



## **Brompton Mutual Funds Limited**

Annual Information Form dated June 27, 2013, in respect of each of the provinces of Canada relating to the offering of:

Series A, Series B and Series F shares of:

**Brompton Resource Class\***

**Brompton Dividend & Income Class\***

\* Classes of shares of Brompton Mutual Funds Limited.

*No securities regulatory authority has expressed an opinion about these shares and it is an offence to claim otherwise.*

## **FORWARD-LOOKING INFORMATION**

Certain statements contained in this annual information form constitute forward-looking information. 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 information. 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 information. The Manager believes the expectations reflected in forward-looking information are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking information 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 information pertaining to distributions. The actual results could differ materially from those anticipated in the forward-looking information as a result of, among other things, the risk factors set out in the simplified prospectus. The Manager does not undertake any obligation to publicly update or revise any forward-looking information.

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## GLOSSARY OF TERMS

“**AIF**” means this annual information form.

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

“**CAML**” means Creststreet Asset Management Limited, the former manager of the Funds.

“**Corporation**” means Brompton Mutual Funds Limited, a mutual fund corporation.

“**Custodian**” means RBC Investor Services Trust 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 Corporation, on behalf of the Funds, and the Custodian dated as of October 16, 2008, as it may be amended from time to time.

“**Dealer**” means the registered dealer or broker where an investor’s financial advisor works.

“**Dividend & Income Fund**” means Brompton Dividend & Income Class, a class of shares of the Corporation.

“**Funds**” means the Resource Fund and the Dividend & Income Fund collectively.

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

“**Investment Restrictions and Practices**” means the restrictions and practices of the Funds as described in section 2.0 of this AIF.

“**IRC**” means the Independent Review Committee established by the Manager for the Funds pursuant to NI 81-107.

“**Limited Partnership Rollover Transaction**” means shares of the Resource Fund to be acquired by public limited partnerships on the transfer of their assets to the Resource Fund and subsequently distributed by the public limited partnership to the partners thereof.

“**Management Agreement**” means the amended and restated management agreement dated as of June 22, 2010 which was assigned to the Manager on November 30, 2012, as it may be amended from time to time.

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

“**NI 81-102**” means National Instrument 81-102 – *Mutual Funds* of the Canadian Securities Administrators (or any successor policy, rule or national instrument), as it may be amended from time to time.

“**NI 81-106**” means National Instrument 81-106 – *Investment Fund Continuous Disclosure* of the Canadian Securities Administrators (or any successor policy, rule or national instrument), as it may be amended from time to time.

“**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.

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

“**NAV per Share**” means the NAV per share outstanding on any Valuation Date.

“**Recordkeeper**” means RBC Investor Services Trust in its capacity as record keeper under the Valuation and Recordkeeper Services Agreement as appointed from time to time by the Manager.

“**Resource Fund**” means Brompton Resource Class, a class of shares of Brompton Mutual Funds Limited.

“**Shareholder**” means a holder of a share of a series of a Fund and “**Shareholders**” means more than one holder of a share of a series of a Fund.

“**Trade Date**” means each day on which the TSX is open for business.

“**Valuation Date**” means each day on which the TSX is open for business.

“**Valuation and Recordkeeper Services Agreement**” means the amended and restated agreement between the Corporation and RBC Investor Services Trust dated as of January 29, 2009, as it may be amended from time to time.

## **1.0 NAME, FORMATION AND HISTORY OF THE FUNDS**

This AIF contains information about Brompton Mutual Funds Limited including the Brompton Resource Class and Brompton Dividend & Income Class. The Funds described in this AIF are two separate classes of shares of the Corporation. The registered office and principal place of business of the Corporation is Suite 2930, Box 793, Bay Wellington Tower, Brookfield Place, 181 Bay Street, Toronto, Ontario M5J 2T3.

Brompton Funds Limited is the manager and promoter of the Funds. It is also the portfolio manager to the Funds. See section 8 for more information.

On November 30, 2012, the Manager became the manager and portfolio manager to the Funds. On January 17, 2013, the Manager acquired 100% of the voting common shares of the Corporation from CAML.

The Corporation was formed under the *Canada Business Corporations Act* by articles of incorporation dated October 13, 1999, as amended by articles of amendment dated July 18, 2000, May 16, 2001, December 11, 2001, January 11, 2002, December 5, 2002, May 15, 2003, April 26, 2004, September 2, 2004, December 22, 2004, March 29, 2005, February 10, 2006, January 29, 2007, October 24, 2007, January 18, 2008, February 26, 2008, January 29, 2009, November 6, 2009, June 23, 2011, January 20, 2012, November 16, 2012, November 23, 2012 and December 5, 2012. The amendments provided for the acquisition of the various limited partnership assets noted below and resultant matters, conversion of shares, creation of classes and series of shares and their features and to change the name of the Corporation.

Although initially incorporated in 1999, the Corporation became “active” on January 15, 2002 with the acquisition of the assets of Creststreet 2000 Limited Partnership, a public limited partnership established under the laws of the Province of Ontario to invest in flow-through shares of issuers engaged in resource exploration and development in Canada. The assets of Creststreet 2000 Limited Partnership were transferred to the Corporation in exchange for shares of the Resource Fund.

On January 17, 2003, the Corporation acquired all of the assets of each of Creststreet 2001 Limited Partnership, and Creststreet 2001 (II) Limited Partnership in exchange for shares of the second series of the Resource Fund. The outstanding shares of the second series were converted on a one-for-one basis into the Series A shares of the Resource Fund on September 30, 2003.

On January 23, 2004, the Corporation acquired all of the assets of Creststreet 2002 Limited Partnership in exchange for shares of the 2004 Series of the Resource Fund. The outstanding shares of the 2004 Series were converted on a NAV-equivalent tax-deferred basis into Series A shares of the Resource Fund as at September 30, 2004.

On January 21, 2005, the Corporation acquired all of the assets of each of Creststreet 2003 Limited Partnership and Creststreet 2003 (II) Limited Partnership in exchange for shares of the 2005 Series of the Resource Fund. The outstanding shares of the 2005 Series were converted on a NAV-equivalent tax-deferred basis into Series A shares of the Resource Fund as at September 30, 2005.

On January 20, 2006, the Corporation acquired all of the assets of Creststreet 2004 Limited Partnership in exchange for shares of the 2006 Series of the Resource Fund. The outstanding shares of the 2006 Series were converted on a NAV-equivalent tax-deferred basis into Series A shares of the Resource Fund as at September 30, 2006.

On January 19, 2007, the Corporation acquired all of the assets of Creststreet 2005 Limited Partnership in exchange for shares of the 2007 Series of the Resource Fund. The outstanding shares of the 2007 Series were

converted on a NAV-equivalent tax-deferred basis into Series A shares of the Resource Fund as at September 30, 2007.

On January 18, 2008, the Corporation acquired all of the assets of Creststreet 2006 Limited Partnership and Creststreet 2006 (II) Limited Partnership in exchange for shares of the 2008 Series of the Resource Fund. The outstanding shares of the 2008 Series were converted on a NAV-equivalent tax-deferred basis into Series A shares of the Resource Fund as at September 30, 2008.

On May 28, 2010, the Corporation acquired all of the assets of Creststreet 2008 Limited Partnership and Creststreet 2009 Limited Partnership in exchange for shares of the 2010 Series of the Resource Fund. The assets of Creststreet 2009 Limited Partnership were transferred to the Corporation in exchange for shares of the 2010 Series of the Resource Fund. The outstanding shares of the 2010 Series were converted on a NAV-equivalent tax-deferred basis into Series A shares of the Resource Fund as at May 31, 2011.

On January 20, 2012, the Corporation acquired all of the assets of Creststreet 2010 Flow-Through Limited Partnership in exchange for shares of the 2012N Series and 2012Q Series of the Resource Fund as applicable. The outstanding shares of the 2012N Series and 2012Q Series were converted on a NAV-equivalent tax-deferred basis into Series B shares of the Resource Fund on September 28, 2012.

On November 16, 2012, the Corporation acquired all of the assets of Creststreet 2011 Flow-Through Limited Partnership in exchange for shares of the 2013N series and 2013Q series of the Resource Fund as applicable. The outstanding shares of the 2013N series and 2013Q series were converted on a NAV equivalent tax-deferred basis into Series B shares of the Resource Fund on March 4, 2013.

On November 16, 2012, the Corporation acquired all of the assets of Creststreet 2011 (II) Flow-Through Limited Partnership in exchange for shares of the 2013N(II) series and 2013Q(II) series of the Resource Fund as applicable. The outstanding shares of the 2013N(II) series and 2013Q(II) series were converted on a NAV equivalent tax-deferred basis into Series B shares of the Resource Fund on March 4, 2013.

Each of the above limited partnerships was a public limited partnership established under the laws of the Province of Ontario to invest in flow-through shares of issuers engaged in resource exploration and development in Canada.

Prior to June 22, 2010, the Dividend & Income Fund was known as the Creststreet Managed Equity Index Fund. On June 22, 2010, shareholders of that Fund voted to approve a change in the fundamental investment objective of the Fund and a change in the fees charged by the Manager of the Fund, including the introduction of a performance fee. The name of the Fund was also changed to "Creststreet Dividend & Income Fund" to reflect the change in fundamental investment objective.

On August 29, 2012, CAML, the former manager of the Funds, announced that Brompton Funds Limited would be acquiring the rights to provide management and administrative services and portfolio management services to the Funds and the voting shares of the Corporation resulting in a change of control of the Corporation.

On November 8, 2012, at a meeting of shareholders of each series of the Funds, shareholders approved: a change in manager from CAML to Brompton Funds Limited; a merger of Creststreet Alternative Energy Class into the Resource Fund; and an increase to the frequency with which the NAV of each of the Funds is calculated such that the NAV of the Funds would be calculated on every day that the Toronto Stock Exchange is open for business.

On November 23, 2012, the shareholders of each series of Creststreet Alternative Energy Class received shares of the equivalent series of the Resource Fund determined on a dollar-for-dollar basis.

On November 30, 2012, the Manager acquired the rights to provide management and administrative services and portfolio management services to the Funds. On January 17, 2013, the Manager acquired 100% of the voting shares of the Corporation.

PricewaterhouseCoopers LLP replaced KPMG LLP as the auditor of the Funds effective December 17, 2012. The change of auditor was approved by the previous independent review committee of the Funds.

## **2.0 INVESTMENT RESTRICTIONS AND PRACTICES**

Each Fund has adopted the standard mutual fund investment restrictions and practices contained in securities legislation, including NI 81-102. These are designed in part to ensure that the investments of the Funds are diversified and relatively liquid and to ensure the proper administration of the Funds. The Funds are managed in accordance with these restrictions and practices.

The fundamental investment objectives of a Fund may not be changed without first obtaining approval of a majority of the votes of the shareholders of the Fund at a meeting to consider the change. The board of directors of the Corporation can make other changes to the investment objectives, strategies and activities of a Fund without the consent of shareholders and subject to any required approval of the Canadian securities regulators.

The Corporation will not engage in any undertaking other than the investment of its funds in property in accordance with the requirements of the Income Tax Act. The Corporation did not deviate from the relevant requirements in the past year.

The Corporation currently qualifies and is expected to continue to qualify as a mutual fund corporation under the Income Tax Act. The Corporation is a registered investment under the Income Tax Act. Accordingly, shares of the Funds are qualified investments for registered retirement savings plans (“RRSP”), registered retirement income funds (“RRIF”), registered education savings plan (“RESP”), deferred profit sharing plan (“DPSP”), tax free savings account (“TFSA”) and registered disability savings plans (“RDSP”) (collectively, “Registered Plans”). Holders of TFSAs and annuitants of RRSPs and RRIFs should consult their own tax advisors as to whether shares are “prohibited investments” for their TFSA, RRSP or RRIF. During 2012, the Funds did not deviate from the rules under the Income Tax Act that apply to the status of shares qualifying for inclusion in such plans.

### **2.1 Exceptions to Standard Investment Restrictions and Practices**

The Funds are not operating under any current exemptions.

## **3.0 DESCRIPTION OF SECURITIES**

### **3.1 Series of Shares**

Each Fund is a class of shares of the Corporation, issuable in series. The interest of each shareholder in a Fund is shown by how many shares are registered in the name of such shareholder. There is no limit to the number of shares of each Fund that can be issued and there is no fixed issue price.

The authorized capital of the Corporation consists of one common share, which is held by the Manager and 1,000 classes of special shares issuable in series (the special shares are sometimes referred to herein as



“mutual fund shares”). The first class of outstanding special shares is designated as the Resource class and the second class is designated as the Dividend & Income class. The Corporation may in the future create and issue shares of other classes of special shares and thereby create new public or private funds.

Each Fund has designated the following series of shares to be offered under this AIF:

<b><u>Fund</u></b>	<b><u>Series</u></b>
Resource Fund	Series A, Series B and Series F
Dividend & Income Fund	Series A, Series B and Series F

The Manager may in the future create new series of shares of the Funds.

Certificates representing shares of the Corporation will be issued only on the request in writing of a shareholder to the Manager.

The shares of each series of mutual fund shares of a Fund, each series of mutual fund shares of a Fund has identical rights, privileges, restrictions and conditions as all other series of mutual fund shares of the Fund.

Mutual fund shares of each of the Funds have the following attributes:

- (a) the shares have no voting rights except as described below;
- (b) the shares are redeemable at the option of the holder;
- (c) on the termination of a Fund, the assets of the Fund will be distributed and all shareholders in the Fund will share in the value of the Fund in accordance with the NAV of each series;
- (d) there are no pre-emptive rights;
- (e) the shares of a Fund cannot be transferred except in limited circumstances;
- (f) there is no liability for further calls or assessments; and
- (g) a fractional share of a Fund carries the rights and privileges and is subject to the restrictions and conditions applicable to whole shares in the proportion which it bears to one share, except that a fractional share does not entitle its holder to a vote.

No shareholder holds any assets of a Fund. Shareholders have those rights described in this AIF, the simplified prospectus and as created in the articles of the Corporation.

### **3.2 Common Share**

The common share is redeemable at the option of the holder at a redemption price equal to: (A) for redemptions at a time when any shares of any class other than the common share are outstanding, \$1.00; and (B) for redemptions at a time when no shares of any class other than the common share are outstanding, the net asset value of the Corporation on the date on which payment for the common share being redeemed is made; plus in each case any unpaid dividends or other distributions declared payable thereon with a record date on or before the date on which the common share is redeemed. A fractional share carries the rights and privileges and is subject to the restrictions and conditions applicable to whole shares in the proportion which it bears to one share. The common share of the Corporation is entitled to one vote and to receive any dividend

declared with respect to the common share by the Corporation. The common share and the mutual fund shares are fully paid and non-assessable when issued.

The rights, privileges, restrictions and conditions attached to the shares of the Corporation may be modified, amended or varied by articles of amendment, the application for which must be authorized by a special resolution passed at a meeting of shareholders of the Corporation duly called for considering the same, by the affirmative vote of the holders of not less than 66 <sup>2/3</sup>% of all the outstanding shares represented and voted at such meeting in addition to such other vote as may be required by the CBCA. Neither the holders of mutual fund shares nor the holder of the common share are entitled to vote separately as a class or as a series of a class, or to exercise dissent rights, with respect to any amendment of the articles of the Corporation to increase or decrease any maximum number of authorized shares of such class or series or to increase any maximum number of authorized shares of a class or series having rights or privileges equal or superior to the shares of such class or series, effect an exchange, reclassification or cancellation of all or part of the shares of that class or series or to create a new class or series of shares equal to or superior to the shares of that class or series.

### **3.3 Meetings of Shareholders**

Subject to certain exceptions, the changes outlined below cannot be made to a Fund unless approved by a majority of holders of mutual fund shares of the Fund voting thereon:

- (a) a change in the basis of calculation, or the introduction, of a fee or expense that is charged to a Fund or directly to its securityholders in a way that could result in an increase in charges to the Fund or to its securityholders;
- (b) a change in the manager of the Fund (other than to an affiliate of the Manager);
- (c) a change in the fundamental investment objectives of a Fund;
- (d) a Fund's reorganization with, or transfer of its assets to, another mutual fund or the Fund's acquisition of another mutual fund's assets if this latter transaction would be a "material change" (as defined in NI 81-102) to the Fund; or
- (e) a decrease in the frequency of the calculation of the net asset value per security of a Fund.

At any meeting of mutual fund shareholders, each mutual fund shareholder will be entitled to one vote for each whole mutual fund share registered in the shareholder's name. Shareholders of a series of a Fund are not entitled to vote on a matter referred to above if they, as shareholders of that series of shares, are not affected by the matter.

Shareholders of a series of a Fund will vote separately, as a series of a Fund, on a matter referred to above if that series of a Fund is affected by the action in a manner different from shareholders of other series of a Fund.

With respect to a change in auditors of the Funds, although shareholder approval will not be obtained, shareholders will be sent a written notice at least 60 days before the effective date of the change.

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

The NAV per Share of a series of a Fund at any particular time will be the quotient obtained by dividing the net asset value of the Fund attributable to such series by the total number of shares of such series outstanding

at such time. The net asset value of a Fund attributable to a series shall equal the market value of the assets of the Fund attributable to such series less the liabilities of the Fund attributable to such series.

The market value of an asset of a Fund on any given date shall be determined by reference to the following principles:

- (a) the value of any security which is listed on a stock exchange will be the closing sale price on such date or, if there is no sale price, the average of the closing bid and the closing asked prices on such date, all as reported by any report in common use or authorized by such stock exchange;
- (b) the value of any security which is traded on an over-the-counter market will be the average of the closing bid and the closing asked prices on such date, all as reported by the financial press;
- (c) the value of any share or unit of a mutual fund will be the net asset value for such share or unit on such date, after deduction of any applicable redemption fee;
- (d) the value of any warrant is determined in accordance with the Black Scholes pricing methodology;
- (e) the value of any security in respect of which there is a resale restriction shall be discounted by the same rate as was applicable at the time of purchase of such security until such restriction is lifted, such rate to be determined by the Manager, provided however, that the discount may be tapered on the basis determined by the Manager where the restriction is to be lifted on a specific date; and
- (f) the value of any security or other asset for which a market quotation is not readily available will be its market value on such date as determined by the Manager.

NI 81-106 requires an investment fund, such as a Fund, to calculate its net assets in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). Canadian GAAP was recently modified by the introduction of section 3855 Financial Instruments - Recognition and Measurement of the handbook of the Canadian Institute of Chartered Accountants. Section 3855 redefines fair value as being the closing bid price for long positions and the closing ask price for short positions, in lieu of the closing or last trade price for all positions. Section 3855 applies to interim and annual financial statements for fiscal years beginning on or after October 1, 2006. Therefore, the combined effect of NI 81-106 and section 3855 would require a Fund to determine the value of securities listed on a recognized public securities exchange using the fair value as defined by section 3855. However, NI-81-106 permits investment funds, such as a Fund, to calculate its net asset value in accordance with Canadian GAAP without giving effect to section 3855 for purposes other than issuing annual or interim financial statements, such as the issue and redemption of shares of the Fund. Financial statements of a Fund will contain a reconciliation of the NAV per share of each series of a Fund that is reported in such financial statements in accordance with Canadian GAAP to the NAV per Share of each series of a Fund used by a Fund for all other purposes.

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

When you buy shares of a series of a Fund you pay the price or NAV per share, plus any applicable sales charges. When you redeem (sell) shares, you receive the NAV per share, less any applicable redemption charges. The NAV per share for a Fund can be found on our website at [www.bromptongroup.com](http://www.bromptongroup.com) and is available on request, at no cost to you, by calling (416) 642-6000, toll-free 1-866-642-6001, by writing to Suite 2930, Box 793, Bay Wellington Tower, Brookfield Place, 181 Bay Street, Toronto, Ontario, M5J 2T3 or by e-mailing [info@bromptongroup.com](mailto:info@bromptongroup.com).

All transactions are based on NAV per share. Provided that the determination of the NAV per Share of each series of a Fund has not been suspended, we calculate NAV for each series of a Fund after the close of the TSX on each Valuation Date. At a shareholders meeting held on November 8, 2012, shareholders approved a resolution to calculate the NAV of the Resource Fund on a daily basis and this change was effective on February 1, 2013.

The NAV of a series of a Fund is calculated by adding the market value of the assets of the Fund attributable to such series less the liabilities of the Fund attributable to such series. The NAV per share of a series of a Fund at any particular time will be the quotient obtained by dividing the net asset value of the Fund attributable to such series by the total number of shares of such series outstanding at such time.

Common expenses of the Corporation are shared by all classes (*i.e.* each Fund) and series and are allocated on an equitable basis among the classes and series. These expenses include income taxes and refundable capital gains taxes. The Manager has the right, however, to allocate expenses to a particular class (*i.e.* a Fund) or series where it is reasonable to do so.

## **6.0 PURCHASES AND SWITCHES**

### **6.1 General**

Mutual fund shares of each Fund are offered for sale on a continuous basis through registered dealers. In the provinces in which the mutual fund shares of each Fund are offered, purchase orders must be placed with Dealers registered in such investor's province of residence.

### **6.2 About Different Types of Shares**

Each Fund offers Series A, Series B and Series F shares. Series F shares are available to investors who have entered into a fee based program through their Dealer. A Dealer's participation in the Series F program is subject to our terms and conditions.

### **6.3 Purchase Price**

Shares of each series of a Fund may be purchased on any Trade Date at their NAV per Share from time to time, computed as described under sections 4.0 and 5.0. The purchase price per share is the NAV per Share next determined following receipt by the Fund of a complete subscription. The cut-off time for receipt of subscriptions is 4:00 pm Eastern time, except that on days that the TSX closes early, the cut-off time is such earlier closing time. Any subscription received on a Trade Date after the cut-off time or on any day that is not a Trade Date is deemed to have been received on the following Trade Date. Effective February 1, 2013, the Resource Fund calculates its NAV on a daily basis. As a result, commencing on February 1, 2013 both the Resource Fund and the Dividend & Income Fund permit daily purchases, redemptions and switches.

### **6.4 Purchases**

The Manager does not charge a fee or commission when an investor buys mutual fund shares. When buying shares, investors negotiate the sales commission paid directly with a Dealer. A Dealer will generally deduct the sales commission and forward to the Manager the net amount of the order to be invested in the Fund or Funds selected.

Unless requested by a shareholder in writing to the Manager, a certificate is not issued when buying shares of a Fund, but a Dealer will send a confirmation which is proof of purchase. A record of the number of shares owned and their value will appear on the next account statement.

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

This program allows investors to establish a regular investment program in which Fund shares may be purchased regularly in pre-designated amounts which are automatically deducted from the investor's bank account.

A Pre-authorized chequing plan ("PAC Plan") allows an investor to make regular investments of at least \$100 per month in one or more of the Funds on a weekly, bi-weekly, monthly, semi-annual or annual basis. There are no fees associated with a PAC Plan other than any sales charges associated with the Fund an investor has chosen to invest in.

Funds will automatically be withdrawn directly from a bank account and invested in the Fund or Funds specified. An investor may be charged a fee of up to \$50 for having non-sufficient funds at the time of the scheduled PAC Plan withdrawal.

At the time an investor enrolls in the PAC Plan they will receive a copy of the simplified prospectus of a Fund, and any amendments thereto, in connection with the purchases of securities under the PAC Plan. Thereafter an investor will only be sent an annual renewal prospectus and any amendment thereto upon request. These documents can be found on the Manager's website at [www.bromptongroup.com](http://www.bromptongroup.com) or [www.sedar.com](http://www.sedar.com).

An investor may change or terminate participation in a PAC Plan at any time before a scheduled investment date by submitting a request to the Manager in writing.

An investor has a statutory right to withdraw from an initial purchase of a Fund under the PAC Plan but does not have a statutory right to withdraw from subsequent purchases of a Fund under the PAC Plan. However, investors continue to have all other statutory rights under securities laws, including a misrepresentation right whether or not a current prospectus had been requested.

#### **6.5 Minimum Amount You Can Invest**

The first purchase of shares of any series of a Fund must be at least \$1,000. Each purchase thereafter must be at least \$100. These minimums do not apply in respect of a Limited Partnership Rollover Transaction.

#### **6.6 Switches from One Fund to Another Fund**

Shares may be switched from one Fund to another Fund on a Trade Date by contacting a Dealer (except that shares of the Resource Fund acquired in connection with a Limited Partnership Rollover Transaction may not be switched before the date on which such shares may be first redeemed). A switch is a transfer of investment money from one Fund to another. Investors must maintain a minimum account balance of \$1,000 and must switch at least \$1,000 worth of securities.

When an order is received to switch, the Manager will exchange, on a tax-deferred "rollover" basis, shares of the current Fund for shares of the new Fund. See section 11.0 for Income Tax Considerations.

The movement of your investment money from one Fund to another Fund within the Corporation, as described above, will not result in a capital gain or loss. In certain circumstances, the switch may accelerate the time at which the Corporation realizes gains and pays capital gains dividends.

If an investor switches shares of a Fund to shares of another Fund or if they switch the type of account in which they hold shares (for example, switching from an investment account to an RRSP), a Dealer may charge fees.

### **6.7 Switches from One Series of a Fund to Another Series of the Same Fund**

At the Manager's discretion, an investor can switch their shares of one series to shares of another series of the same Fund by contacting their Dealer. Switching shares from one series to another series of the same Fund is not a disposition for tax purposes.

### **6.8 Processing Orders**

All orders for mutual fund shares are forwarded to the registered office of the Funds for acceptance or rejection and each Fund reserves the right to reject any order in whole or in part. Dealers must transmit an order for shares to the Record Keeper. They must make such transmittal wherever practical by same day courier, priority post or telecommunications facility. The decision to accept or reject any order for mutual fund shares will be made within one business day of receipt of the order by the Fund. In the event that any purchase order is rejected, all monies received with the order are returned immediately to the subscriber. Payment for all orders of mutual fund shares must be received at a Fund's registered office on or before the settlement date - currently the third business day from (but not including) the day the subscription price for the mutual fund shares so ordered is determined.

All orders placed are settled within the time periods described above. Where payment of the subscription price is not received on a timely basis, the Manager, on behalf of the Fund, redeems the mutual fund shares ordered by the cut-off time on the first business day following such period. The redemption proceeds reduce the amount owing to the Fund in respect of the failed purchase transaction. If the difference is favourable to the Fund, the Fund keeps the difference. If there is a shortfall, the Dealer making the order for mutual fund shares pays to the Fund the amount of the shortfall. The Dealer may then be able to collect such amount, together with its costs and interest from the investor on whose behalf the application was placed, depending on its arrangements with the investor. Where no Dealers have been involved in processing a purchase order, the Manager is entitled to collect the amounts described above from the investor who has failed to remit payment.

### **7.0 REDEMPTION OF SECURITIES**

An investor may redeem (sell) shares of a Fund at NAV on any Trade Date. In order to redeem shares of a Fund, an investor or their Dealer must forward the redemption order to the Recordkeeper. Unless a redemption order is received by us before 4:00 p.m. Eastern time on a Trade Date, it will be processed for redemption on the next Trade Date.

If all documents needed to process the redemption request are not received the Manager is required to notify the investor that their redemption order is incomplete by the close of business on the next business day. If, within 10 business days, the Manager still has not received all the documentation, the Manager is required to repurchase the shares. If the repurchase amount is less than the redemption proceeds, the Fund will keep the difference. If the repurchase amount is greater than the redemption proceeds, the Dealer must pay the Fund the difference and the Dealer may have the right to collect it from the investor.

Redemption proceeds will be paid within three business days after the Trade Date on which the redemption request is processed.

There are no redemption charges payable by an investor for redeeming shares of a Fund. However, a short-term trading fee may be payable by an investor and reduce the redemption proceeds if they engage in short-term trading. See section 10.4.

## **7.1 Suspension of Redemptions**

Under exceptional circumstances we may be unable to process your redemption order. This would occur if Canadian securities regulators allow us to suspend your right to redeem, for example:

- (a) if normal trading is suspended on a stock exchange, options exchange or futures exchange within or outside Canada on which securities are listed and posted for trading, or on which specified derivatives are traded, if those securities or specified derivatives represent more than 50% by value, or underlying market exposure, of the total assets of a Fund, without allowance for liabilities, and if those securities or specified derivatives are not traded on any other exchange that represents a reasonably practical alternative for a Fund; or
- (b) with the approval of the relevant securities regulatory authorities if required, or as otherwise required or permitted under applicable securities laws.

## **8.0 RESPONSIBILITY FOR OPERATIONS OF THE FUNDS**

### **8.1 Manager**

On November 30, 2012 the Manager became the manager and portfolio manager to the Funds.

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 Funds, 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 also as an exempt market dealer in British Columbia, Alberta and Quebec.

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

#### **8.1.2 Management Agreement**

The Management Agreement was renewed automatically for an additional five-year term on May 31, 2012 and will continue to be renewed automatically every five years unless notice of termination is given by either party. The Management Agreement will be terminated on the insolvency or bankruptcy of the Manager and may be terminated by either the Manager or the Corporation on 90 days' written notice.

### 8.1.3 Directors, Officers and Portfolio Managers of the Manager

The names, municipalities of residence, offices held with the Manager and principal occupations of the directors, officers and portfolio managers of the Manager are as follows:

<b>Name and Municipality of Residence and Position with the Manager</b>	<b>Principal Occupation and Positions Held During the Last 5 Years</b>
PETER A. BRAATEN <sup>(1)</sup> Toronto, Ontario Director	Director, Brompton Funds since April 2006
MARK A. CARANCI <sup>(1)</sup> Toronto, Ontario President, Chief Executive Officer and Director	President and Chief Executive Officer, Brompton Funds since April 2007.
RAYMOND R. PETHER <sup>(1)</sup> Toronto, Ontario Director	Director, Brompton Funds since April 2006.
CRAIG T. KIKUCHI Toronto, Ontario Chief Financial Officer	Chief Financial Officer, Brompton Funds since April 2006.
ANN WONG Toronto, Ontario Vice President and Controller	Vice President, Brompton Funds since October 2007; Controller, Brompton Funds since October 2005.
CHRISTOPHER CULLEN Toronto, Ontario Senior Vice President	Senior Vice President, Brompton Funds since May 2010; Vice President, Brompton Funds from October 2007 to May 2010.
LAURA LAU Toronto, Ontario Senior Vice President and Senior Portfolio Manager	Senior Vice President and Senior Portfolio Manager, Brompton Funds since February 2012; Senior Portfolio Manager, Sentry Investments Inc. from May 2008 to November 2011; Senior Portfolio Manager, Sentry Select Capital Corp. from July 2006 to January 2009.
MICHAEL CLARE Toronto, Ontario Vice President and Portfolio Manager	Vice President & Portfolio Manager, Brompton Funds since December 2012; Vice President and Portfolio Manager, Creststreet Asset Management Limited from June 2008 to November 2012; Manager, Deloitte & Touché LLP from September 2003 to May 2008.
MICHELLE TIRABORELLI Toronto, Ontario Vice President	Vice President, Brompton Funds since February 2011; Assistant Vice President, Brompton Funds from September 2010 to February 2011; Investment Advisor, BMO Nesbitt Burns from March 2009 to August 2010.
JASON GOLETZ Toronto, Ontario Vice President	Vice President, Sales and Marketing, Brompton Funds since May 2012; Director of Sales, Qwest Investment Management from March 2009 to May 2012; National Branch Development Manager, Integral Wealth Services from January 2008 to March 2009.



**Name and Municipality of Residence and Position with the Manager****Principal Occupation and Positions Held During the Last 5 Years**

NEIL LIPMAN Toronto, Ontario Vice President	Regional Vice President, Sales, Brompton Funds since December 2012; Regional Vice President, Sales, Creststreet Asset Management Limited from March 2011 to November 2012; Vice President, Client Relationships, Kingwest & Company from October 2010 to March 2011; Assistant Vice President, Sales, NEI Investments from November 2002 to October 2010.
KATHRYN BANNER Toronto, Ontario Assistant Vice President	Assistant Vice President, Brompton Funds since February 2011; Senior Manager, Brompton from August 2007 to February 2011.

Note:

<sup>(1)</sup> Member of the audit committee.

### 8.1.4 Directors and Officers of the Corporation

The directors and officers of the Corporation are also directors and officers of the Manager. See section 8.1.3.

### 8.2 Investment Advisor

The Manager is responsible for the investment management of the Funds in accordance with the Management Agreement and the investment objectives, investment guidelines and subject to the investment restrictions of the Corporation. The principal portfolio managers who are responsible for the investment management of the Corporation are as follows:

<b>Name and Title</b>	<b>Length of Service and Experience in the Past 5 Years</b>
LAURA LAU Toronto, Ontario Senior Vice President & Senior Portfolio Manager	Ms. Lau joined Brompton in February 2012 and has over 19 years experience in the financial industry. She has had over 8 years experience as a portfolio manager and in the trading and management of derivatives.
MICHAEL CLARE Toronto, Ontario Vice President & Portfolio Manager	Mr. Clare joined Brompton in December 2012 and has more than 3 years experience as a portfolio manager and assists Ms. Lau with research including with respect to the option writing strategy of the Corporation.

Ms. Lau oversees the portfolio management of the Funds. Investment decisions are not subject to the oversight, approval or ratification of a committee. The ultimate responsibility for all decisions and their consequences resides with Ms. Lau.

#### 8.2.1 Brokerage Arrangements

The primary consideration in all securities transactions for the Funds will be prompt execution of orders in an efficient manner at the most favourable price. In selecting and monitoring dealers and negotiating commissions, the Manager considers the dealer's reliability and the quality of its execution services on a continuing basis. Brokerage transactions may also be allocated to dealers affiliated with the Manager, on terms, including fees and commissions, not less favourable than would be offered to other similar clients of such affiliated dealers.

From time to time the Manager may enter into brokerage arrangements whereby a portion of the commissions paid by the Funds are used to obtain research and/or execution goods and services that directly benefit the

Funds. These arrangements include both transactions with dealers who will provide proprietary research and/or execution goods and services and transactions with dealers where a portion of the brokerage commissions will be used to pay for third party research and/or execution goods and services. There are currently no such brokerage arrangements.

The services provided may include industry and company analysis, economic analysis, statistical data about capital markets or securities, analysis or reports on issuer performance, industries, economic or political factors and trends, and other services related to investment decision-making, including databases or software to deliver or support those services. Order execution goods and services may include any good or service designed to enhance the speed or accuracy of executing a portfolio transaction.

The Manager must ensure that in selecting a registered dealer and in using commissions it achieves a fair and reasonable result for the Funds and is acting in the best interests of the Funds. The Manager will use a good faith determination as to whether the Funds receive a reasonable benefit considering both the use of the research goods and services and/or order execution goods and services and the amount of the commission payable, using best execution as the primary factor.

Since the date of the last AIF of the Funds, services provided to Creststreet Asset Management Limited, the former manager, included the provision of research and order execution services.

The name of any dealer or third party that provides research and/or goods or services through a brokerage arrangement to the Manager on behalf of the Funds will be provided upon request by calling (416) 642-6000, toll-free 1-866-642-6001 or by e-mailing [info@bromptongroup.com](mailto:info@bromptongroup.com).

### **8.3 Custodian**

RBC Investor Services Trust has been appointed as custodian of the Funds to hold portfolio securities of the Funds, pursuant the Custodian Agreement. The Custodian may, in accordance with the terms of the Custodian Agreement, appoint sub-custodians and enter into sub-custodian agreements. The address of the Custodian is 155 Wellington Street West, Toronto, Ontario M5V 3L3.

### **8.4 Auditor**

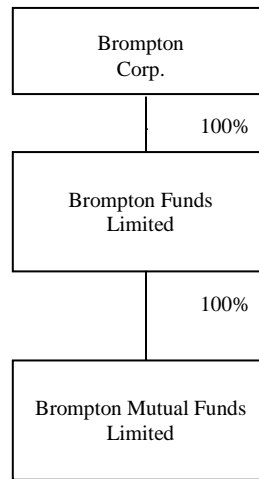
The auditor of the Funds is PricewaterhouseCoopers LLP located in Toronto, Ontario.

### **8.5 Valuation Agent and Recordkeeper**

The valuation agent and record keeper of the shares of the Funds is RBC Investor Services Trust. The NAV per Share of each Fund is calculated by the valuation agent at its principal office in Toronto, Ontario. The share transfer registers of the Funds are kept by the Recordkeeper at its principal office in Toronto, Ontario.

## 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 and the Manager owns of record and beneficially 100% of the common shares of the Corporation.

The Manager is the holder of one outstanding common share of the Corporation, being all of the outstanding voting shares of the Corporation.

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 Funds. The Manager acts as the investment advisor or administrator for other funds and may in the future act as the investment advisor to other funds which are considered competitors of the Fund. The services of the Manager are not exclusive to the Funds.

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

To the knowledge of the Corporation except as stated below, as at May 31, 2013, no person or company owned of record or beneficially, directly or indirectly, more than 10% of the outstanding shares of any series of a Fund other than as set out below. To protect the privacy of individual investors, the names of beneficial owners have been omitted. The information is available on request by contacting Brompton at [info@bromptongroup.com](mailto:info@bromptongroup.com)

## 10% shareholders in Brompton Dividend & Income Fund

Name	Series	Number of Shares	Percentage of Series
The Trinity International Investment Trust	A	68,388.71	21.55%
Individual Investor 1	A	53,149.66	16.75%
Individual Investor 2	F	4,799.00	21.99%
Individual Investor 3	F	3,885.39	17.81%
Individual Investor 4	F	3,230.31	14.80%
Individual Investor 5	F	2,511.59	11.51%

## 10% shareholders of Brompton Resource Fund

Name	Series	Number of Shares	Percentage of Series
Individual Investor 6	F	7,006.80	20.10%
Individual Investor 7	F	6,827.11	19.59%
Individual Investor 8	F	4,686.29	13.45%
Individual Investor 9	F	4,613.56	13.24%
Individual Investor 10	F	3,620.43	10.39%

The IRC members in aggregate do not beneficially own, directly or indirectly, more than 10% of the securities of any Fund.

## 9.2 Affiliated Entities

No person or entity that provides services to the Funds or the Manager in relation to the Funds 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 Funds. Each of the directors and officers of the Manager are also directors and officers of Brompton Corp., see section 8.1.3.

## 10.0 FUND GOVERNANCE

Brompton supports good governance practices for its funds. The Corporation has its own board of directors (the “Board”) and audit committee (the “Audit Committee”) which are responsible for the overall stewardship of the business and affairs of the Funds. The Board consists of 3 directors, 2 of whom are not involved in the management of the Funds. Details regarding the names, principal occupations and committee memberships of the Board are set out in section 8.1.3. The Board believes that the number of directors is appropriate.

The 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 Funds. The responsibilities of the Audit Committee include, but are not limited to, review of the Funds’ financial statements and the annual audit performed by PricewaterhouseCoopers LLP (“PWC”), the auditor of the Funds, and oversight of internal controls and of the Funds’ compliance with tax laws and regulations. PWC reports to the Audit Committee and the Audit Committee and has direct communication channels to discuss and review specific issues as appropriate.

The Board is responsible for developing the Funds’ approach to governance issues. To ensure the proper management of the Funds 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, a privacy policy and a proxy voting 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 Funds. The privacy policy dictates the manner in which the Funds, the Corporation and the Manager may collect, use and disclose personal information regarding shareholders. The proxy voting policy is described in section 10.5. 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. The Manager refers all conflict of interest matters relating to the Funds to the IRC which reviews each conflict in accordance with its mandate as discussed in section 10.1.

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 10.1 of this AIF.

The Manager maintains a website for the Funds 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 Shareholders which is (416) 642-6000 or toll-free 1-866-642-6001.

### **10.1 Independent Review Committee**

The members of the IRC are James W. Davie, Arthur R.A. Scace and Ken S. Woolner. 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 a 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 securityholders of the Funds, 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;

- (b) acts in an advisory capacity to the audit committee of the board of directors of the Manager, as more specifically set out in the IRC's charter; and
- (c) 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 investment review committee for other investment funds managed by the Manager.

The IRC is comprised of three members, who were appointed by the Manager in accordance with NI 81-107. Subsequent to the 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 Derivatives Risk Management**

The Funds may invest in over-the-counter derivatives including debt-like securities, swaps, warrants, options, futures and forward contracts and options on future contracts. The use of derivatives by the Funds is described as follows: (i) to hedge risks associated with exiting investments which may be accomplished through the purchase of put options which would guarantee a minimum sale price and, therefore, minimize downside risk; (ii) to replicate the direct holding of equity or debt securities for speculative purposes, or to increase liquidity and efficiency in rebalancing the portfolio by, for example, the purchase of futures contracts to provide similar returns to a direct investment in the underlying equity or debt security, but requiring a significantly smaller initial investment. The Funds are limited in their use of derivatives by the ability to set aside margin to offset the market exposure created by the derivative investments.

The Manager has established written policies and procedures which stipulate the objectives of derivatives trading. Such policies and procedures are reviewed regularly by the Manager's board of directors. The Board will be responsible for reviewing the policies on derivatives trading on an annual basis to ensure the risk management process is robust.

## **10.3 Short Selling Risk Management**

The Funds may engage in short selling from time to time. The Manager has developed written policies and procedures relating to short selling by the Funds (including objectives, goals and risk management procedures). Any agreements, policies and procedures that are applicable to a Fund relating to short selling (including trading limits and controls) will be reviewed by the board of directors of the Manager on an annual basis. The decision to effect any particular short sale will be made by the Manager and reviewed and monitored as part of the Manager's ongoing compliance procedures and risk control measures.

## **10.4 Short-Term Trading**

Short-term trading in shares of the Funds can have an adverse effect on the Funds. Such trading can increase brokerage and other administrative costs of the Funds and interfere with the long-term investment decisions of the Manager. The Manager has adopted certain restrictions to deter short-term trading.

If an investor redeems or switches shares of a Fund within 90 days of purchase, the investor may be subject to a short-term trading fee of 2% of the amount switched or redeemed. All trades determined by the Manager to

be short-term trades will be subject to this fee. This amount will be retained by the Fund and not by the Manager or any distributor. This fee is in addition to any other fees that may apply and will reduce the amount otherwise payable to an investor on the redemption or reduce the amount switched. The Manager may take such additional action as it considers appropriate to prevent further similar activity by the investor. These actions may include the delivery of a warning to the investor, placing the investor on a watch list to monitor his or her trading activity and/or the subsequent refusal of further purchases by the investor if the investor continues to attempt such trading activity.

While these restrictions and monitoring attempt to deter short-term trading, the Manager cannot ensure that such trading will be completely eliminated. The Manager may reassess what is adverse short-term trading in the Funds at any time and may charge or exempt transactions from these fees in its sole discretion.

The restrictions imposed on short-term trading, including the short-term trading fees, will not apply to (i) redemptions initiated by the Manager, (ii) special circumstances as determined by the Manager in its sole discretion and (iii) shares received on the reinvestment of distributions.

### **10.5 Policies on Proxy Voting**

It is the Manager's policy to seek to ensure that proxies for securities held by the Funds are voted consistently and in the best interests of the Funds.

The Funds, through the Manager, have engaged the services of Institutional Shareholder Services ("ISS") to vote the proxies related to the securities held by the Funds in accordance with ISS' 2013 Canadian Proxy Voting Guidelines for TSX-listed Companies (the "Policy").

In the case of routine matters, which include ratification of auditors, the Policy generally allows for voting in favour of management's recommendation unless non-audit related fees paid to the auditor exceed audit-related fees. The Policy outlines the fundamental principles applied when determining votes on director nominees and generally withholds votes from all directors nominated by slate ballot. In respect of non-routine matters including confidential voting, shareholder rights plans, mergers and corporate restructurings, capital restructuring, increases in authorized capital, executive compensation and equity compensation plans, matters are dealt with on a case-by-case basis with the best interests of the Shareholders in mind at all times.

In the event that a vote presents a conflict of interest between the interests of the Shareholders and those of the Manager or any affiliate or associate thereof, the vote will be referred to the IRC for their consideration and advice, although the responsibility for deciding how to vote a Fund's proxies and for exercising the vote remains with the Manager.

The Policy that the Manager follows when voting proxies relating to portfolio securities is available on request, at no cost, by calling (416) 642-6000, toll-free 1-866-642-6001 or by writing to the Manager at Suite 2930, Box 793, Bay Wellington Tower, Brookfield Place, 181 Bay Street, Toronto, ON M5J 2T3.

The Funds' voting record for the most recent period ended June 30 of each year is available free of charge to any Shareholder of the Funds upon request at any time after August 31 of that year. The Funds have made their proxy voting records available on its website at [www.bromptongroup.com](http://www.bromptongroup.com).

### **11.0 INCOME TAX CONSIDERATIONS**

This section describes the principal Canadian federal income tax considerations applicable to the Corporation and to investors who are residents of Canada, who deal with the Corporation at arm's length, who are not affiliated with the Corporation and who hold shares of the Funds as capital property for tax purposes.

This summary takes into account the current provisions of the Income Tax Act and the regulations under the Income Tax Act, all proposals to amend the Income Tax Act and regulations publicly announced prior to the date hereof and the published administrative practices of the Canada Revenue Agency.

This summary is not intended to be exhaustive of all possible income tax considerations. You should consult your own tax advisor for advice with respect to the tax consequences of an investment in the Funds in your particular circumstances.

### **11.1 Tax Status of the Corporation**

The Corporation qualifies as a “mutual fund corporation” for the purposes of the Income Tax Act and the balance of this summary assumes that it will continue to so qualify. The Corporation will not qualify as an “investment corporation” as defined in the Income Tax Act.

All income of the Corporation, including taxable capital gains net of allowable capital losses, will be subject to tax at normal corporate rates. Taxes payable on net realized capital gains are refundable on a formula basis when shares are redeemed or the Corporation elects to pay capital gains dividends. Taxable dividends received by the Corporation from taxable Canadian corporations are subject to a 33<sup>1/3</sup>% tax which is refundable on payment of sufficient taxable dividends by the Corporation. Taxes payable by the Corporation on income from other sources (such as interest, foreign income and distributions of income from royalty trusts and exchange traded funds) are not refundable. Due to deductible expenses and to tax refunds available to the Corporation upon the payment of capital gains dividends and taxable dividends, the Corporation is not expected to have any material net income tax liability in any year.

The Corporation, like any other mutual fund corporation with a multi-class structure, must compute its earnings for tax purposes as a single entity. As a result, dividends paid to an investor in a Fund will differ from the dividends or distributions that would be paid to the investor if the investor invested in a mutual fund that made the same investments but did not have a multi-class corporate structure. For example, if a particular Fund has a net loss or net realized capital loss, that net loss or net realized capital loss may be applied to reduce the income and net realized capital gains of the Corporation as a whole. This will generally benefit investors in other Funds if it reduces the amount of dividends that would otherwise be paid to them since their current income inclusions will be reduced but not the value of their shares in such other Funds. The amount of capital gains dividends paid by a Fund will be affected by the level of redemptions from all Funds as well as accrued gains and losses of the Corporation as a whole. The Corporation may have to dispose of some of its investments because of investors switching from one Fund to another Fund. As a result, more of its accrued gains and losses may be recognized at an earlier time compared with a mutual fund that does not allow for tax-deferred switching. In certain circumstances, this could accelerate the recognition of gains by investors as a consequence of the earlier payment of capital gains dividends.

The Resource Fund will acquire property on a tax-deferred basis on a Limited Partnership Rollover Transaction. The Resource Fund has acquired, and expects to acquire in the future, property on a tax-deferred basis in transactions similar to a Limited Partnership Rollover Transaction (such transactions and a Limited Partnership Rollover Transaction are referred to collectively as “Exchange Transactions”). Property acquired in an Exchange Transaction has included, and will in the future include, “flow-through shares” which have nominal cost to the Corporation for tax purposes and other property having a cost for tax purposes that is less than the fair market value thereof. If the flow-through shares or other properties are identical to other securities held by the Corporation as capital property, the cost of such properties will be averaged. A disposition of such flow-through shares, other properties or identical property, including because of switching by investors from the Resource Fund to another Fund, may result in the recognition of larger capital gains than if Exchange Transactions did not occur.



The Dividend & Income Fund may invest in options, the profit or loss from which will be on income or capital account, depending upon the particular circumstances.

The higher a Fund's portfolio turnover rate in a year, the greater the chance the Corporation will generate gains and losses in the year.

The earnings and tax liability, if any, of the Corporation will be allocated among the Funds in the sole discretion of the Corporation acting reasonably.

## **11.2 Fund Shares Held outside a Registered Tax Plan**

### **11.2.1 Switches**

A switch of shares of one Fund to shares of another Fund will occur on a tax-deferred "rollover" basis so that an investor will not realize a capital gain or capital loss on the switch. The cost of the shares of the new Fund acquired on the switch will be equal to the adjusted cost base of the shares switched from the former Fund. A switch of shares from one series of a Fund to another series of the same Fund will occur on a similar tax-deferred basis.

### **11.2.2 Dividends**

Dividends received by an investor on shares of a Fund must be taken into account in computing the investor's income, whether they are reinvested in additional shares of a Fund or paid in cash.

A dividend will either be a capital gains dividend or a taxable dividend.

A capital gains dividend received by an investor on shares of a Fund will be treated as a capital gain realized by the investor, one-half of which will be included in calculating the investor's income as a taxable capital gain. A "Canadian-controlled private corporation" may be liable to pay an additional refundable tax of  $6\frac{2}{3}\%$  on its "aggregate investment income" for the year which includes taxable capital gains.

If the investor is an individual, a taxable dividend received on shares of a Fund will be subject to the gross-up and dividend tax credit rules including the enhanced gross-up and dividend tax credit applied to dividends designated as "eligible dividends". If the investor is a corporation, other than a "specified financial institution", an amount equal to the taxable dividend received will generally be deductible in computing taxable income. "Specified financial institutions" should consult their own tax advisors. A private corporation or a corporation controlled by or for the benefit of an individual or a related group of individuals will generally be liable to pay a  $33\frac{1}{3}\%$  refundable tax on taxable dividends. A corporation, other than a private corporation or a financial intermediary corporation will generally be subject to a non-refundable 10% tax on taxable dividends.

When an investor purchases shares of a Fund, a portion of the price paid may reflect income and capital gains of the Fund for the year as well as accrued income and capital gains. When dividends are paid out of these amounts, they must be included in the investor's income for tax purposes, even though the Fund earned such amounts before the investor acquired the shares. This could occur if the investor buys shares just before a dividend is declared.

The amount of any payment received by an investor from the Corporation as a return of capital on a share of a Fund will not be included in computing the income of the investor. Instead, such amount will reduce the adjusted cost base of the relevant share to the investor. To the extent that the adjusted cost base of the share to

the investor would otherwise be a negative amount, the investor will be considered to have realized a capital gain at that time equal to such negative amount and the investor's adjusted cost base will be increased by the amount of such deemed capital gain.

### **11.2.3 Dispositions**

An investor must take into account in computing the investor's income any capital gain or capital loss realized on the redemption or other disposition of a share of a Fund.

The investor's capital gain will be the amount by which the redemption price exceeds the adjusted cost base of the share and any reasonable costs of disposition. One-half of the capital gain will be included in calculating income as a taxable capital gain.

A "Canadian-controlled private corporation" may be liable to pay an additional refundable tax of 6<sup>2/3</sup>% on its "aggregate investment income" for the year which includes taxable capital gains.

The adjusted cost base of a share of a Fund will generally be the weighted average cost of all shares of the same series of the Fund owned by the investor, including shares purchased on the reinvestment of dividends. Shares received on the reinvestment of a dividend will have a cost equal to the amount of the dividend. Any sales charge paid in respect of a purchase of shares will generally be included in the cost of the investor's shares for these purposes. The adjusted cost base of an investor's shares will be reduced by the amount of any distributions to the investor that are returns of capital.

If the redemption price is less than the aggregate of the adjusted cost base of the share and any reasonable costs of disposition, the investor will realize a capital loss. Generally, one-half of the investor's capital loss can be deducted against the investor's taxable capital gains.

If the investor is a corporation, a trust of which a corporation is a beneficiary or a partnership of which a corporation is a member, in certain circumstances the amount of the investor's capital loss on the disposition of a share may be reduced by taxable dividends previously received on the share (or on other shares of the Corporation switched for that share). These rules may also apply where a trust or partnership is a member of a partnership or a beneficiary of a trust that owns shares of a Fund.

In certain situations where an investor disposes of shares of a Fund and would otherwise realize a capital loss, the loss will be denied. This may occur if the investor, the investor's spouse or another person affiliated with the investor (including a corporation controlled by the investor) has acquired shares of the same Fund within 30 days before or after the investor disposes of the investor's shares, which are considered to be "substituted property". In these circumstances, the investor's capital loss may be deemed to be a "superficial loss" and denied. The amount of the denied capital loss will be added to the adjusted cost base to the owner of the shares which are substituted property. In certain circumstances where a trust, corporation or partnership disposes of shares of a Fund and would otherwise realize a capital loss, recognition of the capital loss may be "suspended". This may occur if the trust, corporation, partnership or a person affiliated with the trust, corporation or partnership has acquired shares of the same Fund within 30 days before or after the shares are disposed of, which are considered to be "substituted property".

### **11.2.4 Alternative Minimum Tax**

Individuals may be subject to alternative minimum tax. Capital gains, capital gains dividends and taxable dividends may give rise to liability for such minimum tax.

### **11.2.5 Other Considerations**

We will issue tax statements to each investor each year indicating the amount of returns of capital, taxable dividends and capital gains dividends paid by the Corporation to the investor. Investors should keep detailed records of the purchase cost, sales charges, returns of capital and dividends related to their Fund shares in order to calculate the adjusted cost base of their shares. Investors may wish to consult their own tax advisors to assist with these calculations.

### **11.2.6 Fund Shares Held in a Registered Tax Plan**

The Corporation is a registered investment under the Income Tax Act and shares of the Funds are qualified investments for Registered Plans. Notwithstanding that shares of the Funds may be a qualified investment for a trust governed by a TFSA, RRSP or RRIF, if shares are a "prohibited investment" for the purposes of a TFSA or an RRSP or RRIF, the holder of a TFSA or the annuitant under an RRSP or RRIF, as the case may be, will be subject to a penalty tax as set out in the Income Tax Act. Shares will generally not be a "prohibited investment" for trusts governed by a TFSA, RRSP or RRIF unless the holder of the TFSA or the annuitant under the RRSP or RRIF, as applicable, (i) does not deal at arm's length with the Corporation for purposes of the Income Tax Act, (ii) has a "significant interest" as defined in the Income Tax Act in the Corporation, or (iii) has a "significant interest" as defined in the Income Tax Act in a corporation, partnership or trust with which the Corporation does not deal at arm's length for purposes of the Income Tax Act. Proposed amendments to the Income Tax Act released on December 21, 2012 (the "December 2012 Proposals") propose to delete the condition in (iii) above. In addition, pursuant to the December 2012 Proposals, shares will generally not be a "prohibited investment" if shares are "excluded property" as defined in the December 2012 Proposals for trusts governed by a TFSA, RRSP or RRIF.

Holders or annuitants should consult their own tax advisors with respect to whether shares of the Funds would be prohibited investments, including with respect to whether such shares would be "excluded property" as defined in the December 2012 Proposals.

A registered plan will not be subject to tax on taxable dividends and capital gains dividends paid by a Fund, nor on any capital gains it realizes on redeeming shares, as long as the proceeds remain in the plan. Amounts withdrawn from a registered tax plan (other than from a TFSA, contributions withdrawn from an RESP and certain withdrawals from an RDSP) will generally be subject to tax.

## **12.0 REMUNERATION OF DIRECTORS AND OFFICERS**

The Manager is paid a management fee in connection with the services it provides to the Funds. The directors of the Manager do not receive any fees from the Funds. The Funds pay the fees of the IRC which for the period January 1, 2012 to November 30, 2012 included fees paid to directors and amounted to \$58,004 in respect of the Resource Fund and \$4,760 in respect of the Dividend & Income Fund. Brompton Funds Limited became the manager on November 30, 2012 and appointed a new IRC. For the period from December 1, 2012 to December 31, 2012 the Funds incurred fees payable to the IRC in the amount of \$1,250 in respect of the Resource Fund and \$375 in respect of the Dividend & Income Fund. The Fund pays the expenses of the IRC and directors incurred on behalf of the Fund. No expenses were paid in to the IRC and directors for the period December 1, 2012 to December 31, 2012.

## **13.0 MATERIAL CONTRACTS**

The Corporation and/or the Manager, on behalf of the Funds, are party to the Management Agreement and the Custodian Agreement. Copies of these material contracts and the articles of incorporation and amendments may be accessed by prospective or existing Shareholders at [www.sedar.com](http://www.sedar.com) under the Funds' profile. They

are also available at the Funds' office during normal business hours. Details regarding each of these contracts are provided in section 8.

## **14.0 OTHER MATERIAL INFORMATION**

### **14.1 Future Accounting Changes**

The adoption of *International Financial Reporting Standards* ("IFRS") for investment companies will be mandatory for periods beginning on or after January 1, 2014.

In October 2012, the International Accounting Standards Board ("IASB") approved the proposed amendments to IFRS 10 – Consolidated Financial Statements which define criteria for an entity to qualify as an investment entity and exempts such entity from consolidation requirements. The amendments define an investment entity and introduce an exception to consolidating particular subsidiaries for investment entities. These amendments require an investment entity to measure those subsidiaries at fair value through profit or loss in accordance with "Financial Instruments" ("IAS 39") and expand disclosures to help users evaluate the nature and financial effect of its investment activities. The amendment will be effective January 1, 2014. Based on the Manager's assessment, the Funds currently meet the proposed criteria for an investment entity and as such will be exempt from consolidation requirements.

The Manager has developed a plan for the changeover to IFRS. The key elements of the plan include an assessment of differences between Canadian Generally Accepted Accounting Standards ("Canadian GAAP") and IFRS, changes required to financial statement disclosure and impact on the current process for financial reporting purposes.

Based on the Manager's assessment of the accounting differences between Canadian GAAP and IFRS, the following main differences were identified:

- (a) IAS 32, "Financial Instruments; Disclosure and Presentation", requires puttable instruments to be classified as a liability unless certain conditions are met. The Funds' shares meet the definition of a puttable instrument. The Manager has assessed the Funds' shareholder structure and expects the liability treatment will be the most appropriate classification.
- (b) IFRS 13, Fair Value Measurements, was published in May 2011. The standard provides guidance on the measurement of fair value and allows for the use of closing market prices to value investments. Under Canadian GAAP the fair value of investments for financial statement reporting purposes, was required to be measured at closing bid price for long positions and closing ask price for short positions. The Manager has assessed the guidance that will apply under IFRS and has determined that the use of closing market prices is appropriate in valuing investments.

In addition, the Manager has presently determined other minor impacts of IFRS will also include additional note disclosure and modifications to existing presentation. The Manager does not expect that the NAV or NAV per Share will be impacted by the changeover to IFRS.

**CERTIFICATE OF THE FUNDS, THE MANAGER AND THE PROMOTER**

DATED: June 27, 2013

This annual information form, together with the simplified prospectus and the documents incorporated by reference into simplified prospectus, constitute full, true and plain disclosure of all material facts relating to the securities offered by the simplified prospectus, as required by the securities legislation of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, New Brunswick, Nova Scotia, Prince Edward Island and Newfoundland and Labrador and Québec and do not contain any misrepresentations.

**On behalf of Brompton Mutual Funds Limited**

//Signed// "*Mark Caranci*"  
"President and Chief Executive  
Officer

//Signed// "*Craig Kikuchi*"  
Chief Financial Officer

//Signed// "*Peter Braaten*"  
Director

//Signed// "*Raymond Pether*"  
Director

**On behalf of Brompton Funds Limited,  
as manager and promoter of the Funds**

//Signed// "*Mark Caranci*"  
President and Chief Executive  
Officer

//Signed// "*Craig Kikuchi*"  
Chief Financial Officer

//Signed// "*Peter Braaten*"  
Director

//Signed// "*Raymond Pether*"  
Director

**ANNUAL INFORMATION FORM FOR BROMPTON RESOURCE CLASS AND BROMPTON DIVIDEND &  
INCOME CLASS**

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Telephone: (416) 642-6000  
Fax: (416) 642-6001  
Website: [www.bromptongroup.com](http://www.bromptongroup.com)

**ADDITIONAL INFORMATION:**

Additional information about the Funds is available in the Funds' management report of fund performance and financial statements. 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 SEDAR at [www.sedar.com](http://www.sedar.com).