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WHAT WILL HAPPEN IN 2011?

INCOME TRUST FUNDS: FREQUENTLY ASKED QUESTIONS

Q3 2010

Dear Investor:

On October 31, 2006, Canada's Minister of Finance announced new taxation that would bring an end to the Income Trust Sector in Canada, effective in 2011. As we draw closer to 2011, many clients have questions about what will happen. We hope this FAQ answers some of them for you.

Q: Will Brompton's investment funds that hold income trusts need to terminate as a result of the conversion of income trusts to corporations?

A: No, all of the Brompton Funds' investment mandates were expanded to allow the portfolio managers to invest in income-producing securities other than income trusts including dividend-paying common shares.

Q: Are the Brompton Funds which are trusts subject to the new tax?

A: No, Brompton Funds will not be subject to the new tax.

Q: Will income trust distributions be reduced by 32% (i.e. corporate tax rate) when they convert to corporations?

A: Many trusts may reduce their distributions on conversion to corporations, however, the reduction may be less than 32%:

- Some trusts have tax loss pools or deductions that they will begin to use to reduce their taxable income after conversion.
- Some cut distributions during 2008/2009, and did not increase as business conditions improved, leaving a "cushion" as they convert.

Our portfolio managers are focusing on trusts that they believe will have minimal cuts.

Additionally, dividends paid after conversion may qualify for the dividend tax credit, making the "after-tax" value of dividends more valuable than the "after-tax" value of an equal amount of fully-taxable distributions for taxable investors. The effective dividend tax rate, after taking into account the dividend tax credit, is about half of the top marginal personal tax rate.

Q: How will the value of income trusts be affected as they convert to corporations?

A: Trusts that maintain high levels of dividends should not be impacted greatly by conversion. However some may reduce meaningfully. Our portfolio managers observe that after a conversion accompanied by a significantly lower dividend, "income-focused" (largely retail) investors drive down the share price by selling heavily. At some point the former trust becomes oversold and "value-focused" (mainly institutional) investors step in and start buying, supporting the price. Our portfolio managers believe that there may be a number of opportunities to add value by buying certain oversold common shares of former trusts.

MFC Global Investment Management provides investment management services to Brompton VIP Income Fund, Brompton Advantaged VIP Income Fund, Brompton Oil & Gas Income Fund and Brompton Advantaged Oil & Gas Income Fund.

Lead portfolio manager Alan Wicks and his team have been focusing on reducing certain exposure to selected income trust holdings and replacing them with undervalued, liquid, dividend-paying common shares. Over Q2 2010 the team was able to use cash available from the April 2010 warrants exercise to take advantage of buying opportunities presented by recent volatile markets.

For more information please call Brompton Funds Investor Relations at 416-642-9051 or 1-866-642-6001

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