



**ANNUAL INFORMATION FORM**

**Class A Units  
Class U Units  
Class F Units**

**March 28, 2013**

## **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.

“**Additional Distribution Date**” means the last day of any 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, commencing in 2013.

“**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.

“**Canadian Securities Portfolio**” means the specified portfolio of securities of Canadian public issuers that are “Canadian securities” as defined under subsection 39(6) of the Income Tax Act and are listed on the TSX.

“**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 F Conversion Date**” means the first and the third Business Day of each week.

**“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).

**“Counterparty”** means The Bank of Nova Scotia and/or such other Schedule I Canadian chartered bank(s) or their affiliate(s) having an Approved Rating as the Fund may approve.

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

**“Custodian”** means CIBC Mellon Global Securities Services 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 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 third 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.

**“Forward Agreement”** means one or more forward purchase and sale agreements between the Fund and the Counterparty, as such agreements may be amended from time to time.

**“Forward Termination Date”** means November 1, 2016.

**“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, 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 management agreement dated as of October 12, 2011 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.

“**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 45<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, for the purposes of calculating the net assets of the Fund, the value of the Forward Agreement will be determined on the basis that any Senior Loans, Second Lien Loans, bonds, debentures and other debt obligations that are owned by SSF Trust will be valued by taking the bid price on the Valuation Date, and any equity securities owned by SSF Trust 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 Investments, Inc.

“**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 SSF Trust 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.

“**Service Fee**” means the fee in respect of the Units that the Manager will pay to the registered dealers, all in accordance with the Declaration of Trust, as described in section 8.1.2 of this Annual Information Form.

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

“**SSF Declaration of Trust**” means the amended and restated declaration of trust for SSF Trust, dated as of November 1, 2011, as it may be amended and amended and restated from time to time.

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

“**SSF Trust**” means SSF Trust, an investment trust established pursuant to the SSF Declaration of Trust.



“**Sub-Advisor**” means the sub-advisor of SSF Trust, namely Symphony Asset Management LLC, and if applicable, its successor.

“**Sub-Advisor Agreement**” means the sub-advisor agreement between the Manager, SSF Trust, the Sub-Advisor and Nuveen dated as of November 1, 2011.

“**Symphony**” means Symphony Asset Management LLC.

“**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 Equity Financial 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 U Unit or a Class F Unit, as applicable. “**Units**” represents more than one Class A 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 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 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.

### **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 tax-advantaged Distributions consisting primarily of returns of capital and to preserve capital, in each case, through exposure, pursuant to the Forward Agreement to 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 will seek to achieve its Investment Objectives by obtaining exposure to the Portfolio through the Forward Agreement. The assets of SSF Trust are invested in a 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 Global Securities Services Company as the custodian of the Fund Property.

## 2.0 INVESTMENT RESTRICTIONS

The Fund is not considered to be a mutual fund under the securities legislation of the provinces and territories of Canada. Consequently, the Fund is not subject to the various policies and regulations that apply to conventional mutual funds under such legislation, including National Instrument 81-102 – *Mutual Funds*. However, the Fund is subject to certain other requirements and restrictions contained in securities legislation, including National Instrument 81-106 – *Investment Fund Continuous Disclosure*, which governs the continuous disclosure obligations of investment funds, such as the Fund. 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, registered disability savings plans, deferred profit sharing plans, registered education savings plans and tax-free savings accounts. During 2012, 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 or registered retirement income fund unless the holder of the tax-free savings account or the annuitant under the 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, (ii) has a “significant interest” as defined in the Income Tax Act in the Fund, or (iii) has a “significant interest” as defined in the Income Tax Act in a corporation, partnership or trust with which the Fund does not deal at arm’s length for purposes of the Income Tax Act. Generally, a holder or annuitant, as the case may be, will not have a significant interest in the Fund unless the holder 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 or annuitant, as the case may be, does not deal at arm’s length. 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, the Units will generally not be a “prohibited investment” if the Units are “excluded property” as defined in the December 2012 Proposals for trusts governed by a tax-free savings account, registered retirement savings plan or registered retirement income fund.

Holders 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” as defined in the December 2012 Proposals.

### **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 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 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, 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.

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. Based on CRA's administrative practice, 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) will result in a capital gain (or capital loss) to the redeeming Unitholder.

### **3.1.2 Conversion of Class F Units**

A holder of Class F Units may convert Class F Units into Class A Units on the first and third Business Days of each week 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) will result in a capital gain (or capital loss) to the redeeming Unitholder.

### **3.1.3 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 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 Class A Units and the Class F Units then the Fund will provide the holders of Class A Units and Class F Units the right to convert all or a part of their Class A Units and Class F Units into Class U Units and to tender such Class U Units to the offer. In such circumstances, the Fund will by press release provide written notice to the holders of the Class A Units and the Class F Units 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 and Class F Units into Class U Units and to tender such Class U Units to the offer. Likewise, if, prior to the termination of the Fund, a formal bid is made for all of the Class F 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 as applicable), for the Class A Units and the Class U Units then the Fund will provide the holders of Class A Units and Class U Units the right to convert all or a part of their Class A Units and Class U Units into Class F Units and to tender such Class F Units to the offer. In such circumstances, the Fund will by press release provide written notice to the holders of the Class A Units and the Class U Units 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 and Class U Units into Class F Units and to tender such Class F 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 and SSF Trust's estimated expenses. The Fund will partially pre-settle the Forward Agreement to pay the Distributions. 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. Given that the majority of the Portfolio will be invested in Senior Loans, returns to SSF Trust 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 10<sup>th</sup> 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.

### **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.

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.

The Declaration of Trust provides that prior to the Termination Date, the Manager will, after settlement of the Forward Agreement, dispose of the Canadian Securities Portfolio acquired under the Forward Agreement 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 the Forward Agreement and any other 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, the Forward Agreement or any other 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.

The Manager has not exercised its discretion to determine fair market value since inception of the Fund.

For the purposes of calculating the Net Assets per Unit in connection with a redemption of Units on an Annual Redemption Date, the value of the Forward Agreement will be determined on the basis that any bonds, debentures and other debt obligations that are owned by SSF Trust will be valued by taking the bid price on the Valuation Date and any equity securities that are owned by SSF Trust 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.

The primary difference between the valuation principles set out above and Canadian generally accepted accounting principles ("Canadian GAAP") is that under Canadian GAAP securities traded in an active market are generally valued using the bid prices for securities held long.

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

Pursuant to the Declaration of Trust, the Net Asset Value per Unit of each class 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 and in US dollars in respect of the Class U Units. The Net Asset Value per Unit of the Class F Units, if issued, will be calculated in Canadian dollars.

## **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 holders must be exercised through, and all payments or other property to which such holders are entitled are made or delivered by CDS or the CDS Participant through which the holder holds such Units. Upon purchase of any Units, holders 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, 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 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, 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, commencing in 2013. 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 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 or not duly executed 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, 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.

#### **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 SSF Trust or which impair the ability of the Manager to determine the value of the assets of the Fund or SSF Trust. 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.

#### **7.5 Funding Redemption Price**

In order to fund a redemption price, the Fund may partially settle the Forward Agreement, as required, prior to the Forward Agreement Termination Date.

### **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 closed-end investment funds including the Fund and is a member of the Brompton group of companies. The Manager also acts as manager and trustee of SSF Trust. 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 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 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 and SSF Trust.

### **8.1.1 Management Fee**

In consideration for its services to the Fund and SSF Trust, 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 and SSF Trust which in aggregate is equal to 1.25% per annum of the Total Assets 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 Service Fee**

The Manager is paid a Service Fee by the Fund for the purpose of paying the fees payable to dealers based on the number of Class A Units and Class U Units held by clients of such dealers at the end of each quarter. The Service Fee (calculated quarterly and paid as soon as practicable after the end of each calendar quarter) is equal to 0.50% per annum of the Net Asset Value attributable to the Class A Units and Class U Units of the Fund represented by the Units held at the end of the relevant quarter by clients of dealers, plus applicable taxes.

### **8.1.3 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.

#### 8.1.4 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>  |
|--|---|
| PETER A. BRAATEN <sup>(1)</sup><br>Toronto, Ontario<br>Director  | Director, Brompton Funds since April 2006.  |
| MARK A. CARANCI <sup>(1)</sup><br>Toronto, Ontario<br>President, Chief Executive Officer and<br>Director | President and Chief Executive Officer, Brompton Funds since April 2007.   |
| RAYMOND R. PETHER <sup>(1)</sup><br>Toronto, Ontario<br>Director   | Director, Brompton Funds since April 2006.  |
| CRAIG T. KIKUCHI<br>Toronto, Ontario<br>Chief Financial Officer  | Chief Financial Officer, Brompton Funds since April 2006.   |
| MOYRA E. MACKAY<br>Toronto, Ontario<br>Vice President and Corporate Secretary                            | Vice President & Corporate Secretary, Brompton Funds since July 2005.   |
| ANN WONG<br>Toronto, Ontario<br>Vice President and Controller  | Vice President, Brompton Funds since October 2007; Controller, Brompton Funds since October 2005.   |
| CHRISTOPHER CULLEN<br>Toronto, Ontario<br>Senior Vice President  | Senior Vice President, Brompton Funds since May 2010; Vice President, Brompton Funds from October 2007 to May 2010.   |
| LAURA LAU<br>Toronto, Ontario<br>Senior Vice President and<br>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<br>Toronto, Ontario<br>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 & Touche LLP from September 2003 to May 2008.             |

**Name and Municipality of Residence  
and Position with the Manager**

**Principal Occupation and Positions Held During the Last 5 Years**

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, Sales & Marketing

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.

NEIL LIPMAN  
Toronto, Ontario  
Regional Vice President, Sales & Marketing

Regional Vice President, Sales, Brompton Funds since November 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.

### **8.1.5 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 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;
- 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 independent review committee for other investment funds managed by the Manager.

## **8.2 Advisor of SSF Trust**

The Manager, which is also the manager of SSF Trust, is also the portfolio manager of SSF Trust. See Section 8.1 for further details with respect to the Manager.

## **8.3 Sub-Advisor of SSF Trust**

The Manager retained, on behalf of SSF Trust, 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 555 California Street, Suite 2975, San Francisco, California, USA. The Sub-Advisor has an additional office located at 100 Park Avenue, 36<sup>th</sup> Floor, New York, New York, USA.

### **8.3.1 Principal Portfolio Advisors**

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

| <b>Name</b>   | <b>Length of Service and Experience in the Past 5 Years</b>   |
|---|---|
| GUNTHER STEIN<br>Chief Investment Officer<br>and Chief Executive Officer<br>San Francisco, CA | Mr. Stein has been with Symphony since 1999 and is responsible for Symphony's fixed-income and equity investments. He has over 25 years of investment and research experience and is actively involved with the management of Symphony's fixed income products. |
| SCOTT CARAHER<br>Co-Portfolio Manager<br>New York, NY   | Mr. Caraher joined Symphony in 2002 and is a member of Symphony's fixed-income team and his responsibilities include portfolio management and trading for Symphony's bank loan strategies and credit and equity research for its fixed-income strategies.       |
| JENNY RHEE<br>Co-Portfolio Manager<br>San Francisco, CA                                       | Ms. Rhee joined Symphony in 2001 and is a member of Symphony's fixed-income team and her responsibilities include portfolio management, credit trading and research.  |

All new securities and loan positions are reviewed and approved by the portfolio management team, which consists of Gunther Stein, CIO and CEO, Scott Caraher, Co-Portfolio Manager, Jenny Rhee, Co-Portfolio Manager, and the analyst who covers the specific name. Once a position is in SSF Trust, 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 SSF Trust reimburses the Sub-Advisor for all reasonable costs and expenses incurred by the Sub-Advisor on behalf of SSF Trust.

### **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 SSF Trust or SSF Trust is terminated in accordance with the SSF 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 SSF 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) SSF Trust 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 SSF Trust;
- b) any representation of the Manager in the Sub-Advisor Agreement is determined by SSF Trust 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 SSF Trust 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 SSF Declaration of Trust to which the Sub-Advisor has not agreed;
- e) the Manager ceases to be the manager of SSF Trust for any reason; or



f) there is a dissolution and commencement of winding up of SSF Trust.

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 SSF Trust, 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 SSF Trust 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 SSF Trust usually includes an undisclosed dealer commission or mark-up. In certain instances, SSF Trust 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, unless it appears that a better price or execution may be obtained through other means. Portfolio investments will not be purchased from Nuveen or its affiliates or affiliates of the Sub-Advisor except in compliance with applicable law. With respect to interests in floating rate loans, SSF Trust generally will engage in privately negotiated transactions for purchase or sale in which the Sub-Advisor will negotiate on behalf of SSF Trust, although a more developed market may exist for certain floating rate loans. When purchasing loans, SSF Trust may be required to pay fees, or forego a portion of interest and any fees payable to SSF Trust, to the lender selling participations or assignments to SSF Trust. The Sub-Advisor will determine the lenders from whom SSF Trust will purchase assignments and participations by considering 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 under the circumstances of each trade. The Sub-Advisor will evaluate price as the primary consideration, and will consider the financial condition, reputation and responsiveness of the dealer in determining best execution. Given the best execution obtainable, 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 SSF Trust. SSF Trust 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.

#### **8.4 Trustee**

Equity Financial Trust Company 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. The address of the Trustee is 200 University Avenue, Suite 400, Toronto, Ontario M5H 4H1.

## **8.5 Custodian**

The Manager has appointed CIBC Mellon Global Securities Services Company as custodian, pursuant to the terms of a custodian agreement dated as of November 1, 2011, to provide 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 address of the Custodian is 320 Bay Street, P.O. Box 1, 6<sup>th</sup> Floor, Toronto, Ontario M5H 4A6.

### **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**

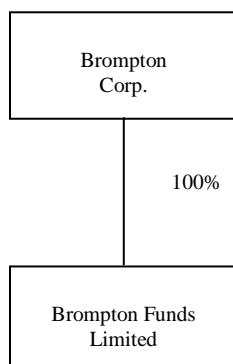
The Manager, on behalf of the Fund, has appointed CIBC Mellon Global Securities Services Company to provide the Fund with valuation services. Such services include the calculation of the Fund's Net Asset Value, calculated in accordance with the Fund's valuation parameters described in section 4.0.

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

The auditors of the Fund are PricewaterhouseCoopers LLP, Chartered Accountants, located in Toronto, Ontario. The auditors of the Fund can be changed by an Ordinary Resolution of the Unitholders. Equity Financial 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 Manager also acts as manager and trustee of SSF Trust, and 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 or SSF Trust 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 or SSF Trust may acquire securities and may be managers or administrators of funds with similar investment objectives as the Fund or SSF Trust. 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 SSF Trust, as applicable, 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, SSF Trust, 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 8.1.4.

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

As at March 1, 2013, the members of the IRC did not own, directly or indirectly, any securities in the Manager. Further, as at March 1, 2013, 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 1%.

## **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 3 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 8.1.4. 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 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 PricewaterhouseCoopers LLP (“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 8.1.5 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 8.1.5 of this Annual Information Form, the IRC is comprised of three members, who 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 Fund does not hold voting securities, but is exposed to voting securities held in the Portfolio by means of the Forward Agreement. 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. SSF Trust 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 has retained a third party service provider 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 SSF Trust.

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 to periodically review the Sub-Advisor's Proxy Guidelines, address conflicts of interest, specific situations and any portfolio manager's decision to deviate from the Sub-Advisor's Proxy Guideline (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 manages the account of a corporation or a pension fund sponsored by a corporation in which clients of the Sub-Advisor also own stock. The Sub-Advisor will vote the proxy for its other clients in accordance with the Sub-Advisor's Proxy Guidelines and will follow any directions from the corporation or the pension plan, if different than the Sub-Advisor's Proxy Guidelines;
- An employee or a member of his/her immediate family is on the board of directors or a member of senior management of the company that is the issuer of securities held in client's account;
- The Sub-Advisor has a borrowing or other material relationship with a corporation whose securities are the subject of the proxy.

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 Voting Committee. The Proxy Voting Committee, after consulting with senior management, if appropriate, will determine how the proxy should be voted. For example, when a portfolio manager decides not to follow the Sub-Advisor's Proxy Guidelines, the Proxy Voting Committee will review a portfolio manager's recommendation and determine how to vote the proxy. Decisions by the Proxy Voting 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 SSF Trust 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.

SSF Trust'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 SSF Trust'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 are not listed and the Class F Units, if issued, will not be 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 (commencing in 2013), minus costs associated with the redemption, including brokerage costs;
- e) for the purposes of calculating the Annual Redemption Amount, the value of the Forward Agreement is determined on the basis that any bonds, debentures and other debt obligations that are owned by SSF Trust will be valued by taking the bid price and any equity securities that are owned by SSF Trust 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**

This summary is applicable to a Unitholder who is an individual (other than a trust) and who, for the purposes of the Income Tax Act, is 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. 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 assumption that the Canadian Securities Portfolio will consist solely of “Canadian securities” for purposes of the Income Tax Act.

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 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. Counsel expresses no views 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.

On March 21, 2013, the Minister of Finance announced proposed measures (the “Character Conversion Budget Measures”) which would affect certain tax benefits gained by taxable unitholders of investment funds, such as the Fund, that utilize forward purchase and sale agreements to obtain exposure to an underlying reference portfolio. The Manager is currently reviewing the implications of the Character Conversion Budget Measures to the Fund and will provide additional details to unitholders as soon as it is in a position to do so.

### **11.1 Status of the Fund**

The Fund elected under the Income Tax Act to be a mutual fund trust from the date it was established. 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 will be 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. Counsel has been advised that 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.

The Fund will be entitled for each taxation year throughout which it is a mutual fund trust to reduce (or receive a refund in respect of) its liability, if any, for tax on its Net Realized Capital Gains by an amount determined under the Income Tax Act based on the redemptions of Units during the year (a “capital gains refund”). The capital gains refund in a particular taxation year may not completely offset the tax liability of the Fund for such taxation year which may arise upon the sale of Canadian Securities Portfolio securities acquired by the Fund under the Forward Agreement in connection with a redemption of Units.

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.

The Fund will not realize any income, gain or loss as a result of entering into, or increasing its exposure under, the Forward Agreement and no amount will be included in computing the Fund’s income as a result of the acquisition of Canadian Securities Portfolio securities under the Forward Agreement. The cost to the Fund of such Canadian Securities Portfolio securities will be that portion of the aggregate amount paid by the Fund under the Forward Agreement attributable to such securities and any other costs of acquisition. As the Fund has elected in accordance with the Income Tax Act to have each of its “Canadian securities” treated as capital property, gains or losses realized by the Fund on the sale of Canadian Securities Portfolio securities acquired under the Forward Agreement will be taxed as capital gains or capital losses.

On October 31, 2003 the Department of Finance announced a Tax Proposal relating to the deductibility of losses under the Income Tax Act. Under this Tax Proposal, a taxpayer will be considered to have a loss from a business or property for a taxation year only if, in that year, it is reasonable to assume that the taxpayer will realize a cumulative profit from the business or property during the time that the taxpayer has carried on, or can reasonably be expected to carry on, the business or has held, or can reasonably be expected to hold, the property. Profit, for this purpose, does not include capital gains or capital losses. If such Tax Proposal were to apply to the Fund, deductions that would otherwise reduce the Fund’s taxable income could be denied, with after-tax returns to the Unitholders reduced as a result. On February 23, 2005, the Minister of Finance (Canada) announced that an alternative proposal to replace the Tax Proposals of October 31, 2003 would be released for comment. To date, no such alternate proposal has been released.

### **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 the net realized taxable



capital gains of the Fund 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.

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.

One-half of any capital gain ("taxable capital gain") realized on the disposition of Units will be included in the Unitholder's income and one-half of any capital loss realized may be deducted from taxable capital gains 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 based on the applicable noon day rate of exchange quoted by the Bank of Canada for the date the amount first arose or such other rate of exchange that is acceptable to the CRA.

## **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 2012 were \$8,125 per member as 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 2012.

For the year ended December 31, 2012, the Trustee was paid fees of \$5,583 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, the Forward 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 in the case of the Declaration of Trust, in section 13.1 in the case of the Forward Agreement and in section 8 in the case of the other contracts.

### **13.1 Forward Agreement**

The Fund does not hold the Portfolio but, instead, obtains economic exposure to the Portfolio through one or more forward purchase agreements with one or more Schedule I Canadian chartered banks or affiliates thereof. The Fund entered into a Forward Agreement with The Bank of Nova Scotia ("BNS") on November 1, 2011. By virtue of the Forward Agreement, the performance of the Fund is dependent upon the performance of the Portfolio. Pursuant to the terms of the Forward Agreement, the Counterparty will deliver to the Fund, on or about the Forward Termination Date, the Canadian Securities Portfolio with an

aggregate value equal to the redemption proceeds of the outstanding units of SSF Trust net of any amount owing by the Fund to the Counterparty. Under the terms of the Forward Agreement, the Fund and the Counterparty have agreed that the Counterparty's settlement obligations under the Forward Agreement will be discharged by physical delivery of the Canadian Securities Portfolio by the Counterparty to the Fund.

At the time of entering into the Forward Agreement, the long term debt of the Counterparty was required to have an Approved Rating. The Fund is fully exposed to the credit risk associated with the Counterparty. To secure the obligations of the Counterparty under the Forward Agreement, the Counterparty pledges collateral in favour of the Fund with an aggregate value equal to 100% of the mark-to-market value of the exposure under the Forward Agreement and the amount of the collateral is reset on a weekly basis to 100%. The collateral was placed in a separate securities account and is free and clear of all liens and adverse claims, other than those in favour of the Fund, and the Fund has a first ranking security interest in such collateral. Currently, the collateral consists of TSX-listed securities, with no more than 10% of the value of the collateral being attributable to the securities of any one issuer. The Counterparty may substitute other forms of collateral with the consent of the Fund. In the event of default by the Counterparty under the Forward Agreement, the Fund will have the ability to enforce its security interest and take possession of the collateral.

The terms of the Forward Agreement provide that the Forward Agreement may, in certain circumstances, be settled prior to the Forward Termination Date at the request of the Fund on two days notice with settlement to occur three days later. The Fund may settle the Forward Agreement in whole or in part prior to the Forward Termination Date: (i) to fund monthly distributions on the Units; (ii) to fund redemptions and repurchases of Units from time to time; (iii) to fund operating expenses and other liabilities of the Fund; and (iv) for any other reason including in the event the Counterparty's credit rating is downgraded. Pursuant to the terms of the Forward Agreement, the Counterparty will, in connection with a requested partial settlement, deliver to the Fund securities of certain of the issuers in the Canadian Securities Portfolio based on the partial settlement amount. Any capital gain or income realized by the Fund on the sale of such securities to fund a redemption will be allocated to the redeeming Unitholder.

The Forward Agreement may be terminated prior to the Forward Termination Date in certain circumstances, including if an event of default or a termination event occurs with respect to the Fund or the Counterparty under the Forward Agreement. The following constitute events of default under the Forward Agreement: (i) failure by a party to make a payment or perform an obligation when due under the Forward Agreement which is not cured within any applicable grace period; (ii) a party makes a representation which is incorrect or misleading in any material respect; (iii) a party defaults in respect of a specified transaction having a value in excess of a specified threshold which default is not cured within any applicable grace period; (iv) certain events related to the bankruptcy or insolvency of a party; and (v) a party consolidates, amalgamates or merges with or into, or transfers substantially all of its assets to, another entity and the resulting, surviving or transferee entity fails to assume the obligations of such party under the Forward Agreement.

Termination events under the Forward Agreement include the following: (i) it becomes unlawful for a party to perform its obligations under, or comply with any material provisions of, the Forward Agreement; (ii) certain tax events occur which require a party to indemnify the other party in respect of certain taxes or reduce the amount that a party would otherwise have been entitled to receive under the Forward Agreement; (iii) failure of SSF Trust to comply with its governing documents; or (iv) certain regulatory, credit or legal events occur which affect a party.

The obligations of the Counterparty to the Fund under the Forward Agreement are determined by reference to the performance of SSF Trust which, in turn, is subject to the performance of the Portfolio. The Counterparty may hedge its exposure under the Forward Agreement to the economic performance of

SSF Trust. There is no assurance that the Counterparty will maintain a hedge or will do so with respect to the full amount or term of the Forward Agreement.

If the Forward Agreement is terminated prior to the Forward Termination Date for any reason, the Forward Agreement will be settled by physical delivery of the Canadian Securities Portfolio by the Counterparty to the Fund after payment of any amounts owing to the Counterparty. In the event of an early termination of the Forward Agreement, the Manager may, in its discretion, enter into one or more replacement forward agreements on terms satisfactory to the Manager in its sole discretion, or the Manager may terminate the Fund and may take such other action as it considers necessary under the circumstances. The Manager may also substitute counterparties provided that the replacement counterparty is a Schedule I Canadian chartered bank or an affiliate thereof.

## **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, after settlement or partial pre-settlement of the Forward Agreement, 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 SSF Trust, 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 SSF Trust. SSF Trust would, nevertheless, be liable to indemnify the agent bank for SSF Trust'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 SSF Trust 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 SSF Trust will expose SSF Trust 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 SSF Trust 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.

SSF Trust 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 by virtue of the Forward Agreement. 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, SSF Trust, 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*

SSF Trust'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*

SSF Trust'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 SSF Trust. 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 SSF Trust's existing floating rate assets may decrease, which will cause SSF Trust'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.

### *Recent and Future Global Financial Developments*

Global financial markets have experienced a sharp increase in volatility during recent years. This has been, in part, the result of the revaluation of assets on the balance sheets of international financial institutions and related securities. This has contributed to a reduction in liquidity among financial institutions and has reduced the availability of credit to those institutions and to the issuers who borrow from them. Notwithstanding that central banks as well as governments globally are attempting to restore liquidity to the global economies, no assurance can be given that these efforts will abate the combined impact of the significant revaluations and constraints on the availability of credit on the economies around the world in the near to medium term. Some of these economies are experiencing diminished growth or a recession. Continuing adverse market conditions and unexpected volatility or illiquidity in financial markets may also adversely affect the prospects of the Fund and the value of the securities included in the Portfolio.

### *Leverage*

SSF Trust 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 SSF Trust 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 SSF Trust 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 SSF Trust 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 SSF Trust. 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 SSF Trust (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 SSF Trust.

### *Counterparty Risk*

In entering into the Forward Agreement, which will be the sole material asset of the Fund, the Fund is fully exposed to the credit risk associated with the Counterparty. The possibility exists that the Counterparty will default on its obligations under the Forward Agreement. To secure the obligations of the Counterparty under the Forward Agreement, the Counterparty will pledge collateral in favour of the Fund with an aggregate value equal to 100% of the mark-to-market value of the exposure under the Forward Agreement and the amount of the collateral will be reset on a weekly basis to 100%. Should a bankruptcy or other similar event related to the Counterparty occur that precludes the Counterparty from performing its obligations under the Forward Agreement, the Fund would have to enforce its security interest and the Forward Agreement would be terminated.

### *Early Termination of the Forward Agreement*

In the event the Forward Agreement terminates prior to the termination of the Fund, the Fund may enter into one or more new forward agreements or may temporarily hold the Portfolio directly. The tax consequences to Unitholders may be different in the event that the Fund holds the Portfolio directly.

### *Use of Derivatives*

SSF Trust 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, SSF Trust 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 SSF Trust. 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 SSF Trust's hedging strategies will be effective. SSF Trust 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 SSF Trust of margin deposits in the event of the bankruptcy of the dealer with whom SSF Trust 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 SSF Trust to close out its positions may also be affected by exchange imposed daily trading limits on options and futures contracts. If SSF Trust 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 SSF Trust'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). SSF Trust 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*

In determining its income for tax purposes, the Fund will not treat the acquisition of Canadian Securities Portfolio securities under the Forward Agreement as a taxable event and will treat gains or losses on any disposition of Canadian Securities Portfolio securities acquired under the Forward Agreement as capital gains and losses. No advance income tax ruling has been requested or obtained from the CRA regarding the timing or characterization of the Fund's income, gains or losses. If, contrary to the advice of counsel to the Fund, whether through the application of the general anti-avoidance rule or otherwise or as a result of a change of law, the acquisition of Canadian Securities Portfolio securities under the Forward Agreement was a taxable event or if gains realized on the sale of Canadian Securities Portfolio securities acquired under the Forward Agreement were treated other than as capital gains on the sale of such securities, after-tax returns to Unitholders would be reduced.

On March 21, 2013, the Minister of Finance announced proposed measures (the "Character Conversion Budget Measures") which would affect certain tax benefits gained by taxable unitholders of investment funds, such as the Fund, that utilize forward purchase and sale agreements to obtain exposure to an underlying reference portfolio. The Manager is currently reviewing the implications of the Character Conversion Budget Measures to the Fund and will provide additional details to unitholders as soon as it is in a position to do so.

The Fund is a "mutual fund trust" for purposes of the Income Tax Act. If the Fund ceases to qualify as a "mutual fund trust" under the Income Tax Act, the income tax considerations described under the heading "Income Tax Considerations" would be materially and adversely different in certain respects.

On October 31, 2003 the Department of Finance (Canada) announced a Tax Proposal relating to the deductibility of losses under the Income Tax Act. Under this Tax Proposal, a taxpayer will be considered to have a loss from a business or property for a taxation year only if, in that year, it is reasonable to assume that the taxpayer will realize a cumulative profit from the business or property during the time that the taxpayer has carried on, or can reasonably be expected to carry on, the business or has held, or can reasonably be expected to hold, the property. Profit, for this purpose, does not include capital gains or capital losses. If this Tax Proposal were to apply to the Fund, deductions that would otherwise reduce the Fund's taxable income could be denied, with after-tax returns to the Unitholders reduced as a result. On February 23, 2005, the Minister of Finance (Canada) announced that an alternative proposal to replace this Tax Proposal would be released for comment. No such alternative proposal has been released to date. There can be no assurance that such alternative proposal will not adversely affect the Fund.

Under new U.S. tax rules, starting in 2014, Unitholders may be required to provide identity and residency information to the Fund, which may be provided by the Fund to U.S. tax authorities, in order to avoid a 30% U.S. withholding tax being imposed on certain U.S. source income and on sale proceeds received by the Fund. In certain circumstances, the Fund may be required to withhold a 30% tax from distributions it pays to Unitholders who have not provided the required information. It is unclear at the current time whether the Fund and Unitholders may be exempt from these requirements.

### *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 SSF Trust.

It is possible that the proceeds from the sale of securities acquired under the Forward Agreement 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



acquired under the Forward Agreement, to pay its liabilities. Unitholders will have no recourse or rights against the assets of SSF Trust.

### *Changes in Legislation*

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

### *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 SSF Trust. 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 SSF Trust, 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, SSF Trust, the Manager and the Sub-Advisor, as applicable.

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 SSF Trust. SSF Trust 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 SSF Trust.

### *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.

#### *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 and Class F Units*

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

#### *Distressed Securities*

Distressed securities purchased by SSF Trust 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 SSF Trust, but also involve a substantial degree of risk. SSF Trust 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 SSF Trust’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 SSF Trust seek to enforce any legal rights against the Sub-Advisor, it may find it difficult to do so.

## **14.2 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 Fund currently meets 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 the 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 Units meet the definition of a puttable instrument. The Manager has assessed the Fund’s unitholder 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.
- c) A Statement of Cash Flow will be required for IFRS reporting purposes.

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 Net Asset Value or the Net Asset Value per Unit will be impacted by the changeover to IFRS.

## **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).