



**SYMPHONY**  
FLOATING RATE SENIOR LOAN FUND

**ANNUAL INFORMATION FORM**

**Class A Units**  
**Class B Units**  
**Class C Units**  
**Class F Units**  
**Class U Units**

**March 23, 2022**

## **FORWARD-LOOKING STATEMENTS**

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

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

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## GLOSSARY OF TERMS

In this Annual Information Form, the following terms shall have the meanings set forth below, unless otherwise indicated.

**“Additional Distribution”** means, with respect to any taxation year of the Fund, the amount, if any, by which the aggregate of the Net Income and Net Realized Capital Gains less any Net Realized Capital Gains the tax on which would be refundable to the Fund in the current year under Part I of the Income Tax Act for such taxation year exceeds the aggregate of the Distributions paid or payable by the Fund to Unitholders for such taxation year.

**“Annual Redemption Amount”** means in respect of a class of Units a redemption price per Unit of such class surrendered for redemption on the Annual Redemption Date that is equal to 100% of the Net Assets per Unit of the applicable class less any costs and expenses associated with the redemption, including brokerage costs and less any Net Realized Capital Gains or income of the Fund that are distributed to a Unitholder concurrently with the proceeds of disposition on redemption.

**“Annual Redemption Date”** means the second last Business Day of March of each year.

**“Annual Redemption Payment Date”** means a date on or before the 10<sup>th</sup> Business Day of the month immediately following an Annual Redemption Date.

**“Approved Rating”** means a long-term debt rating of the Counterparty or each successor counterparty of at least A by S&P or an equivalent rating from DBRS Limited, Moody’s Investors Service, Inc., Fitch Ratings or any of their respective successors.

**“Brompton”** means the Brompton group of companies.

**“Brompton Funds”** means Brompton Corp. and its wholly owned subsidiary Brompton Funds Limited which acts as manager of the Fund. Brompton Corp. is in the business of managing investment funds.

**“Business Day”** means any day except Saturday, Sunday, a statutory holiday in Toronto, Ontario or any other day on which the TSX is not open for trading.

**“CDS”** means CDS Clearing and Depository Services Inc.

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

**“Class A Unitholder”** means a holder of a Class A Unit.

**“Class A Units”** means the transferrable, redeemable units of the Fund designated as the “Class A Units”, denominated in Canadian dollars.

**“Class B Conversion Date”** means the first and the tenth Business Day of each month.

**“Class B Unitholder”** means a holder of a Class B Unit.

**“Class B Units”** means the transferable, redeemable units of the Fund designated as “Class B Units” denominated in CDN\$.

**“Class C Conversion Date”** means the first and the tenth Business Day of each month.

**“Class C Unitholder”** means a holder of a Class C Unit.

**“Class C Units”** means the transferable, redeemable units of the Fund designated as “Class C Units” denominated in CDN\$.

**“Class F Conversion Date”** means the first and the tenth Business Day of each month.

**“Class F Unitholder”** means a holder of a Class F Unit.

**“Class F Units”** means the transferable, redeemable units of the Fund designated as the “Class F Units” denominated in Canadian dollars.

**“Class U Conversion Date”** means the first Business Day of each week.

**“Class U Unitholder”** means a holder of a Class U Unit.

**“Class U Units”** means the transferrable, redeemable units of the Fund designated as the “Class U Units”, denominated in US dollars.

**“Closing Market Price”** in respect of a security on a Monthly Redemption Date means the closing price of such security on the TSX on such Monthly Redemption Date (or such other stock exchange on which such security is listed) or, if there was no trade on the relevant Monthly Redemption Date, the average of the last bid and the last ask prices of the relevant security on the TSX on such Monthly Redemption Date (or such other stock exchange on which such security is listed).

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

**“Custodian”** means CIBC Mellon Trust Company in its capacity as custodian under the Custodian Agreement, as appointed from time to time by the Manager.

**“Custodian Agreement”** means the custodian agreement entered into by the Manager and the Custodian and certain of its affiliates dated as of November 1, 2011, as it may be amended from time to time, pursuant to which the Custodian is authorized to hold in safekeeping the Fund Property.

**“Declaration of Trust”** means the fifth amended and restated declaration of trust, as it may be amended, restated or modified from time to time, as described in section 1.1 of this Annual Information Form.

**“Distributions”** means the distributions of the Fund declared in accordance with the Declaration of Trust.

**“Extraordinary Resolution”** means a resolution passed by the affirmative vote of at least two-thirds of the votes cast, either in person or by proxy, at a meeting of Unitholders called for the purpose of considering such resolution.

**“Fund”** means Symphony Floating Rate Senior Loan Fund.

**“Fund Investment”** means an investment acquired by the Fund and **“Fund Investments”** means more than one Fund Investment taken collectively.

**“Fund Property”** means the property and assets of the Fund.

**“High-Yield Bonds”** means bonds issued by corporations with a rating of BB+ or less from S&P, or Ba1 or less from Moody’s Investor Services, Inc., or a similar rating from another qualified rating agency, which are typically issued at fixed rates and are unsecured.

**“Income Tax Act”** means the *Income Tax Act* (Canada), as amended now or hereafter, or successor statutes, and shall include regulations promulgated thereunder.

**“Investment Objectives”** means the investment objectives of the Fund as set forth in the Declaration of Trust as described in section 1.1.1 of this Annual Information Form.

**“Investment Restrictions”** means the investment restrictions of the Fund as set forth in the Declaration of Trust, including without limitation those described in section 2.0 of this Annual Information Form.

**“Investment Strategy”** means the investment strategy of the Fund as set forth in the Declaration of Trust as described in section 1.1.2 of this Annual Information Form.

**“IRC”** means the independent review committee of the Fund established by the Manager for the Fund in accordance with NI 81-107.

**“LIBOR”** means the London Interbank Offered Rate which is a daily reference rate based on the interest rates at which banks borrow unsecured funds from other banks in the London wholesale money market (or interbank market).

**“Management Agreement”** means the amended and restated management agreement dated as of October 27, 2016 between the Manager and the Fund respecting the management and administration of the Fund, as it may be amended from time to time.

**“Management Fee”** means the management fee payable to the Manager by the Fund pursuant to the Management Agreement and the Declaration of Trust as described in section 8.1.1 of this Annual Information Form.

**“Manager”** means the manager and administrator of the Fund, namely Brompton Funds Limited, and, if applicable, its successor.

**“Market Price”** means the weighted average trading price of the Class A Units on the TSX (or such other stock exchange on which the Class A Units are listed, if the Class A Units are no longer listed on the TSX) for the 10 trading days immediately preceding the relevant Monthly Redemption Date.

**“Monthly Redemption Amount”** means the redemption price per Class A Unit equal to the lesser of:

- a) 94% of the Market Price of a Class A Unit, and
- b) 100% of the Closing Market Price of a Class A Unit on the applicable Monthly Redemption Date,

less, in each case, any costs associated with the redemption, including brokerage costs, and less any Net Realized Capital Gains or income of the Fund that are distributed to a Unitholder concurrently with the proceeds of disposition on redemption.

Unitholders submitting a Class U Unit for redemption will receive in US dollars an amount equal to the US dollar equivalent of the product of (i) the Monthly Redemption Amount and (ii) a fraction, the numerator of which is the most recently calculated Net Asset Value per Unit of a Class U Unit and the denominator of which is the most recently calculated Net Asset Value per Unit of a Class A Unit. For such purpose, the

Fund will utilize the Reference Exchange Rate current at, or as nearly as practicable to, the Monthly Redemption Date in respect of a monthly redemption of Class U Units. Unitholders submitting a Class F Unit for redemption will receive an amount equal to the product of (i) the Monthly Redemption Amount and (ii) a fraction, the numerator of which is the most recently calculated Net Asset Value per Unit of a Class F Unit and the denominator of which is the most recently calculated Net Asset Value per Unit of a Class A Unit. Unitholders submitting a Class C Unit for redemption will receive an amount equal to the product of (i) the Monthly Redemption Amount and (ii) a fraction, the numerator of which is the most recently calculated Net Asset Value of a Class C Unit and the denominator of which is the most recently calculated Net Asset Value of a Class A Unit. Unitholders submitting a Class B Unit for redemption will receive an amount equal to the product of (i) the Monthly Redemption Amount and (ii) a fraction, the numerator of which is the most recently calculated Net Asset Value of a Class B Unit and the denominator of which is the most recently calculated Net Asset Value of a Class A Unit.

**“Monthly Redemption Date”** means the second last Business Day of each month, other than an Annual Redemption Date.

**“Monthly Redemption Payment Date”** means on or before the 15<sup>th</sup> Business Day immediately following a Monthly Redemption Date.

**“Net Asset Value”** means, at any time, the net asset value of the Fund, as determined in accordance with the Declaration of Trust as described in section 5.0 of this Annual Information Form.

**“Net Asset Value per Unit”** means, in respect of a class of Units, the net asset value per Unit as determined in accordance with the Declaration of Trust.

**“Net Assets per Unit”** means the net assets of the Fund on a per Unit basis, calculated similarly to the calculation of the Net Asset Value per Unit except that any Senior Loans, Second Lien Loans, bonds, debentures and other debt obligations that are owned by the Fund will be valued by taking the bid price on the Valuation Date, and any equity securities owned by the Fund will be valued at the weighted average trading price over the last three Business Days of the month in which the Annual Redemption Date occurs, calculated on a fully diluted basis, if applicable.

**“Net Income”** or **“Net Loss”** of the Fund for any taxation year means the amount, if any, by which the income or loss of the Fund for such taxation year computed in accordance with the provisions of the Income Tax Act, other than paragraph 82(1)(b) and subsection 104(6) thereof and disregarding any designations made by the Fund under subsection 104(19) of the Income Tax Act, without reference to the Fund’s “capital gains” or “capital losses” (as those terms are defined in the Income Tax Act) for the taxation year, exceeds the non-capital losses of the Fund (as defined in the Income Tax Act) for any preceding taxation years of the Fund, to the extent that they may be and are deducted in computing taxable income of the Fund for such taxation year for the purposes of the Income Tax Act.

**“Net Realized Capital Gains”** of the Fund for a taxation year of the Fund means the amount, if any, by which:

- (a) the capital gains realized by the Fund in the taxation year;

exceed the aggregate of:

- (b) the capital losses incurred by the Fund in the taxation year;

- (c) the unapplied capital losses incurred by the Fund in the preceding taxation years, to the extent that they may be and are applied against capital gains realized by the Fund in the taxation year; and
- (d) any Net Loss for the year and, if the Trustee so determines, any unapplied non-capital losses (as defined in the Income Tax Act) of the Fund for preceding years of the Fund, in each case in accordance with the rules in the Income Tax Act,

where, for this purpose, “capital gains” and “capital losses” shall be computed in accordance with the provisions of the Income Tax Act.

“**NI 81-107**” means National Instrument 81-107 – *Independent Review Committee for Investment Funds* of the Canadian securities administrators (or any successor policy, rule or national instrument), as it may be amended from time to time.

“**Nuveen**” means Nuveen Asset Management, LLC.

“**Ordinary Resolution**” means a resolution passed by the affirmative vote of at least a majority of the votes cast, either in person or by proxy, at a meeting of Unitholders called for the purpose of considering such resolution.

“**Other Investments**” means income producing securities, other than Senior Loans, Second Lien Loans and High-Yield Bonds, including, but not limited to, investment and non-investment grade debt securities, convertible securities and structured notes, mortgage-related and other asset-backed securities and sovereign debt securities.

“**Portfolio**” means the portfolio of securities held by the Fund from time to time.

“**Redemption Date**” means an Annual Redemption Date or a Monthly Redemption Date, as the case may be.

“**Reference Exchange Rate**” means the US dollar/Canadian dollar closing spot rate determined at 4:00 p.m. (Toronto time), or another US dollar/Canadian dollar exchange rate deemed appropriate by the Manager.

“**S&P**” means Standard & Poor’s, a division of The McGraw-Hill Companies, Inc.

“**Second Lien Loans**” means floating rate corporate loans with a secured interest in the assets of the borrower that is second in priority to Senior Loans.

“**Senior Loans**” means senior secured floating rate corporate loans typically issued by non-investment grade companies (and unless otherwise specifically noted herein means senior secured floating rate loans issued by non-investment grade companies), with exposure to such gained through (i) direct purchase of senior loans made by banks or other financial institutions to borrowers, (ii) assignments of such interests in senior loans, or (iii) participation interests in senior loans.

“**SIFT Rules**” means the rules in the Income Tax Act which apply to a SIFT Trust and its unitholders.

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

“**Sub-Advisor**” means the sub-advisor, namely Nuveen Asset Management, LLC.



**“Sub-Advisor Agreement”** means the amended and restated sub-advisor agreement between the Manager, the Sub-Advisor dated as of October 27, 2016.

**“Tax Proposals”** means all specific proposals to amend the Income Tax Act publicly announced from time to time by or on behalf of the Minister of Finance (Canada).

**“Termination Date”** means the date the Fund is terminated in accordance with the Declaration of Trust, as described in section 3.4 of this Annual Information Form.

**“Total Assets”** means the aggregate value of the assets of the Fund determined in accordance with the Declaration of Trust as described in section 4.0 of this Annual Information Form.

**“Total Distributions”** means the aggregate of the sum of all Distributions and Additional Distributions paid or payable to Unitholders in a taxation year.

**“Trustee”** means TSX Trust Company, in its capacity as trustee under the Declaration of Trust.

**“TSX”** means the Toronto Stock Exchange.

**“Unit”** means a Class A Unit, a Class B Unit, a Class C Unit, a Class U Unit or a Class F Unit, as applicable.

**“Units”** represents more than one Class A Unit, Class B Unit, Class C Unit, Class U Unit and/or Class F Unit, as applicable.

**“Unitholder(s)”** means a holder(s) of a Unit(s).

**“Valuation Date”** means each Business Day on which the Net Asset Value per Unit is calculated.

## **1.0 NAME, FORMATION AND HISTORY**

Symphony Floating Rate Senior Loan Fund is an investment trust with a registered office located at Suite 2930, Bay Wellington Tower, Brookfield Place, 181 Bay Street, Toronto, Ontario M5J 2T3. The Fund was established under the laws of the Province of Ontario pursuant to a declaration of trust dated as of January 1, 2011. The Declaration of Trust was amended and restated as of October 12, 2011 in relation to the appointment of a new trustee and to change the name of the Fund from Brompton 2011B Income Fund to Symphony Floating Rate Senior Loan Fund. The Declaration of Trust was further amended and restated on November 1, 2011 in connection with the initial public offering of the Fund at which time provisions were added relating to the management, administration and operation of the Fund. On September 4, 2012, the Declaration of Trust was further amended and restated to authorize the issuance of Class F Units to provide for the rights, privileges and restrictions associated with the Class F Units and to clarify the provisions with respect to the calculation of Net Asset Value per Unit in connection with an issuance of additional Units. On October 27, 2016, the Declaration of Trust was further amended and restated to amend its Investment Objectives, Investment Strategy and Investment Restrictions, among other things, to account for the termination of forward agreements, as required by changes to the Income Tax Act and the addition of terms relating to the Class B Units. On November 22, 2016 the Declaration of Trust was further amended and restated for the addition of terms relating to Class C Units and the amendment of certain terms of the Class B Units and Class F Units.

On March 9, 2012, pursuant to a treasury offering of the Fund, 1,674,700 Class A Units and 245,300 Class U Units were issued. On March 27, 2012, an additional 85,000 Class A Units were issued pursuant to the exercise of the agent's over-allotment option in connection therewith. The gross proceeds raised by the Fund were approximately \$20.3 million.

On October 2, 2012, pursuant to a treasury offering of the Fund, 4,874,304 Class A Units and 625,696 Class U Units were issued. On October 15, 2012, an additional 600,000 Class A Units were issued pursuant to the exercise of the agent's over-allotment option in connection therewith. Total gross proceeds raised by the Fund were approximately \$62 million.

On February 6, 2013, pursuant to a treasury offering of the Fund, 11,930,060 Class A Units and 569,940 Class U Units were issued. On February 21, 2013, an additional 490,000 Class A Units were issued pursuant to the exercise of the agent's over-allotment option in connection therewith. Total gross proceeds raised by the Fund were approximately \$135.7 million.

As a result of changes to the Income Tax Act, the Fund's forward agreements with the Bank of Nova Scotia were terminated on October 27, 2016. Following this date, the Fund invested directly in the securities that were previously held in the underlying Portfolio of SSF Trust.

On October 27, 2016, the Fund and the Manager entered into an amended and restated Management Agreement amending certain terms as they related to the termination of the forward agreements as they related to management of the Fund.

On January 10, 2017, pursuant to a private placement of the Fund, 332,400 Class C Units and 132,500 Class F Units were issued. Total gross proceeds raised by the Fund were approximately \$4.7 million.

On February 8, 2018, in connection with the merger of Goldman Sachs U.S. Income Builder Trust into the Fund, the Fund issued 1,385,885 Class A Units and 206,293 Class U Units to former holders of class A units and class U units of Goldman Sachs U.S. Income Builder Trust, respectively.

## **1.1 Declaration of Trust**

### **1.1.1 Investment Objectives**

The Declaration of Trust provides that the Investment Objectives of the Fund are to provide monthly Distributions and to preserve capital, to invest in an actively managed, diversified Portfolio consisting primarily of short-duration floating rate senior corporate debt instruments, including senior secured loans and other senior debt obligations of North American non-investment grade corporate borrowers.

### **1.1.2 Investment Strategy**

The Fund shall seek to achieve its Investment Objectives by investing the Fund Property in an actively managed diversified Portfolio consisting primarily of short duration Senior Loans. Up to 20% of the Portfolio may be invested in other non-investment grade corporate debt instruments including Second Lien Loans, High-Yield Bonds and Other Investments.

### **1.1.3 General**

The Declaration of Trust provides for the administration of the Fund and governs matters including, without limitation, the powers of the Trustee, the issue and sale of Units, the registration and the transfer of Units, the redemption and repurchase of Units, distributions to Unitholders, the provision of management, administration and custodial services to the Fund, the limitation on the liability of the Unitholders, the Trustee and other parties and the termination of the Fund.

Pursuant to the Declaration of Trust, the Trustee retained Brompton Funds Limited as the manager of the Fund and the Manager, on behalf of the Fund, retained CIBC Mellon Trust Company as the custodian of the Fund Property.

## **2.0 INVESTMENT RESTRICTIONS**

The Fund is a non-redeemable investment fund and is not considered to be a mutual fund under the securities legislation of the provinces and territories of Canada. While the Fund is subject to National Instrument 81-102 – *Investment Funds* (“NI 81-102”), it is not subject to all of the investment restrictions and operating policies that apply to mutual funds under such legislation. The Fund is managed in accordance with such applicable requirements and restrictions and the Investment Restrictions set out in the Declaration of Trust.

The Units are qualified investments under the Income Tax Act for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans, registered disability savings plans, tax-free savings accounts and registered education savings plans. During 2021, the Fund did not deviate from the rules under the Income Tax Act that apply to the status of the Units qualifying for inclusion in such plans.

The Units will generally not be a “prohibited investment” for trusts governed by a tax-free savings account, registered retirement savings plan, registered disability savings plan, registered education savings plan or registered retirement income fund unless the holder of a tax-free savings account or registered disability savings plan, the subscriber of a registered education savings plan, or the annuitant under a registered retirement savings plan or registered retirement income fund, as applicable, (i) does not deal at arm’s length with the Fund for purposes of the Income Tax Act or (ii) has a “significant interest” as defined in the Income Tax Act in the Fund. Generally, a holder, subscriber, or annuitant, as the case may be, will not have a significant interest in the Fund unless the holder, subscriber, or annuitant, as the case may be, owns interests as a beneficiary under the Fund that have a fair market value of 10% or more of the fair market value of the interests of all beneficiaries under the Fund, either alone or together with persons and partnerships with

which the holder, subscriber, or annuitant, as the case may be, does not deal at arm's length. In addition, the Units will generally not be a "prohibited investment" if the Units are "excluded property" as defined in the Income Tax Act for trusts governed by a tax-free savings account, registered retirement savings plan, registered disability savings plan, registered education savings plan, or registered retirement income fund.

Holders, subscribers, or annuitants should consult their own tax advisors with respect to whether Units would be prohibited investments, including with respect to whether the Units would be "excluded property".

### **3.0 DESCRIPTION OF SECURITIES**

#### **3.1 The Units**

The beneficial interest in the net assets and net income of the Fund is divided into classes of Units. Currently the Fund has outstanding Class A Units, Class C Units, Class F Units and Class U Units. The Fund is authorized to issue an unlimited number of Units of each class and the Trustee may create additional classes of Units. The Class A Units, Class B Units, Class C Units, and Class F Units are denominated in Canadian dollars and the Class U Units are denominated in US dollars.

Each Unit of a class entitles the holder to the same rights and obligations as a Unitholder of such class and no Unitholder of such class is entitled to any privilege, priority or preference in relation to any other Unitholder of such class. Each Unit of a class entitles the Unitholder to one vote at all meetings of all Unitholders and at all meetings of Unitholders of that class. Each Unitholder of a class is entitled to participate equally with respect to any and all Distributions to the class made by the Fund, including Distributions of Net Realized Capital Gains, if any. On the redemption of Units, however, the Fund may, in its sole discretion, and subject to the rules in the Income Tax Act relating to the allocation of income and capital gains to redeeming unitholders discussed below, designate payable to redeeming Unitholders, as part of the redemption price any capital gains realized by the Fund in the taxation year in which the redemption occurred. On termination or liquidation of the Fund, the Unitholders of record of each class are entitled to receive on a *pro rata* basis all of the assets of the Fund allocated to that class remaining after payment of all debts, liabilities and liquidation expenses of the Fund allocated to that class. Unitholders will have no voting rights in respect of securities held by the Fund. The Declaration of Trust permits fractions of Units to be issued which have the same rights, restrictions, conditions and limitations attaching to whole Units in the proportion which they bear to a whole Unit, except that fractional Units do not have the right to vote.

The Income Tax Act denies a mutual fund trust a deduction in respect of (i) the portion of an allocation of a capital gain made to a unitholder on a redemption of a unit of the mutual fund trust that is greater than the capital gain that would otherwise have been realized by the unitholder on the redemption, and (ii) an allocation of ordinary income made to a unitholder on a redemption, in each case, if the unitholder's redemption proceeds are reduced by the allocation. See section 11.0 of this Annual Information Form.

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

### **3.1.1 Conversion of Class U Units**

A holder of Class U Units may convert such Class U Units into Class A Units on a weekly basis and it is expected that liquidity for the Class U Units will be obtained primarily by means of conversion into Class A Units and the sale of such Class A Units. Class U Units may be converted in any week on the Class U Conversion Date by delivering a notice and surrendering such Class U Units by 3:00 p.m. (Toronto time) at least 5 Business Days prior to the applicable Class U Conversion Date. For each Class U Unit so converted, a holder will receive that number of Class A Units equal to the Net Asset Value per Class U Unit (converted into Canadian dollars at the Reference Exchange Rate) as at the close of trading on the Business Day immediately preceding the Class U Conversion Date divided by the Net Asset Value per Class A Unit as at the close of trading on the Business Day immediately preceding the Class U Conversion Date. For such purpose, the Fund will utilize the Reference Exchange Rate current at, or as nearly as practicable to, the Class U Conversion Date in respect of such conversion. No fraction of a Class A Unit will be issued upon any conversion of Class U Units. Any remaining fraction of a Class U Unit will be redeemed. A conversion of Class U Units into whole Class A Units will constitute a disposition of such Class U Units for the purposes of the Income Tax Act. The redemption of any fraction of a Class U Unit (held as capital property) may result in a capital gain (or capital loss) to the redeeming Unitholder.

### **3.1.2 Conversion of Class B Units**

A holder of Class B Units may convert Class B Units into Class A Units on the first and tenth Business Day of each month and it is expected that liquidity for the Class B Units will be obtained primarily by means of conversion into Class A Units and the sale of such Class A Units. Class B Units may be converted in any week on the Class B Conversion Date by delivering a notice and surrendering such Class B Units by 3:00 p.m. (Toronto time) at least two Business Days prior to the applicable Class B Conversion Date. For each Class B Unit so converted, a holder will receive that number of Class A Units equal to the Net Asset Value per Class B Unit as at the close of trading on the Business Day immediately preceding the Class B Conversion Date divided by the Net Asset Value per Class A Unit as at the close of trading on the Business Day immediately preceding the Class B Conversion Date. No fraction of a Class A Unit will be issued upon any conversion of Class B Units. Any remaining fraction of a Class B Unit will be redeemed. Based on CRA's administrative practice, a conversion of Class B Units into whole Class A Units will not constitute a disposition of such Class B Units for the purposes of the Income Tax Act. The redemption of any fraction of a Class B Unit (held as capital property) may result in a capital gain (or capital loss) to the redeeming Unitholder.

### **3.1.3 Conversion of Class C Units**

A holder of Class C Units may convert Class C Units into Class A Units on the first and tenth Business Day of each month and it is expected that liquidity for the Class C Units will be obtained primarily by means of conversion into Class A Units and the sale of such Class A Units. Class C Units may be converted in any week on the Class C Conversion Date by delivering a notice and surrendering such Class C Units by 3:00 p.m. (Toronto time) at least two Business Days prior to the applicable Class C Conversion Date. For each Class C Unit so converted, a holder will receive that number of Class A Units equal to the Net Asset Value per Class C Unit as at the close of trading on the Business Day immediately preceding the Class C Conversion Date divided by the Net Asset Value per Class A Unit as at the close of trading on the Business Day immediately preceding the Class C Conversion Date. No fraction of a Class A Unit will be issued upon any conversion of Class C Units. Any remaining fraction of a Class C Unit will be redeemed. Based on CRA's administrative practice, a conversion of Class C Units into whole Class A Units will not constitute a disposition of such Class C Units for the purposes of the Income Tax Act. The redemption of any fraction of a Class C Unit (held as capital property) may result in a capital gain (or capital loss) to the redeeming Unitholder.

### **3.1.4 Conversion of Class F Units**

A holder of Class F Units may convert Class F Units into Class A Units on the first and tenth Business Days of each month and it is expected that liquidity for the Class F Units will be obtained primarily by means of conversion into Class A Units and the sale of such Class A Units. Class F Units may be converted in any week on the Class F Conversion Date by delivering a notice and surrendering such Class F Units by 3:00 p.m. (Toronto time) at least two Business Days prior to the applicable Class F Conversion Date. For each Class F Unit so converted, a holder will receive that number of Class A Units equal to the Net Asset Value per Class F Unit as at the close of trading on the Business Day immediately preceding the Class F Conversion Date divided by the Net Asset Value per Class A Unit as at the close of trading on the Business Day immediately preceding the Class F Conversion Date. No fraction of a Class A Unit will be issued upon any conversion of Class F Units. Any remaining fraction of a Class F Unit will be redeemed. Based on CRA's administrative practice, a conversion of Class F Units into whole Class A Units will not constitute a disposition of such Class F Units for the purposes of the Income Tax Act. The redemption of any fraction of a Class F Unit (held as capital property) may result in a capital gain (or capital loss) to the redeeming Unitholder.

### **3.1.5 Take-Over Bids**

The Declaration of Trust contains provisions to the effect that if a take-over bid is made for the Units and not less than 90% of the aggregate of the Units (but not including any Units held at the date of the take-over bid by or on behalf of the offeror or associates or affiliates of the offeror) are taken up and paid for by the offeror, the offeror will be entitled to acquire the Units held by the Unitholders who did not accept the take-over bid on the terms offered by the offeror.

In addition, if, prior to the termination of the Fund, a formal bid (as defined in the *Securities Act* (Ontario)) is made for all of the Class A Units, Class B Units, Class C Units, Class F Units or Class U Units and the offer does not include a concurrent identical take-over bid, including in terms of price (relative to the Net Asset Value per Unit of the class, taking into account the Reference Exchange Rate), for the remaining classes of units, then the Fund will provide the holders of Class A Units, Class B Units, Class C Units, Class F Units, and Class U Units, as applicable, the right to convert all or a part of their Class A Units, Class B Units, Class C Units, Class F Units or Class U Units, as applicable, into the class of units the formal bid has been made for and to tender such units to the offer. In such circumstances, the Fund will by press release provide written notice to the holders of the Class A Units, Class B Units, Class C Units, Class F Units or Class U Units, as applicable, that such an offer has been made and of the right of such holders to convert all or a part of their Class A Units, Class B Units, Class C Units, Class F Units or Class U Units, as applicable, into units the class the formal bid has been made for and to tender such units to the offer.

## **3.2 Distributions**

The Fund will not have a fixed Distribution, but intends to set periodic Distribution targets based on, among other things, the actual and expected returns on the Portfolio and the Fund's estimated expenses. The amount of Distributions may fluctuate from month to month and there can be no assurance that the Fund will make any Distribution in any particular month. The Fund will vary with changes in interest rates, among other factors. Unitholders will be entitled to receive Distributions declared by the Fund from time to time and any Distribution declared payable to Unitholders of record on the last Business Day of each month will be paid no later than the tenth Business Day of the subsequent month.

The Fund is subject to tax under Part I of the Income Tax Act on the amount of its income for tax purposes for the year, including net realized taxable capital gains, less the portion thereof that it claims in respect of the amounts paid or payable to Unitholders in the year. To ensure that the Fund will not generally be liable for income tax under Part I of the Income Tax Act, the Declaration of Trust provides that, if necessary, an

Additional Distribution will be automatically payable in each year to Unitholders of each class of record on the last day of the Fund's taxation year based on the net asset value of the Units. The Additional Distribution may be necessary where the Fund realizes income for tax purposes which is in excess of the monthly Distributions paid or made payable to Unitholders during the year. In the event that the Fund must pay an Additional Distribution, such Additional Distribution may, at the option of the Manager, be satisfied by the issuance of Units. Following such issue of additional Units, the outstanding Units will be automatically consolidated on a basis such that each Unitholder will hold after the consolidation the same number of Units as it held before the distribution of Additional Units except in the case of a non-resident Unitholder if tax was required to be withheld in respect of the distribution. Additional information regarding tax matters is set out in section 11.0 of this Annual Information Form.

The Fund has also adopted a distribution reinvestment plan (the "Plan"), pursuant to which Distributions paid to holders of Class A Units and Class U Units may be reinvested, automatically on each holders' behalf at the option of such holder, to purchase additional Class A Units and Class U Units in accordance with the Plan. Notwithstanding the availability of the Plan, all Distributions to non-resident holders are paid in cash and may not be reinvested.

### **3.3 Amendment of the Declaration of Trust**

#### **3.3.1 Amending of the Declaration of Trust by the Trustee**

The Declaration of Trust provides that the Trustee is entitled to amend the Declaration of Trust without consent of, or notice to, the Unitholders to:

- a) remove any conflicts or other inconsistencies which may exist between any terms of the Declaration of Trust and any provisions of any law, regulation or requirements of any governmental authority applicable to or affecting the Fund;
- b) make any change or correction in the Declaration of Trust which is of a typographical nature or is required to cure or correct any ambiguity or defective or inconsistent provision, clerical omission, mistake or manifest error contained therein;
- c) bring the Declaration of Trust into conformity with applicable laws, rules and policies of Canadian securities regulators or with current practice within the securities or investment fund industries, provided such amendments do not, in the opinion of the Manager, adversely affect the pecuniary value of the interest of the Unitholders or restrict any protection for the Trustee or the Manager or increase their respective responsibilities;
- d) maintain the status of the Fund as a "mutual fund trust" or, if applicable, a "registered investment" for the purposes of the Income Tax Act or to respond to amendments to the Income Tax Act or to the interpretation or administration thereof;
- e) provide added protection or benefit to Unitholders; or
- f) make such modifications as may be necessary or desirable in connection with the termination of the Forward Agreement prior to the Forward Termination Date.

#### **3.3.2 Amending of the Declaration of Trust by the Unitholders**

The Declaration of Trust provides that except as otherwise required by or contemplated in the Declaration of Trust, which exceptions are summarized below, the Declaration of Trust may be amended by an Ordinary Resolution of the Unitholders.

Pursuant to any additional requirements set out in section 5.1(1) of NI 81-102, the Declaration of Trust provides that the following may only be undertaken with the approval of Unitholders by an Extraordinary Resolution:

- a) the removal of the Trustee or any of its affiliates as the trustee of the Fund;
- b) any change in the Investment Objectives, Investment Strategy or Investment Restrictions, unless such changes are necessary to ensure compliance with applicable laws, regulations or other requirements imposed by applicable regulatory authorities from time to time;
- c) any material change in the Management Agreement, other than a change in the Manager provided that the new manager is an affiliate of the Manager;
- d) any increase in the Management Fee;
- e) any amendment, modification or variation in the provisions or rights attaching to the Units;
- f) any issue of Units (other than (i) pursuant to any warrants or rights issued by the Fund to existing Unitholders, or (ii) any distribution reinvestment plan which may be established by the Fund) when the net proceeds per Unit are less than the most recently calculated Net Asset Value per Unit prior to the date of setting the subscription price for the issuance.
- g) any change in the frequency of calculating Net Asset Value per Unit to less often than weekly;
- h) any merger, arrangement or similar transaction or the sale of all or substantially all of the assets of the Fund other than in the ordinary course of business;
- i) any liquidation, dissolution or termination of the Fund except if it is determined by the Manager, in its sole discretion, to be in the best interests of the Unitholders or otherwise in accordance with the terms of the Declaration of Trust; and
- j) any amendment to the above provisions except as permitted by the Declaration of Trust.

### **3.4 Termination of the Fund**

Pursuant to the Declaration of Trust, the Fund will continue until the date specified in an Extraordinary Resolution of Unitholders calling for the termination of the Fund at a duly called meeting of Unitholders. In addition to such termination upon the approval of the Unitholders, the Declaration of Trust also provides that:

- a) in the event that the Manager resigns and no new Manager is appointed by the Trustee within 120 days of the Manager giving notice to the Trustee of such resignation, the Fund will automatically terminate on the date which is 60 days following the end of such 120 day period unless the Trustee elects to carry out the activities of the Manager; and
- b) the Manager may, in its discretion and upon not less than 30 days prior written notice to Unitholders by press release, terminate the Fund without the approval of Unitholders if, in its opinion, it would be in the best interests of the Unitholders.

In each case, the Fund must first file a news release that discloses the termination and the Fund may not terminate earlier than 15 days or later than 90 days after the filing of such news release, unless the Fund



undertakes a reorganization of, or transfers assets to, another investment fund, if (i) the Fund ceases to continue after the reorganization or transfer of assets and (ii) the transaction results in Unitholders becoming securityholders in the other investment fund.

The Declaration of Trust provides that prior to the Termination Date, the Manager will dispose of the Canadian Securities Portfolio to the extent practicable and will satisfy or make appropriate provision for all liabilities of the Fund. The Declaration of Trust permits that the Manager may, in its discretion and upon not less than 30 days prior written notice to the Unitholders, postpone the Termination Date by a period of up to 180 days if the Manager determines that it will be unable to convert all of the Fund Investments to cash prior to the original Termination Date and the Manager determines that it would be in the best interests of the Unitholders to do so. Upon termination, the Declaration of Trust provides that the Fund will distribute to Unitholders their *pro rata* portions of the remaining assets of the Fund which will include cash and, to the extent liquidation of certain assets is not practicable or the Manager considers such liquidation not to be appropriate prior to the Termination Date, such unliquidated assets *in specie* rather than in cash.

#### **4.0 VALUATION OF PORTFOLIO SECURITIES**

Under the Declaration of Trust, the calculation of Total Assets on a Valuation Date is determined as follows:

- a) the value of any cash on hand or on deposit, bill, demand note, account receivable, prepaid expense, distribution, dividend or other amount receivable (or declared to holders of record of securities owned on a date before the Valuation Date as at which the Total Assets are being determined, and to be receivable) and interest accrued and not yet received will be deemed to be the full amount thereof provided that if the Manager has determined that any such deposit, bill, demand note, account receivable, prepaid expense, distribution, dividend or other amount receivable (or declared to holders of record of securities on a date before the Valuation Date as at which the Total Assets are being determined, and to be receivable) or interest accrued and not yet received is not otherwise worth the full amount thereof, the value thereof will be deemed to be such value as the Manager determines to be the fair market value thereof;
- b) the value of any Senior Loans, bonds, debentures, and other debt obligations will be valued by taking the average of the bid and ask prices quoted by a major dealer or recognized information provider in such securities at consistent times on a Valuation Date. Short-term investments including notes and money market instruments will be valued at cost plus accrued interest;
- c) the value of any security which is listed or traded upon a stock exchange (or if more than one, on the principal stock exchange for the security, as determined by the Manager) will be determined by taking the latest available sale price of recent date, or lacking any recent sales or any record thereof, the simple average of the latest available ask price and the latest available bid price (unless in the opinion of the Manager such value does not reflect the value thereof and in which case the latest ask price or bid price will be used), as at the Valuation Date on which the Total Assets are being determined, all as reported by any means in common use;
- d) the value of any security which is traded over-the-counter will be priced at the average of the last bid and ask prices quoted by a major dealer or recognized information provider in such securities;
- e) the value of any security or other asset for which a market quotation is not readily available will be its fair market value on the Valuation Date on which the Total Assets are being determined as determined by the Manager (generally the Manager will value such security or other asset at cost until there is a clear indication of an increase or decrease in value);

- f) any market price reported in currency other than Canadian dollars (or US dollars in the case of the Class U Units) will be converted into Canadian currency (or US currency in the case of the Class U Units) at the rate of exchange available from the Custodian on the Valuation Date on which the Total Assets are being determined;
- g) listed securities subject to a hold period will be valued as described above with an appropriate discount as determined by the Manager and investments in private companies and other assets for which no published market exists will be valued at the lesser of cost and the most recent value at which such securities have been exchanged in an arm's length transaction which approximates a trade effected in a published market, unless a different fair market value is determined to be appropriate by the Manager;
- h) the value of any forward contract, futures, swaps, options or other derivatives will be the value that would be realized by the Fund if, on the date on which the Total Assets are being determined, any forward contract were closed out in accordance with its terms; and
- i) the value of any security or property to which, in the opinion of the Manager, the above principles cannot be applied (whether because no price or yield equivalent quotations are available as above provided, or for any other reason) will be the fair market value thereof determined in good faith in such manner as the Manager from time to time adopts.

Pursuant to item (i) above, the Manager has not exercised its discretion to deviate from the valuation practices noted above in the last three years.

For the purposes of calculating the Net Assets per Unit in connection with a redemption of Units on an Annual Redemption Date, bonds, debentures and other debt obligations that are held by the Fund will be valued by taking the bid price on the Valuation Date and any equity securities that are held by the Fund will be valued at the weighted trading price over the last three Business Days of the month in which the Annual Redemption Date occurs. Such Net Assets per Unit will be calculated on a fully diluted basis, if applicable.

In connection with the foregoing, the Net Asset Value and Net Asset Value per Unit will be calculated in accordance with the rules and policies of the Canadian Securities Administrators or in accordance with any exemption therefrom that the Fund may obtain.

## **5.0 CALCULATION OF NET ASSET VALUE**

Pursuant to the Declaration of Trust, the Net Asset Value per Unit of each class on any Valuation Date will be calculated by dividing the Net Asset Value of the Fund allocated to that class (including an allocation of any Net Realized Capital Gains or other amounts payable to Unitholders of that class on or before such date) by the total number of Units of that class outstanding on such Valuation Date (before giving effect to any issue of Units issued on that date or the redemption of Units redeemed on that date). The Net Asset Value and the Net Asset Value per Unit is available to the public at no cost by calling 1-866-642-6001 and the Net Asset Value per Unit is available on the Manager's website at [www.bromptongroup.com](http://www.bromptongroup.com). The Fund also makes the Net Asset Value per Unit available to the financial press for publication on a daily basis.

The Net Asset Value per Unit is calculated as at the close of business on each Business Day.

The Net Asset Value per Unit is calculated in Canadian dollars in respect of the Class A Units, Class C Units and Class F Units and in US dollars in respect of the Class U Units.

## **6.0 PURCHASES OF FUND UNITS**

### **6.1 General**

The Class A Units are listed for trading on the TSX under the symbol SSF.UN and may be purchased through the facilities of the TSX. The Class U Units are not listed on any exchange but may be converted into Class A Units on a weekly basis. The Class F Units, if issued, will not be listed on any exchange but will be convertible into Class A Units on the first and third Business Days of each week. Registration of interests in and transfers of the Units are made only through CDS and the Units must be purchased, converted, transferred and surrendered for redemption through a CDS Participant. All rights of Unitholders must be exercised through, and all payments or other property to which such Unitholders are entitled are made or delivered by CDS or the CDS Participant through which the Unitholder holds such Units. Upon purchase of any Units, Unitholders receive only a customer confirmation from the registered dealer which is a CDS Participant and from or through which the securities are purchased.

### **6.2 Issuer Bid**

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

## **7.0 REDEMPTION OF SECURITIES**

### **7.1 Monthly**

Subject to the Fund's right to suspend redemptions as discussed in section 7.4 of this Annual Information Form, Unitholders are entitled to surrender Units for redemption in accordance with the Declaration of Trust on a Monthly Redemption Date, provided the Units are surrendered by no later than 5:00 p.m. (Toronto time) on the second last Business Day of the month prior to the Monthly Redemption Date. The Declaration of Trust provides that Units surrendered for redemption on the Monthly Redemption Date will be redeemed at a redemption price per Unit that is equal to the Monthly Redemption Amount and payment will be made on the Monthly Redemption Payment Date.

### **7.2 Annual**

Subject to the Fund's right to suspend redemptions as discussed in section 7.4 of this Annual Information Form, Units may be surrendered for redemption on the Annual Redemption Date, provided the Units are surrendered by no later than 5:00 p.m. (Toronto time) on the last Business Day of January. The Declaration of Trust provides that Units surrendered for redemption on an Annual Redemption Date will be redeemed at a redemption price per Unit that is equal to the Annual Redemption Amount and payment will be made on the Annual Redemption Payment Date.

### **7.3 General**

A Unitholder who desires to exercise redemption privileges must do so by causing the CDS Participant through which he or she holds Units to deliver to CDS at its office in the City of Toronto on behalf of the Unitholder, a written notice of the Unitholder's intention to redeem Units. A Unitholder who desires to redeem Units should ensure that the CDS Participant is provided with notice of his or her intention to exercise the redemption right sufficiently in advance of the applicable monthly Redemption Date or annual Redemption Date deadline so as to permit the CDS Participant to deliver a notice to CDS by 5:00 p.m. (Toronto time) on the last Business Day of the month prior to a Monthly Redemption Date and by 5:00 p.m. (Toronto time) on the last Business Day of January in the case of an Annual Redemption Date.

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

Any redemption notice that CDS determines to be incomplete, not in proper form, not duly executed or not received by the appropriate deadline outlined in sections 7.1 and 7.2 of this Annual Information Form shall, for all purposes, be void and of no effect and the redemption privilege to which it relates shall be considered, for all purposes, not to have been exercised. A failure by a CDS Participant to exercise redemption privileges or to give effect to the settlement thereof in accordance with a Unitholder's instructions will not give rise to any obligations or liability on the part of the Fund or the Trustee to the CDS Participant or the Unitholder.

On the redemption of Units, the Fund may, in its sole discretion, and subject to the rules in the Income Tax Act relating to the allocation of income and capital gains to redeeming Unitholders, designate payable to the redeeming Unitholder, as part of the redemption amount any capital gain realized by the Fund in the taxation year of the Fund in which the redemption occurred. See sections 3.1 and 11.0 of this Annual Information Form.

## **7.4 Suspension of Redemptions**

The Declaration of Trust permits the Manager to direct the Trustee to suspend the redemption of Units or payment of redemption proceeds with the prior permission of the Canadian securities administrators, where required, (i) for the whole or any part of a period during which normal trading is suspended on one or more stock exchanges on which more than 50% of the securities included in the Canadian Securities Portfolio (by value) are listed and traded and if such securities are not traded on any exchange that represents a reasonable, practical alternative for the Fund, or (ii) for any period not exceeding 120 days during which the Manager determines that conditions exist which render impractical the sale of assets of the Fund or which impair the ability of the Manager to determine the value of the assets of the Fund. The suspension may apply to all requests for redemption received prior to the suspension, but for which payment has not been made, as well as to all requests received while the suspension is in effect. In such circumstances all Unitholders will have, and will be advised that they have, the right to withdraw their requests for redemption. The suspension will terminate in any event on the first Business Day on which the condition giving rise to the suspension has ceased to exist provided that no other condition under which a suspension is authorized then exists. To the extent not inconsistent with official rules and regulations announced by any government body having jurisdiction over the Fund, any declaration of suspension made by the Manager will be conclusive.

## **8.0 RESPONSIBILITY FOR OPERATIONS**

### **8.1 Manager**

The Declaration of Trust provides that the Trustee shall appoint or retain a manager to manage the business and affairs of the Fund. The Trustee has appointed the Manager pursuant to the terms of the Declaration of Trust and the Management Agreement.

Brompton Funds Limited was formed pursuant to the *Business Corporations Act* (Ontario) by articles of incorporation dated May 17, 2011. Its head office is located at Suite 2930, Bay Wellington Tower, Brookfield Place, 181 Bay Street, Toronto, Ontario M5J 2T3. Its telephone number is (416) 642-6000, its e-mail address is info@bromptongroup.com and its website address is www.bromptongroup.com. The Manager was organized for the purpose of managing and administering investment funds including the Fund and is a member of the Brompton group of companies. The Manager is registered with the Ontario Securities Commission as a portfolio manager, investment fund manager, commodity trading manager and exempt market dealer and is also registered as an investment fund manager in Quebec and Newfoundland and Labrador.

Pursuant to the Management Agreement, the Manager is responsible for providing, or causing to be provided, management and administrative services and facilities to the Fund, and may delegate certain of its powers to third parties at no additional cost to the Fund where, in the discretion of the Manager, it would be in the best interests of the Fund and the Unitholders to do so. The Manager is also the portfolio manager of the Fund.

#### **8.1.1 Management Fee**

In consideration for its services to the Fund, the Fund pays the Manager a fee and reimburses the Manager for all reasonable costs and expenses incurred by the Manager on behalf of the Fund. The Manager receives a Management Fee from the Fund which in aggregate is equal to 1.25% per annum of the Net Asset Value of the Fund, calculated and payable monthly in arrears, plus applicable taxes. The Manager is responsible for paying the fees payable to the Sub-Advisor out of the Management Fee.

#### **8.1.2 Termination of the Management Agreement**

The Management Agreement may be terminated at any time by the Trustee on behalf of the Fund on 90 days written notice with the approval of the Unitholders by an Ordinary Resolution passed at a duly convened meeting of Unitholders called for the purpose of considering such Ordinary Resolution, provided that Unitholders holding at least 10% of the Units outstanding on the record date of the meeting vote in favour of the Ordinary Resolution except in circumstances where the Manager has been removed pursuant to the Declaration of Trust or the Management Agreement or the Manager has resigned. The Management Agreement may also be terminated by the Trustee on behalf of the Fund:

- a) at any time on 30 days written notice to the Manager in the event of the persistent failure of the Manager to perform its duties and discharge its obligations under the Management Agreement, or the continuing malfeasance or misfeasance of the Manager in the performance of its duties under the Management Agreement;
- b) immediately in the event of the commission by the Manager of any fraudulent act; and
- c) automatically, if the Manager becomes bankrupt, insolvent or makes a general assignment for the benefit of its creditors.

The Manager may resign and the Management Agreement may be terminated upon 120 days notice to the Trustee. Any assignment by the Manager of the Management Agreement to an affiliate of the Manager and any amalgamation of the Manager with another entity will not require Unitholder approval.

### 8.1.3 Directors and Officers of the Manager

The name, municipality of residence, position with the Manager and principal occupation of each of the directors and officers of the Manager are set out below:

<b>Name and Municipality of Residence and Position with the Manager</b>	<b>Principal Occupation and Positions Held During the Last 5 Years</b>
MARK A. CARANCI <sup>(1)(2)</sup> Toronto, Ontario President, Chief Executive Officer and Director	President, Chief Executive Officer and Director, Brompton Funds.
RAYMOND R. PETHER <sup>(1)</sup> Toronto, Ontario Director	Chairman, Brompton Corp. since March 2021; Director, Brompton Funds.
CHRISTOPHER S. L. HOFFMANN <sup>(1)</sup> Toronto, Ontario Director	Director, Brompton Funds; Vice President, Nutowima Ltd. and private investor.
ANN WONG <sup>(2)</sup> Toronto, Ontario Chief Financial Officer and Director	Director, Brompton Funds Limited since February 2022; Chief Financial Officer and Chief Compliance Officer, Brompton Funds since October 2020; Vice President and Controller, Brompton Funds from April 2008 to October 2020.
CHRISTOPHER CULLEN Toronto, Ontario Senior Vice President	Senior Vice President, Brompton Funds.
LAURA LAU Toronto, Ontario Chief Investment Officer	Chief Investment Officer, Brompton Funds since February 2022; Senior Vice President and Chief Investment Officer, Brompton Funds from February 2020 to February 2022; Senior Vice President and Senior Portfolio Manager, Brompton Funds from February 2012 to February 2020.
MICHAEL CLARE Toronto, Ontario Senior Vice President and Senior Portfolio Manager	Senior Vice President and Senior Portfolio Manager, Brompton Funds, since February 2022; Vice President and Portfolio Manager, Brompton Funds from December 2012 to February 2022.
MICHELLE TIRABORELLI Toronto, Ontario Senior Vice President	Senior Vice President, Brompton Funds since February 2020; Vice President, Brompton Funds from February 2011 to February 2020.
KATHRYN BANNER Toronto, Ontario Senior Vice President and Corporate Secretary	Senior Vice President & Corporate Secretary, Brompton Funds since February 2022; Vice President and Corporate Secretary, Brompton Funds from March 2015 to February 2022.
STEPHEN ALLEN Toronto, Ontario Senior Vice President	Senior Vice President, Brompton Funds since October 2019; Executive Vice President, Evolve Funds Group Inc. from June 2017 to September 2019; Managing Director, Onex Credit Partners from April 2012 to April 2017.

Note:

(1) Member of the audit committee.

(2) Executive officer.

#### **8.1.4 Independent Review Committee**

The members of the IRC are Patricia Meredith, Ken S. Woolner and Raj Kothari. Mr. Woolner is the Chair of the IRC and is the primary IRC member who interacts with the Manager.

The mandate and responsibilities of the IRC are set out in its charter. The IRC is responsible for carrying out those responsibilities required to be undertaken by an IRC under NI 81-107, in particular:

- a) reviewing and providing input into the Manager's policies and procedures regarding conflict of interest matters, including any amendments to such policies and procedures referred to the IRC by the Manager;
- b) approving or disapproving each conflict of interest matter referred by the Manager to the IRC for its approval;
- c) providing its recommendation as to whether the Manager's proposed action on a conflict of interest matter referred by the Manager to the IRC for its recommendation achieves a fair and reasonable result for the Fund;
- d) together with the Manager, providing orientation to new members of the IRC as required by NI 81-107;
- e) conducting regular assessments as required by NI 81-107; and
- f) reporting to the security holders of the Fund, to the Manager and to regulators as required by NI 81-107.

In addition to its responsibilities and functions under NI 81-107, the IRC:

- a) handles complaints and implements corrective action regarding accounting, internal accounting controls and auditing matters for the Manager, as more specifically set out in the whistleblower policy of the Manager; and
- b) may, as more specifically set out in its charter, identify conflict of interest matters.

Note:

The members of the IRC also act as the members of the independent review committee for other investment funds managed by the Manager.

#### **8.2 Advisor**

The Manager is also the portfolio manager of the Fund. See section 8.1 of this Annual Information Form for further details with respect to the Manager.

#### **8.3 Sub-Advisor**

The Manager retained, on behalf of the Fund, Nuveen Asset Management LLC ("Nuveen") as the sub-advisor to make investment decisions with respect to the Portfolio pursuant to the Sub-Advisor Agreement.

The Sub-Advisor's principal office is located at 333 West Wacker Drive, Chicago, IL 60606. The Sub-Advisor has additional offices located at 555 California Street, Suite 3100, San Francisco, California, USA and certain other locations.

### 8.3.1 Principal Portfolio Advisors

The principal portfolio advisors of the Sub-Advisor who are responsible for the investment management of the Fund are as follows:

Name	Length of Service and Experience in the Past 5 Years
SCOTT CARAHER Portfolio Manager New York, NY	Mr. Caraher joined Nuveen in 2002 and is a member of Nuveen's fixed-income team and his responsibilities include portfolio management and trading for Nuveen's bank loan strategies and credit and equity research for its fixed-income strategies.

All new securities and loan positions are reviewed and approved by the portfolio management team, which consists of Scott Caraher, Co-Portfolio Manager and the analyst who covers the specific name. Once a position is in the Fund, the portfolio managers have the authority to resize or sell names as needed.

### 8.3.2 Sub-Advisor Fee

Pursuant to the terms of the Sub-Advisor Agreement, the Manager pays the Sub-Advisor a fee, and the Fund reimburses the Sub-Advisor for all reasonable costs and expenses incurred by the Sub-Advisor on behalf of the Fund.

### 8.3.3 Termination of the Sub-Advisor Agreement

The Sub-Advisor Agreement will automatically terminate on a date that the Manager is terminated as manager of the Fund or the Fund is terminated in accordance with the Declaration of Trust. The Manager, may also terminate the Sub-Advisor Agreement if:

- a) the Sub-Advisor is in material breach or default of the provisions of the Sub-Advisor Agreement and such breach or default has not been cured within 20 Business Days after notice thereof has been given to the Sub-Advisor by the Manager;
- b) any representation of the Sub-Advisor in the Sub-Advisor Agreement is determined by the Fund Trust to have not been true as at the date of the Sub-Advisor Agreement;
- c) the Sub-Advisor has been declared bankrupt or insolvent or has entered into liquidation or winding-up, whether compulsory or voluntary (and not merely a voluntary liquidation for the purposes of amalgamation or reorganization);
- d) the Sub-Advisor makes a general assignment for the benefit of creditors or otherwise acknowledges its insolvency;
- e) the assets of the Sub-Advisor have become subject to seizure or confiscation by any public or governmental organization;
- f) the Sub-Advisor has lost any registration, licence or authorization required by it to perform the services delegated to it under the Sub-Advisor Agreement (unless such loss is caused by the Manager's breach); or
- g) the Sub-Advisor has acted with wilful misconduct, fraud or negligence and as a result there has been a material adverse effect on the Portfolio.

The Sub-Advisor may terminate the Sub-Advisor Agreement if:



- a) the Fund or the Manager is in material breach or default of the provisions of the Sub-Advisor Agreement and such breach or default has not been cured within 20 Business Days after notice thereof has been given to the Manager and the Trustee of the Fund;
- b) any representation of the Manager in the Sub-Advisor Agreement is determined by the Fund to have not been true as at the date of the Sub-Advisor Agreement;
- c) there is a material change in the Investment Objectives, Investment Strategy and Investment Restrictions of the Fund to which the Sub-Advisor has not agreed;
- d) there is a material change to the obligations of the Sub-Advisor as set out in the Declaration of Trust to which the Sub-Advisor has not agreed;
- e) the Manager ceases to be the manager of the Fund for any reason; or
- f) there is a dissolution and commencement of winding up of the Fund.

Each of the Manager and the Sub-Advisor may terminate the Sub-Advisor Agreement for any reason without penalty upon 90 days written notice to the Sub-Advisor or the Manager, as applicable.

#### **8.3.4 Brokerage Arrangements**

The Sub-Advisor is responsible for decisions to buy and sell Senior Loans and securities for the Fund, the negotiation of the prices to be paid for principal trades and the allocation of transactions among various dealer firms. Transactions on stock exchanges involve the payment by the Fund of brokerage commissions. There is generally no stated commission in the case of securities and loans traded in the over-the-counter market but the price paid by the Fund usually includes an undisclosed dealer commission or mark-up. In certain instances, the Fund may make purchases of underwritten issues at prices which include underwriting fees.

Portfolio investments may be purchased directly from an underwriter or in the over-the-counter market from the principal dealers in such securities and loans. Portfolio investments will not be purchased from Nuveen or its affiliates except in compliance with applicable law. When purchasing loans, the Fund may be required to pay fees, or forego a portion of interest and any fees payable to the Fund, to the lender selling participations or assignments to the Fund. The Sub-Advisor will determine the broker/dealers from whom the Fund will purchase assignments and participations by considering a variety of factors, including, but not limited to, their professional ability, level of service, relationship with the borrower, financial condition, credit standards and quality of management.

It is the policy of the Sub-Advisor to seek the best execution. The Sub-Advisor will consider best price execution quality in determining best execution. The Sub-Advisor may select dealers which, in addition, furnish research information (primarily credit analyses of issuers and general economic reports) and statistical and other services to the Sub-Advisor. It is not possible to place a dollar value on information and statistical and other services received from dealers. Since it is only supplementary to the Sub-Advisor's own research efforts, the receipt of research information is not expected to significantly reduce the Sub-Advisor's expenses.

The Sub-Advisor has other accounts under management that may invest in the same types of assets and securities with similar or different investment objectives as the Fund. The Fund or any of the Sub-Advisor's other accounts may not always receive an allocation of a particular investment even though it may be suitable for the particular account, based on various considerations including, for example, investment

strategy, the risk profile of the client, available cash flows and lack of sufficient size of the particular investment to allocate among many accounts. However, the Sub-Advisor seeks to allocate fairly over time the investment opportunities amongst all of its accounts.

#### **8.4 Trustee**

TSX Trust Company, located in Toronto, Ontario, is the Trustee of the Fund and is responsible for certain aspects of the administration of the Fund as described in the Declaration of Trust.

#### **8.5 Custodian**

Pursuant to the Custodian Agreement, the Custodian, the principal address of which is 1 York Street, Suite 500, Toronto Ontario, provides various safekeeping and custodial services relating to the Fund Property. The Custodian may, in accordance with the Custodian Agreement, appoint sub-custodians and enter into sub-custodian agreements.

The principal sub-custodian appointed by the Custodian is The Bank of New York Mellon, located in New York, New York. The Custodian entered into sub-custodian agreements with The Bank of New York Mellon, under which The Bank of New York Mellon provides for the safekeeping of client assets of the Custodian in the United States.

##### **8.5.1 Custodian Fees**

In consideration for its services, the Fund pays to the Custodian such compensation as agreed upon in writing between the Manager and the Custodian from time to time and reimburses the Custodian for all reasonable costs and expenses incurred by the Custodian on behalf of the Fund.

##### **8.5.2 Termination of the Custodian Agreement**

The Custodian Agreement may be terminated by either party without penalty by giving at least 90 days prior written notice. Prior notice is not required and termination will be immediate if any party becomes insolvent or makes an assignment for the benefit of creditors, or a petition in bankruptcy is filed against that party and is not discharged within 30 days, or proceedings for the appointment of a receiver for that party are commenced and not discontinued within 30 days.

#### **8.6 Valuation Services**

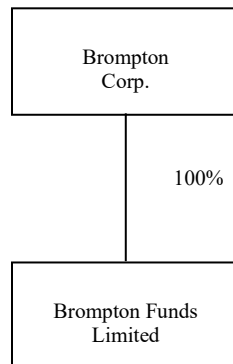
The Manager, on behalf of the Fund, has appointed CIBC Mellon Global Securities Services Company, located in Toronto, Ontario, to provide the Fund with valuation services. Such services include the calculation of the Fund's Net Asset Value, calculated in accordance with the Fund's valuation parameters described in section 4.0 of this Annual Information Form.

#### **8.7 Auditor, Registrar, Transfer Agent and Distribution Agent**

The auditors of the Fund are PricewaterhouseCoopers LLP, Chartered Professional Accountants, Licenced Public Accountants ("PWC"), located in Toronto, Ontario. The auditors of the Fund can be changed by an Ordinary Resolution of the Unitholders. TSX Trust Company is the registrar, transfer agent and distribution agent for the Units. The register and transfer ledger for the Units is kept by the Trustee at its offices located in Toronto.

## 9.0 CONFLICTS OF INTEREST

### 9.1 Principal Holders of Securities



Note:

Brompton Corp. owns of record and beneficially 100% of the shares of the Manager.

The Declaration of Trust acknowledges that the Trustee may provide services to the Fund in other capacities, provided that the terms of any such arrangements are no less favourable to the Fund than those which would be obtained from parties which are at arm's length for comparable services. The services of the Custodian and the officers and directors of the Custodian are not exclusive to the Fund. The Custodian and its affiliates and associates (as defined in the *Securities Act* (Ontario)) may, at any time, engage in any other activity.

The Manager and its directors and officers engage in the promotion, management or investment management of other funds or trusts with investment objectives similar to the Fund. The services of the Manager are not exclusive to the Fund.

In addition, the directors and officers of the Manager and the Sub-Advisor may be directors, officers, shareholders or unitholders of issuers in which the Fund may acquire securities. The Manager, the Sub-Advisor or their respective affiliates may be a manager of one or more issuers in which the Fund may acquire securities and may be managers or administrators of funds with similar investment objectives as the Fund. Although none of the directors or officers of the Manager or the Sub-Advisor will devote his or her full time to the business and affairs of the Fund, each director and officer of the Manager and the Sub-Advisor will devote as much time as is necessary to supervise the management of (in the case of the directors) or to manage the business and affairs of (in the case of officers) the Fund, the Manager and the Sub-Advisor, as applicable.

No person or entity that provides services to the Fund or the Manager in relation to the Fund is an affiliated entity of the Manager other than Brompton Corp., which provides premises and staff to the Manager. Brompton Corp. does not receive any fees from the Fund. Each of the directors and officers of the Manager are also directors and officers of Brompton Corp., see section 8.1.3 of this Annual Information Form.

As at March 1, 2022, Brompton Financial Services Inc. directly owns beneficially and of record 27,000 Class U Units representing approximately 10.5% of the issued and outstanding Class U Units. Brompton Financial Services Inc. is wholly owned by Raymond Pether, a director of the Manager. As at March 1, 2022, the directors and officers of the Manager, beneficially own, directly or indirectly in aggregate approximately 10.5% of the issued and outstanding Class U Units of the Fund.

## **9.2 Securities Held by Members of the Independent Review Committee**

As at March 1, 2022, the members of the IRC did not own, directly or indirectly, any securities in the Manager. Further, as at March 1, 2022, the percentage of securities of each class or series of voting securities beneficially owned, directly or indirectly, in aggregate, by all members of the IRC in any person or company that provides material services to the Fund or Manager or in any one or more Canadian chartered bank which provides a loan facility or other credit to the Fund or Manager is less than 0.01%.

## **10.0 FUND GOVERNANCE**

Brompton supports good governance practices for its funds. The Fund is managed by the Manager and consequently, the board of directors (the “Board”) and audit committee (the “Audit Committee”) referred to are the Board and Audit Committee of the Manager. The Board is responsible for the overall stewardship of the business and affairs of the Fund. The Board consists of 4 directors, 2 of whom are not involved in the management of the Fund. Details regarding the names, principal occupations and committee memberships of the Board are set out in section 8.1.3 of this Annual Information Form. The Board believes that the number of directors is appropriate.

Certain Board members are also members of the Audit Committee. The Audit Committee consists of 3 members, 2 of whom are not involved in the management of the Fund. The responsibilities of the Audit Committee include, but are not limited to, review of the Fund’s financial statements and the annual audit performed by PWC, the auditors of the Fund, and oversight of internal controls and of the Fund’s compliance with tax laws and regulations. PWC reports to the Audit Committee and the Audit Committee and PWC have direct communication channels to discuss and review specific issues as appropriate.

The Board is responsible for developing the Fund’s approach to governance issues. To ensure the proper management of the Fund and compliance with regulatory requirements, the Board has adopted policies, procedures and guidelines relating to business practices, risk management control, and internal conflicts of interest. As part of managing its business practices, the Board has adopted a whistleblower policy and a privacy policy. The whistleblower policy establishes a procedure for the receipt, retention and treatment of complaints regarding accounting, internal accounting controls and auditing matters pertaining to the Fund. The privacy policy dictates the manner in which the Fund and the Manager may collect, use and disclose personal information regarding the Unitholders. As part of its risk management, the Board has adopted a disclosure policy. The disclosure policy sets out guidelines that aim to ensure that complete, accurate and balanced information is disclosed to the public in a timely, orderly and broad-based manner in accordance with securities laws and regulations. As part of managing potential internal conflicts of interest, the Board has adopted a code of business ethics and an insider trading policy. The code of business ethics and insider trading policy address, among other things, ethical business practices and handling of material information and purchasing or selling of securities by insiders.

NI 81-107 requires the Manager to have policies and procedures relating to conflicts of interest and the Manager has such policies and procedures in place.

In accordance with NI 81-107, the Manager has appointed an IRC to deal with potential conflict of interest matters between the Manager and the Fund. See section 8.1.4 of this Annual Information Form.

The Manager maintains a website for the Fund at [www.bromptongroup.com](http://www.bromptongroup.com). The mandate of the Board is available on the website. The Manager has an investor relations line to respond to inquiries from Unitholders, which is 1-866-642-6001.

## **10.1 Composition of the Independent Review Committee**

As indicated in section 8.1.4 of this Annual Information Form, the IRC is comprised of three members, the initial members of which were appointed by the Manager in accordance with NI 81-107. Subsequent to this initial appointment by the Manager, the IRC shall, taking into consideration any recommendation of the Manager, fill vacancies on the IRC, provided that if for any reason the IRC has no members, the Manager shall fill the vacancies.

## **10.2 Proxy Voting Policy**

The Portfolio is managed by the Sub-Advisor and pursuant to the Sub-Advisor Agreement, the Sub-Advisor is authorized to exercise all rights and privileges incidental to ownership for the Portfolio. The Fund has adopted the Sub-Advisor's proxy voting policy, which provides general guidance, in compliance with applicable legislation, for the voting of proxies. The Sub-Advisor may retain a third party service provider from time to time to provide proxy analysis, vote recommendations and vote execution services on behalf of the Sub-Advisor. However, the ultimate decision as to how to cast a vote rests with the Sub-Advisor, based on what the Sub-Advisor believes to be in the best interest of the Fund.

The Sub-Advisor has adopted and implemented proxy voting guidelines to ensure that proxies are voted in the best interest of its clients. These are merely guidelines and specific situations may call for a vote which does not follow the guidelines. In determining how to vote proxies, the Sub-Advisor will follow the proxy voting guidelines of the independent third party which the Sub-Advisor has retained to provide proxy voting services (the "Sub-Advisor's Proxy Guidelines").

The Sub-Advisor has created a proxy voting committee (the "Proxy Committee") to periodically review the Sub-Advisor's Proxy Guidelines, address, among other issues, conflicts of interest and specific situations such as a portfolio manager's decision to deviate from the Sub-Advisor's Proxy Guidelines (including the third party's guidelines). Under certain circumstances, the Sub-Advisor may vote one way for some clients and another way for other clients. For example, votes for a client who provides specific voting instructions may differ from votes for clients who do not provide proxy voting instructions. However, when the Sub-Advisor has discretion, proxies will generally be voted the same way for all clients. In addition, conflicts of interest in voting proxies may arise between clients, between the Sub-Advisor and its employees, or a lending or other material relationship. As a general rule, conflicts will be resolved by the Sub-Advisor voting in accordance with the Sub-Advisor's Proxy Guidelines when the Sub-Advisor and/or its related persons have a material relationship with the issuer of the securities that are subject of the proxy, or voting the proxies of issuers or proxy proponents who are clients or potential clients.

Proxies will always be voted in the best interest of the Sub-Advisor's clients. Those situations that do not fit within the general rules for the resolution of conflicts of interest will be reviewed by the Proxy Committee. The Proxy Committee, after consulting with senior management, if appropriate, will determine how the proxy should be voted or other applicable action to be taken in accordance with the Sub-Advisor's Proxy Guidelines. Decisions by the Proxy Committee will be documented and kept with records related to the voting of proxies. A summary of specific votes will be retained in accordance with the Sub-Advisor's books and records requirements which are set forth in the Sub-Advisor's Compliance Manual and Code of Ethics.

The policies and procedures that the Fund follows when voting proxies relating to the Portfolio are available on request, at no cost, by calling 1-866-642-6001 or by writing to the Manager at Suite 2930, Box 793, Bay Wellington Tower, Brookfield Place, 181 Bay Street, Toronto, Ontario M5J 2T3.

The Fund's voting record for the period ended June 30 of each year is available free of charge to any Unitholder of the Fund upon request at any time after August 31 of that year. The Fund makes The Fund's proxy voting record available on the Fund's website at [www.bromptongroup.com](http://www.bromptongroup.com).

### **10.3 Use of Derivatives**

The Declaration of Trust allows the Fund to invest in or use derivatives and other instruments for hedging, leverage or other purposes consistent with the Investment Objectives and subject to the Investment Restrictions.

### **10.4 Short-Term Trades**

The Fund's Class A Units trade on the TSX. The Class U Units, Class B Units, if issued, Class C Units and Class F Units are not listed. The Fund does not have policies and procedures in place to monitor, detect and deter short-term trading given that:

- a) the Fund is a closed-end investment trust;
- b) Unitholders are only permitted to redeem Units on a monthly or annual basis;
- c) the Monthly Redemption Amount is equal to the lesser of (i) 94% of the Market Price of a Class A Unit, and (ii) 100% of the Closing Market Price of a Class A Unit on the applicable Monthly Redemption Date, minus in each case any costs associated with the redemption, including brokerage costs;
- d) the Annual Redemption Amount is based on the Net Asset Value per Unit on the second last business day of March, minus costs associated with the redemption, including brokerage costs;
- e) for the purposes of calculating the Annual Redemption Amount, the value is determined on the basis that any bonds, debentures and other debt obligations that are owned by the Fund will be valued by taking the bid price and any equity securities that are owned by the Fund will be valued at the weighted average trading price over the last three Business Days of the month in which an Annual Redemption Date occurs; and
- f) redemptions require more than 4 weeks to process from the date a holder notifies CDS of their redemption request to the date the redemption proceeds are paid out.

### **11.0 INCOME TAX CONSIDERATIONS**

The following summary describes the principal Canadian federal income tax considerations with respect to the acquisition, holding, and disposition of Units that are generally applicable to a Unitholder who is an individual (other than a trust) and who, for the purposes of the Income Tax Act and at all relevant times, is, or is deemed to be, resident in Canada, deals at arm's length, and is not affiliated, with the Fund, and holds Units as capital property. Generally, Units will be considered to be capital property to a Unitholder provided the Unitholder does not hold the Units in the course of carrying on a business of trading or dealing in securities and has not acquired them in one or more transactions considered to be an adventure or concern in the nature of trade. Certain Unitholders who might not otherwise be considered to hold their Units as capital property may, in certain circumstances, be entitled to have them and all other "Canadian securities" owned or subsequently owned by them treated as capital property by making an irrevocable election in accordance with the Income Tax Act. This summary does not apply to a Unitholder that has entered into a "derivative forward agreement", as defined in the Income Tax Act, with respect to Units.

The Fund has elected in accordance with the Income Tax Act to have each of its Canadian securities treated as capital property.

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

This summary is based on the assumption that none of the issuers of the securities in the Portfolio will be “foreign affiliates” of the Fund or of any Unitholder and that none of the securities in the Portfolio will be “tax shelter investments” (each within the meaning of the Income Tax Act). This summary is also based on the assumption that the Portfolio will not include offshore investment fund property, or interests in a non-resident trust other than an exempt foreign trust, all within the meaning of the Income Tax Act.

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

## **11.1 Status of the Fund**

This summary is based on the assumptions that the Fund will qualify, at all times, as a “unit trust” and a “mutual fund trust” within the meaning of the Income Tax Act. To qualify as a mutual fund trust, the Fund must, among other things, comply on a continuous basis with certain minimum requirements respecting the ownership and dispersal of Units and certain investment criteria. If the Fund were not to qualify as a mutual fund trust at all times, the income tax consequences described below would in some respects be materially and adversely different.

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

## **11.2 Taxation of the Fund**

The Fund is subject to tax in each taxation year under Part I of the Income Tax Act on the amount of its income for the year, including net realized taxable capital gains, less the portion thereof that it deducts in respect of the amount paid or payable to Unitholders in the year. The Fund intends to deduct, in computing its income in each taxation year, the full amount available for deduction in each year and, therefore, provided the Fund makes Distributions and, if necessary, Additional Distributions in each year of its income, including its Net Realized Capital Gains, it will generally not be liable in such year for income tax under Part I of the Income Tax Act.

A trust that is a “mutual fund trust” for purposes of the Income Tax Act throughout a taxation year that paid or made payable to a Unitholder an amount on a redemption of Units (the “allocated amount”) will be denied a deduction in computing its income for the taxation year in respect of the portion of the allocated amount (a) that would be, without reference to subsection 104(6) of the Income Tax Act, an amount paid

out of the income (other than taxable capital gains) of the trust, and (b) that is a capital gain of the trust designated to a unitholder on a redemption of Units that exceeds the capital gain that would otherwise have been realized by the Unitholder on the redemption, in each case if the Unitholder's proceeds from the disposition of that Unit do not include the allocated amount. The manager intends to administer the redemption of Units of the Funds in such a manner so as to avoid the inclusion of any income to the Fund under these rules, unless it is otherwise precluded from doing so.

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

Upon the actual or deemed disposition of a security held in the Portfolio as capital property, the Fund will realize a capital gain (or capital loss) to the extent that the proceeds of disposition, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base of such security to the Fund. The Fund intends to treat any gains or losses on the Portfolio as capital gains or losses other than gains or losses with respect to derivatives other than derivatives used to hedge capital assets.

Gains or losses in respect of currency hedges entered into in respect of amounts invested in the Portfolio may constitute capital gains and capital losses to the Fund if the securities in the Portfolio are capital property to the Fund and provided there is sufficient linkage. The Income Tax Act contains rules (the "DFA Rules") that target certain financial arrangements (referred to as "derivative forward agreements") that seek to reduce tax by converting, through the use of derivative contracts, the return on an investment that would otherwise have the character of ordinary income to a capital gain. The DFA Rules are broadly drafted and could apply to other agreements or transactions (including certain forward currency contracts). If the DFA Rules were to apply to certain derivatives to be utilized by the Fund, gains realized in respect of such derivatives could be treated as ordinary income rather than capital gains.

The Fund is required to compute all amounts, including interest, cost of property and proceeds of disposition, in Canadian dollars for purposes of the Income Tax Act. As a consequence, the amount of income, expenses and capital gains or capital losses may be affected by changes in the value of foreign currency relative to the Canadian dollar.

In computing its income for tax purposes, the Fund may deduct reasonable administrative and other expenses incurred to earn income in accordance with the detailed rules in the Income Tax Act. The Fund may deduct the costs and expenses of Unit offerings paid by the Fund and not reimbursed at a rate of 20% per year, pro-rated where the Fund's taxation year is less than 365 days. Any losses incurred by the Fund cannot be allocated to Unitholders but may generally be carried forward in accordance with the rules and limitations contained in the Income Tax Act and deducted in computing the taxable income of the Fund.

### **11.3 Taxation of Unitholders**

A Unitholder will generally be required to include, in computing income for a taxation year, the amount of the Fund's net income for the taxation year, including net realized taxable capital gains, paid or payable to the Unitholder in the taxation year (including any income paid to Unitholders as part of a distribution), whether paid in cash or additional Units. The non-taxable portion of the Fund's net realized capital gains paid or payable (whether in cash or in Units) to a Unitholder in a taxation year will not be included in the Unitholder's income for the year. Any other amount in excess of the Fund's net income for a taxation year paid or payable to the Unitholder in the year will not generally be included in the Unitholder's income. Such amount, however, will generally reduce the adjusted cost base of the Unitholder's Units. To the extent



that the adjusted cost base of a Unit would otherwise be less than zero, the negative amount will be deemed to be a capital gain realized by the Unitholder from the disposition of the Unit and the Unitholder's adjusted cost base will be increased by the amount of such deemed gain.

Provided that appropriate designations are made by the Fund, such portion of (i) the net realized taxable capital gains of the Fund, and (ii) the foreign source income of the Fund and foreign taxes eligible for the foreign tax credit, as is paid or payable to a Unitholder will effectively retain its character and be treated as such in the hands of the Unitholder for purposes of the Income Tax Act. A Unitholder may be entitled to claim a foreign tax credit in respect of foreign taxes designated to such Unitholder in accordance with the detailed rules in the Income Tax Act.

Under the Income Tax Act, the Fund is permitted to deduct in computing its income for a taxation year an amount which is less than the amount of its distributions for the year. This will enable the Fund to utilize, in a taxation year, losses from prior years without affecting the ability of the Fund to distribute its income annually. The amount distributed to a Unitholder but not deducted by the Fund will not be included in the Unitholder's income. However, the adjusted cost base of the Unitholder's Units will be reduced by such amount.

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

On the disposition or deemed disposition of a Unit, including on a conversion of Class U Units to Class A Units, the Unitholder will realize a capital gain (or capital loss) to the extent that the Unitholder's proceeds of disposition (net of any reasonable costs of disposition) exceed (or are less than) the adjusted cost base of the Unit. For the purpose of determining the adjusted cost base to a Unitholder of a Unit, when a Unit is acquired, the cost of the newly acquired Unit will be averaged with the adjusted cost base of all Units of the same class owned by the Unitholder as capital property that were acquired before that time. For this purpose, the cost of Units that have been issued as an Additional Distribution will generally be equal to the amount of the net income or capital gain distributed to the Unitholder in Units. If a Unitholder participates in the distribution reinvestment plan and acquires a Unit from the Fund at a price that is less than the fair market value of the Unit, it is the administrative position of the CRA that the Unitholder must include the difference in income and that the cost of the Unit will be correspondingly increased. Based on the CRA's administrative position, a conversion of Class B Units, Class C Units or Class F Units into whole Class A Units will not constitute a disposition of such Class B Units, Class C Units or Class F Units, as the case may be, for the purposes of the Income Tax Act.

One-half of any capital gain ("taxable capital gain") realized by a Unitholder on the disposition of Units or designated by the Fund in respect of the Unitholder in a taxation year will be included in computing the Unitholder's income for that year and one-half of any capital loss realized by a Unitholder in a taxation year may be deducted from taxable capital gains realized by the Unitholder or designated by the Fund in respect of the Unitholder in accordance with the provisions of the Income Tax Act.

In general terms, net income of the Fund paid or payable to a Unitholder that is designated as net realized taxable capital gains or taxable capital gains realized on the disposition of Units may increase the Unitholder's liability for alternative minimum tax.

Amounts relating to the acquisition, holding and disposition of Class U Units must be converted into Canadian dollars using the appropriate exchange rate determined in accordance with the detailed rules of the Income Tax Act in that regard. Holders of Class U Units may realize gains and losses by virtue of the fluctuation in the value of U.S. dollars relative to Canadian dollars.

## **12.0 REMUNERATION OF DIRECTORS, OFFICERS, IRC AND TRUSTEES**

The Manager is paid the Management Fee as disclosed in section 8.1.1 of this Annual Information Form. The directors of the Manager do not receive any director's fees from the Fund. The Fund pays the fees of the IRC which for 2021 were \$1,117 for each of Mr. Kothari, Mr. Woolner and Ms. Meredith. IRC fees are determined by the IRC based on a recommendation of the Manager. The Fund also pays the expenses incurred by the IRC and the directors on behalf of the Fund. No expenses were paid in 2021.

For the year ended December 31, 2021, the Trustee was paid fees of \$3,979 in its capacity as trustee of the Fund.

## **13.0 MATERIAL CONTRACTS**

The Fund and/or the Manager, on behalf of the Fund, are party to the Declaration of Trust, the Management Agreement and the Custodian Agreement. Copies of these material contracts may be accessed by prospective or existing Unitholders at [www.sedar.com](http://www.sedar.com) under the Fund's profile. They are also available at the Fund's office during normal business hours. Details regarding each of these contracts are provided in section 1.1 of this Annual Information Form in the case of the Declaration of Trust and in section 8 of this Annual Information Form in the case of the other contracts.

## **14.0 OTHER MATERIAL INFORMATION**

### **14.1 Risk Factors**

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

#### *No Assurance in Achieving Investment Objectives*

There is no assurance that the Fund will be able to achieve its Investment Objectives. Furthermore, there is no assurance that the Fund will be able to pay Distributions in the short or long term, nor is there any assurance that the Net Asset Value of the Fund will appreciate or be preserved. It is possible that, due to declines in the market value of the assets in the Portfolio, the Fund will have insufficient assets to achieve its distribution and capital preservation investment objectives.

#### *General Risks of Investing in Senior Loans and other Non-Investment Grade Debt*

An investment in interests in Senior Loans and other non-investment grade debt involves certain risks. Under the agreements governing most syndicated loans, should the Fund, as a holder of an interest in a syndicated loan, wish to call a default or exercise remedies against a borrower, it could not do so without the agreement of at least a majority of the lenders. Further, actions could be taken by a majority of the lenders, or, in some cases, a single agent bank, without the consent of the Fund. The Fund would, nevertheless, be liable to indemnify the agent bank for the Fund's rateable share of expenses or other liabilities incurred in such connection and, generally, with respect to the administration and any renegotiation or enforcement of the syndicated loans. Moreover, an assignee or participant in a loan may not be entitled to certain gross-up payments in respect of withholding taxes and other indemnities that otherwise might be available to the original holder of the loan.

Although the Senior Loans in the Portfolio will generally be secured by specific collateral, there can be no assurance the liquidation of such collateral would satisfy a borrower's obligation in the event of borrower default or that such collateral could be readily liquidated under such circumstances. In the event of bankruptcy of a borrower, delays or limitations could be experienced with respect to the ability to realize the benefits of any collateral securing a Senior Loan.

A financial institution's appointment as an agent under the agreement governing a Senior Loan might be terminated in the event that such financial institution fails to observe a requisite standard of care or becomes insolvent. A successor agent would generally be appointed to replace the terminated agent, and assets held by the agent under the loan agreement would likely remain available to holders of such indebtedness. However, if assets held by the terminated agent for the benefit of the Fund were determined to be subject to the claims of the agent's general creditors, the Portfolio might incur certain costs and delays in realizing payment on a Senior Loan and could suffer a loss of principal and/or interest.

Non-investment grade debt securities involve greater risks than investment grade debt securities, including greater risks of default in the payment of interest and principal, lower recovery rates on a security that is in default and greater price changes due to such factors as general economic conditions and the issuer's creditworthiness. Non-investment grade debt securities may also be less liquid than investment grade debt securities.

The investments of the Fund will expose the Fund to the credit risk of the underlying issuers including risk of default on interest and principal and the risk that the credit ratings of such issuers may be downgraded in certain circumstances. The markets in which non-investment grade debt securities are traded may be less liquid than the markets for investment grade rated securities. In addition, real or anticipated changes in the credit ratings of securities held by the Fund may affect the market value of such securities.

Non-investment grade debt securities can also be regarded as predominantly speculative investments with respect to the issuers' continuing ability to meet principal and interest payments, involve certain greater risk exposure during adverse market conditions and may be subject to substantially greater price volatility, especially during times of adverse economic change.

### *Risks of Investing in High-Yield Bonds*

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

The Fund invests in High-Yield Bonds. Securities in the lower rating categories are subject to greater risk of loss, as to timely repayment of principal and timely payment of interest than higher-rated securities. In addition, adverse publicity and investor perceptions about lower-rated securities, whether or not based on fundamental analysis, may be a contributing factor in a decrease in the value and liquidity of the securities.

High-yield securities that are rated BB or lower by S&P's or Ba or lower by Moody's Investors Service, Inc. are often referred to in the financial press as "junk bonds" and may include securities of issuers in default. "Junk bonds" are considered by the rating agencies to be predominantly speculative and may involve major risk exposures such as: (i) vulnerability to economic downturns and changes in interest rates;

(ii) sensitivity to adverse economic changes and corporate developments and risk of repayment; (iii) redemption or call provisions which may be exercised at inopportune times; and (iv) difficulty in accurately valuing or disposing of such securities.

#### *Fluctuation in Value of Portfolio Securities and Performance of the Portfolio*

The Net Asset Value will vary according to the value of the securities included in the Portfolio. The Senior Loans, Second Lien Loans and High-Yield Bonds included in the Portfolio will be purchased at their prevailing market price, but such prices will vary, potentially substantially, over time. The Fund, the Manager and the Sub-Advisor have no control over the factors that affect the value of the assets in the Portfolio including both factors that affect the debt markets generally, such as general economic and market conditions, political conditions and fluctuations in interest and exchange rates, and factors unique to issuers of the Senior Loans, Second Lien Loans and High-Yield Bonds and their business, such as liquidity and funding conditions, legal and compliance risks, operational risks, tax-related risks, changes in management, changes in strategic direction, achievement of strategic goals, mergers, acquisitions and divestitures, and other events that may affect the value of their securities.

#### *Reinvestment Risk*

The Fund's investments will be subject to reinvestment risk as, if the level of spreads over LIBOR decline over time, there is a risk that borrowers will prepay their debt as spreads fall.

#### *Risks Relating to Interest Rates*

The Fund's investments will be subject to interest rate risk, which will vary depending upon whether such assets are floating rate or fixed rate. Changes in short-term market interest rates will directly affect the yield on the floating rate assets owned by the Fund. If short-term market interest rates fall, the yield on such assets may also fall. Also, to the extent that credit spreads in the market for Senior Loans experience a general increase, the value of the Fund's existing floating rate assets may decrease, which will cause the Fund's net asset value to decrease. Conversely, when short-term market interest rates rise, because of the lag between changes in such short-term rates and the resetting of the floating rates on the Senior Loans in the Portfolio, the impact of rising rates will be delayed to the extent of such lag. To the extent the Senior Loans in the Portfolio contain LIBOR floors, the impact of any rise in short-term market interest rates will not be realized for such loans until rates rise above such LIBOR floors.

Changes in short-term market interest rates will have a different effect on any fixed rate assets in the Portfolio. Generally, the value of fixed income securities will change inversely with changes in interest rates. As interest rates rise, the market value of fixed income securities tends to decline. Conversely, as interest rates decline, the market value of fixed income securities tends to rise. This risk will be greater for long-term securities than for short-term securities.

#### *Market Volatility*

Market prices of investments held by the Fund will go up or down, sometimes rapidly or unpredictably. The Fund's investments are subject to changes in general market conditions, market fluctuations and risks inherent in the securities markets. Securities markets can be volatile and prices of investments can change substantially due to various factors including, but not limited to, economic growth or recession, changes in interest rates, changes in actual or perceived creditworthiness of issuers and general market liquidity. Even if general economic conditions do not change, the value of an investment in the Fund could decline if the particular industries, sectors or companies in which the Fund invests do not perform well or are adversely affected by certain events. In addition, legal, political, regulatory and tax changes may also cause fluctuations in markets and the price of securities. Certain market conditions, volatility or illiquidity in

capital markets may also adversely affect the prospects of the Fund and the value of the securities included in the Portfolio.

### *COVID-19*

The outbreak of the respiratory disease designated as COVID-19 in December 2019 has caused significant market volatility in global financial markets. The impact of this COVID-19 pandemic may be short term or may last for an extended period of time, and in either case could result in a substantial economic downturn or recession. The securities of the Fund may be sensitive to general market movements, which may result in price volatility for such securities and in the Fund's Net Asset Value.

### *Market Disruptions*

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

### *Leverage*

The Fund may employ leverage of up to 40% of its total assets. As a result of fluctuations in the prices of the assets in the Portfolio, leverage may temporarily, and from time to time, exceed 40%. The addition of leverage has the potential to enhance returns but also involves additional risks. There can be no assurance that the leverage employed by the Fund will enhance returns. The use of leverage may reduce returns (both distributions and capital) to Unitholders. If there is a decline in the value of the assets in the Portfolio, the leverage will cause a decrease in the Net Asset Value in excess of that which would otherwise be experienced if no leverage was utilized. Under certain conditions, leverage may be reduced or discontinued.

### *Concentration Risk*

The Portfolio is concentrated in Senior Loans issued by non-investment grade U.S. borrowers. As a result, the net asset value of the Fund and the Fund may be more volatile than the value of a more broadly diversified portfolio and may fluctuate substantially over short periods of time. This may have a negative impact on the value of the Units.

### *Liquidity Risk*

There is no assurance that an adequate market will exist for the assets included in the Portfolio and it cannot be predicted whether the assets included in the Portfolio will trade at a discount to, a premium to, or at their respective par or maturity values. Certain assets held in the Portfolio may trade infrequently, if at all, and may trade at a significant premium or discount to the latest price at which they are valued in the Portfolio. The Portfolio may experience a lack of liquidity of the assets in the Portfolio due to restrictions on transfers in loan agreements and the nature of the private syndication of Senior Loans including, for example, the lack of publicly-available information. Some Senior Loans are not as easily purchased or sold as publicly-traded securities. Some Senior Loans and other Portfolio investments are very thinly traded or no market for them exists, which may make it difficult for the Fund to value them or dispose of them at an acceptable price, or at all, when it wants to.

### *Reliance on the Manager and the Sub-Advisor*

The Manager and the Sub-Advisor will manage the Portfolio in a manner consistent with the investment objectives and the investment restrictions of the Fund. The officers of the Manager and the Sub-Advisor who will be primarily responsible for the management of the Portfolio have extensive experience in managing investment portfolios; however, there is no certainty that such individuals will continue to be employees of the Manager or the Sub-Advisor, as applicable, until the termination of the Fund. The performance of the Fund (and therefore the return to Unitholders) will be dependent on the ability of the Manager and the Sub-Advisor to successfully execute the investment strategy of the Fund.

### *Use of Derivatives*

The Fund may invest in or use derivative instruments, other than commodity derivatives, for hedging purposes consistent with its investment objectives and subject to its investment restrictions. For example, the Fund may use derivatives, including foreign exchange forwards and interest rate swaps, with the intention of fixing the interest rate under the leverage facility used by the Fund. No assurance can be given that the Portfolio will be hedged from any particular risk from time to time.

There can be no assurance that the Fund's hedging strategies will be effective. The Fund is subject to the credit risk that its counterparty (whether a clearing corporation in the case of exchange traded instruments or another third party in the case of over-the-counter instruments) may be unable to meet its obligations. In addition, there is a risk of loss by the Fund of margin deposits in the event of the bankruptcy of the dealer with whom the Fund has an open position in an option or futures or forward contract. Derivative instruments traded in foreign markets may offer less liquidity and greater credit risk than comparable instruments traded in North American markets. The ability of the Fund to close out its positions may also be affected by exchange imposed daily trading limits on options and futures contracts. If the Fund is unable to close out a position, it will be unable to realize its profit or limit its losses until such time as the option becomes exercisable or expires or the futures or forward contract terminates, as the case may be. The inability to close out options, futures and forward positions could also have an adverse impact on the Fund's ability to use derivative instruments to effectively hedge the foreign currency exposure or any fixed rate exposure of the Portfolio.

### *Currency Exposure*

As the Portfolio will be invested in securities traded in foreign currencies, the Net Asset Value, when measured in Canadian dollars (or U.S. dollars in the case of the Class U Units), will, to the extent this has not been hedged against, be affected by changes in the value of the foreign currencies relative to the Canadian dollar (or the U.S. dollar in the case of the Class U Units). the Fund may not be fully hedged at all times and distributions received on the Portfolio may not be hedged and accordingly no assurance can be given that the Fund will not be adversely impacted by changes in foreign exchange rates or other factors. The use of hedges, if used, involves special risks, including the possible default by the other party to the transaction, illiquidity and, to the extent the Manager's assessment of certain market movements is incorrect, the risk that the use of hedges could reduce total returns or result in losses greater than if the hedging had not been used. In addition, the costs associated with a hedging program may outweigh the benefits of the arrangements in such circumstances.

### *Trading Price of Units*

The Class A Units may trade in the market at a discount to the Net Asset Value per Class A Unit and there can be no assurance that the Class A Units will trade at a price equal to the Net Asset Value per Class A Unit. Units will be redeemable at 100% of Net Assets per Unit on an Annual Redemption Date less any costs associated with the redemption including brokerage costs, and less any net realized capital gains to

the Fund that are distributed to a Unitholder concurrently with the proceeds of disposition on redemption. While the redemption right provides Unitholders the option of annual liquidity at the Net Assets per Unit, there can be no assurance that it will reduce trading discounts of the Class A Units.

### *Taxation of the Fund*

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

In determining its income for tax purposes, the Fund intends to treat gains and losses on disposition of securities in the Portfolio on a capital account other than gains or losses in respect of derivatives other than derivatives used to hedge a capital asset. The CRA’s practice is not to grant an advance income tax ruling on the characterization of items as capital gains or income and no advance ruling has been requested or obtained. If some or all of the transactions treated by the Fund as being on capital account were instead treated on income account, after-tax returns to Unitholders could be reduced.

Pursuant to rules in the Income Tax Act, if the Fund experiences a “loss restriction event” (i) it will be deemed to have a year-end for tax purposes (which would result in an unscheduled distribution of the Fund’s net income and net realized capital gains, if any, at such time to Unitholders so that the Fund is not liable for income tax on such amounts under Part I of the Income Tax Act), and (ii) it will become subject to the loss restriction rules generally applicable to a corporation that experiences an acquisition of control, including a deemed realization of any unrealized capital losses and restrictions on its ability to carry forward losses. Generally, the Fund will be subject to a loss restriction event if a Unitholder becomes a “majority-interest beneficiary”, or a group of persons becomes a “majority-interest group of beneficiaries”, of the Fund, as those terms are defined in the affiliated persons rules contained in the Income Tax Act, with certain modifications. Generally, a majority-interest beneficiary of the Fund is a beneficiary in the income or capital, as the case may be, of the Fund whose beneficial interests, together with the beneficial interests of persons and partnerships with whom the beneficiary is affiliated, have a fair market value that is greater than 50% of the fair market value of all the interests in the income or capital, as the case may be, of the Fund. Please see “Income Tax Considerations – Taxation of Unitholders” for the tax consequences of an unscheduled or other distribution to Unitholders. If the Fund qualifies as an “investment fund” as defined in the rules in the Income Tax Act relating to loss restriction events it generally is excepted from the application of such rules. An “investment fund” for this purpose includes a trust that meets certain conditions, including satisfying certain of the conditions necessary to qualify as a “mutual fund trust” for purposes of the Income Tax Act, not holding any property that it uses in the course of carrying on a business and complying with certain asset diversification requirements. If the Fund were not to qualify as an “investment fund”, it could potentially have a loss restriction event and thereby become subject to the related tax consequences described above.

### *Exchange of Tax Information*

Part XVIII of the Income Tax Act imposes due diligence and reporting obligations on “reporting Canadian financial institutions” in respect of their “U.S. reportable accounts”. The Fund is a “reporting Canadian financial institution” but as long as Units continue to be registered in the name of CDS, the Fund should not have any “U.S. reportable accounts” and, as a result, it should not be required to provide information to the CRA in respect of Unitholders. The dealer, however, through which Unitholders hold their Units are subject to due diligence and reporting obligations with respect to financial accounts that they maintain for their clients. Unitholders would be requested to provide information to their dealer to identify U.S. persons holding Units as well as “controlling persons” of Unitholders who are U.S. persons. If a Unitholder, or its controlling person, is a U.S. person (including, for example, a U.S. citizen or green card holder who is

resident in Canada) or if the Unitholder does not provide the requested information, Part XVIII of the Income Tax Act will generally require information about the Unitholder's investment in the Fund held in the financial account maintained by the dealer to be reported to the CRA, unless the Units are held within a registered plan. The CRA will automatically provide such information to the U.S. Internal Revenue Service.

Effective July 1, 2017, the Income Tax Act was amended such that it now contains rules similar to the foregoing in respect of non-Canadian non-U.S. resident investors (the "CRS Legislation"). Pursuant to the CRS Legislation, "Canadian financial institutions" (as defined in the CRS Legislation) would be required to have procedures in place to identify accounts held by residents of foreign countries (other than the U.S.) or by certain entities the "controlling persons" of which are resident in such foreign countries and to report required information to the CRA. The information would then be available for sharing with the jurisdiction in which the account holder, or such controlling person, resides for tax purposes under the provisions and safeguards of the Multilateral Convention on Mutual Administrative Assistance in Tax Matters or the relevant bilateral tax treaty. As long as Units are registered in the name of CDS, the Fund should not have any reportable accounts and, as a result, should not be required to provide information to the CRA in respect of its Unitholders. Unitholders, however, will be required to provide certain information including their tax identification numbers to their dealer for the purpose of such information exchange unless their investment is held within a registered plan.

#### *No Ownership Interest*

An investment in Units does not constitute an investment by Unitholders in the securities included in the Portfolio. Unitholders will not own the securities held by the Fund or the Fund. It is possible that the proceeds from the sale of securities will be used to satisfy other liabilities of the Fund, which liabilities could include obligations to third-party creditors in the event the Fund has insufficient assets, excluding the proceeds from the sale of securities to pay its liabilities. Unitholders will have no recourse or rights against the assets of the Fund.

#### *Changes in Legislation and Regulations*

There can be no assurance that certain laws applicable to the Fund, including income tax laws, government incentive programs, the treatment of mutual fund trusts under the Income Tax Act and securities legislation applicable to the Fund will not be changed in a manner which adversely affects the Fund or the Unitholders. If such laws change, such changes could have a negative effect upon the value of the Fund, the Units and upon investment opportunities of the Fund.

#### *Loss of Investment*

An investment in the Fund is appropriate only for investors who have the capacity to absorb investment losses.

#### *Conflicts of Interest*

The Manager and Sub-Advisor and their respective directors and officers engage in the promotion, management or investment management of one or more funds or trusts with similar investment objectives to those of the Fund and the Fund. Although none of the directors or officers of the Manager or the Sub-Advisor will devote his or her full time to the business and affairs of the Fund or the Fund, each director and officer of the Manager and the Sub-Advisor will devote as much time as is necessary to supervise the management of (in the case of the directors) or to manage the business and affairs of (in the case of officers) the Fund, the Fund, the Manager and the Sub-Advisor, as applicable. The Manager will refer conflict of interest matters to the Fund's IRC in accordance with NI 81-107.



The Sub-Advisor has other accounts under management that may invest in the same types of assets and securities with similar or different investment objectives as the Fund. The Fund or any of the Sub-Advisor's other accounts may not always receive an allocation of a particular investment even though it may be suitable for the particular account, based on various considerations including, for example, available cash flows and lack of sufficient size of the particular investment to allocate among many accounts. However, the Sub-Advisor seeks to allocate fairly over time the investment opportunities amongst all of its accounts.

In addition, the Counterparty may have relationships with any or all of the issuers whose securities are included in the Portfolio which could conflict with the interests of the Fund or the Fund.

#### *Status of the Fund*

As the Fund is not a mutual fund as defined under Canadian securities laws, the Fund is not subject to the Canadian policies and regulations that apply to open-end mutual funds.

#### *Risks Relating to Redemptions*

The purpose of the annual redemption right is to prevent Units from trading at a substantial discount and to provide investors with the right to eliminate entirely any trading discount once per year. While the redemption right provides investors the option of annual liquidity, there can be no assurance that it will reduce trading discounts. There is a risk that the Fund may incur significant redemptions if Units trade at a significant discount to their Net Asset Value per Unit. If a significant number of Units are redeemed, the trading liquidity of the Units could be significantly reduced. In addition, the expenses of the Fund would be spread among fewer Units resulting in a potentially lower Distribution per Unit. The Manager has the ability to terminate the Fund if, in its opinion, it would be in the best interests of the Unitholders to do so. The Manager may also suspend the redemption of Units in the circumstances described in section 7.4 of this Annual Information Form.

#### *Not a Trust Company*

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

#### *Nature of Units*

Units are dissimilar to debt instruments in that there is no principal amount owing Unitholders. Unitholders will not have the statutory rights normally associated with ownership of shares of a corporation including, for example, the right to bring "oppression" or "derivative" actions.

#### *No Market for Class U Units, Class C Units, Class F Units and Class B Units*

The Class U Units, Class C Units and Class F Units are not, and the Class B Units, if issued, will not be, listed on any stock exchange. It is expected that liquidity for Class U Units, Class F Units, Class C Units and Class B Units, if issued, will be obtained primarily by means of conversion of Class U Units, Class F Units, Class C Units and Class B Units into Class A Units and the subsequent sale of such Class A Units.

### *Distressed Securities*

Distressed securities purchased by the Fund may be subject to certain additional risks to the extent that such securities may be unsecured and subordinated to substantial amounts of senior indebtedness, a significant portion of which may be secured.

Distressed securities may result in significant returns to the Fund, but also involve a substantial degree of risk. The Fund may lose a substantial portion or all of its investment in a distressed environment or may be required to accept cash or securities with a value less than the Fund's investment. Among the risks inherent in investments in entities experiencing significant financial or business problems is the difficulty in obtaining information as to the true condition of such issuers. Such investments also may be adversely affected by applicable laws relating to, among other things, fraudulent conveyances, voidable preferences, lender liability and the relevant court's discretionary power to disallow, subordinate or disenfranchise particular claims. The market prices of such instruments are also subject to abrupt and erratic market movements and above average price volatility, and the spread between the bid and ask prices of such instruments may be greater than normally expected. In trading distressed securities, litigation sometimes arises. Such litigation can be time-consuming and expensive and can frequently lead to unpredicted delays or losses.

### *Residency of the Sub-Advisor*

The Sub-Advisor is resident outside Canada and all or a substantial portion of its assets are situated outside Canada. As a result, should The Fund seek to enforce any legal rights against the Sub-Advisor, it may find it difficult to do so.

### *Cybersecurity Risk*

The information and technology systems of Brompton Funds, the Fund's key service providers (including its custodian, registrar and transfer agent, valuation services provider, Sub-Advisor) and the issuers of securities in which the Fund invests may be vulnerable to cybersecurity risks from a cybersecurity incident such as potential damage or interruption from computer viruses, network failures, computer and telecommunications failures, infiltration by unauthorized persons (e.g. through hacking or malicious software) and general security breaches. A cybersecurity incident is an adverse intentional or unintentional action or event that threatens the integrity, confidentiality or availability of the Fund's information resources.

A cybersecurity incident may disrupt business operations or result in the theft of confidential or sensitive information, including personal information, or may cause system failures, disrupt business operations or require Brompton Funds or a service provider to make a significant investment to fix, replace or remedy the effects of such incident. Furthermore, a cybersecurity incident could cause disruptions and negatively impact the Fund's business operations, potentially resulting in financial losses to the Fund and Unitholders. There is no guarantee that the Fund or Brompton Funds will not suffer material losses as a result of cybersecurity incidents. If they occur, such losses could materially adversely impact the Fund's net asset value.

## **ANNUAL INFORMATION FORM FOR SYMPHONY FLOATING RATE SENIOR LOAN FUND**

Manager: Brompton Funds Limited  
Address: Suite 2930, Bay Wellington Tower, Brookfield Place,  
181 Bay Street, Toronto, Ontario M5J 2T3  
Telephone: (416) 642-6000  
Fax: (416) 642-6001  
Website: [www.bromptongroup.com](http://www.bromptongroup.com)

### **ADDITIONAL INFORMATION:**

Additional information about the Fund is available in the Fund's management report of fund performance and financial statements, and copies of these documents may be obtained at no cost:

- By calling (416) 642-6000 or toll-free at 1-866-642-6001,
- Direct from your dealer, or
- By e-mail at [info@bromptongroup.com](mailto:info@bromptongroup.com).

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