



## **ANNUAL INFORMATION FORM**

**Units**

**March 19, 2019**

## **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 respect of the current year under Part I of the Income Tax Act for such taxation year exceeds the aggregate of the Distributions and distributions designated payable by the Fund to Unitholders for such taxation year.

“**Annual Redemption Amount**” means a redemption price per Unit surrendered for redemption on the Annual Redemption Date that is equal to 100% of the Net Asset Value per Unit less any costs and expenses associated with the redemption including brokerage costs and less any Net Realized Capital Gains of the Fund that are distributed to a Unitholder concurrently with the redemption price.

“**Annual Redemption Date**” means the second last Business Day of July of each year, commencing in 2019.

“**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.

“**cash equivalents**” means:

- (i) cash on deposit with the Custodian or a broker;
- (ii) an evidence of indebtedness that has a remaining term to maturity of 365 days or less and that is issued, or fully and unconditionally guaranteed as to principal and interest, by:
  - (A) any of the Federal or Provincial Governments of Canada;
  - (B) the Government of the United States; or
  - (C) a financial institution;provided that, in the case of (B) or (C), such evidence of indebtedness has a rating of at least R-1 (mid) by DBRS or the equivalent rating from another approved rating organization; or
- (iii) other cash cover as defined in NI 81-102.

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

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

“**Closing Market Price**” in respect of a Unit on a Monthly Redemption Date means the closing price of such Unit on the TSX (or such other stock exchange on which such Unit is listed) on such Monthly Redemption Date 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 Units on the TSX (or such other stock exchange on which such Unit is listed) on such Monthly Redemption Date.

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

“**Custodial Services Agreement**” means the custodian agreement entered into by the Custodian and the Fund dated as of July 14, 2017, as it may be amended from time to time.

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

“**Declaration of Trust**” means the amended and restated declaration of trust governing the Fund 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.

“**EBITDA**” means earnings before interest, taxes, depreciation and amortization.

“**European Dividend Growth Company**” means a company that, at the time of investment, (i) is a constituent of the STOXX Europe 600 Index, (ii) has a market capitalization of at least EUR15 billion, and (iii) has a history of dividend growth or, in the Manager’s view, has high potential for future dividend growth.

“**Extraordinary Resolution**” means a resolution passed by the affirmative vote of at least 66<sup>2</sup>/<sub>3</sub>% of the votes cast, either in person or by proxy, at a meeting of Unitholders called for the purpose of approving such resolution.

“**Fund**” means European Dividend Growth Fund.

“**Fund Investment**” means an investment acquired and managed by the Manager on behalf of the Fund and “**Fund Investments**” means more than one Fund Investment, taken collectively.

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

“**Income Tax Act**” means the *Income Tax Act* (Canada), as now or hereafter 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 established by the Manager for the Fund pursuant to NI 81-107.

“**Management Agreement**” means the management agreement dated as of June 23, 2017 between the Manager and the Fund, as it may be amended from time to time.

“**Management Fee**” means the management fee payable to the Manager 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 of the Fund, namely Brompton Funds Limited, or, if applicable, its successor.

“**Market Price**” in respect of a Unit on a Monthly Redemption Date means the weighted average trading price of such Unit on the TSX (or such other stock exchange on which such Unit is listed) for the 10 Business Days immediately preceding such Monthly Redemption Date.

“**Market Purchase Fee**” means in respect of the purchase of Units for cancellation on or prior to the first Annual Redemption Date occurring in 2019, 2.25% of the Net Asset Value per Unit of the Units purchased, and in respect of the purchase of Units for cancellation after the first Annual Redemption Date and on or prior to the second Annual Redemption Date occurring in 2020, 1.0% of the Net Asset Value per Unit of the Units purchased, plus applicable taxes.

“**Monthly Redemption Amount**” means a redemption price per Unit equal to the lesser of: (i) 94% of the Market Price of a Unit and (ii) 100% of the Closing Market Price of a Unit on the applicable Monthly Redemption Date less, in each case, any costs and expenses associated with the redemption, including brokerage costs, and less any Net Realized Capital Gains of the Fund that are distributed to a Unitholder concurrently with the redemption price.

“**Monthly Redemption Date**” means the second last Business Day of each month, other than an Annual 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 the Net Asset Value divided by the total number of Units outstanding on any Valuation Date.

“**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 multiplied by the reciprocal of the applicable fraction in paragraph 38(a) of 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 81-102**” means National Instrument 81-102 – *Investment Funds* of the Canadian Securities Administrators (or any successor policy, rule or national instrument), as it may be amended from time to time.

“**NI 81-107**” 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.

“**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.

“**Permitted Merger**” means the merger of the Fund with another fund or funds in accordance with the Declaration of Trust.

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

“**Portfolio Securities**” means the securities held in the Portfolio from time to time.

“**Redemption Payment Date**” means on or before the tenth Business Day of the month immediately following an Annual Redemption Date or a Monthly Redemption Date, as applicable.

“**Registered Plan**” means a trust governed by a registered retirement savings plan (“**RRSP**”), a registered retirement income fund (“**RRIF**”), a deferred profit sharing plan (“**DPSP**”), a registered education savings plan (“**RESP**”), a registered disability savings plan (“**RDSP**”) or a tax-free savings account (“**TFSA**”).

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

“**STOXX Europe 600 Index**” means the STOXX 600 Index, an index maintained by STOXX Limited, derived from the STOXX Europe Total Market Index and a subset of the STOXX Global 1800 Index, representing large, mid and small capitalization companies across 17 European developed companies.

“**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.

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

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

“**Unit**” means a transferable, redeemable unit of the Fund. “**Units**” represents more than one transferable, redeemable unit of the Fund.

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

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



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

European Dividend Growth Fund is a closed-end investment fund 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, 2017. The Declaration of Trust was amended and restated as of June 23, 2017 in relation to the appointment of a new trustee and to change the name of the Fund from Brompton 2017 A Income Fund to European Dividend Growth Fund and provisions were added relating to the management, administration and operation of the Fund.

On February 14, 2019, at a special meeting of Unitholders, Unitholders voted in favour of the conversion of the Fund into an exchange-traded fund. The conversion is expected to occur on or about April 16, 2019 or such other date as the Manager may determine in its sole discretion and subject to any required regulatory approvals.

### **1.1 Declaration of Trust**

#### **1.1.1 Investment Objectives**

The Declaration of Trust provides that the Investment Objectives are to provide Unitholders with (i) stable monthly cash Distributions, (ii) the opportunity for capital appreciation, and (iii) lower overall volatility of Portfolio returns than would otherwise be experienced by owning securities of European Dividend Growth Companies directly. The Fund hedges substantially all of its exposure to foreign currencies back to the Canadian dollar.

#### **1.1.2 Investment Strategy**

The Fund was created to provide investors with exposure to an equal-weight portfolio of equity securities of large capitalization European Dividend Growth Companies. The Manager expects that between 20 and 25, but no fewer than 20, European Dividend Growth Companies will comprise the Portfolio at any given time. In order to qualify for inclusion in the Portfolio, at the time of investment and at the time of each periodic reconstitution and/or rebalancing of the Portfolio, each European Dividend Growth Company comprising the Portfolio must (i) have a history of dividend growth or, in the Manager's view, have high potential for future dividend growth, (ii) be a constituent of the STOXX Europe 600 Index, and (iii) have a market capitalization of at least EUR15 billion. The Manager will select equity securities of European Dividend Growth Companies to construct the Portfolio, giving consideration as applicable to the following, among other factors, of each issuer's:

- i) dividend growth potential (as indicated by historical dividend growth, expected future earnings, revenue and/or dividend growth, dividend pay-out ratio, and/or company dividend policy);
- ii) valuation (as indicated by price to earnings, price to book value and/or enterprise value to EBITDA ratios, and/or free cash flow yield);
- iii) profitability (as indicated by relatively high returns on equity and/or profit margins);
- iv) dividend yield;
- v) balance sheet strength (as indicated by interest coverage, debt/cash flow, debt/equity, and/or debt covenants); and/or

vi) liquidity.

In addition, up to 25% of the Portfolio value, as measured at the time of investment, may be invested in companies domiciled, incorporated, and/or listed in Europe that are not included in the STOXX Europe 600 Index but that would otherwise be European Dividend Growth Companies.

The Portfolio will be rebalanced and reconstituted at least annually but may be rebalanced and/or reconstituted more frequently at the Manager's discretion. Among other circumstances, the Portfolio may be rebalanced and/or reconstituted more frequently than annually if a constituent is removed from the STOXX Europe 600 Index, becomes party to a merger or other business combination, or announces the intention to reduce, suspend or cease paying dividends. In addition, the Manager may remove one or more European Dividend Growth Companies included in the Portfolio based on its view of market conditions or the future performance of such European Dividend Growth Company. In any such circumstances, the Manager will determine whether to replace the European Dividend Growth Company removed from the Portfolio with another European Dividend Growth Company or rebalance the remaining constituents of the Portfolio back to equal weight at that time.

### **1.1.3 General**

The Declaration of Trust also 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 transfer of Units, the redemption and repurchase of Units, Distributions to Unitholders, the provision of management and administration, portfolio management 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 has retained Brompton Funds Limited as the manager of the Fund and the Manager, on behalf of the Fund, has retained CIBC Mellon Trust Company as the Custodian of the Fund Property.

## **2.0 INVESTMENT RESTRICTIONS**

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

The Units are qualified investments under the Income Tax Act for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans, registered disability savings plans, tax-free savings accounts and registered education savings plans. During 2018, the Fund did not deviate from the rules under the Income Tax Act that apply to the status of the Units qualifying for inclusion in such plans.

The Units will generally not be a "prohibited investment" for trusts governed by a tax-free savings account, registered retirement savings plan, registered disability savings plan, registered education savings plan or registered retirement income fund unless the holder of a tax-free savings account or registered disability savings plan, the subscriber of a registered education savings plan, or the annuitant under a registered retirement savings plan or registered retirement income fund, as applicable, (i) does not deal at arm's length with the Fund for purposes of the Income Tax Act or (ii) has a "significant interest" as defined in the Income Tax Act in the Fund. Generally, a holder, subscriber, or annuitant, as the case

may be, will not have a significant interest in the Fund unless the holder, subscriber, or annuitant, as the case may be, owns interests as a beneficiary under the Fund that have a fair market value of 10% or more of the fair market value of the interests of all beneficiaries under the Fund, either alone or together with persons and partnerships with which the holder, subscriber, or annuitant, as the case may be, does not deal at arm's length. In addition, the Units will generally not be a "prohibited investment" if the Units are "excluded property" as defined in the Income Tax Act for trusts governed by a tax-free savings account, registered retirement savings plan, registered disability savings plan, registered education savings plan, or registered retirement income fund.

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

### **3.0 DESCRIPTION OF SECURITIES**

#### **3.1 The Units**

The beneficial interest in the net assets and Net Income of the Fund is divided into units of such classes as may be designated by the Manager from time to time. The Fund is authorized to issue an unlimited number of Units of each class. Each Unit of a class entitles the holder to the same rights and obligations as a Unitholder of such class and no Unitholder of a 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, pay 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 a 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 under the *Securities Act* (Ontario) and it is governed by the laws of Ontario by virtue of the provisions of the Declaration of Trust.

#### **3.2 Distributions**

The Fund does not have a fixed monthly distribution but intends to pay monthly cash Distributions to Unitholders at the discretion of the Trustee, upon the advice of the Manager.

Distributions, when declared, are payable to Unitholders of record on the last Business Day of each month and, unless a Unitholder is a participant in any distribution reinvestment plan established by the Fund, all cash Distributions payable, less any amount required to be withheld therefrom under applicable law, are to be paid in Canadian dollars no later than the tenth Business Day of the subsequent month. There can

be no assurance that the Fund will make any Distribution in any particular month or months.

The Fund has also adopted a distribution reinvestment plan (the “Plan”), pursuant to which Distributions paid to Unitholders may be reinvested, automatically on each Unitholders’ behalf at the option of such Unitholder, to purchase additional Units in accordance with the Plan. Notwithstanding the availability of the Plan, all Distributions to non-resident Unitholders are paid in cash and may not be reinvested.

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. Provided the Fund makes Distributions in each year of its Net Income and Net Realized Capital Gains, and provided the Fund deducts in computing its income the full amount available for deduction in each year, the Fund will not generally be liable for income tax under Part I of the Income Tax Act. In order to ensure this result, the Declaration of Trust provides that, if necessary, an Additional Distribution will be automatically payable in each year to Unitholders of record on December 31. 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. The Additional Distribution may, at the option of the Manager, be satisfied by the issuance of additional Units having a value equal to the cash shortfall. Following such issue of additional Units, the outstanding Units will be automatically consolidated on a basis such that the number of consolidated Units (before giving effect to any redemption of Units on such date) is equal to the number of Units outstanding immediately preceding payment of the Additional Distribution, except in the case of a non-resident Unitholder if tax was required to be withheld in respect of the distribution. Additional information regarding tax matters is set out in section 11.0 of this Annual Information Form.

### **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 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 administrators 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) add additional classes of Units in accordance with the Declaration of Trust; or

- f) provide added protection or benefit to Unitholders.

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

In addition to those matters requiring approval of Unitholders under applicable law, including NI 81-102, the Declaration of Trust provides that the following may only be undertaken with the approval of Unitholders by an Extraordinary Resolution:

- a) any change in the Investment Objectives 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;
- b) removal of the Trustee or any of its affiliates as trustee of the Fund;
- c) any material change in the Management Agreement, other than a change in the Manager, provided 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 those expressly permitted pursuant to Section 6.4 of the Declaration of Trust;
- g) any change in the frequency of calculating Net Asset Value per Unit to less often than daily;
- 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 under the Declaration of Trust.

In addition, the Manager may, without obtaining Unitholder approval, merge the Fund with another fund or funds provided that:

- a) the fund(s) with which the Fund is merged must be managed by the Manager or an affiliate of the Manager;
- b) Unitholders are permitted to redeem their Units at a redemption price equal to the Net Asset Value per Unit retracted of the applicable class, less any costs of funding the redemption, including commissions on or prior to the effective date of the merger;
- c) the funds being merged have similar investment objectives as set forth in their respective declarations of trust, as determined in good faith by the Manager in its sole discretion;

- d) the Manager must have determined in good faith that there will be no increase in the management expense ratio borne by the Unitholders as a result of the merger;
- e) the merger of the funds is completed on the basis of an exchange ratio determined with reference to the net asset value per unit of each fund; and
- f) the merger of the funds must be accomplished on a tax-deferred rollover basis for Unitholders.

If the Manager determines that a merger is appropriate and desirable and will constitute a Permitted Merger, the Manager can effect the merger, and the Declaration of Trust may be amended, without seeking Unitholder approval for the merger or such amendments. If a decision is made to merge, the Manager shall provide notice to Unitholders by press release or as otherwise required by NI 81-102 at least 60 days prior to the proposed effective date.

Although approval of Unitholders will not be obtained before changing the auditor of the Fund, the Fund will send Unitholders written notice of the change of auditor at least 60 days prior to the effective date of the change.

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

Pursuant to the Declaration of Trust, the Fund shall continue until the date specified in an Extraordinary Resolution of Unitholders calling for the termination of the Fund approved at a duly called meeting of Unitholders, provided that at least 90 days' written notice has been given to the Manager by the Trustee of the date so fixed by the Unitholders for the termination of the Fund. In addition to such termination upon the approval of the Unitholders, the Declaration of Trust also provides that the Fund may be terminated in the following circumstances:

- 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; and
- b) the Manager may, in its discretion and upon not less than 30 days' prior written notice to the Unitholders by way of press release, terminate the Fund without the approval of Unitholders if, in its opinion, it would be in the best interests of the Unitholders to terminate the Fund.

In each case the Fund must first file a news release that discloses the termination and the Fund may not terminate earlier than 30 days after the filing of such news release, unless the Fund undertakes a reorganization, or transfers asset to, another investment fund, if (i) the Fund ceases to continue after the reorganization or transfer of assets and (ii) the transaction results in Unitholders becoming securityholders in the other investment fund.

The Declaration of Trust further provides that prior to the Termination Date, the Trustee shall, or shall cause, the Fund Investments to be converted to cash to the extent practicable and will satisfy or make appropriate provision for all liabilities of the Fund. The Declaration of Trust provides 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**

Pursuant to 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, or other amount receivable (or declared to holders of record of securities owned by the Fund 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, or other amount receivable (or declared to holders of record of securities owned by the Fund 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 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; provided that, for the purpose of calculating the redemption price in connection with an annual redemption of Units, the value of any security, index future or index option which is listed or traded upon a stock exchange (or if more than one, on the stock exchange in which the security primarily trades, as determined by the Manager) will be equal to the weighted average trading price over the last three Business Days of the month in which the Annual Redemption Date occurs;
- 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 will be converted into Canadian currency at the rate of exchange available from the Custodian on the Valuation Date on which the Total Assets are being determined;
- g) listed securities subject to a hold period will be valued as described above with an appropriate discount as determined by the Manager and investments in private companies and other assets for

which no published market exists will be valued at the lesser of cost and the most recent value at which such securities have been exchanged in an arm's length transaction which approximates a trade effected in a published market, unless a different fair market value is determined to be appropriate by the Manager;

- h) the value of any forward contract, futures, swaps, options or other derivatives will be the value that would be realized by the Fund if, on the date on which the Total Assets are being determined, such derivative was closed out in accordance with its terms;
- i) where a covered clearing corporation option, option on futures or over-the-counter option is written, the premium received by the Fund shall be reflected as a deferred credit that shall be valued at an amount equal to the current market value of the clearing corporation option, option on futures or over-the-counter option that would have the effect of closing the position. Any difference resulting from revaluation of such options shall be treated as an unrealized gain or loss on investment. The deferred credit shall be deducted in arriving at the Net Asset Value. The securities, if any, which are the subject of a written clearing corporation option, or over-the-counter option shall be valued at their then current market value; and
- j) the value of any security or property to which, in the opinion of the Manager, the application of the above principles cannot be applied (whether because no price or yield equivalent quotations are available as above provided, or for any other reason) will be the fair market value thereof determined in good faith in such manner as the Manager from time to time adopts.

Pursuant to item (j) above, the Manager has not exercised its discretion to deviate from the valuation practices noted above since the inception of the Fund.

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

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

Pursuant to the Declaration of Trust, the Net Asset Value per Unit of any class on any Valuation Date shall be calculated by dividing the Net Asset Value 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) on such Valuation 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 on that date)

The Net Asset Value per Unit is calculated as at the close of business on each Valuation 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 in Canadian dollars.

## **6.0 PURCHASES OF FUND UNITS**

### **6.1 General**

The Units are listed for trading on the TSX under the symbol EDGF.UN and may be purchased through the facilities of the TSX. Registration of interests in and transfers of the Units are made only through



CDS and the Units must be purchased, transferred and surrendered for redemption through a CDS Participant. All rights of Unitholders must be exercised through, and all payments or other property to which such Unitholders are entitled are made or delivered by, CDS or the CDS Participant through which such Units are held. Upon purchase of any Units, Unitholders receive only a customer confirmation from the registered dealer which is a CDS Participant and from or through which the securities are purchased.

## **6.2 Issuer Bid**

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

## **7.0 REDEMPTION OF SECURITIES**

### **7.1 Monthly**

Subject to the Fund's right to suspend redemptions as discussed in section 7.4 of this Annual Information Form, Unitholders are entitled to surrender Units for redemption in accordance with the Declaration of Trust on a Monthly Redemption Date, provided such 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 Redemption Payment Date.

### **7.2 Annual**

Subject to the Fund's right to suspend redemptions as discussed in section 7.4 of this Annual Information Form, Unitholders are entitled to surrender Units for redemption in accordance with the Declaration of Trust in April of each year, commencing in 2019, provided the Units are surrendered by 5:00 p.m. (Toronto time) on the last Business Day of June. The Declaration of Trust provides that Units surrendered for redemption will be redeemed on the Annual Redemption Date at a redemption price per Unit equal to the Annual Redemption Amount and payment will be made on Redemption Payment Date.

### **7.3 General**

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

By causing a CDS Participant to deliver to CDS a notice of the Unitholder's intention to redeem Units, the Unitholder will 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 Annual Redemption Date or Monthly Redemption Date permit the withdrawal of a redemption notice on such terms and conditions as the Manager may determine, in its sole discretion, provided that in the opinion of

the Manager such withdrawal will not adversely affect the Fund. Any expense associated with the preparation and delivery of the redemption notice or its withdrawal will be for the account of the Unitholder exercising the redemption privilege.

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

On the redemption of Units, the Fund may, in its sole discretion, designate payable to the redeeming Unitholder, in respect of the redemption price, any income or capital gains realized by the Fund in the taxation year of the Fund in which the redemption occurs, including as a result of any disposition of property of the Fund undertaken to facilitate the redemption pursuant to the Declaration of Trust and such income or capital gains will reduce the redemption price per Unit by the amount so designated.

#### **7.4 Suspension of Redemptions**

The Declaration of Trust permits the Manager, on behalf of the Fund, to direct the Trustee to suspend the redemption of Units or payment of redemption proceeds with the prior approval of the Canadian Securities Administrators, where required (a) for the whole or any part of a period during which normal trading is suspended on one or more exchanges on which more than 50% of the Fund Investments by value are listed and traded and if such securities are not traded on any exchange that represents a reasonable alternative for the Fund, or (b) for any period not exceeding 120 days during which the Manager determines that conditions exist which render impractical the sale of assets of the Fund or which impair the ability of the Manager to determine the value of the assets of the Fund. The suspension may apply to all requests for redemption received prior to the suspension, but for which payment has not been made, as well as to all requests received while the suspension is in effect. In such circumstances, all Unitholders shall have, and shall be advised that they have, the right to withdraw their requests for redemption. The suspension shall 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 promulgated by any government body having jurisdiction over the Fund, any declaration of suspension made by the Manager shall be conclusive.

### **8.0 RESPONSIBILITY FOR OPERATIONS**

#### **8.1 Manager**

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

Brompton Funds Limited was formed pursuant to the *Business Corporations Act* (Ontario) by articles of incorporation dated May 17, 2011. Its head office is located at Suite 2930, Bay Wellington Tower, Brookfield Place, 181 Bay Street, Toronto, Ontario M5J 2T3. Its telephone number is (416) 642-6000, its e-mail address is info@bromptongroup.com and its website address is www.bromptongroup.com. The Manager was organized for the purpose of managing and administering closed-end investment funds, including the Fund, and is a member of the Brompton group of companies. The Manager is registered

with the Ontario Securities Commission as a portfolio manager, investment fund manager, commodity trading manager and exempt market dealer and is also registered as an investment fund manager in Quebec and Newfoundland and Labrador.

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

### **8.1.1 Management Fee**

In consideration for these services, the Fund pays the Manager a Management Fee equal to 1.25% per annum of the Net Asset Value, calculated and payable monthly in arrears for the period from inception to the second Annual Redemption Date in July 2020 and thereafter equal to 0.95% per annum of the Net Asset Value of the Fund, plus applicable taxes.

In addition to the Management Fee, in connection with any purchases of Units for cancellation by the Fund, the Fund will pay to the Manager or an affiliate of the Manager the following amounts if any, as partial compensation for the fees and expenses of the Manager or an affiliate of the Manager paid in connection with the initial public offering of Units:

- i) if the purchase is made at a discount to the then current Net Asset Value per Unit purchased that is greater than the Market Purchase Fee, the Fund will pay to the Manager or an affiliate of the Manager an amount (excluding taxes) equal to the Market Purchase Fee; or
- ii) if the purchase is made at a discount to the then current Net Asset Value per Unit that is less than or equal to the Market Purchase Fee, the Fund will pay to the Manager or an affiliate of the Manager an amount (excluding taxes) equal to such discount.

Such amounts will only be paid if the Units purchased by the Fund are cancelled.

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

The Management Agreement may be terminated at any time by the Trustee, on behalf of the Fund, on 90 days' written notice with the approval of the Unitholders by an Ordinary Resolution passed at a duly convened meeting of Unitholders called for the purpose of considering such Ordinary Resolution, provided that Unitholders holding at least 10% of the Units outstanding on the record date of the meeting vote in favour of such Ordinary Resolution. The Management Agreement may also be terminated by the Trustee on behalf of the Fund immediately:

- a) immediately in the event of the commission by the Manager of any fraudulent act;
- b) automatically, if the Manager becomes bankrupt, insolvent or makes a general assignment for the benefit of its creditors;
- c) immediately if the Manager has lost any registration, licence or other authorization required by it to perform its investment fund management and portfolio management duties under the Management Agreement; or

- d) immediately if the Manager is otherwise deemed unable to perform the investment fund management and portfolio management services under the Management Agreement.

The Manager may resign and the Management Agreement be terminated upon 120 days' notice to the Trustee. The Manager may assign the Management Agreement to an affiliate of the Manager at any time.

### 8.1.3 Directors and Officers of the Manager

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

<b>Name and Municipality of Residence and Position with the Manager</b>	<b>Principal Occupation and Positions Held During the Last 5 Years</b>
MARK A. CARANCI <sup>(1)(2)</sup> Toronto, Ontario President, Chief Executive Officer and Director	President and Chief Executive Officer, Brompton Funds.
RAYMOND R. PETHER <sup>(1)</sup> Toronto, Ontario Director	Director, Brompton Funds.
CRAIG T. KIKUCHI <sup>(2)</sup> Toronto, Ontario Chief Financial Officer and Director	Chief Financial Officer and Chief Compliance Officer, Brompton Funds; Corporate Secretary, Brompton Funds from July 2013 to March 2015; Director, Brompton Funds Limited since July 2014.
CHRISTOPHER S.L. HOFFMANN <sup>(1)</sup> Toronto, Ontario Director	Director, Brompton Funds Limited since July 2014; Director, Brompton Corp.; Vice President, Nutowima Ltd. and private investor.
ANN WONG Toronto, Ontario Vice President and Controller	Vice President and Controller, Brompton Funds.
CHRISTOPHER CULLEN Toronto, Ontario Senior Vice President	Senior Vice President, Brompton Funds.
LAURA LAU Toronto, Ontario Senior Vice President and Senior Portfolio Manager	Senior Vice President and Senior Portfolio Manager, Brompton Funds.
MICHAEL CLARE Toronto, Ontario Vice President and Portfolio Manager	Vice President & Portfolio Manager, Brompton Funds.
MICHELLE TIRABORELLI Toronto, Ontario Vice President	Vice President, Brompton Funds.
KATHRYN BANNER Toronto, Ontario Vice President and Corporate Secretary	Vice President and Corporate Secretary, Brompton Funds since March 2015; Assistant Vice President, Brompton Funds from February 2011 to March 2015.

Note:

(1) Member of the audit committee.

(2) Executive officer.

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

The members of the IRC are Patricia Meredith, 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 securityholders of the Fund, to the Manager and to regulators as required by NI 81-107.

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

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

Note:

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

#### **8.2 Portfolio Management**

The Manager acts as the portfolio manager for the Fund including writing call options and put options in accordance with the Investment Objectives and the Investment Strategy and subject to the Investment Restrictions. The principal portfolio managers who are responsible for the investment management of the Fund are as follows:

Name	Length of Service and Experience in the Past 5 Years
Laura Lau Toronto, Ontario Senior Vice President & Senior Portfolio Manager	Ms. Lau joined Brompton in February 2012 and has over 25 years' experience in the financial industry. She has had over 14 years' experience as a portfolio manager and in the trading and management of derivatives.
Michael Clare Toronto, Ontario Vice President & Portfolio Manager	Mr. Clare joined Brompton in December 2012 and has over nine years' experience as a portfolio manager. He assists Ms. Lau with research including with respect to the option writing strategy of the Fund.

Ms. Lau oversees the portfolio rebalancing and option overlay strategies. Investment decisions are not subject to the oversight, approval or ratification of a committee.

### 8.3 Trustee

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

### 8.4 Custodian

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

The principal sub-custodians appointed by the Custodian are: The Bank of New York Mellon, located in New York, New York; BNP Paribas Securities Services S.C.A., located in Paris, France; and The Bank of New York Mellon SA, located in Frankfurt, Germany (collectively the "Sub-Custodians"). The Custodian entered into sub-custodian agreements with Sub-Custodians under which Sub-Custodians provide for the safe keeping of client assets of the Custodian in the United States, France and Germany.

#### 8.4.1 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.

#### 8.4.2 Termination of the Custodial Services Agreement

The Manager or the Custodian may terminate the Custodial Services Agreement without any penalty: (a) subject to any penalties contained in the written agreement of fees and expenses between the Manager and the Custodian, upon at least 90 days' written notice to the other party, or (b) immediately, if the other party becomes insolvent, or makes an assignment for the benefit of creditors, or a petition in bankruptcy is filed by or 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.

### 8.5 Valuation Services

The Manager, on behalf of the Fund, has appointed CIBC Mellon Global Securities Services Company, located in Toronto, Ontario, to provide the Fund with valuation services. Such services include the

calculation of the Net Asset Value in accordance with the Fund’s valuation parameters described in section 4.0 of this Annual Information Form.

## 8.6 Auditor, Registrar, Transfer Agent and Distribution Agent

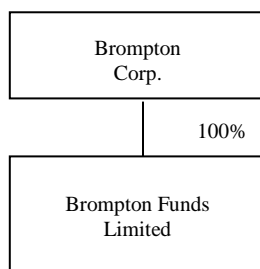
The auditors of the Fund are PricewaterhouseCoopers LLP, Chartered Professional Accountants, Licenced Public Accountants (“PWC”), located in Toronto, Ontario. The auditors of the Fund can be changed by an Ordinary Resolution of the Unitholders. TSX Trust Company is the registrar, transfer agent and distribution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

## 8.7 Securities Lending

The Manager has appointed Canadian Imperial Bank of Commerce (“CIBC”) located in Toronto, Ontario and The Bank of New York Mellon (“BNY”) as securities lending agents (the “Agents”), pursuant to a securities lending authorization (the “Securities Lending Agreement”) dated as of July 14, 2017, among the manager, CIBC Mellon Global Securities Company (“GSS”), CIBC Mellon Trust Company (“CMT”) and the Agents to provide securities lending services relating to the Fund Property.

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

In addition, the directors and officers of the Manager may be directors, officers, shareholders or unitholders of one or more issuers in which the Fund may acquire securities. The Manager or its affiliates may be a manager of one or more issuers in which the Fund may acquire securities and may be managers or administrators of funds with similar investment objectives as the Fund. Although none of the directors

or officers of the Manager will devote his or her full time to the business and affairs of the Fund, each director and officer of the Manager will devote as much time as is necessary to supervise the management of (in the case of the directors) or to manage the business and affairs of (in the case of officers) the Fund and the Manager, as applicable.

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

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

As at March 1, 2019, the members of the IRC did not own, directly or indirectly, any securities in the Manager. Further, as at March 1, 2019, 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 the Manager or in any one or more Canadian chartered bank which provides a loan facility or other credit to the Fund or the 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 4 directors, 2 of whom are not involved in the management of the Fund. Details regarding the names, principal occupations and committee memberships of the Board are set out in section 8.1.3 of this Annual Information Form. The Board believes that the number of directors is appropriate.

Certain Board members are also members of the Audit Committee. The Audit Committee consists of 3 members, 2 of whom are not involved in the management of the Fund. The responsibilities of the Audit Committee include, but are not limited to, review of the Fund’s financial statements and the annual audit performed by PWC, the auditor 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, a privacy policy and a proxy voting policy. The whistleblower policy establishes a procedure for the receipt, retention and treatment of complaints regarding accounting, internal accounting controls and auditing matters pertaining to the Fund. The privacy policy dictates the manner in which the Fund and the Manager may collect, use and disclose personal information regarding Unitholders. The proxy voting policy is described in section 10.2 of this Annual Information Form. As part of its risk management, the Board has adopted a disclosure policy. The disclosure policy sets out guidelines that aim to ensure that complete, accurate and balanced information is disclosed to the public in a timely, orderly and broad-based manner in accordance with securities laws and regulations. As part of managing potential internal conflicts of interest, the Board has adopted a code of business ethics and an insider trading policy. The code of business ethics and insider



trading policy address, among other things, ethical business practices and handling of material information and purchasing or selling of securities by insiders.

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

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

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

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

As indicated in section 8.1.4 of this Annual Information Form, the IRC is comprised of 3 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 Manager exercises the voting rights attached to the securities held by the Fund. It is the Manager's policy to seek to ensure that proxies for securities held by the Fund are voted consistently and in the best interests of the Fund.

The Fund, through the Manager, has engaged the services of Institutional Shareholder Services ("ISS") to vote the proxies related to the securities held by the Fund in accordance with ISS' 2019 Canadian Proxy Voting Guidelines for TSX-listed Companies (the "Policy").

In the case of routine matters, which include ratification of auditors, the Policy generally allows for voting in favour of management's recommendation unless non-audit related fees paid to the auditor exceed audit-related fees. The Policy outlines the fundamental principles applied when determining votes on director nominees and generally withholds votes from all directors nominated by slate ballot.

In respect of non-routine matters including confidential voting, shareholder rights plans, mergers and corporate restructurings, capital restructuring, increases in authorized capital, executive compensation and equity compensation plans, matters are dealt with on a case-by-case basis with the best interests of the Unitholders in mind at all times.

In the event that a vote presents a conflict of interest between the interests of Unitholders and those of the Manager or any affiliate or associate thereof, the vote will be referred to the IRC.

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

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

### **10.3 Covered Call Option Writing**

The Manager will write covered call options from time to time on up to, but not more than, 33% of the Portfolio, in order to earn option premiums and lower the overall volatility of returns associated with owning a portfolio of equity securities. Call options will be written only in respect of the Portfolio Securities.

The holder of a call option purchased from the Fund will have the option, exercisable during a specific time period or at expiry, to purchase the securities underlying the option from the Fund at the strike price per security. By selling call options, the Fund will receive option premiums, which are generally paid within one Business Day of the writing of the option. If the volatility of the Portfolio Securities decreases, it is anticipated that a greater percentage of the Portfolio (but not greater than 33% of the Portfolio at any given time) will be subject to covered call options and that the strike price of the call options will be closer to, and potentially lower than, the market price of the security underlying the call option at the time the call option is written. If at any time during the term of a call option or at expiry, the market price of the underlying securities is above the strike price, the holder of the option may exercise the option and the Fund would be obligated to sell the securities to the holder at the strike price per security. Alternatively, the Fund may repurchase a call option which is in-the-money by paying the market value of the call option. In the event an option is repurchased or exercised, the Manager may elect to sell additional calls on the same security from time to time. If, however, the option is out-of-the-money at expiration of the call option, the holder of the option will likely not exercise the option and the option will expire. In each case, the Fund will retain the option premium.

The amount of option premium depends upon, among other factors, the expected volatility of the price of the underlying security; generally the higher the volatility, the higher the option premium. In addition, the amount of the option premium will depend upon the difference between the strike price of the option and the market price of the underlying security at the time the option is written; generally, the smaller the positive difference (or the larger the negative difference), the more likely it is that the option will become in-the-money during the term and, accordingly, the greater the option premium. The Manager will determine the number of call options that will be written and the strike price at which the options will be sold. The Manager intends that the options sold by the Fund will generally be sold at strike prices which are close to or slightly above the then current market price of the Portfolio Securities.

If a call option is written on a security in the Portfolio, the amounts that the Fund will be able to realize on the security during the term of the call option will be limited to the distributions received during such period plus an amount equal to the sum of the strike price and the premium received from writing the option. In essence, the Fund forgoes potential returns resulting from any price appreciation of the security underlying the option above the strike price because the security will be “called away” or the Fund will pay to close out the option by repurchasing the option at the then current market price of the option. The current market price of an in-the-money option may exceed the premium received when the option was sold.

### **10.4 Call Option Pricing**

Many investors and financial market professionals price call options based on the Black Scholes Model. In practice, however, actual option premiums are determined in the marketplace and there can be no assurance that the values generated by the Black Scholes Model can be attained in the market.

Under the Black Scholes Model (modified to include dividends and distributions), the primary factors which affect the option premium received by the seller of a call option are the following:

<i>Price volatility of the underlying security</i>	The volatility of the price of a security measures the tendency of the price of the security to vary during a specified period. The higher the price volatility, the more likely that the price of that security will fluctuate (either positively or negatively) and the greater the option premium. Price volatility is generally measured in percentage terms on an annualized basis, based on price changes during a period of time immediately prior to or trailing the date of calculation.
<i>The difference between the strike price and the market price of the underlying security at the time the option is written</i>	The smaller the positive difference (or the larger the negative difference), the greater the option premium.
<i>The term of the option</i>	The longer the term, the greater the call option premium.
<i>The “risk-free” or benchmark interest rate in the market in which the option is issued</i>	The higher the risk-free interest rate, the greater the call option premium.
<i>The dividends and distributions expected to be paid on the underlying security during the relevant term</i>	The greater the dividends and distributions, the lower the call option premium.

## **10.5 Use of Derivatives**

The Net Asset Value is measured in Canadian dollars and payments to Unitholders are made in Canadian dollars. However, many of the investments in the Portfolio consist of securities denominated in foreign currency. The Fund will seek to hedge substantially all of its exposure to foreign currency back to the Canadian dollar. The Manager is solely responsible for providing advice to the Fund with regard to currency hedging. While the Fund intends to use forward contracts for currently hedging, it is not precluded from using other derivatives, such as put and call options on foreign currencies, to do so.

The Declaration of Trust allows the Fund to invest in or use derivative instruments for hedging purposes consistent with the Investment Objectives and Investment Strategy and subject to the Investment Restrictions. Considering the parameters set out in NI 81-102, along with the Manager’s policies and procedures relating to derivatives risk management, no stress testing is conducted specifically with respect to positions maintained by the Company.

## **10.6 Use of Cash Equivalents**

The Fund may from time to time hold a portion of its assets in cash equivalents. The Fund may also from time to time utilize such cash equivalents to provide cover for the writing of cash-covered put options (up to a maximum of 33% of the Portfolio) or for other defensive purposes. The Fund may also from time to time write cash-covered put options to generate additional returns and to reduce the net cost of acquiring the securities subject to put options. Such cash-covered put options will only be written in respect of securities in which the Fund is permitted to invest.

## **10.7 Securities Lending**

In order to generate additional returns, the Manager has entered into the Securities Lending Agreement with the Agents to administer any securities lending transaction for the Fund.

The Manager manages the risks associated with securities lending by requiring the Agents, pursuant to the Securities Lending Agreement, to:

- a) Enter into securities lending, repurchase or reverse purchase transactions with reputable and well-established Canadian and foreign brokers, dealers and institutions (“counterparties”);
- b) Maintain internal controls, procedures and records including a list of approved counterparties based on generally accepted creditworthiness standards, transaction and credit limits for each counterparty and collateral diversification standards;
- c) Establish daily the market value of both the securities loaned by the Fund under a securities lending transaction or sold by the Fund under a repurchase transaction and the cash or collateral held by the Fund. If on any day the market value of the cash or collateral is less than 102% of the market value of the borrowed or sold securities, the Agents will request that the counterparty provide additional cash or collateral to the Fund to make up the shortfall;
- d) Ensure that no more than 50% of the Net Asset Value of the Fund is out on loan at one time;
- e) Ensure that the collateral to be delivered to the Fund is one or more of cash, qualified securities or securities immediately convertible into, or exchangeable for, securities of the same issuer, class or type, and same term, if applicable, as the securities being loaned by the Fund; and
- f) Obtain mutual indemnification from GSS, CMT and the Agents in respect of all losses, damages, liabilities, costs or expenses (including reasonable counsel fees and expenses but excluding consequential damages) arising from:
  - i. The failure to perform any obligations under the Security Lending Agreement;
  - ii. Any inaccuracy of any representation or warranty made in the Security Lending Agreement; or
  - iii. Fraud, bad faith, willful misconduct or reckless disregard of duties.

Each lending transaction may be terminated by the Fund at any time and the loaned securities recalled within the normal and customary settlement period for such transactions and the Security Lending Agreement may be terminated at any time at the option of either the Manager or the Agents (i) upon 30 days prior notice to the other parties or (ii) immediately upon notice to all other parties in the event of a material breach by any party.

The Manager has written procedures that set out the objectives, goals and risk management practices with respect to securities lending arrangements which are reviewed annually by the Board. The Securities Lending Agreement was approved by the Board and securities lending arrangements and risks are monitored by the Manager. Considering the parameters set out in NI 81-102, along with the Manager’s policies and procedures relating to securities lending, no stress testing is conducted specifically with respect to positions maintained by the Fund.

With respect to collateral, by the close of the Business Day on which loaned securities are delivered to a borrower, the Agents shall obtain from such borrower one or more types of collateral as outlined below in an amount equal, as of such day, to 105% or such other percentage as reflects the best market practices in the market in which the securities are being lent but shall never be less than 102% of the market value of the loans, including any accrued interest.

The indemnifications in the Securities Lending Agreement survive its termination.

## **10.8 Short-Term Trades**

The Units trade on the TSX. 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 an annual basis, commencing in 2019;
- c) monthly redemptions of Units are at a discount to the Net Asset Value per Unit and are equal to the Monthly Redemption Amount;
- d) the annual redemption of Units is based on the Net Asset Value per Unit on the second last business day of July, commencing in 2019, and is equal to the Annual Redemption Amount;
- e) for the purpose of calculating the Annual Redemption Amount, the value of any security is equal to the weighted average trading price over the last three Business Days of the month of July; and
- f) redemptions require more than four weeks to process from the date a holder notifies CDS of their redemption request to the date the redemption proceeds are paid out.

## **11.0 INCOME TAX CONSIDERATIONS**

The following is a summary of the principal Canadian federal income tax considerations in respect of the acquisition, holding, and disposition of Units generally applicable to a Unitholder who is an individual (other than a trust) and who, for the purposes of the Income Tax Act and at all relevant times, is resident in Canada, deals at arm's length and is not affiliated with the Fund, holds Units as capital property, and has not entered and will not enter into a "derivative forward agreement" (as defined in the Income Tax Act) with respect to Units.

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 such Units and all other "Canadian securities" (within the meaning of the Income Tax Act) owned or subsequently owned by them treated as capital property by making an irrevocable election under subsection 39(4) of the Income Tax Act. Unitholders should consult their own tax advisors for advice as to whether an election under subsection 39(4) of the Income Tax Act is available and/or advisable in their own particular circumstances.

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

This summary is based on the assumption that the Fund will comply at all times with the investment restrictions set out under the heading "Investment Restrictions".

This summary is not exhaustive of all possible Canadian federal income 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 or provinces or territories 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.

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

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

Provided that the Fund qualifies as a mutual fund trust within the meaning of the Income Tax Act or the Units are listed on a designated stock exchange within the meaning of the Income Tax Act (which currently includes the TSX), the Units, if issued on the date hereof, would be qualified investments for Registered Plans.

### **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. The Fund intends to make distributions to Unitholders and to deduct, in computing its income in each taxation year, such amount as will be sufficient to ensure that the Fund will not be liable for income tax under Part I of the Income Tax Act for each taxation year other than such tax on Net Realized Capital Gains that will be recoverable by the Fund in respect of such year by reason of the capital gains refund mechanism. Under the Income Tax Act, the Fund will be permitted to deduct in computing its income for a taxation year an amount that is less than the amount of its distributions for the year in order to enable the Fund to utilize, in such taxation year, losses from prior years without affecting the ability of the Fund to distribute its income annually.

In computing its income for a taxation year, the Fund will be required to include all dividends received (or deemed to be received) by it in the year on Portfolio Securities, regardless of whether the issuer of the Portfolio Securities is Canadian or foreign.

The Fund will be entitled to deduct an amount equal to the reasonable expenses that it incurs (and that are not reimbursed) in the course of issuing the Units. Such issue expenses will be deductible by the Fund rateably over a five-year period subject to reduction in any taxation year which is less than 365 days. The Fund will generally be entitled to deduct administrative expenses and interest payable by it on money borrowed to purchase securities. Any losses incurred by the Fund cannot be allocated to Unitholders but

may generally be carried forward or back in accordance with the rules and limitations contained in the Income Tax Act and deducted in computing the taxable income of the Fund.

Upon the actual or deemed disposition of a Portfolio Security, the Fund will realize a capital gain (or capital loss) to the extent the proceeds of disposition and any reasonable costs of disposition exceed (or are less than) the adjusted cost base of such security unless the Fund were considered to be trading or dealing in securities or otherwise carrying on a business of buying and selling securities or the Fund has acquired the security in a transaction or transactions considered to be an adventure or concern in the nature of trade. The Fund will purchase the Portfolio with the objective of earning dividends and other distributions from the Portfolio Securities over the life of the Fund and will take the position that gains and losses realized on the disposition thereof are capital gains and capital losses.

Generally, the Fund will include gains and deduct losses on income account in connection with investments made through certain derivatives, except where such derivatives are used to hedge Portfolio Securities held on capital account provided there is sufficient linkage, subject to the DFA Rules described below, and will recognize such gains or losses for tax purposes at the time they are realized by the Fund. Subject to the DFA Rules described below, gains or losses realized on such derivatives hedging Portfolio Securities held on capital account will be treated and reported for purposes of the Income Tax Act on capital account provided there is sufficient linkage. An election to realize gains and losses on “eligible derivatives” (as defined in the Income Tax Act) on a mark-to-market basis may be available. The Manager will consider whether such election, if available, would be advisable for the Fund.

The Portfolio will include securities that are not denominated in Canadian dollars. Proceeds of disposition of securities, distributions, interest, option premiums and all other amounts will be determined for the purposes of the Income Tax Act in Canadian dollars at the exchange rate prevailing on the date of the transaction in accordance with the rules in the Income Tax Act. The Fund will realize gains or losses by virtue of the fluctuation in the value of foreign currencies relative to Canadian dollars. Subject to the DFA Rules described below, gains or losses in respect of currency hedges entered into in respect of amounts invested in the Portfolio will likely constitute capital gains and capital losses to the Fund if the Portfolio Securities are capital property to the Fund provided there is sufficient linkage.

Premiums received on covered call options and cash secured put options written by the Fund which are not exercised prior to the end of the year will constitute capital gains of the Fund in the year received, unless such premiums are received by the Fund as income from a business or the Fund has engaged in a transaction or transactions considered to be an adventure in the nature of trade. The Manager has advised counsel that the Fund will purchase the Portfolio Securities with the objective of receiving dividends and distributions thereon over the life of the Fund, will write covered call options with the objective of increasing the yield on the portfolio beyond the dividends and distributions received and will write cash secured put options to increase returns and to reduce the net cost of purchasing securities upon the exercise of put options. Having regard to the foregoing, and in accordance with the CRA’s published administrative policies, transactions undertaken by the Fund in respect of options on Portfolio Securities will be treated and reported by the Fund as arising on capital account.

Premiums received by the Fund on covered call (or cash secured put) options which are subsequently exercised will be added in computing the proceeds of disposition (or deducted in computing the adjusted cost base) to the Fund of the securities disposed of by the Fund upon the exercise of such call (or put) options. In addition, where a covered call option is exercised after the end of the year in which it was granted, the Fund’s capital gain in the previous year in respect of the receipt of the option premium will be reversed.

The Income Tax Act contains rules (the “DFA Rules”) that target certain financial arrangements (referred to as “derivative forward agreements”) that seek to reduce tax by converting, through the use of derivative contracts, the return on an investment that would otherwise have the character of ordinary income to a capital gain. The DFA Rules are broadly drafted and could apply to other agreements or transactions (including certain covered call and other options).

The DFA Rules generally would not apply to foreign currency hedges. If the DFA Rules were to apply to certain derivatives to be utilized by the Fund, gains realized in respect of the property underlying such derivatives could be treated as ordinary income rather than capital gains.

The Fund will derive income or gains from investments in countries other than Canada and, as a result, may be liable to pay income or profits tax to such countries. To the extent that such foreign tax exceeds 15% of the amount included in the Fund’s income from such investments, such excess may generally be deducted by the Fund in computing its Net Income for the purposes of the Income Tax Act. To the extent that such foreign tax does not exceed 15% of the amount included in the Fund’s income from such investments and has not been deducted in computing the Fund’s income, the Fund may designate in respect of a Unitholder a portion of its foreign source income that can reasonably be considered to be part of the Fund’s income distributed to such Unitholder so that such income and a portion of the foreign tax paid by the Fund may be regarded as foreign source income of, and foreign tax paid by, the Unitholder for the purposes of the foreign tax credit provisions of the Income Tax Act.

One-half of the amount of any capital gain (a “taxable capital gain”) realized by the Fund in a taxation year on the disposition of Portfolio Securities that are capital property of the Fund must be included in computing the Fund’s income for the year, and one-half of the amount of any capital loss (an “allowable capital loss”) realized by the Fund in a taxation year must be deducted against any taxable capital gains realized by the Fund in the year. Allowable capital losses for a taxation year in excess of taxable capital gains may be carried back and deducted by the Fund in any of the three preceding taxation years or carried forward and deducted in any subsequent taxation year against net realized taxable capital gains in accordance with the provisions 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 Portfolio Securities in connection with a redemption of Units.

### **11.3 Taxation of Unitholders**

A Unitholder will generally be required to include, in computing income for a taxation year, the amount the Fund deducts in respect of its Net Income for the taxation year, including net realized taxable capital gains, paid or payable to the Unitholder in the taxation year, whether paid in cash, additional Units or reinvested in additional Units pursuant to the Plan.

The non-taxable portion of the Fund’s Net Realized Capital Gains, the taxable portion of which was designated to a Unitholder in a taxation year, paid or payable (whether in cash or in Units) to the Unitholder in the taxation year will not be included in the Unitholder’s income for the year. Any other amount in excess of the amount the Fund deducts in respect of its Net Income for a taxation year (including an amount that enables the Fund to utilize losses from prior years, 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 capital gain.

Provided that appropriate designations are made by the Fund, such portion of (i) the net realized taxable capital gains of the Fund, and (ii) the foreign source income of the Fund, 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. Where the Fund has designated its income from a foreign source in respect of a Unitholder, the Unitholder will be entitled to treat the Unitholder's proportionate share of foreign taxes paid by the Fund in respect of such income as foreign taxes paid by the Unitholder for purposes of computing the Unitholder's foreign tax credit, subject to the detailed rules contained in the Income Tax Act. Any loss incurred by the Fund for purposes of the Income Tax Act cannot be allocated to, and cannot be treated as a loss of, a Unitholder.

On the disposition or deemed disposition of a Unit, including on a redemption of a Unit, a Unitholder will realize a capital gain (or capital loss) to the extent that the Unitholder's proceeds of disposition (which do not include any amount payable by the Fund which represents an amount paid concurrently by the Fund as described herein) exceed (or are less than) the aggregate of the adjusted cost base of the Unit and any reasonable costs of disposition. Where capital gains realized by the Fund have been designated by the Fund to a redeeming Unitholder, the Unitholder will be required to include in income one-half of any capital gain so realized and such amount will not be included in the Unitholder's proceeds of disposition of the Unit.

If, at any time, the Fund delivers Portfolio Securities to any Unitholder upon a redemption of a Unitholder's Units on the termination of the Fund, the Unitholder's proceeds of disposition of the Units will generally be equal to the aggregate of the fair market value of the distributed property and the amount of any cash received, less any capital gain realized by the Fund on the disposition of such distributed property. The cost of any property distributed by the Fund *in specie* will generally be equal to the fair market value of such property at the time of the distribution. Such distributed property may or may not be a qualified investment for Registered Plans. If such distributed property is not a qualified investment for Registered Plans, such Registered Plans (and, in the case of certain Registered Plans, the annuitants, beneficiaries or subscribers thereunder or holders thereof) may be subject to adverse tax consequences.

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 of that class will be averaged with the adjusted cost base of all Units of that class owned by the Unitholder as capital property immediately before that time. The cost of Units acquired as a distribution of income or capital gains from the Fund will generally be equal to the amount of the distribution. A consolidation of Units following a distribution paid in the form of additional Units or cash reinvested in additional Units will not be regarded as a disposition of Units. Any additional Units acquired by a Unitholder pursuant to the Plan will generally have a cost equal to the amount reinvested. If a Unitholder participates in the Plan and the Unitholder acquires a Unit from the Fund at a price that is less than the then fair market value of the Unit, it is the administrative position of the CRA that the Unitholder must include the difference in income and that the cost of the Unit will be correspondingly increased.

One-half of any capital gain ("taxable capital gain") realized on the disposition of Units and the full amount of a taxable capital gain designated in respect of a Unitholder will be included in the Unitholder's income and one-half of any capital loss realized must be deducted from taxable capital gains realized in the applicable year in accordance with the provisions of the Income Tax Act. Allowable capital losses for a taxation year in excess of taxable capital gains may be carried back and deducted in any of the three

preceding taxation years or carried forward and deducted in any subsequent taxation year against net 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 as well as taxable capital gains realized on the disposition of Units may increase the Unitholder's liability for alternative minimum tax.

#### **11.4 Taxation of Registered Plans**

Amounts of income and capital gains distributed by the Fund to a Registered Plan and capital gains realized on the disposition of Units are generally not taxable under Part I of the Income Tax Act while retained in a Registered Plan, provided that the Units are qualified investments for such Registered Plan. Unitholders should consult with their own advisors regarding the tax implications of establishing, amending, terminating or withdrawing amounts from a Registered Plan.

#### **11.5 Taxation Implications of the Fund's Distribution Policy**

The Net Asset Value per Unit will reflect any income and gains of the Fund that have accrued or have been realized but have not been made payable at the time the Units are acquired. Accordingly, a Unitholder who acquires Units including pursuant to the Plan may become taxable on the Unitholder's share of income and gains of the Fund that accrued before the Units were acquired, notwithstanding that such amounts will have been reflected in the price paid by the Unitholder for the Units.

The consequences of acquiring Units late in a calendar year will generally depend on whether an Additional Distribution is necessary late in the calendar year to ensure that the Fund will not be liable for non-refundable income tax under Part I of the Income Tax Act.

#### **11.6 Eligibility for Investment**

Provided that the Fund qualifies as a mutual fund trust within the meaning of the Income Tax Act or the Units are listed on a "designated stock exchange" (which currently includes the TSX), the Units, if issued on the date hereof, would be qualified investments under the Income Tax Act for Registered Plans.

Notwithstanding the foregoing, if the Units are "prohibited investments" for a trust governed by a TFSA, an RRSP, an RDSP, an RESP, or a RRIF, the holder of a TFSA or RDSP, the subscriber of an RESP, or the annuitant of the RRSP or RRIF, as the case may be, will be subject to a penalty tax as set out in the Income Tax Act. The Units will not be a "prohibited investment" for a trust governed by a TFSA, RRSP, RDSP, RESP, or RRIF unless the holder of a TFSA or RDSP, the subscriber of an RESP, or the annuitant under an RRSP or RRIF, as applicable, (i) does not deal at arm's length with the Fund for purposes of the Income Tax Act, or (ii) has a "significant interest" as defined in the Income Tax Act in the Fund. Generally, a holder, subscriber, or annuitant, as the case may be, will not have a significant interest in the Fund unless the holder, subscriber, or annuitant, as the case may be, owns interests as a beneficiary under the Fund that have a fair market value of 10% or more of the fair market value of the interests of all beneficiaries under the Fund, either alone or together with persons and partnerships with which the holder, subscriber, or annuitant, as the case may be, does not deal at arm's length. In addition, the Units will not be a "prohibited investment" if the Units are "excluded property" (as defined in subsection 207.01(1) of the Income Tax Act) for trusts governed by a TFSA, RRSP, RDSP, RESP, or RRIF. Investors who intend to hold their units in a TFSA, RRSP, RRIF, RESP or RDSP 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".

## **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 fees from the Fund. The Fund pays the fees of the IRC which for 2018 were \$1,116 for Mr. Davie (a former member of the IRC) and \$1,419 for each of Mr. Scace and Mr. Woolner and nil for Ms. Meredith. IRC fees are determined by the IRC based on a recommendation of the Manager. The Fund pays the expenses of the IRC and directors incurred on behalf of the Fund. No expenses were paid in 2018.

For the year ended December 31, 2018, the Trustee was paid an aggregate amount of \$5,282 on account of its fees and expenses incurred in its capacity as trustee of the Fund.

## **13.0 MATERIAL CONTRACTS**

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

## **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 make Distributions on the Units could be materially adversely affected.

#### *No Assurances on Achieving the Investment Objectives or Making Distributions*

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 will appreciate or be preserved. It is possible that, due to declines in the market value of the assets in the Portfolio, the Fund will have insufficient assets to achieve its distribution and capital appreciation objectives.

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

The Net Asset Value of the Fund will vary according to the value of the securities included in the Portfolio. The securities included in the Portfolio will be purchased at their prevailing market price, but such prices will vary, potentially substantially, over time. The Fund and the Manager have no control over the factors that affect the value of the assets in the Portfolio including both factors that affect the equity markets generally, such as general economic and market conditions, political conditions and fluctuations in interest rates, and factors unique to issuers of the securities 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, materials and other commodity prices, operational risks relating to the specific business

activities of the issuers, industry competition, uncertainty and costs of funding capital projects, development of new technology, protection of intellectual property, environmental, health and safety risks, issues relating to government regulation and other events that may affect the value of their securities. The market price of Portfolio Securities may go up or down, sometimes rapidly or unpredictably and during a general downturn in the securities markets, multiple asset classes may decline in value simultaneously.

#### *General Risks of Investing in Equity Securities*

The Fund will be subject to the risks inherent in investments in equity securities, including the risk that the financial condition of the issuers in which the Fund invests may become impaired or that the general condition of the stock markets may deteriorate. Equity securities are susceptible to general stock market fluctuations and to volatile increases and decreases in value as market confidence in, and perceptions of, the issuers change. In addition, issuers of equity securities may reduce or eliminate dividends.

#### *Risks Related to investing in Europe*

As securities of companies in Europe will comprise the Portfolio, the Fund's performance is expected to be closely tied to social, political and economic conditions within Europe and to be more volatile than the performance of more geographically diverse funds. Most developed countries in Western Europe are members of the EU, and many are also members of the European Monetary Union, which requires compliance with restrictions on inflation rates, deficits, and debt levels. Current political uncertainty surrounding the EU and its membership, including the 2016 referendum in which the United Kingdom voted to exit the EU, may increase market volatility. The financial instability, including levels of sovereign debt, of some countries in the EU, including Greece, Italy and Spain, together with the risk of that impacting other more stable countries may increase the economic risk of investing in companies in Europe. Sovereign debt issues in these European countries have in the past, and may in the future, affect politics and economics in other member countries of the EU. One or more EU member states might exit the EU, placing the European currency and banking system in jeopardy. The EU's structure makes its members highly dependent on each other, which creates the possibility of contagion when crisis arises. Efforts of the EU to further unify the economic and monetary policies of its members may increase the potential interdependence of the economies of the EU members and thereby increase the risk that adverse developments in one country will adversely affect the securities of issuers located in other countries.

#### *Risks Related to Passive Investments*

The value of the Portfolio Securities may fluctuate in accordance with the financial condition of the European Dividend Growth Companies from time to time, the value of the securities generally and other factors. Because the Fund's intention is to invest in the Portfolio Securities on a passive basis, the Portfolio will not be actively managed by traditional methods and, accordingly, will not be repositioned to attempt to take defensive positions in declining markets. The adverse financial condition of a European Dividend Growth Company will not necessarily result in the removal of its securities from the Portfolio. In addition, the performance of the Portfolio Securities will not necessarily reflect changes in the value of the European Dividend Growth Companies due to, among other things, the option writing strategy used by the Fund. It is the Fund's intention to be fully invested at all times after an appropriate initial investment period.

#### *Foreign Market Exposure*

The Fund's investments will include securities of issuers established in jurisdictions outside Canada and the U.S. Although most of such issuers will be subject to uniform accounting, auditing and financial

reporting standards comparable to those applicable to Canadian and U.S. companies, some issuers may not be subject to such standards and, as a result, there may be less publicly available information about such issuers than a Canadian or U.S. company. Volume and liquidity in some foreign markets may be less than in Canada and the U.S. and, at times, volatility of price may be greater than in Canada or the U.S. As a result, the price of such securities may be affected by conditions in the market of the jurisdiction in which the issuer is located or its securities are traded. Investments in foreign markets carry the potential exposure to the risk of political upheaval, acts of terrorism and war, all of which could have an adverse impact on the value of such securities.

#### *Sensitivity to Interest Rates*

The market price of the Units may be affected by the level of interest rates prevailing from time to time. In addition, any decrease in the Net Asset Value resulting from an increase in interest rates may also negatively affect the market price of the Units. Unitholders will therefore be exposed to the risk that the Net Asset Value per Unit or the market price of the Units may be negatively affected by interest rate fluctuations.

#### *Global Financial Developments*

Global financial markets have experienced a sharp increase in volatility in the last several 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. While central banks as well as global governments have worked to restore much needed liquidity to the global economies, no assurance can be given that the combined impact of the significant revaluations and constraints on the availability of credit will not continue to materially and adversely affect economies around the world. No assurance can be given that this stimulus will continue or that, if it continues, it will be successful or these economies will not be adversely affected by the inflationary pressures resulting from such stimulus or central banks' efforts to slow inflation. Further, continued market concerns about the European sovereign debt crisis, developments in the Middle East and the Ukraine, matters related to the United Kingdom's referendum on withdrawing from the EU, and matters related to the U.S. government debt limits, may adversely impact global equity markets. Some of these economies have experienced significantly diminished growth and some are experiencing or have experienced a recession. These market conditions and further volatility or illiquidity in capital markets may also adversely affect the prospects of the Fund and the value of the Portfolio Securities. A substantial decline in the equity markets could be expected to have a negative effect on the Fund and the market price of the Units.

#### *Concentration Risk*

The Portfolio is concentrated in equity securities of European Dividend Growth Companies. As a result, the Net Asset Value 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.

### *Reliance on the Manager*

The Manager manages the Portfolio in a manner consistent with the Investment Objectives and Investment Restrictions. The officers of the Manager 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, as applicable, until the termination of the Fund. The performance of the Fund (and therefore the return to Unitholders) will be dependent on the ability of the Manager to successfully execute the Investment Strategy.

### *Market Disruptions*

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

### *Use of Options, Other Derivative Instruments, and Counterparty Risks*

The Fund is subject to the full risk of its investment position in the Portfolio Securities, including those securities that are subject to outstanding call options written by the Fund, should the market price of such securities decline. In addition, the Fund will not participate in any gain on the Portfolio Securities that are subject to outstanding call options above the strike price of such options.

The use of derivative instruments involves risks different from and possibly greater than the risks associated with investing directly in such securities and other traditional investments. Derivatives are subject to a number of risks, such as liquidity risk, interest rate risk, market risk, credit risk, counterparty risk and trading execution risk. Derivatives also involve the risk of mispricing or improper valuation and the risk that changes in the value of a derivative may not correlate perfectly with the underlying asset, rate or index.

There is no assurance that a liquid exchange or an over-the-counter market will exist to permit the Fund to write covered call options on desired terms or to close out option positions should the Manager desire to do so. The ability of the Fund to close out its positions may also be affected by exchange imposed daily trading limits on options or the lack of a liquid over-the-counter market. If the Fund is unable to repurchase a call option which is in-the-money, it will be unable to realize its profits or limit its losses, until such time as the option becomes exercisable or expires.

Some investors and financial market professionals price call options based on the Black Scholes Model. In practice, however, actual option premiums are determined in the marketplace and there can be no assurance that the values generated by the Black Scholes Model can be attained in the market.

In purchasing call options, the Fund is subject to the credit risk that its counterparty (whether a clearing corporation, in the case of exchange traded instruments, or other third party, in the case of over-the-counter instruments) may be unable to meet its obligations. In addition, there is risk of loss by the Fund in the event of the bankruptcy of the dealer with whom the Fund has an open position in an options contract. The inability to close out options could also have an adverse impact on the Fund's ability to use derivatives instruments to effectively hedge its Portfolio or implement its investment strategies.

The use of options may have the effect of limiting or reducing the total returns of the Fund if the Manager's expectations concerning future events or market conditions prove to be incorrect. In addition, the income associated with writing covered call options may be outweighed by the foregone opportunity of remaining fully invested directly in the Portfolio Securities.

#### *Securities Lending*

The Fund may enter into securities lending, repurchase transactions and reverse repurchase transactions in order to generate additional returns and/or to acquire securities for the purpose of entering into short sale transactions. Securities lending involves lending securities held by the Portfolio to qualified borrowers who have posted collateral. In lending its securities, the Fund is subject to the risk that the borrower may not fulfill its obligations, leaving the Fund holding collateral worth less than the securities it has lent, resulting in a loss to the Fund. The Fund will seek to reduce the risk to the Portfolio by requiring the other party to put up collateral.

#### *Currency Exposure and Hedging*

To the extent that the Portfolio is invested in securities traded in foreign currencies, the Net Asset Value, when measured in Canadian dollars 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. The Fund may not be fully hedged at all times and distributions received on the Portfolio will not be hedged; 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 and Risks Relating to Redemptions*

The Units may trade in the market at a discount to the Net Asset Value per Unit and there can be no assurance that the Units will trade at a price equal to the Net Asset Value per Unit. Units will be redeemable at 100% of the Net Asset Value per Unit on an Annual Redemption Date less any costs and expenses associated with the redemption, including brokerage costs. One of the purposes of the annual redemption right is to reduce the likelihood that Units will trade 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. 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 certain circumstances.

#### *Taxation of the Fund*

Subject to the DFA Rules discussed below, in determining its income for tax purposes, the Fund will treat gains or losses in respect of Portfolio Securities, option premiums received on the writing of covered call options and any gains or losses realized on closing out options as capital gains and losses. In addition, subject to the DFA Rules discussed below, gains or losses in respect of foreign currency hedges entered into in respect of amounts invested in the Portfolio will likely constitute capital gains or capital losses to

the Fund if the Portfolio Securities are capital property to the Fund and there is sufficient linkage, and designations with respect to its income and capital gains will be made and reported to Unitholders on this basis. CRA's practice is not to grant advance income tax rulings on the characterization of items as capital gains or income and no advance income tax ruling has been requested or obtained. If these dispositions or transactions of the Fund are determined by the CRA not to be on capital account, the Net Income of the Fund for tax purposes and the taxable component of distributions to Unitholders could increase. Any such redetermination by the CRA may result in the Fund being liable for unremitted withholding taxes on prior distributions made to Unitholders who were not resident in Canada for purposes of the Income Tax Act at the time of the distribution. Such potential liability may reduce the Net Asset Value and/or Net Asset Value per Unit.

The DFA Rules are rules contained in the Income Tax Act regarding certain financial arrangements that seek to reduce tax by converting, through the use of derivative contracts, the return on an investment that would have the character of ordinary income to capital gains. The DFA Rules are broad in scope and could apply to other agreements or transactions (including certain covered call and other options). The DFA Rules generally would not apply to foreign currency hedges. If the derivative forward agreement rules were to apply in respect of derivatives to be utilized by the Fund, the gains realized in respect of the property underlying such derivatives could be treated as ordinary income rather than capital gains.

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

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

#### *Withholding Tax Risk*

As the Portfolio will consist of securities issued by foreign issuers, distributions received by the Fund on the Portfolio Securities may be subject to foreign withholding tax. The return on the Portfolio will be net



of such foreign withholding tax. As a result, if distributions received by the Fund on Portfolio Securities are subject to foreign withholding tax, foreign withholding tax paid by the Fund will effectively reduce the value of the Portfolio. See section 11.3 of this Annual Information Form for certain income tax considerations relevant to certain Unitholders resident in Canada for purposes of the Income Tax Act with respect to foreign withholding tax.

#### *Exchange of Tax Information*

Part XVIII of the Income Tax Act imposes due diligence and reporting obligations on “*reporting Canadian financial institutions*” in respect of their “U.S. reportable accounts”. The Fund is a “*reporting Canadian financial institution*” but as long as Units continue to be listed on the TSX, the Fund should not have any “U.S. reportable accounts” and, as a result, it should not be required to provide information to the CRA in respect of Unitholders. The dealers, however, through which Unitholders hold their Units are subject to due diligence and reporting obligations with respect to financial accounts that they maintain for their clients. Unitholders would be requested to provide information to their dealer to identify U.S. persons holding Units as well as “controlling persons” of Unitholders who are U.S. persons. If a Unitholder, or its controlling person, is a U.S. person (including, for example, a U.S. citizen or green card holder who is resident in Canada) or if the Unitholder does not provide the requested information, Part XVIII of the Income Tax Act will generally require information about the Unitholder’s investment in the Fund held in the financial account maintained by the dealer to be reported to the CRA, unless the Units are held within a registered plan. The CRA will automatically provide such information to the U.S. Internal Revenue Service.

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

#### *Changes in Legislation and Regulations*

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

#### *Loss of Investment and No Guaranteed Return*

An investment in the Fund is appropriate only for investors who have the capacity to absorb investment losses. There is no guarantee that an investment in the Fund will earn any positive return in the short or long term.

### *Conflicts of Interest*

The Manager and its 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. Although none of the directors or officers of the Manager will devote his or her full time to the business and affairs of the Fund, each director and officer of the Manager will devote as much time as is necessary to supervise the management of (in the case of the directors) or to manage the business and affairs of (in the case of officers) the Fund and the Manager, as applicable, and to provide portfolio management services to the Fund. The Manager will refer conflict of interest matters to the Fund's IRC in accordance with NI 81-107.

### *Status of the Fund*

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

### *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*

The Units are neither fixed income nor equity securities. The Units represent a fractional interest in the net assets of the Fund. Units are dissimilar to debt instruments in that there is no principal amount owing to 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. An investment in Units does not constitute an investment by Unitholders in the Portfolio Securities; Unitholders will not own the securities held by the Fund.

### *Cybersecurity Risk*

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

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

## ANNUAL INFORMATION FORM FOR EUROPEAN DIVIDEND GROWTH FUND

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### ADDITIONAL INFORMATION:

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

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

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