund Units exceeds a 4.0% hurdle rate above the High-Water Mark. Performance fees shall be accrued daily and paid quarterly in arrears.

As of, and for the period ending, June 30, 2021, there were no related party transactions and the Manager or parent company of the Manager held no units of the Fund.

### 6. Income taxes:

The Fund qualifies as a Mutual Fund Trust as defined in the *Income Tax Act* (Canada). Pursuant to the terms of the Declaration of Trust establishing the Fund, it is considered to distribute monthly to the unitholders all of the net taxable income, including net realized gains on sale of investments, and such distributions are immediately reinvested in units of the Fund.

In general, the Fund is subject to income tax, however no income tax is payable on net income and/or net realized capital gains which are distributed to unitholders.



## Proof-EFM Global Financial Services & Technology Fund

Notes to Financial Statements

(In thousands of dollars, except for unit amounts)

For the period from June 22, 2021 (commencement of operations) to June 30, 2021

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### 6. Income taxes (continued):

Capital losses are available to be carried forward indefinitely and applied against future capital gains. Any non-capital losses that are realized in the taxation year 2021 and after may be carried forward for 20 years and applied against future income.

As of June 30, 2021 there is no capital or non-capital losses available for carry forward.

### 7. Financial risk management:

The investment activities of the Fund expose the Fund to various types of financial risks. The Manager seeks to minimize potential adverse effects of these risks on the Fund by contracting a professional, experienced portfolio manager, by monitoring the Fund and market events on a daily basis, and by diversifying the investment portfolio within the parameters of the investment objective and strategy. The most significant risks include market risk (other price risk, interest rate risk and currency risk), credit risk and liquidity risk.

The COVID-19 global pandemic is likely to have an ongoing effect on the financial markets where the Fund operates. The Fund management performs routine risk assessment procedures and robust controls over its accounts, balances, and transactions. As at the Financial Statement Issue Date, there are no material events or conditions that impact the Fund's ability to continue as a going concern.

### 8. Fair value disclosure:

#### (i) Valuation models:

The Fund's assets and liabilities recorded at fair value have been categorized based upon a fair value hierarchy. The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Fund's financial instruments are recorded at fair value or at amounts that approximate fair value in the financial statements. The Fund classifies fair value measurements within a hierarchy which gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are:

Level 1: Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the Manager has the ability to access at the measurement date.

Level 2: Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active.

Level 3: Inputs that are unobservable. There is little if any market activity. Inputs into the determination of fair value require significant management judgment or estimation.

## Proof-EFM Global Financial Services & Technology Fund

Notes to Financial Statements

(In thousands of dollars, except for unit amounts)

For the period from June 22, 2021 (commencement of operations) to June 30, 2021

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Changes in valuation methods may result in transfers into, or out of, a financial instrument's assigned level.

The Fund's policy is to recognize transfers into and out of the fair value hierarchy levels as of the date of the event or change in circumstances giving rise to the transfer.

The funds held no financial instruments as at June 30, 2021.

### 9. Redeemable Units

Redeemable units issued and outstanding are considered to be capital of the Fund. The Fund's authorized capital consists of an unlimited number of units and Class without par value. The number of outstanding units of each Class is disclosed in the statements of financial position.

Subscriptions for Class A Fund units will only be accepted through registered dealers. Registered dealers may, at their discretion, charge purchasers a front-end sales commission of up to 5% of the subscription amount which will be deducted from the gross subscription order and paid by the purchaser. The dealer fee will also be deducted from the subscription and paid directly by the purchaser to the registered dealer. The net subscription amount, being the gross subscription order less any front-end sales commission and any dealer fee, will then be invested into the Fund. There is no sales commission or dealer fee on purchases of Class F Fund units.

The redemption of Fund units may be executed on the last calendar day of any month ("Redemption Date"). Each Fund unitholder may redeem all or any part of such units. Fund units will be redeemed at a redemption price equal to the Net Asset Value per Fund unit calculated as of the applicable Redemption Date, less applicable deductions and fees.

In accordance with the objectives and the risk management policies outlined in the Financial Risk Management notes, the Fund endeavors to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemptions, such liquidity being managed by investing the majority of assets in investments that can be readily disposed.

There are no unit transactions of the Fund for the period ended June 30, 2021.

# **ITEM 15 CERTIFICATE OF THE FUND AND THE PROMOTER**

This Offering Memorandum does not contain a Misrepresentation.

DATED EFFECTIVE this 1<sup>st</sup> day of December, 2021.

## **PROOF-EFM GLOBAL FINANCIAL SERVICES AND TECHNOLOGY FUND**

**By its Promoter, Proof Capital Inc.**

*"Jeremy Kaliel"*

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Jeremy Kaliel<sup>(1)</sup>

Chief Executive Officer

**By the Fund, Proof-EFM Global Financial Services and Technology Fund**

*"Cameron Reid"*

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Cameron Reid<sup>(2)</sup>

Chief Investment Officer

(1) *Jeremy Kaliel is also an Associate Advising Representative (Associate Portfolio Manager) and Dealing Representative of Qwest Investment Fund Management Ltd.*

(2) *Cameron Reid is also an Advising Representative (Portfolio Manager) of Qwest Investment Fund Management Ltd.*

**SCHEDULE A - EFM GLOBAL FINANCIAL SERVICES AND TECHNOLOGY MASTER FUND (THE "UNDERLYING FUND")  
RELATED RISK FACTORS AND CONFLICTS OF INTEREST**

**There is a significant degree of risk associated with an investment in the Underlying Fund and such an investment should only be made after consultation with independent qualified investment, legal and tax advisers. An investment in the Underlying Fund is suitable for investment only by those persons and institutions for whom such investment does not represent a complete investment program, who understand the degree of risks involved and who believe that the investment is suitable based upon investment objectives and financial needs.**

**A. General Risks**

**The Shares may not be a suitable investment for all investors**

Each potential investor must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- (a) have sufficient knowledge and experience to make a meaningful evaluation of the Participating Shares and the merits and risks of investing in the Participating Shares and the information contained or incorporated by reference in this Offering Memorandum or any applicable supplement;
- (b) either on its own or with the assistance of a financial adviser have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment and the impact the Participating Shares will have on its overall investment portfolio;
- (c) have sufficient financial resources and liquidity to bear all of the risks of an investment or where the currency for payments is different from the potential investor's currency;
- (d) understand thoroughly the terms of the Participating Shares and be familiar with the behavior of any relevant indices and financial markets; and
- (e) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

The Participating Shares give exposure to complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest unless it has the expertise (either alone or with a financial adviser) to evaluate how the Shares will perform under changing conditions, the resulting effects on the Net Asset Value per Participating Share and the impact this investment will have on the potential investor's overall investment portfolio.

**Potential loss of investment**

An investment in the Underlying Fund is speculative and involves a high degree of risk, and there can be no assurance that the Underlying Fund will achieve its investment objectives. AN INVESTOR COULD LOSE ALL OR A SUBSTANTIAL PORTION OF ITS INVESTMENT IN THE FUND.

**No guarantee of return**

Investors' returns on the Participating Shares (by way of any redemption payments) will be determined by reference to cumulative net gains or losses (if any), arising from the investment activities of the Underlying Fund. The return on the Participating Shares may vary significantly over their respective lives, and may decrease as well as increase, depending upon trading profits and investment gains. The Underlying Fund makes no representation as to any return

that investors will earn on the Participating Shares and there can be no assurance that the information, as set out in this Offering Memorandum, will be in any respect indicative of how the Participating Shares will perform (either in terms of profitability or low correlation with other investments) in the future.

## **B. Risks relating to the Investment Manager and Investment Advisor**

### **All investment authority delegated to the Investment Manager and Investment Advisor**

The shareholders of the Underlying Fund have no authority to make investment decisions or to participate in the management of, or the exercise of business discretion with respect to, the Underlying Fund. The authority to make all decisions with respect to the investment of the Underlying Fund's assets is delegated to the Investment Manager and the Investment Advisor, subject to the overall management and supervision of the Board of Directors. Accordingly, no person should invest in the Underlying Fund (through its investment in the Fund) unless it is willing to entrust all aspects of the management of the Underlying Fund's portfolio to the Investment Manager and the Investment Advisor, subject to the supervision of the Board of Directors.

### **General Systemic Risks**

The Underlying Fund's investment strategy is inherently subject to general systematic risks such as the risk of market volatility, changes in the legal and regulatory environment, material deviations from historical pricing relationships and other adverse market conditions. Due to the unpredictable nature of the above market factors, the value of the Underlying Fund's assets may be adversely affected or the Underlying Fund may incur unexpected losses, particularly if such risks result in decreased economic activity. As a consequence, the Underlying Fund may under-perform compared to other investment funds with substantially similar investment objectives and approaches. Such systemic risks could also result in incidents or circumstances that would disrupt the normal operations of the Investment Manager, the Investment Advisor, the Administrator, or any of the broker-dealers, which could also have negative effects on the investment performance of the Underlying Fund.

### **Lack of operating history**

As of the date of the Offering Memorandum, the Underlying Fund has been operating for less than three years and, accordingly, has no sufficient operating history on which prospective investors may base their evaluation of future performance. Although the management team of the Investment Manager and the Investment Advisor includes experienced investment professionals, the Investment Manager and Investment Advisor have only limited operating histories as investment managements. There is therefore no certainty that the investment team or the strategies that will be applied will be successful.

The past investment performance of the management team of the Investment Manager, the Investment Advisor and any entities with which they have been associated may not be indicative of the future results of an investment in the Underlying Fund.

In addition, the operational infrastructure and systems of the Investment Manager and the Investment Advisor have only limited operating history and will depend to a large degree on third party providers and outsourced solutions. The Investment Manager and the Investment Advisor believe that their operational systems and infrastructure are appropriate for their business and based on solutions provided by reputable and experienced third party providers and governed by appropriate service level agreements. However, there can be no assurances that issues will not arise that are beyond the immediate control of the Investment Manager and the Investment Advisor and that may adversely affect the Underlying Fund.

### **Business dependent upon key individuals**

The success of the Underlying Fund is significantly dependent upon the expertise of the management team of the Investment Manager and the Investment Advisor. Any future unavailability of the management team (or part of it) to the Underlying Fund could have a material adverse impact on the Underlying Fund's performance. This is because the Investment Manager and the Investment Advisor, to a large extent, relies on the services of certain key personnel

within the management team, and the loss of professional services provided by such individuals may potentially impair the Underlying Fund's operations and the ability of the Underlying Fund to provide investment services to the Underlying Fund. In addition, where shareholders intend to redeem Participating Shares, redemption requests are likely to require the Investment Manager to liquidate positions more rapidly than would otherwise be desirable, which could adversely affect the realizable value of the Underlying Fund's assets.

### **Indemnification and exculpation**

The Investment Management Agreement entered into between the Underlying Fund and the Investment Manager contains broad indemnification and exculpation provisions which limit the right of the Underlying Fund to maintain an action against the Investment Manager or its affiliates to recover losses or costs incurred by the Underlying Fund as a result of the Investment Manager's actions or failure to act and which may permit indemnification of the Investment Manager and its affiliates out of Underlying Fund's assets in the event of claims against them.

The Investment Advisory Agreement entered into between the Investment Manager and the Investment Advisor contains broad indemnification and exculpation provisions which limit the right of the Investment Manager to maintain an action against the Investment Advisor to recover losses or costs incurred by the Investment Manager as a result of the Investment Advisor's actions or failure to act and which may permit indemnification of the Investment Advisor and its affiliates out of the Underlying Fund's assets (through the Investment Manager) in the event of claims against them.

The Articles contain broad indemnification and exculpation provisions which limit the right of the Underlying Fund to maintain an action against the Board of Directors to recover losses or costs incurred by the Underlying Fund as a result of the Board of Director's actions or failure to act and which may permit indemnification of the Board of Directors out of the Underlying Fund's assets in the event of claims against them.

### **Performance Fee arrangement**

Prospective investors should note that:

- (a) the fact that the Performance Fee is paid only in respect of increases in the Net Asset Value per Participating Share may create an incentive for the Investment Manager to make or recommend investments that are riskier or more speculative than would be the case if it were compensated solely based on a flat percentage of capital;
- (b) the Performance Fee will be calculated on a basis which includes unrealized appreciation as well as realized gains; and
- (c) assets that are not admitted to official listing on any stock exchange or dealt on any other recognized exchange, and, assets admitted to official listing on a stock exchange or dealt on any other recognized exchange whose last available price is, in the opinion of the Board of Directors (after consultation with the Investment Manager), not representative of their fair market value, will be valued based on the reasonably foreseeable trading price determined prudently and in good faith by or under procedures established by the Board of Directors (after consultation with the Administrator and the Investment Manager).

### **Investment selection**

The Investment Manager and the Investment Advisor will select investments for the Underlying Fund on the basis of information and data which may be available to the Investment Manager and the Investment Advisor through the issuers of the securities and other instruments or through sources other than the issuers. Although the Investment Manager and the Investment Advisor evaluate all such information and data and seek independent corroboration when it considers appropriate and when it is reasonably available, the Investment Manager and the Investment Advisor are not in a position to confirm the completeness, genuineness or accuracy of such information and data. As

the Underlying Fund's investment strategies are heavily research and analysis-driven, any reliance on information that is incomplete, not genuine or otherwise inaccurate can adversely impact the success of the investment strategy and lead to substantial losses.

In addition, unless otherwise determined by the Board of Directors and subject to applicable laws, such information or data in connection with any investment opportunity will not be disclosed to shareholders (including any due diligence or risk reports prepared by the Investment Manager), and neither will shareholders have knowledge of the potential investments that the Investment Manager or the Investment Advisor proposes to consummate, before the execution and completion of such investments. Accordingly, the shareholders will need to rely on the Investment Manager's and the Investment Advisor's ability and judgement to identify and implement suitable investments that are consistent with the Fund's investment objectives, which aligns with the Investment Manager's and the Investment Advisor's intentions.

### **Investment strategies**

The Investment Manager recognizes that any particular strategy may be incapable of remaining profitable indefinitely. Accordingly, the Investment Manager believes that its ability to achieve the Underlying Fund's investment objective will continue to depend, in part, on the Investment Manager's ability to generate and implement new investment strategies. Accordingly, there is no limitation on the investments that the Underlying Fund may acquire, the instruments it may trade, the markets and countries in which it may trade, or strategies that it may employ.

### **Extreme events**

The business operations of the Investment Manager, the Investment Advisor and the Underlying Fund may be substantially disrupted or prevented as a result of or arising from acts of war, cyber attacks, terrorism, insurrection, revolution, civil unrest, riot, strikes, epidemics or acts of God.

## **C. General Market and Regulatory Risks**

### **General trading risks**

All investments present a risk of loss of capital. The Underlying Fund's investment program may utilize such investment techniques as option transactions, swap transactions, margin transactions, short sales, contracts for differences and futures and forward contracts, using limited diversification which practices can, in certain circumstances, multiply the adverse impact to which the Underlying Fund may otherwise be subject. No guarantee or representation is made that the Underlying Fund's investment program will be successful.

### **Stock market and issuer volatility**

Stock markets are volatile and can decline significantly in response to adverse issuer-specific, political, regulatory, market or economic developments. While the Investment Manager and the Investment Advisor may seek to take advantage of such volatility, such volatility may also adversely affect the Underlying Fund's performance.

The Underlying Fund will purchase securities of specific issuers. 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.

### **Business and regulatory risks of hedge funds**

Legal, tax and regulatory developments that may adversely affect the Underlying Fund could occur during the term of the Fund. Securities and futures markets are subject to comprehensive statutes, regulations and margin requirements enforced by the regulators and self-regulatory organizations and exchanges authorized to take extraordinary actions in the event of market emergencies. The regulation of derivatives transactions and funds that engage in such

transactions is an evolving area of law and is subject to modification by government and judicial actions. The regulatory environment for private funds is evolving, and changes in the regulation of private funds and their trading activities may adversely affect the ability of the Underlying Fund to pursue its investment strategy, its ability to obtain leverage and financing and the value of investments held by the Underlying Fund. There has been an increase in governmental, as well as self-regulatory, scrutiny of the alternative investment industry in general. It is impossible to predict with certainty what, if any, changes in regulations may occur, but any regulations which restrict the ability of the Underlying Fund to trade in securities or the ability of the Underlying Fund to employ, or brokers and other counterparties to extend, credit in its trading (as well as other regulatory changes that result) could have a material adverse impact on the Underlying Fund's portfolio.

The Underlying Fund, the Investment Manager and the Investment Advisor may also be subject to regulation in jurisdictions in which the Underlying Fund, the Investment Manager and the Investment Advisor engage in business, as well as other jurisdictions. Investors should understand that the Underlying Fund's business is dynamic and is expected to change over time. Therefore, the Underlying Fund may be subject to new or additional regulatory constraints in the future. This Offering Memorandum cannot address or anticipate every possible current or future regulation that may affect the Investment Manager, the Investment Advisor, the Underlying Fund or their businesses. Such regulations may have a significant impact on the shareholders or the operations of the Underlying Fund, including, without limitation, restricting the types of investments the Underlying Fund may make, preventing the Underlying Fund from exercising its voting rights with regard to certain financial instruments, requiring the Underlying Fund to disclose the identity of its investors or otherwise. Each of the Investment Manager and the Investment Advisor may, in its sole discretion, cause the Underlying Fund to be subject to such regulations if it believes that an investment or business activity is in the Underlying Fund's interest, even if such regulations may have a detrimental effect on one or more shareholders. Prospective shareholders are encouraged to consult their own advisors regarding an investment in the Underlying Fund.

### **Regulatory filings**

Given the size of certain of its positions, the Underlying Fund may be required to file disclosure reports with the regulatory authorities of various jurisdictions including, without limitation, Form 13F with the SEC, the disclosure of interests filings with The Stock Exchange of Hong Kong Limited and the relevant Hong Kong listed company, and the short position reports with the SFC. These disclosure reports are publicly available and may be utilized by regulators and the Underlying Fund's competitors to the Underlying Fund's detriment.

### **General economic conditions**

The success of any investment activity is influenced by general economic conditions, which may affect the level and volatility of interest rates and the extent and timing of shareholder participation in the markets for both equity and interest-rate-sensitive securities. Volatility or illiquidity in the markets in which the Underlying Fund directly or indirectly holds positions could impair the Underlying Fund's ability to carry out its business and could cause it to incur losses.

### **Investments in Asia generally**

The Underlying Fund may make investments in Asian markets. Many of the laws that govern private and foreign investment, equity securities transactions and other contractual relationships in certain Asian countries in which the Underlying Fund will invest are new and largely untested. As a result, the Underlying Fund may be subject to a number of unusual risks, including inadequate investor protection, contradictory legislation, incomplete, unclear and changing laws, ignorance or breaches of regulations on the part of other market participants, lack of established or effective avenues for legal redress, lack of standard practices and confidentiality customs characteristic of developed markets and lack of enforcement of existing regulations. Furthermore, it may be difficult to obtain and enforce a judgment in certain countries in which assets of the Underlying Fund are invested. There can be no assurance that this difficulty in protecting and enforcing rights will not have a material adverse effect on the Fund and its operations. In addition, the



income and gains of the Fund may be subject to withholding taxes imposed by foreign governments for which Shareholders may not receive a full foreign tax credit.

Regulatory controls and corporate governance of companies in developing countries confer little protection on minority shareholders. Anti-fraud and anti-insider trading legislation is often rudimentary or is largely unenforced. The concept of fiduciary duty to shareholders by officers and directors is also limited when compared to such concepts in more developed markets and there is generally a greater risk of fraud by officers or controlling shareholders of companies. In certain instances, management may take significant actions without the consent of shareholders and anti-dilution protection may also be limited.

There are differences between the accounting and auditing standards, reporting practices and disclosure requirements applicable in certain Asian countries and those generally accepted internationally. In many countries in which the Underlying Fund is likely to invest, less audited information is available for local companies than would be customary or required for companies in more developed countries. Tax rules may change unpredictably or be subject to unforeseeable interpretation or application without prior notice, which could have an adverse effect on the Underlying Fund and its shareholders.

Investing in entities either in, or which have a substantial portion of their operations in Asia may require the Underlying Fund to adopt special procedures, seek local government approvals or take other actions, each of which may involve additional costs to the Underlying Fund. All of the above factors could adversely affect the economy of countries in which the Fund will invest, make the prices of such countries' assets or securities generally more volatile than the prices of assets or securities in more developed countries, lead to additional fees and expenses, and increase the risk of loss to the Underlying Fund.

#### **Investment restrictions and repatriation**

The Underlying Fund may wish to make investments in countries that impose certain restrictions and controls regarding foreign direct investment, including the need to obtain prior governmental/regulatory approval or licenses, or the imposition of quotas/limits on the amount or types of investments that may be held by such foreigners. These restrictions may at times limit or preclude the Underlying Fund's investment in certain countries, despite such a potential investment satisfying the Fund's investment objectives, and may ultimately increase the Underlying Fund's total costs and expenses. In addition, certain countries may impose restrictions and controls on the repatriation of investment income and capital. As such, there can be no assurance that the Underlying Fund will be permitted to repatriate any capital or profits with respect to its investments in those countries. There is also the possibility of nationalization, expropriation or confiscatory taxation, political changes, government regulation, social instability or diplomatic developments, including war or terrorist attacks or a deficit in a country's balance of payments that may result in the imposition of temporary restrictions on foreign capital remittances.

#### **Legal and regulatory risks**

##### **General**

The regulation of the international currencies, securities and derivatives markets has undergone substantial change in recent years, and such change is expected to continue for the foreseeable future. The effect of regulatory change on the Fund, while impossible to predict, could be substantial and adverse. The financial services industry generally, and the activities of hedge funds and their managers, in particular, has been subject to increasing legislation, regulation and oversight. As one of the consequences of the international financial crisis, a number of initiatives, both on a national and supranational level, have been announced, among them by the United States, several European governments as well as the European Union, the International Organization of Securities Commissions (IOSCO), and the Group of Twenty (G-20). It is not currently possible to predict the extent of such increasing legislation, regulation and oversight, which would potentially limit the Underlying Fund's investment opportunities and returns or fund raising ability and increase the Fund's, the Investment Manager's and the Investment Advisor's exposure to potential liabilities and to legal, compliance and other costs. Increased regulatory oversight can also impose administrative

burdens on the Investment Manager and the Investment Advisor, including, without limitation, responding to investigations and implementing new policies and procedures. Such burdens may divert the Investment Manager's and the Investment Advisor's time, attention and resources from its asset management activities. Investors in the Underlying Fund should be aware that increased legislation of the Underlying Fund could have substantial and adverse consequences for the Underlying Fund and its investors.

Regulatory action or changes in the legislative environment could cause the Investment Manager to re-domicile the Fund to another jurisdiction which may cause disruption and costs to the Fund and which may result in the Fund having to be domiciled in a legal and regulatory environment which is less favorable to it or to its investors than is currently the case.

### **Over-the-counter, off-exchange (OTC) derivatives and structured products**

The international regulatory landscape for OTC derivatives and structured products has undergone significant changes since the global financial crisis, in particular in relation to the requirements for clearing OTC transactions with central counterparties, trade reporting, the use of collateral and enhanced capital prudential and market conduct rules. Legislation relating to OTC derivatives was adopted in the U.S. in 2010 in the form of the U.S. Dodd-Frank Wall Street Reform and Consumer Protection Act (the "**Dodd-Frank Act**") and similar legislation has been passed or is expected to be passed in the European Union, Singapore, Japan, Hong Kong, and other countries. Over the next few years, it is expected that the trend for further regulation of the OTC derivatives market will continue in the US, the European Union and many other jurisdictions in Asia and around the world, particularly in jurisdictions of those members of the G-20 (including China, India, Indonesia, Japan and South Korea). Investors in the Fund should be aware that increased regulation of the OTC derivatives and structured products market could substantially affect the way the Underlying Fund trades, including the counterparties it trades with, and could lead to additional costs and exposure for the Underlying Fund.

Many other jurisdictions have also introduced (or are introducing) a clearing obligation, margin posting requirement and risk mitigation obligations on regulated financial institutions. These jurisdictions include but are not limited to the United States, Japan, Hong Kong, Singapore and Australia. The application of these obligations and requirements to derivatives transactions entered into by the Underlying Fund will depend on the fact pattern and the relevant laws and regulations, which differ from jurisdiction to jurisdiction.

To the extent that they are applicable to the Underlying Fund, compliance with the clearing obligation, margin posting requirement and risk mitigation obligations is likely to increase the costs and expenses associated with operating the Underlying Fund. Furthermore, to the extent that OTC derivatives entered into by the Underlying Fund are subject to the margin posting requirement or the clearing obligation, the Underlying Fund will be required to post assets belonging to the Underlying Fund to its trading counterparty or, via a clearing member, to a central counterparty. Any such requirement will reduce the assets available to the Underlying Fund for investment and could have an adverse effect on the returns for investors. **OTC derivatives regulatory reforms**

If the Underlying Fund enters into OTC derivatives with, among others, EU banks or financial institutions then the requirements of Regulation (EU) No. 648/2012 of the European Parliament and Council on OTC derivatives, central counterparties and trade repositories dated 4 July 2012 ("**EMIR**") will become relevant. This is because in order for the Underlying Fund's EU counterparty to comply with its regulatory obligations under EMIR, the Underlying Fund will need to co-operate with certain processes and requirements laid down by EMIR. For example, in respect of OTC derivatives with such EU entities, the Underlying Fund may be required by its EU counterparty to clear all "eligible" OTC derivatives through a duly authorised or recognised central counterparty (the "**clearing obligation**"). Whilst certain classes of interest rate and credit default swap OTC derivatives are due to become "eligible" classes of OTC derivatives in the foreseeable future (and therefore subject to the clearing obligation), foreign exchange OTC derivatives are not currently anticipated to be an "eligible" class of OTC derivatives in the near future.

For OTC derivatives between the Underlying Fund and an in-scope European counterparty that are not cleared in accordance with the clearing obligation, the European counterparty's regulatory obligations may require the

Underlying Fund to comply with the margin posting requirement (the "**margin posting requirement**"). This requirement is subject to a phase-in period.

The Underlying Fund's European counterparties will require the Underlying Fund to undertake certain risk-mitigation techniques in respect of OTC derivatives which are not cleared by a central counterparty, including complying with requirements related to portfolio reconciliation and dispute resolution (together, the "**risk mitigation obligations**").

## **ERISA**

There can be no assurance that, notwithstanding the commercially reasonable efforts of the Investment Manager, the underlying assets of the Underlying Fund will not otherwise be deemed to include "plan assets" for purposes of Title I of ERISA or Section 4975 of the IRC. If the assets of the Underlying Fund were deemed to be "plan assets", this could result in, among other things, (i) the application of the prudence and other fiduciary standards of ERISA to investments made by the Fund and (ii) the possibility that certain transactions in which the Fund might otherwise seek to engage in the ordinary course of its business and operation could constitute non-exempt prohibited transactions under Section 406 of ERISA and/or Section 4975 of the IRC, which could restrict the Fund from entering into an otherwise desirable investment or from entering into an otherwise favorable transaction. In addition, fiduciaries who decide to invest in the Fund could, under certain circumstances, be liable for prohibited transactions or other violations as a result of their investment in the Fund or as co-fiduciaries for actions taken by or on behalf of the Underlying Fund or the Investment Manager. There may be other Similar Laws that may also apply to an investment in the Underlying Fund.

## **D. Risks associated with the Fund's investment strategy**

The following sets out some of the risk factors associated with the Underlying Fund's investment strategy.

### **Investment methodology**

The Underlying Fund may employ certain strategies that depend upon the reliability and accuracy of the Investment Manager's and the Investment Advisor's analytical investment processes. To the extent such investment processes (or the assumptions underlying them) do not prove to be correct, the Underlying Fund may not perform as anticipated, which could result in substantial losses.

### **Counterparty trading relationships and market participant risk**

The Underlying Fund has established relationships to obtain financing, derivative intermediation and prime brokerage services that permit the Underlying Fund to trade in any variety of markets or asset classes over time; however, there can be no assurance that the Underlying Fund will be able to maintain such relationships. An inability to maintain such relationships would limit the Underlying Fund's trading activities and could create losses, preclude the Underlying Fund from engaging in certain transactions, financing, derivative intermediation and prime brokerage services and prevent the Underlying Fund from trading at optimal rates and terms. Moreover, a disruption in the financing, derivative intermediation and prime brokerage services provided by any such relationships before the Underlying Fund establishes additional relationships could have a significant adverse impact on the Underlying Fund's business due to the Underlying Fund's reliance on such counterparties.

There is the possibility that the institutions, including brokerage firms and banks, with which the Underlying Fund does business, trades or invests, or with whom securities may be entrusted for custody, will encounter financial difficulties or fraud that may impair the operational capabilities or the capital position of the Underlying Fund. Although the Investment Manager and the Investment Advisor intend to utilize multiple brokers and will regularly monitor the financial condition of such brokers, if one or more of the Underlying Fund's brokers were to become insolvent or the subject of liquidation proceedings (both in and out of bankruptcy), there exists the risk that the recovery of the Underlying Fund's securities and other assets from such a broker will be delayed or result in a recovery that is less than the value of the securities or assets originally entrusted to such broker. In addition to the risk of a counterparty or broker defaulting, there also is the risk that the Underlying Fund's counterparties or brokers will be

required to restrict the amount of credit previously granted to the Underlying Fund due to their own financial difficulties, resulting in forced liquidation of substantial portions of the Underlying Fund's portfolio. See also "Counterparty risk in respect of prime broker" below.

### **Relative value strategies**

The success of the Underlying Fund's relative value investment strategy depends on the Investment Manager's ability to identify and exploit perceived inefficiencies in the pricing of securities, financial products, or markets. Identification and exploitation of such discrepancies involve uncertainty. There can be no assurance that the Investment Manager will be able to locate investment opportunities or to exploit pricing inefficiencies in the securities markets. A reduction in the pricing inefficiency of the markets in which the Investment Manager seeks to invest will reduce the scope for the Underlying Fund's investment strategies.

The relative value investment strategy may be implemented through various kinds of instruments that the Investment Manager expects provide opportunity to exploit such pricing inefficiency. Sometimes the strategy relies on pricing inefficiency among investments which have the same or a similar underlying asset but are traded in different types of instruments, markets or jurisdictions. Such strategies are sometimes called basis packages or basis trades. However, no matter how a particular relative value strategy is constructed, its success largely depends on the convergence or the divergence of such perceived price difference in line with the Investment Manager's expectation. Such price relationship between different investments is highly sensitive to changes in, among others, demand and supply dynamics which may affect such investments in different ways. In the event that the perceived mispricings underlying the Fund's positions were to fail to converge toward, or were to diverge further from, price levels expected by the Investment Manager, the Underlying Fund may incur losses which could be significant especially when the market experiences large and/or rapid changes in the investment community's risk attitude among other factors.

The Underlying Fund's relative value investment strategy may result in high portfolio turnover and, consequently, high transaction costs. In addition, the Fund's relative value strategy is designed to be uncorrelated with respect to movements in equity markets and interest rates. Depending upon the investment strategies employed and market conditions, unforeseen events such as political crises, or changes in currency exchange rates or interest rates, forced redemptions of securities, or general lack of market liquidity may have a material adverse effect on the Underlying Fund.

### **Investments in undervalued securities**

The Underlying Fund will seek to invest in undervalued securities. The identification of investment opportunities in undervalued securities is difficult, and there are no assurances that such opportunities will be successfully recognized or acquired. While investments in undervalued securities offer the opportunity for above-average capital appreciation, these investments involve a high degree of financial risk and can result in substantial losses. Returns generated from the Underlying Fund's investments may not adequately compensate for the business and financial risks assumed. In addition, the Underlying Fund may be required to hold such securities for a substantial period of time before realizing their anticipated value. During this period, a portion of the Underlying Fund's capital would be committed to the securities purchased, thus possibly preventing the Underlying Fund from investing in other, more profitable opportunities.

### **Other arbitrage strategies**

The Underlying Fund may engage in other arbitrage strategies. Arbitrage relies on identifying and exploiting mispricing between comparable assets, which may be due to structural reasons intrinsic to a specific industry or market. Substantial losses may be incurred on arbitrage positions, and illiquidity and default on one side of a position can effectively result in the position being transformed into an outright speculation. Every arbitrage strategy involves exposure to some second order risk of the markets, such as the price spread between different classes of stock for the same issuer. Among the risks of arbitrage transactions are that two or more buy or sell orders may not be able to be executed simultaneously at the desired prices, resulting in a loss being incurred on both sides of a multiple trade

arbitrage transaction. Also, the transaction costs of arbitrage transactions can be particularly significant because separate costs are incurred on each component of the combination. Consequently, a substantial favorable price movement may be required before a profit can be realized.

### **Leverage**

In order to implement its investment objective, the Underlying Fund may use certain forms of leverage. The Underlying Fund has the power to borrow and may do so when deemed appropriate by the Investment Manager for any purpose, including without limitation to enhance the Fund's returns. No limit has been imposed on the amount of leverage which the Underlying Fund may employ. While leverage presents opportunities for increasing total returns, it has the effect of potentially increasing losses as well, as well as causing transactional costs. Accordingly, any event which adversely affects the value of an investment by the Underlying Fund would be magnified to the extent leverage is employed. The cumulative effect of the use of leverage in a market that moves adversely to a leveraged investment could result in a substantial loss, which would be greater than if leverage were not used, and reduced return for the Underlying Fund.

Generally, most leveraged transactions involve the posting of collateral. Increases in the amount of margin or similar payments could result in the need for trading activity at times and prices which could be disadvantageous to the Underlying Fund and could result in substantial losses. The investment objective may require the use of considerable leverage. There can be no assurance that leverage facilities will always be available and a loss of, or reduction in, the leverage facilities is likely to have the effect of causing the Underlying Fund to reduce its overall investment exposure. Terms upon which leverage facilities are available may be subject to change.

### **Emerging markets**

The Underlying Fund may invest in equities, debt, structured finance securities, portfolios of credit default swaps or instruments, individual credit default swaps and other instruments relating to issuers or creditors in emerging markets. Such investments involve risk factors and special considerations which may not be typically associated with issuers or creditors in more developed markets. Political or economic change and instability may be more likely to occur and have a greater effect on such creditors. Adverse government policies or actions, taxation, restrictions on foreign investment and on currency convertibility and repatriation, currency fluctuations and other developments in the laws and regulations of emerging countries, including expropriation, nationalization, temporary or continuing freeze of assets or confiscation could result in loss to the Fund. The legal infrastructure and accounting, auditing and reporting standards in emerging markets may not provide the same degree of investor information or protection as would generally apply to creditors in more major markets.

### **Emerging technologies**

The Underlying Fund plans to make investments in companies in the technology sector. There are inherent risks peculiar to investing in any new and emerging technology, including but not limited to: efficacy, viability, scale of adoption, profitability, efficiency, regulation, competing technologies, etc.

### **Liquidity of investments**

The Underlying Fund may make investments in markets that are volatile and which may become illiquid. Accordingly, it may be impossible (in the event of trading halts or daily price fluctuation limits on the markets traded or otherwise) or expensive for the Underlying Fund to liquidate positions against which the market is moving. Alternatively it may not be possible in certain circumstances for a position to be initiated or liquidated promptly (in the event of insufficient trading activity in the relevant market or otherwise). These risks may be accentuated where the Underlying Fund is required to liquidate positions to meet margin requests, margin calls or other funding requirements.

### **Nature of certain investments**

There are no limitation or minimum requirements in relation to the size or operating experience of the companies in which the Underlying Fund may invest. Some small companies in which the Underlying Fund may invest may lack management depth or the ability to generate internally or obtain externally the funds necessary for growth. Companies with new products or services could sustain significant losses if projected markets do not materialize. Further, such companies may have, or may develop, only a regional market for products or services and may be adversely affected by purely local events. Such companies may be small factors in their industries and may face intense competition from larger companies and entail a greater risk than investment in larger companies.

### **Concentration of holdings**

The Underlying Fund may make certain investments that will constitute a significant percentage of the Underlying Fund's assets. Any losses incurred in connection with these concentrated holdings will have a significant effect on the success of the Underlying Fund. In addition, the Underlying Fund may have to hold these investments for a long period and thus may be unable to participate in other trading opportunities.

### **Duration of investment periods**

The Investment Manager and the Investment Advisor may at times need to use their discretion and subjective judgement, to determine the timing as to whether an investment position should be maintained or the point in time at which it should liquidate such a position to realize expected gains, or to reduce/avoid losses to the Underlying Fund. This is because the duration of investment periods is often difficult to predict with any certainty and vary significantly from one another; particularly since market factors constantly fluctuate. Frequently, to optimize the probability of being able to exploit the pricing anomalies among these positions, concentrated holdings may also be required for significant time periods, leading to opportunity costs for the Underlying Fund. Due to the unpredictable nature of investment periods, the Underlying Fund may thus not be able to maintain particular positions at the most optimal length of time to augment gains, or to reduce disadvantageous positions to the Underlying Fund.

### **Type of acquired assets or instruments**

The types of assets that the Underlying Fund will acquire vary widely and there is no limit on the type of assets or instruments that may be acquired. Certain of the Underlying Fund's assets may be arbitrage positions in which a spread is identified between two necessarily correlated investments. These types of the positions are expected to have comparatively limited intrinsic profit potential as their profitability reflects only changes in the pricing spreads between related instruments or price discrepancies between related instruments, rather than absolute price movements. Certain of these assets may involve significant risk, especially if historical price patterns are disrupted or securities lending or credit "squeezes" force the Underlying Fund to liquidate its leveraged assets at disadvantageous prices. Other assets of the Underlying Fund may also have a strong directional bias.

### **Discrepancy of brokerage quotes and execution prices**

Prices quoted by dealers for certain assets or instruments for some purposes may differ materially from the prices at which such dealers are willing to execute transactions in such investments. This disparity can ultimately result in unexpected losses when such assets or instruments are bought or sold at prices that differ from those quoted by dealers.

### **Credit analysis and credit risk of issuers**

The Investment Manager and the Investment Advisor will employ a deal screening process; including undertaking a detailed credit analysis on issuers in order to generate a holistic view of potential investment opportunities. As part of this process, the Investment Manager and the Investment Advisor generally relies on a rating agency's opinion regarding the issuer's credit rating and worthiness (i.e. its ability to repay debt or loans). However, such a rating may not be accurate and reflective of the future credit performance or quality of the issuer. As a result, the Underlying Fund may incur substantial losses in the event of credit deterioration, insolvency or bankruptcy of one or more issuers

in the Underlying Fund's portfolio. In particular, if the credit rating of an issuer is downgraded and adversely affects the market value of their securities, the realised returns on the Underlying Fund's investments may, in turn, be adversely affected. While the Investment Manager and the Investment Advisor may utilise various instruments to hedge against such potential credit risk, such hedging will not always be successful in offsetting the losses of the Underlying Fund.

### **Event driven investing**

The Investment Manager and the Investment Advisor may rely on event driven investing. Event driven investing requires the Underlying Fund to make predictions about: (i) the likelihood that an event will occur; and (ii) the impact such event will have on the value of a company's securities. When the Underlying Fund makes investments in companies that are involved in an event or deal, the Underlying Fund anticipates that it may gain profits upon consummation of such proposed event. However, if the event fails to occur or does not have the effect foreseen, the market price of such securities may decline sharply, falling to a price that may be below the prevailing price at the time of the announcement of the deal, which would lead to losses to the Underlying Fund. For example, a company may announce a plan of restructuring which promises to enhance value and then fail to implement it, resulting in subsequent losses to the Underlying Fund. In corporate reorganisations, the risk exists that the reorganisation will be unsuccessful, will be delayed or will result in a distribution of cash or new securities, the value of which will be less than the purchase price by the Underlying Fund of the original securities. The consummation of events can be prevented or delayed by a variety of factors, including: (i) opposition of the management or shareholders of the target company, which will often result in litigation to enjoin the proposed transaction; (ii) intervention of a governmental or other regulatory agency; (iii) efforts by the target company to pursue a defence 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 shareholder, regulatory or governmental approvals; (v) market conditions resulting in material changes in securities prices; (vi) compliance with any applicable securities laws; and (vii) inability to obtain adequate financing. In addition, if the Underlying Fund decides to sell short the securities it expects to receive in an event and such proposed transaction is not consummated, the Underlying Fund may be forced to cover the short position in the market at a higher price than its original sale, leading to an additional loss. Because of the inherently speculative nature of event driven investing, the results of the Underlying Fund's operations may fluctuate from period to period. Accordingly, investors should understand that the results of a particular period will not necessarily be indicative of results that may be expected in future periods.

### **Currency risk**

The Underlying Fund will be valued in US Dollars. Assets and liabilities denominated in other currencies will be translated at the rate of exchange in effect at the relevant valuation date and translation adjustments will be reflected in the resulting valuation. Currency exchange rates generally are determined by the forces of supply and demand in the currency exchange markets and the relative merits of investment in different countries, actual or anticipated changes in interest rates and other complex factors as seen from an international perspective. Currency exchange rates can also be affected unpredictably by intervention or failure to intervene by governments or central banks or by currency controls or political developments throughout the world. Likewise, shareholders dealing in a different local currency than US Dollars should be aware that the currency exchange rate fluctuations could cause the value of their investment to diminish. Further, transaction costs may be incurred in connection with the conversions between such other currencies and US Dollars.

### **Interest rate risks**

The Underlying Fund may make investments which are exposed to interest rate risks. To the extent prevailing interest rates change, do so to a larger extent or in a different way than anticipated by the Underlying Fund, the Underlying Fund could suffer significant financial losses. Increases in interest rates may also affect the Underlying Fund's borrowings, having a negative impact on the Underlying Fund's profitability.

### **Risks relating to hedging transactions**

The Underlying Fund may or may not use "hedged" or arbitrage strategies. The lack of hedging may result in greater losses if an unhedged investment risk is realised. Although the Underlying Fund does not generally intend to hedge its long positions with short positions and vice versa, if the Underlying Fund did decide to implement a hedging strategy, this does not necessarily mean these strategies are relatively low risk. Substantial losses may be recognised on hedge or arbitrage positions, and illiquidity and default on one side of a position can effectively result in the position being transformed into an outright speculative investment. Every hedge or arbitrage strategy involves exposure to some second order risk of the markets, such as the price spread between different classes of stock for the same issuer.

The Underlying Fund may engage in derivative transactions as part of its investment strategy, which includes the use of financial derivative instruments for hedging against fluctuations in the relative values of the Underlying Fund's portfolio positions as a result of changes in exchange rates, interest rates, prices of underlying assets and levels of other interest rates and prices of other securities. These instruments are volatile and may be subject to various types of risks, including but not limited to market risk, liquidity risk, credit risk, counterparty risk, legal risk and operations risks.

There can be no guarantee that there will be a correlation between price movements in the instrument used and the underlying investments of the Underlying Fund that are being hedged through the use of the instruments. Moreover, there may be an imperfect correlation between derivative instruments used and the investments to be hedged, causing the use of a particular technique not to achieve its intended objectives. The degree of imperfection of correlation depends upon circumstances such as variations in speculative market demand, and differences between financial instruments being hedged and instruments underlying the standard contracts available for trading in such respects as interest rate levels, maturities and creditworthiness of issuers. An imperfect hedge may result in a loss of capital to the Underlying Fund. A decision as to whether, when and how to hedge involves exercise of skill and judgment, and even a well-conceived hedge may be unsuccessful because of market behavior or unexpected interest rate trends.

In addition, the use of derivatives can involve significant economic leverage and may, in some cases, involve significant risks of loss. The low initial margin deposits normally required to establish a position in such instruments permits leverage. As a result, a relatively small movement in the price of the underlying contract may result in a profit or a loss that is high in proportion to the amount of assets actually placed as initial margin.

The ability to use these strategies may be limited by market conditions and regulatory limits and there can be no guarantee that any of these strategies will meet their expected objectives.

### **Suspensions of trading**

Each exchange typically has the right to suspend or limit trading in all instruments which it lists or trades. Such a suspension would render it impossible for the Investment Manager and the Investment Advisor to liquidate positions and, accordingly, could expose the Underlying Fund to losses.

### **Technical Analysis**

While the Underlying Fund predominantly operates a fundamentally research driven process that analyses companies across their corporate capital structure, the Investment Manager and the Investment Advisor may also utilise technical factors to analyse historical price trends/action and current market data of securities to predict future market movements. Such technical strategies are subject to the risk that unexpected fundamental or other factors may dominate the market during certain periods. Moreover, a common premise behind technical analysis is that past market trends are indicative of future price movements. The influx of different market participants, structural changes in the markets, the introduction of new financial products and other developments may adversely affect any investment gains that are made based upon technical analysis.



### **Spread trading risk**

One of the Underlying Fund's potential trading strategies involves the use of spreads between two or more positions which may give the Underlying Fund a hedging exposure and offer lower margin rates. This is particularly the case where the price relationships between those positions remain constant such that no gain or loss on the positions will occur. However, such positions do entail a substantial risk where the price differential could unfavourably change, causing a loss to the spread position. In addition, spreads can be less liquid than other trades, which may adversely impact the Underlying Fund at times that it wishes to promptly liquidate its position.

### **Trade execution risk**

The Underlying Fund may employ trading techniques that require the rapid and efficient execution of transactions. Delays in, or inefficiency in, the execution of trades may adversely impact upon the profitability of the Underlying Fund's positions and in certain cases cause the Underlying Fund to miss suitable market opportunities in its entirety.

## **E. Risks associated with the Underlying Fund's investments**

The following sets out some of the risk factors associated with the investments of the Underlying Fund.

### **Equities**

Equities invested in by the Underlying Fund may involve substantial risks and may be subject to wide and sudden fluctuations in market value, with a resulting fluctuation in the amount of profits and losses. There are no absolute restrictions with regard to the size or operating experience of the companies in which the Underlying Fund may invest. In addition, companies in which the Underlying Fund may invest may lack management depth or the ability to generate internally, or obtain externally, the funds necessary for growth, and companies with new products or services could sustain significant losses if projected markets do not materialize.

Privately placed securities and other illiquid securities owned by the Underlying Fund may be difficult to sell, be saleable only at a substantial discount or upon registration with a regulator, and present valuation difficulties.

### **Fixed income securities**

The Underlying Fund may invest in bonds or other fixed income securities, including, without limitation, commercial paper and higher yielding (including non-investment grade and, therefore, higher risk) debt securities. The Underlying Fund will therefore be subject to credit, liquidity and interest rate risks. Higher-yielding debt securities are generally unsecured and may be subordinated to certain other outstanding securities and obligations of the issuer, which may be secured on substantially all of the issuer's assets. The lower rating of debt obligations in the higher-yielding sector reflects a greater probability that adverse changes in the financial condition of the issuer or in general economic conditions or both may impair the ability of the issuer to make payments of principal and interest. Non-investment grade debt securities may not be protected by financial covenants or limitations on additional indebtedness. In addition, evaluating credit risk for debt securities involves uncertainty because credit rating agencies throughout the world have different standards, making comparisons across countries difficult. Also, the market for credit spreads is often inefficient and illiquid, making it difficult to accurately calculate discounting spreads for valuing financial instruments. It is likely that a major economic recession could disrupt severely the market for such securities and may have an adverse impact on the value of such securities. In addition, it is likely that any such economic downturn could adversely affect the ability of the issuers of such securities to repay principal and pay interest thereon and increase the incidence of default for such securities.

### **Commodities**

The Underlying Fund's investment program may include investments in commodities. The prices of commodities contracts are highly volatile. Price movements of commodities are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. In addition, the Underlying

Fund's assets are subject to the risk of the failure of any of the exchanges on which their positions trade or of their clearinghouses or counterparties.

### **Foreign exchange**

The Underlying Fund may seek active speculative investment opportunities by taking long or short positions in currencies through use of currency-related derivatives such as currency options and forward contracts. Such currency transactions involve a significant degree of risk and the markets in which currency exchange transactions are effected may be highly volatile. Moreover, the general absence of high margins on currency contracts and the low cost of carrying cash positions can result in a high degree of leverage. Therefore, a relatively small price movement in a currency contract could result in immediate and substantial losses to the Fund, which may exceed the amount invested in those contracts.

### **Convertible securities**

The Underlying Fund's ability to engage in convertible securities investing is extremely dependent on the availability of financing on favourable terms. A host of factors can affect both the rate of return on positions in convertible securities and the risk inherent in those returns. For example, if the issuer of the bond defaults, a portion of the investment may be lost. Similarly, a takeover of the issuer of the bonds may result in the loss of the bond premium, if any. Also, a convertible security may be subject to redemption at the option of the issuer at a price established in the convertible security's governing instrument. If a convertible security held by the Underlying Fund is called for redemption, the Underlying Fund will be required to permit the issuer to redeem the security, convert it into the underlying common stock or sell it to a third-party. The bond premium (i.e., the incremental value of the bond in excess of the value of the security into which the bond is then convertible) may also be adversely affected by movements in interest rates and a change in market sentiment.

### **Derivatives**

The Underlying Fund may use derivatives, such as options, futures, swaps and contracts for difference. Substantial risks are also involved in borrowing and lending against derivatives. Derivatives prices can be volatile, market movements are difficult to predict and financing sources and related interest rates are subject to rapid change. One or more markets may move against the derivatives positions held by the Underlying Fund, thereby causing substantial losses. Many of these instruments are not traded on exchanges but rather through an informal network of banks and dealers who have no obligation to make markets in them and can apply essentially discretionary margin and credit requirements (and thus in effect force the Investment Manager and the Investment Advisor to close out positions). In addition, some derivatives carry the additional risk of failure to perform by the counterparty to the transaction. Many unforeseeable events, such as a change of government policies, can have profound effects on interest and exchange rates, which in turn can have large and sudden effects on prices of derivative instruments.

Trading in derivative instruments can result in large amounts of operational leverage. Leverage offered by trading in derivative instruments will magnify the gains and losses experienced by the Fund and could cause the Underlying Fund's Net Asset Value to be subject to wider fluctuations than would be the case if the Underlying Fund did not use the leverage feature of derivative instruments.

The following is a general discussion of important risk factors and issues concerning the use of derivatives by the Underlying Fund.

**Counterparty risk** — the risk that the counterparty in a derivative transaction will be unable to honor its financial obligation to the Underlying Fund, or the risk that the reference entity in a credit default swap or similar derivative will not be able to honor its financial obligations. Certain participants in the derivatives market, including larger financial institutions, have experienced significant financial hardship and deteriorating credit conditions. If the Underlying Fund's counterparty to a derivative transaction experiences a loss of capital, or is perceived to lack adequate capital or access to capital, it may experience margin calls or other regulatory requirements to increase equity. Under such circumstances, the risk that a counterparty will be unable to honor its obligations may increase substantially. If a counterparty becomes bankrupt or otherwise fails to perform its obligations under a derivative

contract, the Fund may experience significant delays in obtaining any recovery under the derivative contract in bankruptcy or other reorganization proceeding. The Fund may obtain only a limited recovery or may obtain no recovery in such circumstances. The counterparty risk for exchange-traded or cleared derivatives is generally lower than for uncleared OTC derivatives since generally a clearing organization becomes substituted for each counterparty to a cleared derivative and, in effect, guarantees the parties' performance under the contract as each party to a trade looks only to the clearing house for performance of financial obligations. However, there can be no assurance that the clearing house, or its members, will satisfy its obligations to the Underlying Fund. In addition, a failure by a dealer to take delivery of the underlying securities in connection with an OTC derivative transaction (for example, an option) would result in the loss of the premium paid by the Underlying Fund as well as the loss of the expected benefit of the transaction.

***Risk of inadequate control and monitoring of the use of derivatives*** — Derivatives are highly specialized instruments that require investment techniques and risk analyses different from those associated with equities and bonds. The use of a derivative instrument requires an understanding not only of the underlying instrument but also of the derivative itself, without the benefit of observing the performance of the derivative under all possible market conditions. In particular, the use and complexity of derivatives require the maintenance of adequate controls to monitor the transactions entered into, the ability to assess the risk that a derivative adds to the Fund and the ability to forecast price, interest rate or currency rate movements correctly.

***Volatility risk*** — The value at any time, or the performance over a certain period, of a derivatives transaction, hedged or outright, often depends on the degree of fluctuation of the price of underlying assets. Changes over time in such degree of price fluctuation may materially influence the value of the derivatives transaction, namely the volatility risk. There are two types of volatility risk, the implied volatility risk and the realized volatility risk. Implied volatility risk, often called as Vega risk in option-like instruments, refers to the sensitivity of the value of a derivatives transaction to the change in the level of implied volatility of the relevant underlying asset, where such implied volatility explicitly determines the value of the derivatives in concern if other things being equal, subject to the employed valuation model and the associated exact definition of the implied volatility according to such model. The implied volatility of a price of a corporate security such as equity for instance can be affected by company- specific or market-wide factors. Realized volatility risk, often called as gamma risk, refers to the sensitivity of the delta (or the sensitivity of an asset value in concern with respect to the changes in the underlying asset price) of a derivatives transaction to the changes in the price of the relevant underlying assets. In other words, it measures the degree of convexity (or curvature) of the value function of the derivatives transaction in concern around the spot price of the underlying asset, and how quickly the delta changes as the underlying asset price moves. Implied volatility risk and realized volatility risk are often highly related in that a change in realized volatility will often cause a change in the same direction in implied volatility. In addition, volatilities are often highly correlated across instruments within the market. If either the implied or the realized volatility moves in a direction, or to a degree, which is different than the Investment Manager and the Investment Advisor would have expected, the Fund may incur losses from such derivatives transaction.

***Correlation risk*** — When used for hedging purposes, an imperfect or variable degree of correlation between price movements of the derivative instrument and the underlying investment may prevent the Underlying Fund from achieving the intended hedging effect or expose the Fund to the risk of loss. The imperfect correlation between the value of a derivative and the underlying assets of the Underlying Fund may result in losses on the derivative transaction that are greater than the gain in the value of the underlying assets in the Underlying Fund's portfolio. In other cases, the performance of a derivatives transaction itself may rely on the correlation among prices, or other performance measures, of the set of underlying assets on which the payoff of such transaction is explicitly determined. For instance the relative performance of individual names in an equity, credit or other asset portfolio may be referred to in the determination of such payoff. If the realized correlation among the relevant assets does not behave as the Investment Manager and the Investment Advisor expect, the Fund may incur losses from such derivatives transaction.

***Dividend/Corporate Action risk*** — Derivatives transactions, especially in the case of options, futures and forwards, can be affected by changes in expected dividends and corporate actions. For instance convertible securities and

other equity options can be adversely impacted by increases in common stock regular dividends, special dividends, distributions and rights issues. Such unexpected changes in dividends may cause losses to the Underlying Fund.

**Liquidity** — Derivative instruments, especially when traded in large amounts, may not be liquid in all circumstances, so that in volatile markets the Underlying Fund may not be able to close out a position without incurring a loss. Although both OTC and exchange- traded derivatives markets may experience the lack of liquidity, OTC non-standardized derivative transactions are generally less liquid than exchange-traded instruments, particularly because participants in OTC markets are not required to make continuous markets in the contracts they trade. The illiquidity of the derivatives markets may be due to various factors, including congestion, disorderly markets, limitations on deliverable supplies, the participation of speculators, government regulation and intervention, and technical and operational or system failures. In addition, daily limits on price fluctuations and speculative position limits on exchanges on which the Underlying Fund may conduct its transactions in derivative instruments may prevent prompt liquidation of positions, subjecting the Fund to the potential of greater losses.

**Leverage** — Trading in derivative instruments can result in large amounts of leverage. Thus, the leverage offered by trading in derivative instruments will magnify the gains and losses experienced by the Underlying Fund.

If the Investment Manager or the Investment Advisor are incorrect in their forecasts of default risks, liquidity risk, counterparty risk, market spreads or other applicable factors related to derivatives instruments, the investment performance of the Underlying Fund would diminish compared with what it would have been if the derivatives investments were not used. Moreover, even if the Investment Manager and the Investment Advisor are correct in their forecasts, there is a risk that a derivative position may correlate imperfectly with the price of the asset or liability being protected.

Many OTC derivatives are valued on the basis of dealers' pricing of these instruments. However, the price at which dealers value a particular derivative and the price which the same dealers would actually be willing to pay for such derivative should the Underlying Fund wish or be forced to sell such position may be materially different. Such differences can result in an overstatement of the Fund's Net Asset Value and may materially adversely affect the Fund in situations in which the Underlying Fund is required to sell derivative instruments.

If the Underlying Fund uses derivatives for hedging purposes, this involves certain additional risks, including: (a) dependence on the ability to predict movements in the price of the asset being hedged; (b) imperfect correlation between movements in the asset on which the derivative is based and movements in the asset being hedged; and (c) possible impediments to effective portfolio management or the ability to meet short- term obligations because of the percentage of the Underlying Fund's assets segregated to secure its obligations under derivative contracts. Other developments may adversely affect the cash flow associated with a hedged position. For example, the imposition of a dividend or increase in the dividend rate on a stock which is sold short could create or increase the negative cash flow associated with the hedge, or create a disparity in values between the positions held to establish the hedge. A hedged position would also be adversely affected if the Underlying Fund was unable to maintain its short position. This could occur if a stock loan is called in before the position is unwound. In addition, by hedging a particular position, the Underlying Fund may limit any potential gain from an increase in value of such position.

## **Futures**

The Underlying Fund may use futures in effecting its investment strategy. Futures prices can be highly volatile. Because of the low margin deposits normally required in futures trading, an extremely high degree of leverage is typical of a futures trading account. As a result, a relatively small price movement in a futures contract may result in substantial losses to the Underlying Fund. Like other leveraged investments, a futures transaction may result in losses in excess of the amount invested.

If the market moves against the Underlying Fund's position or margin levels are increased, the Underlying Fund may be called upon to pay substantial additional funds on short notice to maintain its position. If the Underlying Fund were to fail to make such payments, its position could be liquidated at a loss, and the Underlying Fund would be liable for any resulting deficit in its account.

Futures exchanges and/or regulators may limit the amount of fluctuation permitted in futures contract prices during a pre-set period by regulations. Once the limit has been reached in a particular contract, no trades may be made

that day at a price beyond that limit or trading may be suspended for specified periods during the trading day. In addition, futures exchanges may have established positions limits on the maximum net/gross long or short futures positions that any person may hold or control in derivatives traded on such exchanges. The Underlying Fund may be required to reduce the size of outstanding positions or not enter into new positions that would otherwise be taken for the Underlying Fund in order to comply with these limits or any future limits established by the relevant exchanges and/or regulators. Modification or liquidation of open positions held by the Underlying Fund, if required, could adversely affect the Fund's operations and profitability.

### **Forward contracts**

The Underlying Fund may enter into forward contracts and options thereon, which, 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. Trading in certain cash-settled forward contracts has recently become subject to swap regulation under the Dodd-Frank Act, a development which may entail increased costs and result in burdensome reporting requirements.

The counterparties who 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. Disruptions can occur in any market traded by the Underlying Fund due to unusually high trading volume, political intervention or other factors. The imposition of controls by governmental authorities might also limit such forward (and futures) trading to less than that which the Investment Manager and the Investment Advisor would otherwise recommend, to the possible detriment of the Underlying Fund. Market illiquidity or disruption could result in major losses to the Underlying Fund.

### **Options**

The Underlying Fund may buy and sell options, and there are various risks inherent in such trading. A successful use of equity options and options on stock indices will be subject to the Investment Manager's and the Investment Advisor's ability to predict correctly movements in the direction of the stock market generally or of a particular industry or market segment. For example, the seller (writer) of a covered call option (e.g. the writer has a long position in the underlying security) assumes the risk of a decline in the market price of the underlying security to a level below the purchase price of the security, less the premium received on the call option. The writer of a covered call option also gives up the opportunity for gain on the underlying security above the exercise price of the call. The writer of an uncovered call option assumes the risk of a theoretically unlimited increase in the market price of the underlying security above the exercise price of the option. The buyer of a call option assumes the risk of losing the premium invested in the option. The seller (writer) of a covered put option (e.g. the writer has a short position in the underlying security) assumes the risk of an increase in the market price of the underlying security above the sales price (in establishing the short position) of the underlying security plus the premium received, and gives up the opportunity for gain on the underlying security below the exercise price of the option less the premium received on the put option. This requires different skills and techniques than predicting changes in the price of individual stocks. The seller of an uncovered put option assumes the risk of a decline in the market price of the underlying security below the exercise price of the option. The buyer of a put option assumes the risk of losing the premium it paid to purchase the put option. The options markets have the authority to prohibit the exercise of particular options, which if imposed when trading in the option has also been halted, would lock holders and writers of that option into their positions until one of the two restrictions has been lifted. If trading is interrupted in an underlying security, the trading of options on that security is usually halted as well. Holders and writers of options will then be unable to close out their positions until options trading resumes, and they may be faced with considerable losses if the security reopens at a substantially different price. Even if options trading is halted, holders of options will generally be able to exercise them. However, if trading has also been halted in the underlying security, option holders face the risk of exercising options without knowing the security's current market value. If an option is exercised when trading of the underlying security is halted,

the party required to deliver the underlying security may be unable to obtain it, which may necessitate a postponed settlement and/or the fixing of cash settlement prices.

### **Structured securities**

The Underlying Fund may invest in structured securities, including subordinated tranches of such securities. In general, the risks associated with an investment in structured securities include those arising from investment in the underlying pool of mortgage loans or receivables and the risks of investing in fixed income instruments with positive duration. In addition, as an investor in subordinated structured securities in particular, the Underlying Fund could be the first in line among the debt holders to bear the risk of loss from delinquencies and defaults experienced on the collateral. Further, the structures used to issue these securities are often complex, unusual and difficult to analyze.

Prices of mortgage-backed and asset-backed securities and their derivatives can be highly volatile. Price movements for such securities are influenced by, among other things, changing supply and demand relationships; government, trade, fiscal, and economic events; and changes in interest rates. The yield characteristics of mortgage-backed and asset-backed securities differ from traditional debt securities. The major differences include more frequent interest and principal payments, usually monthly, and the possibility that prepayments of principal may (particularly with mortgage-backed securities) be made at any time. Prepayment rates are influenced by changes in current interest rates and a variety of other factors. In general, changes in the rate of prepayments will change the yield to maturity of the security. These differences can result in significantly greater price and yield volatility than is the case with traditional debt securities.

### **Regulation of OTC Derivatives**

The Underlying Fund may enter into swap and similar transactions involving or relating to securities interests, interest rates, currencies, commodities interests, indices, prices, or other items. A swap transaction is an agreement between two parties to exchange cash flows (and sometimes principal amounts) measured by different equities, interest rates, credits, exchange rates, indices, or prices, with payments generally calculated by reference to a principal ("notional") amount or quantity.

Prior to the global financial crisis, swap transactions were individually negotiated non-standardized transactions entered into in OTC markets and were not subject to the same type of government regulation as exchange-traded instruments. As a result, many of the protections afforded to participants on organized exchanges and in a regulated environment were not available in connection with these transactions. However, the OTC derivatives markets have become subject to comprehensive statutes and regulations.

In particular, various jurisdictions around the world (e.g. the U.S., the European Union and other members of the G-20 (including for example, China, India and Japan) adopted or are making plans to adopt legislation or rules relating to OTC derivatives including requirements such as: (i) derivatives must be executed on a regulated market and a substantial portion of OTC derivatives must be submitted for clearing to regulated clearinghouses, (ii) OTC trades submitted for clearing will be subject to minimum initial and variation margin requirements set by the relevant clearinghouse, (iii) margin requirements in respect of non-cleared OTC derivatives, (iv) obligations on OTC derivatives dealers to apply business conduct standards, licensing requirements, disclosure requirements, reporting and recordkeeping requirements, transparency requirements, position limits, limitations on conflicts of interest, and other regulatory burdens, (v) requirements for appropriate procedures and arrangements to measure, monitor and mitigate operational counterparty credit risk in respect of certain OTC derivatives contracts and (vi) reporting of certain details of OTC derivative trades to trade depositories. These margin and regulatory requirements have increased the overall costs for OTC derivatives dealers and users. Dealers can be expected to try to pass those increased costs along, at least partially, to market participants such as the Fund in the form of higher fees or less advantageous dealer marks. Also, such requirements may render certain strategies in which the Fund might otherwise engage impossible or so costly that they will no longer be economical to implement.

Not all obligations in all jurisdictions have come into force by the date of this Private Placement Memorandum. As the OTC derivatives market continues to adapt to the regulations that have been and will be imposed, there may be a further increase in the overall costs of entering into and maintaining OTC derivatives contracts. The Directors and the Investment Manager will monitor the OTC derivatives regulations. However, prospective investors and Shareholders should be aware that the ongoing regulatory changes may in due course adversely affect the Fund's ability to adhere to its investment approach and achieve its investment objective.

#### **Other non-listed securities**

Investments in non-listed securities and other illiquid securities owned by the Underlying Fund may not have an active secondary market, may be difficult to sell, may be saleable only at a substantial discount or upon registration with a regulator, and may present valuation difficulties.

#### **Stock Indices and Related Derivatives**

The use of options on stock indices and stock index futures contracts as hedging devices involves several risks. A correlation may not exist between price movements in the stock index and price movements in the securities that are the subject of the hedge. Positions in futures contracts may be closed out only on the exchange on which they were entered into or through a linked exchange. In addition, although the Investment Manager and the Investment Advisor intend to enter into futures contracts only if an active market exists for the contracts, no assurance can be given that an active market will exist for the contracts at any particular time. Certain exchanges do not permit trading in particular contracts at prices that represent a fluctuation in price during a single day's trading beyond a certain set limit. If prices fluctuate during a single day's trading beyond those limits, the Underlying Fund may be prevented from promptly liquidating unfavourable positions and thus be subject to losses.

#### **ADRs and GDRs**

To achieve its investment objective, the Underlying Fund may purchase and sell, both long and short, equity securities of companies, including American Depositary Receipts ("**ADRs**") and Global Depositary Receipts ("**GDRs**"). ADRs and GDRs are negotiable receipts similar to stock certificates issued by a depositary bank. The receipts evidence depository securities, which in turn evidence underlying securities of a foreign issuer deposited with a custodian bank in the foreign issuer's home country.

Investing in ADRs and GDRs involves a variety of material risks associated with international investing or investing in instruments where the underlying securities are of a foreign issuer denominated in foreign currencies.

In addition, ADRs and GDRs that represent debt securities are subject to the risk of an issuer's inability to meet principal and interest payments on debt obligations. Therefore, the Investment Manager and the Investment Advisor may indirectly expose the Underlying Fund to credit risk by means of investing in such ADRs and GDRs.

#### **Transaction costs related to investments**

The performance of the Underlying Fund will be affected by charges related to the investments of the Underlying Fund. The Underlying Fund may be engaged in a high level of trading resulting in commensurately higher transaction costs. Typically, higher portfolio turnover may result in correspondingly higher transaction costs. The exact amount of brokerage and related transaction costs that will be incurred will depend upon a number of factors including the nature and frequency of the market opportunities resented, the size of transactions and the transaction rates in effect from time to time.

#### **F. Risks associated with the Underlying Fund vehicles and service providers**

The following are some of the risks associated with the Underlying Fund and the Investment Manager, the Investment Advisor and other service providers of the Underlying Fund.

#### **Financing arrangements with banks and dealers**

Under certain market conditions, the Underlying Fund may not be able to maintain adequate financing

arrangements, particularly if the Underlying Fund utilises a substantial amount of leverage to implement investment objectives. This is due to the fact that the use of leverage requires the Underlying Fund to have an available supply of credit for such purposes. As a consequence, the Underlying Fund may need to obtain finance from dealers (including prime brokers) who may apply discretionary margin, haircut, financing, security and collateral valuation policies in respect of such borrowings. Any changes by dealers in such financing policies, or the imposition of other credit limitations or restrictions, whether due to market circumstances, governmental, regulatory or judicial action, or otherwise, may potentially result in large margin calls, the loss of financing, forced liquidation of the Underlying Fund's positions at disadvantageous prices, termination of swap and repurchase agreements and cross-defaults to agreements with other dealers. Any such adverse effects may be exacerbated in the event that such limitations or restrictions are imposed with immediate effect and/or by multiple market participants at or about the same time. The imposition of such limitations or restrictions may force the Underlying Fund to liquidate all or part of its portfolio at disadvantageous prices. In recent times, banks and dealers have substantially curtailed financing activities and increased collateral requirements, thus forcing many hedge funds to liquidate.

#### **Counterparty risk in respect of prime brokers**

A large part of the Underlying Fund's assets will be held in accounts maintained for the Underlying Fund by its prime brokers. While the prime brokers are subject to various laws and regulations designed to protect their customers from the consequences of an insolvency of a prime broker, the actual extent of such protection may be limited due to uncertainties and contractual carve-outs. Investors should assume that the insolvency of any of the Underlying Fund's prime brokers would result in the loss of all or a substantial portion of the Underlying Fund's assets held by or through such prime broker.

#### **Non disclosure of investment positions**

To protect the confidentiality of the Underlying Fund's positions, the Investment Manager and the Investment Advisor will generally not disclose any or all of the Underlying Fund's positions in investment portfolios to Shareholders. For instance, the audited financial statements of the Underlying Fund will not include a detailed listing of positions held by the Underlying Fund due to the preservation of confidential information so that third parties are prevented from accessing and using such information to the Underlying Fund's detriment. Various ways in which the disclosure and use of such information may have a material adverse impact on the Underlying Fund include, but are not limited to: (a) to "front run" the Underlying Fund on sales, or additional purchases, of such positions; (b) to make it more difficult for the Underlying Fund to protect its positions by withholding, or causing others to withhold, prospective trades; (c) to make it difficult for the Underlying Fund to acquire or borrow securities; or (d) otherwise to interfere with the Underlying Fund's investment objectives. The Investment Manager and the Investment Advisor may, however, permit such disclosure on a selective basis to certain Shareholders, if it determines that there are sufficient confidentiality agreements and procedures in place.

#### **Lack of segregation and rehypothecation risk**

The stability and liquidity of repurchase agreements, swap transactions, forward transactions and other over-the-counter derivative transactions depend in large part on the creditworthiness of the parties to the transactions. It is expected that the Investment Manager and the Investment Advisor will monitor on an ongoing basis the creditworthiness of firms (including the prime brokers and custodians) with which the Underlying Fund will enter into repurchase agreements, interest rate swaps, caps, floors, collars or other over-the-counter derivatives. If there is a default by the counterparty to such a transaction, the Underlying Fund will under most normal circumstances have contractual remedies pursuant to the agreements related to the transaction. However, exercising such contractual remedies may involve delays or costs which could result in the Net Asset Value of the Underlying Fund being less than if the Underlying Fund had not entered into the transaction. Furthermore, there is a risk that any of such counterparties could become insolvent. If one or more of the Underlying Fund's counterparties were to become insolvent or the subject of liquidation proceedings, there is a risk that the recovery of the Underlying Fund's securities and other assets from such counterparty will be delayed or be of a value less than the value of the securities or assets originally entrusted to such counterparty.



The counterparty risk for cleared derivatives is generally lower than for uncleared over-the-counter derivatives since generally a clearing organization becomes substituted for each counterparty to a cleared derivative and, in effect, guarantees the parties' performance under the contract as each party to a trade looks only to the clearing house for performance of financial obligations. However, there can be no assurance that the clearing house, or its members, will satisfy its obligations to the Underlying Fund.

In addition, the Underlying Fund may use counterparties located in various jurisdictions around the world. Such local counterparties are subject to various laws and regulations in various jurisdictions that are designed to protect their customers in the event of their insolvency. However, the practical effect of these laws and their application to the Underlying Fund's assets will be subject to substantial limitations and uncertainties. Because of the large number of entities and jurisdictions involved and the range of possible factual scenarios involving the insolvency of a counterparty, it is impossible to generalise about the effect of their insolvency on the Underlying Fund and its assets. Investors should assume that the insolvency of any counterparty would result in a loss to the Underlying Fund, which could be material.

Prime brokers may hold investments of the Underlying Fund in custody and use such assets as collateral subject to a security interest in favour of the prime brokers. Prime brokers may, at their option and instead of holding collateral in custody, also take full legal and beneficial ownership of investments transferred to them by the Underlying Fund in which case any such collateral will be held by prime brokers absolutely as their property, in order to collateralize the Underlying Fund's obligations to prime brokers. Any such collateral transferred to prime brokers in this manner will not be segregated from other investments belonging to prime brokers and may be available to creditors of prime brokers in the event of their insolvency.

Any collateral may be sold, lent or otherwise used by prime brokers for their own purposes, whereupon such collaterals will become the property of prime brokers and the Underlying Fund will have a right against prime brokers for the return of assets equivalent to the collateral so used. In relation to the Underlying Fund's right to the return of such collateral, the Fund will rank as an unsecured creditor and, in the event of the insolvency of a prime broker, the Underlying Fund may not be able to recover such equivalent assets in full. In addition, the Underlying Fund's cash held with prime brokers will not be segregated from prime brokers' own cash and will be used by a prime broker in the course of their business and the Underlying Fund will, therefore, rank as an unsecured creditor in relation thereto in the event of the insolvency of a prime broker, the Underlying Fund may not be able to recover such equivalent assets in full.

Prime brokers may also transfer collateral to accounts with different entities within the prime broker's group, which may be unregulated entities and hence not subject to the regulatory oversight to which the prime brokers are subject. The lack of regulatory oversight of such unregulated entities may increase the risk that the Underlying Fund may not recover all or part of its assets, or that the recovery of such assets is delayed.

Prime brokers will trade with an exchange as a principal on behalf of the Underlying Fund in a "debtor-creditor" relationship, unlike other clearing broker relationships in which the broker is merely facilitator of the transaction. Such prime broker could, therefore, have title to all of the assets of the Underlying Fund associated with the Participating Shares (for example, the transactions that the prime broker has entered into on behalf of the Underlying Fund as principal as well as the margin payments that the Underlying Fund provides). In the event of the insolvency of such prime broker, the prime broker could default on the transactions that it has entered into as principal and the Underlying Fund's assets associated with the Participating Shares could become part of the insolvent prime broker's estate, to the detriment of the Underlying Fund.

#### **Failure of Futures Commission Merchants and Clearing Organizations**

With respect to futures and other cleared derivatives subject to the jurisdiction of the CFTC, the Underlying Fund may be required to deposit funds to margin open positions with a clearing broker registered as a "futures commission merchant" ("FCM"). The Commodity Exchange Act requires an FCM to segregate all funds received from customers with respect to any orders for the purchase or sale of futures contracts and cleared swaps from the FCM's proprietary assets. Similarly, the Commodity Exchange Act requires each FCM to hold in a separate secure account all funds received from customers with respect to any orders for the purchase or sale of foreign futures contracts and segregate any such funds from the funds received with respect to domestic futures contracts. However, all

funds and other property received by a clearing broker from its customers are held by the FCM on a commingled basis in an omnibus account and may be freely accessed by the FCM, which may also invest any such funds in certain instruments permitted under the applicable regulation. There is a risk that assets deposited by the Underlying Fund with any swaps or futures FCM as margin for futures contracts or cleared swaps may, in certain circumstances, be used to satisfy losses of other clients of the Fund's FCM. In addition, the assets of the Underlying Fund might not be fully protected in the event of the Underlying Fund's FCM's bankruptcy, as the Underlying Fund would be limited to recovering only a pro rata share of all available funds segregated on behalf of the FCM's combined domestic customer accounts.

Similarly, the Commodity Exchange Act requires a clearing organization approved by the CFTC as a derivatives clearing organization to segregate all funds and other property received from a clearing member's clients in connection with domestic futures, swaps and options contracts from any funds held at the clearing organization to support the clearing member's proprietary trading. Nevertheless, with respect to futures and options contracts, a clearing organization may use assets of a non-defaulting customer held in an omnibus account at the clearing organization to satisfy payment obligations of a defaulting customer of the clearing member to the clearing organization. As a result, in the event of a default or the FCM's other clients or the FCM's failure to extend own funds in connection with any such default, the Underlying Fund would not be able to recover the full amount of assets deposited by the FCM on behalf of the Underlying Fund with the clearing organization.

#### **Other counterparty risk**

Many of the markets in which the Underlying Fund may effect its transactions are "over-the-counter" or "inter-dealer" 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 Underlying Fund to the risk that a counterparty will not settle a transaction due to a credit or liquidity problem, thus causing the Fund to suffer a loss. In addition, in the case of a default, the Fund 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 the Investment Manager and the Investment Advisor have concentrated the Underlying Fund's transactions with a single counterparty or small group of counterparties. The Investment Manager and the Investment Advisor are not restricted from dealing with any particular counterparty or from concentrating any or all of the Fund's transactions with one counterparty. Moreover, the Investment Manager and the Investment Advisor have a limited internal credit function which evaluates the creditworthiness of its counterparties. The ability of the Investment Manager and the Investment Advisor to transact business with any one or more counterparties, the lack of complete evaluation of such counterparties' financial capabilities and the absence of a regulated market to facilitate settlement may increase the potential for losses by the Underlying Fund.

#### **System risks**

The Underlying Fund relies to a significant extent on computer systems and software used by the Investment Manager, the Investment Advisor and other service providers to develop and execute investment strategies, analyse investment opportunities, price the Fund's assets, execute and settle trades, and conducting risk and operational controls. Such systems and software may be subject to errors, defects, interruptions or failure. In the event of such malfunction, the Fund may incur significant losses to the extent its or its service providers' ability to evaluate, make, hold, monitor, or dispose of investments, or to monitor risks and operations is affected. The Investment Manager and the Investment Advisor may not be in a position to verify the accuracy of the operation or results of the systems used by it or other service providers and may rely on erroneous computations or data, causing losses to the Fund. The Investment Manager and the Investment Advisor are generally not liable to the Fund for such system malfunction unless caused by their own gross negligence, wilful default or fraud. Third party service providers are generally not liable to the Fund for such system malfunction even where they are caused by their own gross negligence, wilful default or fraud.

### **Cybersecurity risk**

In recent years, hedge funds have been susceptible to cyber-attacks with a number of high-profile security breaches and vulnerabilities in the software systems used by its investment managers and other external service providers. Since the Underlying Fund controls a significant amount of money for the purposes of investing in underlying profitable assets and the Investment Manager, the Investment Advisor and the Administrator hold sensitive personal information on its investors, the Underlying Fund, the Investment Manager, the Investment Advisor and the Administrator may be subject to potential cyber-attacks. As a result, there is a risk that the Underlying Fund's, the Investment Manager's, the Investment Advisor's and/or the Administrator's trading strategy, market forecasts, analytical methodologies and other sensitive proprietary information may be infiltrated and disclosed to the public or sold to and used by competitors or unauthorised trades entered into, resulting in financial losses for the Underlying Fund. There is also a risk of theft of investor data, lock down of the Investment Manager's, the Investment Advisor's or the Administrator's systems or unauthorised payments being initiated.

### **Reliance on information from Administrator and third parties**

In order to value the assets and liabilities of the Underlying Fund, the Investment Manager and the Investment Advisor will rely on information provided by the Administrator or outside parties, and such persons may provide inaccurate, incomplete, not current or otherwise unreliable information. To the extent that the information received by the Underlying Fund, the Investment Manager or the Investment Advisor is inaccurate or unreliable, the valuation of the Underlying Fund's assets and liabilities and ultimately the calculation of the Net Asset Value of the Underlying Fund may be inaccurate, causing the Underlying Fund to restate its accounts and causing losses to the Fund and the investors. For example, if the Net Asset Value calculated by the Administrator in any period proves to have been too high, redemptions made during that period would have been made at a redemption price which was higher than the actual Net Asset Value of the Underlying Fund, causing a loss to the remaining Shareholders. Conversely, subscriptions for Participating Shares in the Fund made at a price lower than the actual Net Asset Value due to an incorrect Net Asset Value calculation by the Administrator would cause a loss to then existing Shareholders.

### **Operational risks**

The Underlying Fund relies on the Investment Manager and the Investment Advisor to establish appropriate systems and procedures to control operational risks relating to the management of the business of the Fund, including the evaluation, making, holding, monitoring and divesting of investments, the valuation of the Fund's assets, and the making up of the Fund's books and accounts. The Fund is dependent on being able to monitor, process and book a large number of transactions and positions on a daily basis and relies heavily on the accuracy, integrity and continuous operation of its financial and data processing systems. Errors or failures occurring in the operation of the Fund may cause the Fund to suffer significant disruption as well as liability to third parties or other financial losses.

### **Misconduct of service providers**

Misconduct of the employees of the Investment Manager, the Investment Advisor and other service providers could cause significant losses to the Fund, including the unauthorized entering into transactions, the failure to comply with operational and risk procedures, the use of sensitive information for personal trading activities, the non-compliance with applicable law or regulations, and the concealment of the foregoing, and may result in reputational damage, litigation, business disruption and/or financial losses to the Fund, for which the Investment Manager, the Investment Advisor and the relevant service provider may not be liable at all or only to a limited extent.

### **Institutional risk**

Institutions, such as brokerage firms or banks, will generally have custody of the Fund's assets. These assets will often be registered in a "street name", not in the name of the Underlying Fund. Bankruptcy or fraud at one of these institutions could impair the operational capabilities or the capital position of the Underlying Fund.

## **G. Risks related to an investment in the Underlying Fund**

### **Contagion risk**

The Underlying Fund has the power to issue participating shares in different classes or sub-classes. The Articles provide for the manner in which the liabilities are to be attributed across the various classes or sub-classes (liabilities are to be attributed to the specific class or sub-class in respect of which the liability was incurred). However, the Underlying Fund are each single legal entities and there is no legal segregation between the assets and liability attributable to a specific class or sub-class of shares. Shareholders of one or more classes or sub-classes of shares may be compelled to bear the liabilities incurred in respect of other classes or sub-classes which such shareholders do not themselves own if there are insufficient assets in that other class or sub-class to satisfy those liabilities. Accordingly, there is a risk that liabilities of one class or sub-class may not be limited to that particular class or sub-class and may be required to be paid out of one or more other class or sub-class.

### **Indemnification Obligations**

The Underlying Fund is generally obligated to indemnify the Administrator, any prime broker and custodians, the Investment Manager, the Investment Advisor and potentially other third parties under the various agreements entered into with such persons against any liability they or their respective affiliates may incur in connection with their relationship with the Fund (as the case may be and subject to the terms of the relevant agreement).

### **Reserve for contingent liabilities**

Under certain circumstances, it may be necessary to establish a reserve for contingent liabilities or withhold a portion of the shareholder's settlement proceeds at the time of redemption, in which case the reserved portion would remain at the risk of the Underlying Fund's activities.

### **Risk of litigation**

In the ordinary course of its business, the Underlying Fund, the Investment Manager and the Investment Advisor may be subject to litigation from time to time. The outcome of litigation, which may materially adversely affect the value of the Underlying Fund, is generally impossible to anticipate, and such proceedings may continue without resolution for significant time periods. Such litigation may consume substantial amounts of the Investment Manager's or the Investment Advisor's time, resources and attention that may be disproportionate to the amounts at stake in the litigation.

Where the Investment Manager or the Investment Advisor accumulates substantial positions in the securities of a specific company on behalf of the Fund, the Investment Manager and the Investment Advisor may at times engage in a proxy fight, becoming involved in litigious proceedings or other attempts to gain control of that company. In such circumstances, the Fund may be named as a defendant in a lawsuit or regulatory action and be subject to the costs involved. Litigation may also be commenced with respect to a security acquired by the Fund in relation to activities that took place prior to the Fund's acquisition of such security. In addition, if the Fund purchases investments through separate written contracts (as opposed to via an exchange) and such contracts contain extensive obligations on behalf of the issuer, there may be instances in which the Underlying Fund may pursue litigation in order to enforce its rights. Such litigation may be costly and may not ultimately be successful. Conversely, there is a risk that purchasers of the Fund's assets may later commence legal proceedings against the Underlying Fund for losses associated with problems that were not covered in the due diligence of such assets.

### **Redemptions**

Where a redemption request is accepted, the Participating Shares will be treated as having been redeemed with effect from the relevant Redemption Day irrespective of whether or not such redeeming Shareholder has been removed from the register of members or the redemption price has been determined or remitted. Accordingly, on and from the relevant Redemption Day, shareholders in their capacity as such will not be entitled to or be capable of exercising any rights arising under the Articles with respect to Shares being redeemed (including any right to

receive notice of, attend or vote at any meeting of the Underlying Fund) save the right to receive the Redemption Price and any dividend which has been declared prior to the relevant Redemption Day but not yet paid (in each case with respect to the Shares being redeemed). Such Shareholders will be treated as creditors of the Fund with respect to the redemption price and will rank accordingly in the priority of the Underlying Fund's creditors.

### **Effect of substantial redemptions**

In the event that there are substantial redemptions of Participating Shares, it may be more difficult for the Underlying Fund to generate the same level of profits operating on a smaller capital base. In the event that there are substantial redemptions on any date or over a short period of time, the Investment Manager and the Investment Advisor may find it difficult to adjust the asset allocation and trading strategies to the suddenly reduced amounts of assets under management. This effect may be amplified if one or more of the investors in the Fund that hold substantial interests in the Underlying Fund decide to redeem all or part of their interests. Under such circumstances, in order to provide sufficient funds to pay redemptions, the Investment Manager and the Investment Advisor might be required to liquidate positions at an inappropriate time or on unfavourable terms. In addition, regardless of the period of time in which redemptions occur, the resulting reduction of the Underlying Fund's Net Asset Value could make it more difficult for the Fund to generate profits or recover losses.

### **Early termination**

In the event of the early termination of the Underlying Fund, the Underlying Fund would have to distribute to the shareholders their pro rata interest in the assets of the Underlying Fund associated with the Participating Shares. Certain assets associated with the Participating Shares held by the Underlying Fund may be highly illiquid and might have little or no marketable value. It is possible that at the time of such sale or distribution, certain securities or other instruments held by the Underlying Fund would be worth less than the initial cost of such securities or other instruments, resulting in a loss to the Underlying Fund.

Following the commencement of any winding-up process, the Investment Manager will disclose to shareholders all relevant material information in relation to the termination of the Fund in an appropriate and timely manner.

### **Absence of regulation**

The Underlying Fund is not registered as an investment company or mutual fund under the laws of any jurisdiction other than the Cayman Islands and is therefore not supervised by any supervisory or regulatory body or subject to the rules or regulations of any such body other than the Cayman Islands Monetary Authority, which will not approve or disapprove the objectives or policies of the Fund, or its suitability as an investment for any person.

### **Fees, costs and expenses**

The Underlying Fund is subject to the Management Fee, the Performance Fee and certain other fixed and contingent costs payable irrespective of profitability. Such fees costs and expenses will adversely affect the Net Asset Value per Participating Share. Prospective investors should therefore familiarise themselves with ITEM 2.3 - *Fees and Expenses*

### **Valuations**

The Underlying Fund's valuations (i.e. the Net Asset Value calculations of the Underlying Fund and its shares) will be calculated based on the Underlying Fund's Valuation Policy which may be based on approximations and estimates to the extent that such values cannot be obtained from quotes listed on stock exchanges, from brokers or other third party pricing sources. Prospective investors should be aware that situations involving uncertainties as to the valuation of portfolio positions of the Fund could have an adverse effect on the Net Asset Value of the Participating Shares if judgements regarding appropriate valuations should prove incorrect.

### **Financial reporting**

The methodology employed for valuing the assets of the Underlying Fund may not reflect IFRS, resulting in a possible discrepancy between the Net Asset Value of the Underlying Fund and the net asset value as reflected in the accounts of the Underlying Fund.

### **Illiquidity or valuation issues in large positions**

Although the Underlying Fund intends to invest largely in liquid instruments, it cannot be excluded that a position becomes illiquid or difficult to value as a result of a market event or specific circumstance affecting an issuer, among other reasons. If a substantial portion of the Underlying Fund's assets becomes illiquid or difficult to value, this may affect the ability of the Fund to calculate the Net Asset Value, operate redemptions or accept new subscriptions. Under the Articles, the Board of Directors has broad powers to take such action as it deems necessary to protect the Fund and the investors in such an event, including, without limitation, to (i) suspend the calculation of the Net Asset Value, the redemption of Shares or the payment of whole or part of the redemption proceeds, (ii) to pay redemption proceeds in specie, and/or (iii) to convert Shares of a particular class into a different class and to allocate an asset or assets to that particular class. As a result, a Shareholder may not be able to redeem, in whole or in part, its Shares, or may receive Shares representing the illiquid asset which cannot be redeemed at the option of the Shareholder, until such time as the Board of Directors determines that such measures are no longer in the best interest of the Underlying Fund and the investors.

### **Taxation**

There are certain tax risk factors associated with an investment in the Underlying Fund and investors are urged to consult with their own tax advisers before making an investment in the Underlying Fund.

### **Handling of mail**

Mail addressed to the Underlying Fund and received at their registered office will be forwarded unopened to the forwarding address supplied by the Directors or Investment Manager to be dealt with. None of the Underlying Fund, the Investment Manager, the Investment Advisor and their respective Directors, officers, advisors or service providers (including the organisation which provides registered office services in the Cayman Islands) will bear any responsibility for any delay howsoever caused in mail reaching the forwarding address. In particular the Directors will only receive, open or deal directly with mail which is addressed to them personally (as opposed to mail which is addressed just to the Underlying Fund).

### **Side Letters**

Subject to the approval of the Board of Directors, all applicable laws and the Articles, the Underlying Fund, the Investment Manager and/or the Investment Advisor may enter into side letters with investors. Side letters may provide such investor(s) with additional and/or different rights (including, without limitation, with respect to the Performance Fee, Management Fees, redemption rights, minimum and additional subscription amounts, informational rights, capacity rights and other rights) than the other investors. Some regulators, including the SEC of the United States and the FCA of the United Kingdom, are taking or are contemplating to take regulatory action in respect of the use of side letters. As a result, the Fund, the Investment Manager and/or the Investment Advisor, if and when it decides to enter into side letters, may be subject to regulatory action in connection with entering into side letters, or may be forced to rescind some of the side letters or certain provisions thereof, affecting the investors having entered into such side letters.

The Investment Advisor shall disclose where any side letter arrangements have been entered into from time to time and any material terms relating to redemption in such side letters.

**THE FOREGOING LIST OF RISK FACTORS DOES NOT PURPORT TO BE A COMPLETE EXPLANATION OF THE RISKS INVOLVED IN INVESTING IN THE FUND. POTENTIAL INVESTORS SHOULD READ THIS ENTIRE DOCUMENT AND CONSULT THEIR OWN PROFESSIONAL ADVISER BEFORE DECIDING WHETHER TO INVEST IN SHARES OF THE FUND.**

### **CONFLICTS OF INTEREST**

The Underlying Fund is subject to a number of actual and potential conflicts of interest. Certain inherent conflicts of interest arise from the fact that the Investment Manager who provides management, investment management and investment advisory services to the Underlying Fund, and the Investment Advisor, who provides investment advisory, investment management and other services to the Investment Manager, may carry on investment activities for other

clients including, without limitation, other investment funds, client accounts and proprietary accounts (any of whom may be Shareholders), in which the Underlying Fund will have no interest and whose respective investment programs may or may not be substantially similar. Such activities may be in competition with the Underlying Fund and/or may involve substantial time and resources of the Investment Manager, Investment Advisor and their affiliates.

The portfolio strategies employed for such other investment programs could conflict with the transactions and strategies employed in managing the Underlying Fund's portfolio and affect the prices and availability of the securities and instruments in which the Underlying Fund invests. Conversely, participation in specific investment opportunities may be appropriate, at times, for both the Underlying Fund and the other investment programs. In such case, the Investment Manager and the Investment Advisor will allocate participation in such opportunities on a fair and equitable basis, consistent with the investment objectives and guidelines of the Underlying Fund and the other investment programs and taking into account such factors as the relative amounts of capital available for new investments, relative exposure to short-term market trends, and the respective investment programs and portfolio positions of the Underlying Fund and the other investment programs. While the Investment Manager and the Investment Advisor will in general allocate participation in investment opportunities among the Underlying Fund, on the one hand, and the other investment programs, on the other hand, on a *pro rata* basis in proportion to the relative net asset value, the above considerations may result in allocations of certain investments other than on a *pro rata* basis.

In effecting securities transactions, the Investment Manager and the Investment Advisor will seek to obtain the best execution of orders. Commission rates are a component of price and are considered along with other relevant factors. In determining the broker or dealer to be used and the commission rates to be paid, the Investment Manager and the Investment Advisor will consider the utility and reliability of brokerage services, including execution capability and performance, financial responsibility, investment information, market insights, other research provided by such brokers, and access to analysts, management and idea generation. Accordingly, the commissions charged by any such broker may be greater than the amount another firm might charge if the Investment Manager or the Investment Advisor determines in good faith that the amount of such commissions is reasonable in relation to the value of the brokerage services and research information provided by such brokers. Consistent with the requirements of best execution, brokerage commissions on accounts may be directed to brokers in recognition of investment research and information furnished as well as for services rendered in execution of orders by such brokers.

The Investment Manager and the Investment Advisor will obtain products or services other than the execution of securities transactions from brokers in exchange for the direction of brokerage transactions of the Underlying Fund to the broker ("**soft dollars**"). The soft dollars may include products or services from brokers or other third parties (for example through commission sharing agreements) such as (without limitation) research and advisory services, economic and political analysis, portfolio analysis (including valuation and performance measurement), market analysis, data and quotation services, computer hardware and software incidental to the above soft dollars, and investment related publications.

It is the general policy of the Investment Manager and the Investment Advisor that any "soft dollars" obtained in connection with portfolio transactions for the Underlying Fund (to the extent relevant under the Securities Exchange Act of 1934, as amended) are intended to fall within the "safe harbor" of Section 28(e) of the Securities Exchange Act of 1934, as amended. The Investment Manager and the Investment Advisor will endeavour to comply with this policy at all times. Under Section 28(e) and to the extent possible and appropriate, research obtained with "soft dollars" generated by the Underlying Fund may be used by the Investment Manager or the Investment Advisor to service other investment funds, client accounts and proprietary accounts it may manage in the future.

The Investment Manager and the Investment Advisor intend generally to consider the amount and nature of research, execution and other services provided by brokers, as well as the extent to which such services are relied on, and attempt to allocate a portion of its brokerage credits on the basis of that consideration. The investment information received from brokers, however, may be used by the Investment Manager, the Investment Advisor and their respective affiliates in servicing other accounts and not all such information may be used by the Investment Manager or the Investment Advisor in connection with the Underlying Fund. The Investment Manager and the Investment

Advisor believe that such an allocation of brokerage business may help the Underlying Fund to obtain research and execution capabilities and provides other benefits to the Underlying Fund.

Where a product or service obtained with "soft dollars" provides both research and non-research assistance to the Underlying Fund, the Underlying Fund will make a reasonable allocation of the cost which may be paid for with "soft dollars".

"Soft dollars" may not include travel, accommodation, entertainment, general administrative goods or services, general office equipment or premises, membership fees, employee salaries, or direct money payments.

At least annually the Investment Manager and/or the Investment Advisor will provide the Underlying Fund with a statement describing its "soft dollar" practices in relation to the Underlying Fund, including a description of the goods and services received by the Investment Manager and the Investment Advisor.

The Investment Manager has internal compliance procedures which aim to minimize conflicts of interests as a result of personal trading.

The Board of Directors, the Administrator and the Prime Broker may also provide services to other investment programs and have similar conflicts of interest. However, each shall, at all times, pay regard to its obligation to act in the best interests of the Underlying Fund, and the Board of Directors will ensure that all such potential conflicts of interest are resolved fairly and in the interest of Shareholders. In addition, subject to applicable law, any of the service providers (including the Board of Directors) may deal, as principal or agent, with the Fund, provided that such dealings are on normal commercial terms negotiated on an arm's length basis.

It should also be noted that the directors of the Investment Manager and/or the Investment Advisor may also be directors, and/or members, and/or officers, and/or affiliated to directors, of the Underlying Fund, other feeder funds, the Investment Manager and/or the Investment Advisor.

The use of a master-feeder structure may also create a conflict of interest in that the Underlying Fund may structure or dispose of an investment in a manner that may not take into account the tax considerations of any feeder funds. The Investment Manager and the Investment Advisor will endeavour to ensure that any conflict of interest is resolved fairly. Any actual or potential conflict of interest, including for example with respect to principal and certain other related party transactions will be referred to the Board of Directors which shall then, in consultation with the Investment Manager, approve or disapprove such transaction. The Board of Directors will be authorized to review and approve transactions that may give rise to conflicts of interest and otherwise deliver the consent of the "client" pursuant to the Investment Advisers Act, including Section 206 thereof. The Board of Directors will also be consulted in relation to any material deviation from the valuation guidelines. Where there is actual or potential conflict of interest in relation to a transaction with respect to the Underlying Fund, the Investment Advisor should not advise or deal in the transaction unless it has disclosed that material interest or conflict to the Underlying Fund and has taken all reasonable steps to ensure fair treatment of the Underlying Fund.

**THE ABOVE IS NOT NECESSARILY A COMPREHENSIVE LIST OF ALL POTENTIAL CONFLICTS OF INTEREST.**