

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

## PROSPECTUS

Initial Public Offering

November 19, 2014



# Healthcare Leaders Income Fund

### Maximum \$150,000,000 (15,000,000 Units)

**Healthcare Leaders Income Fund (the “Fund”)** is a closed-end investment fund established under the laws of the Province of Ontario. The Fund proposes to offer (the “Offering”) Units at a price of \$10.00 per Unit, and this prospectus qualifies the issuance of Units.

The Fund will invest in a portfolio (the “Portfolio”) of 20 equally-weighted Equity Securities (as defined herein) of Healthcare Issuers (as defined herein) chosen from the Healthcare Leaders Investable Universe (as defined herein) that at the time of investment and immediately following each semi-annual reconstitution and rebalancing (i) have a market capitalization of at least US\$5 billion, and (ii) have options in respect of their Equity Securities listed on a recognized options exchange (the “Healthcare Leaders”).

The Fund’s investment objectives are to provide holders of units (the “Unitholders”) with (i) the opportunity for capital appreciation; (ii) monthly cash distributions; and (iii) lower overall volatility of the Portfolio returns than would otherwise be experienced by owning Equity Securities of the Healthcare Leaders directly. In order to seek to generate additional returns, the Investment Manager (as defined herein) may sell call options each month on Equity Securities held in the Portfolio. The Investment Manager will not sell call options on more than 33% of the Equity Securities of any of the Healthcare Leaders held in the Portfolio. See “Investment Objectives.”

Harvest Portfolios Group Inc. (the “Manager” or “Harvest”) will act as the trustee, manager and promoter of the Fund and will provide all administrative services required by the Fund. See “Organization and Management Details of the Fund – The Manager”.

Highstreet Asset Management Inc. (the “Investment Manager” or “Highstreet”) has been retained as the investment manager for the Fund. See “Organization and Management Details of the Fund – The Investment Manager”.

---

### Price: \$10.00 per Unit and (Minimum Purchase: 200 Units)

---

	Price to the Public <sup>(1)</sup>	Agents’ Fee	Net Proceeds to the Fund <sup>(2)</sup>
Per Unit.....	\$10.00	\$0.525	\$9.475
Total Minimum Offering <sup>(3)</sup> .....	\$20,000,000	\$1,050,000	\$18,950,000
Total Maximum Offering <sup>(4)</sup> .....	\$150,000,000	\$7,875,000	\$142,125,000

---

Notes:

- (1) The Offering price was established by negotiation between the Agents (as defined herein) and the Manager (as defined herein).
- (2) Before deducting the expenses of this issue (estimated at \$600,000) which, subject to a maximum of 1.5% of the gross proceeds of the Offering, will, together with the Agents’ fees, be paid out of the proceeds of the Offering.
- (3) There will be no closing unless a minimum of 2,000,000 Units are sold. If subscriptions for a minimum of 2,000,000 Units have not been received within 90 days following the date of issuance of a final receipt for this prospectus, the Offering may not continue without the consent of the securities authorities and those who have subscribed on or before such date.

- (4) The Fund has granted to the Agents an option (the “**Over-Allotment Option**”), exercisable in whole or in part for a period of 30 days following the closing of the Offering (the “**Closing**”), to purchase additional Units in an amount up to 15% of the aggregate number of Units issued at the closing of the Offering on the same terms set forth above (the “**Option Units**”). If the Over-Allotment Option is exercised in full, the total price to the public under the maximum offering will be \$172,500,000, the Agents’ fees will be \$9,056,250 and the net proceeds to the Fund will be \$163,443,750. This prospectus also qualifies the granting of the Over-Allotment Option and the distribution of Option Units that may be offered in relation to the Over-Allotment Option. A purchaser who acquires Option Units forming part of the Agents’ over allocation position acquires such Option Units under this prospectus, regardless of whether the over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases. See “Plan of Distribution”.

**There are certain risk factors associated with an investment in Units including that the Fund may not be able to meet its Investment Objectives. See “Risk Factors” for a discussion of certain factors that should be considered by prospective purchasers of Units.**

**There is currently no market through which the Units may be sold.**

**The TSX has conditionally approved the listing of the Units. The listing is subject to the Fund fulfilling all the requirements of the TSX on or before February 13, 2015. The Units will be listed on the TSX under the symbol HHL.UN.**

**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* (Canada) and are not insured under provisions of that Act or any other legislation.**

BMO Nesbitt Burns Inc., CIBC World Markets Inc., Scotia Capital Inc., National Bank Financial Inc., Canaccord Genuity Corp., Global Securities Corporation, GMP Securities L.P., Raymond James Ltd., Desjardins Securities Inc., Dundee Securities Ltd., Industrial Alliance Securities Inc., Mackie Research Capital Corporation and Manulife Securities Incorporated (collectively, the “**Agents**”) conditionally offer the Units, subject to prior sale, on a best efforts basis, if, as and when issued by the Fund and accepted by the Agents in accordance with the conditions contained in the Agency Agreement (as defined herein), and subject to the approval of certain legal matters by Borden Ladner Gervais LLP, on behalf of the Fund and the Manager, and Blake, Cassels & Graydon LLP, on behalf of the Agents.

Subscriptions for Units will be received subject to acceptance or rejection in whole or in part, and the right is reserved to close the subscription books at any time without notice. Closing of the Offering is expected to occur on or about December 18, 2014 but no later than 90 days after a receipt for the final prospectus is issued (the “**Closing Date**”). The Offering will be conducted under the book-entry only system; accordingly, a subscriber who purchases Units will receive a customer confirmation from the registered dealer from or through whom Units are purchased. CDS will record the CDS participants who hold Units on behalf of owners who have purchased or transferred Units in accordance with the book-entry only system. Certificates evidencing Units will not be issued.

## TABLE OF CONTENTS

<u>Page</u>	<u>Page</u>
GLOSSARY OF TERMS .....	4
PROSPECTUS SUMMARY .....	8
THE FUND .....	15
Overview of the Legal Structure of the Fund .....	15
INVESTMENT OBJECTIVES .....	15
INVESTMENTS OF THE FUND .....	15
Investment Strategy .....	15
Portfolio Selection Process .....	16
Covered Option Writing .....	19
Foreign Currency Hedging .....	23
Borrowing.....	23
OVERVIEW OF THE SECTOR THAT THE FUND INVESTS IN.....	23
INVESTMENT RESTRICTIONS.....	27
FEES AND EXPENSES .....	28
Initial Expenses .....	28
Management Fee.....	29
Ongoing Fees and Expenses .....	29
RISK FACTORS .....	29
DISTRIBUTION POLICY .....	35
Distribution Reinvestment Plan .....	36
PURCHASES OF SECURITIES .....	37
REDEMPTION OF UNITS.....	37
Annual Redemption.....	37
Monthly Redemption.....	37
Exercise of Redemption Privilege .....	38
Suspension of Redemptions and Purchases .....	38
INCOME TAX CONSIDERATIONS.....	39
Status of the Fund.....	40
Taxation of the Fund.....	40
Taxation of Unitholders.....	42
Taxation of Registered Plans .....	43
Tax Implications of the Fund's Distribution Policy.....	43
ORGANIZATION AND MANAGEMENT	
DETAILS OF THE FUND.....	44
The Manager.....	44
Duties and Services to be Provided by the Manager.....	44
Officers and Directors of the Manager .....	45
The Investment Manager .....	46
Details of the Investment Management Agreement .....	48
Conflicts of Interest .....	49
Independent Review Committee.....	49
The Trustee.....	50
The Custodian.....	50
Promoter .....	51
Auditor.....	51
Registrar and Transfer Agent.....	51
CALCULATION OF NET ASSET VALUE.....	51
Valuation Policies and Procedures of the Fund ...	51
Reporting of Net Asset Value .....	52
ATTRIBUTES OF THE UNITS .....	52
Units .....	52
Purchase for Cancellation .....	53
Take-over Bids.....	53
UNITHOLDER MATTERS .....	53
Meetings of Unitholders .....	53
Matters Requiring Unitholder Approval .....	54
Amendments to the Declaration of Trust.....	54
Reporting to Unitholders .....	55
Non-Resident Unitholders .....	55
Tax Information Reporting.....	55
TERMINATION OF THE FUND .....	56
USE OF PROCEEDS .....	56
PLAN OF DISTRIBUTION .....	56
INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS.....	57
PROXY VOTING DISCLOSURE FOR PORTFOLIO SECURITIES HELD .....	57
MATERIAL CONTRACTS .....	58
LEGAL AND ADMINISTRATIVE PROCEEDINGS .....	58
EXPERTS .....	58
PURCHASERS' STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION .....	58
INDEPENDENT AUDITOR'S REPORT .....	F-1
HEALTHCARE LEADERS INCOME FUND STATEMENT OF FINANCIAL POSITION .....	F-2
HEALTHCARE LEADERS INCOME FUND NOTES TO STATEMENT OF FINANCIAL POSITION .....	F-3
CERTIFICATE OF THE FUND, THE MANAGER AND THE PROMOTER .....	C-1
CERTIFICATE OF THE AGENTS .....	C-2

## GLOSSARY OF TERMS

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

**“ADR”** means American Deposit Receipts representing securities in a foreign issuer that is traded on a U.S. stock exchange.

**“Agency Agreement”** means the agency agreement dated as of November 19, 2014 among the Fund, the Manager, the Investment Manager and the Agents.

**“Agents”** means, collectively, BMO Nesbitt Burns Inc., CIBC World Markets Inc., Scotia Capital Inc., National Bank Financial Inc., Canaccord Genuity Corp., Global Securities Corporation, GMP Securities L.P., Raymond James Ltd., Desjardins Securities Inc., Dundee Securities Ltd., Industrial Alliance Securities Inc., Mackie Research Capital Corporation and Manulife Securities Incorporated.

**“Annual Redemption Date”** means the second last Business Day of June in each year commencing in 2016.

**“at-the-money”** means a call option with a price equal to the current market price of the underlying security at the time of writing the call option as determined by the Investment Manager, provided that the determination by the Investment Manager that a call option is “at-the-money” shall be conclusive for all purposes herein.

**“Black Scholes Model”** means a widely used option pricing model developed by Fischer Black and Myron Scholes in 1973. The model can be used to calculate the theoretical value of an option based on the current price of the underlying security, the strike price and term of the option, prevailing interest rates and the volatility of the price of the underlying security.

**“Business Day”** means any day on which the TSX is open for trading.

**“call option”** means the right, but not the obligation, of the option holder to buy a security from the seller of the option at a specified price at any time during a specified time period or at expiry.

**“cash equivalents”** means:

- (a) cash on deposit with the Custodian or a broker; or
- (b) 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:
  - (i) any of the Federal or Provincial Governments of Canada;
  - (ii) the Government of the United States;
  - (iii) a Canadian financial institution;provided that, in the case of (ii) or (iii), such evidence of indebtedness has a rating of at least R-1 (mid) by Dominion Bond Rating Service or the equivalent rating from another approved rating organization; or
- (iv) other cash cover as defined in NI 81-102.

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

**“CDS Participants”** means participants in CDS.

**“Closing”** means the closing of the Offering on the Closing Date.

**“Closing Date”** means the date of the Closing, which is expected to be on or about December 18, 2014 or such later date as the Fund and the Agents may agree, but in any event not later than 90 days after a receipt for the final prospectus is issued.

**“covered call option”** means a call option entered into in circumstances where the seller of the call option owns the underlying security for the term of the option.

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

**“Custodian”** means State Street Trust Company Canada, in its capacity as custodian under the Custodian Agreement.

**“Declaration of Trust”** means the declaration of trust dated November 19, 2014, as it may be amended from time to time.

**“Distribution Payment Date”** means the date that is on or before the 15<sup>th</sup> day of the month following the applicable distribution date.

**“Earnings per Share”** means the sum of the most recently reported four fiscal quarter earnings from continuing operations, divided by the average number of shares outstanding during the quarter, as reported by Bloomberg or by another widely available source.

**“Equity Securities”** means any securities that represent an interest in an issuer which includes common shares, and securities convertible into or exchangeable for common shares including ADRs, provided that the determination by the Investment Manager and Manager that a security is an Equity Security shall be conclusive for all purposes herein.

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

**“Fund”** means Healthcare Leaders Income Fund, a closed-end investment fund established under the laws of Ontario pursuant to the Declaration of Trust.

**“Global Industry Classification Standards”** means the common global industry classification standards developed by MSCI Inc. and Standard & Poor’s.

**“Healthcare Issuer”** means an issuer whose Equity Securities are listed on a North American stock exchange, that is included in the health care sector of the Global Industry Classification Standards (or, if such industry classification system is no longer made available by MSCI Inc. and Standard & Poor’s (or, if applicable, any successor of either of these entities), any other internationally recognized industry classification system as determined by the Investment Manager and the Manager, such determination being conclusive for all purposes herein) at the time of investment and whose underlying business includes, but is not limited to, the provision of healthcare goods and services, including manufacturing and distributing healthcare products, equipment, supplies and technologies, producing and marketing of pharmaceuticals and biotechnology products, and/or engaging in research and development.

**“Healthcare Leaders”** means a Healthcare Issuer that has a market capitalization of at least US\$5 billion determined at the time of investment and has options in respect of its Equity Securities listed on a recognized options exchange.

**“Healthcare Leaders Investable Universe”** means all of the Healthcare Leaders collectively.

**“Indicative Distribution Amount”** means the indicative distribution amount of the Fund, initially \$0.70 per Unit per annum for the first 12 months of the Fund, and thereafter as determined by the Manager annually.

**“Indicative Portfolio”** has the meaning ascribed thereto under “Investments of the Fund – Investment Strategy.”

**“in-the-money”** means a call option with a strike price less than the current market price of the underlying security.

**“Investment Management Agreement”** means the investment management agreement dated on or before the Closing Date, as it may be amended from time to time.

**“Investment Manager”** or **“Highstreet”** means the investment manager of the Fund, Highstreet Asset Management Inc.

**“Manager”** or **“Harvest”** means the manager of the Fund, Harvest Portfolios Group Inc.

**“Market Price”** has the meaning ascribed thereto under “Distribution Policy – Distribution Reinvestment Plan”.

**“Meeting”** means a meeting of holders of Units called in accordance with the Declaration of Trust.

**“Monthly Redemption”** means the monthly redemption of Units as described under “Redemption of Units – Monthly Redemption”.

**“Monthly Redemption Date”** means the last Business Day of each month in which Units are surrendered for a Monthly Redemption.

“**NAV per Unit**” means the NAV of the Fund divided by the number of Units of such class outstanding at the time the calculation is made.

“**NAV Valuation Time**” means 4:15 p.m. (Toronto time) on each Business Day during the year, and any other time as may be determined by the Manager from time to time.

“**Net Asset Value**” or “**NAV**” means the net asset value of the Fund on a particular date, equal to (i) the aggregate fair value of the assets of the Fund, less (ii) the aggregate fair value of the liabilities of the Fund as more particularly set forth in the Declaration of Trust.

“**NI 81-102**” means National Instrument 81-102 *Investment Funds* of the Canadian Securities Administrators, as it may be amended from time to time.

“**NI 81-106**” means National Instrument 81-106 *Investment Fund Continuous Disclosure* of the Canadian Securities Administrators, 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, as it may be amended from time to time.

“**Offering**” means collectively, the offering of Units at a price of \$10.00 per Unit and the offering of additional Units under the Over-Allotment Option at a price of \$10.00 per Unit, all pursuant to this prospectus.

“**Offering Price**” means a price of \$10.00 per Unit.

“**Option Premium**” means the purchase price of an option.

“**Option Units**” means Units issued under the Over-Allotment Option.

“**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.

“**out-of-the-money**” means a call option with a strike price greater than the current market price of the underlying security.

“**Over-Allotment Option**” means the option granted by the Fund to the Agents, exercisable for a period of 30 days following Closing, to purchase additional Units in an amount up to 15% of the aggregate number of Units issued at Closing solely to cover over-allotments, if any.

“**Plan Agent**” has the meaning ascribed thereto under “Distribution Policy – Distribution Reinvestment Plan”.

“**Plan Participant**” has the meaning ascribed thereto under “Distribution Policy – Distribution Reinvestment Plan”.

“**Portfolio**” means the assets held by the Fund from time to time.

“**Portfolio Securities**” means the securities held in the Portfolio.

“**Price-to-Earnings ratio**” means the ratio of a stock’s current market price to the company’s Earnings per Share, calculated by dividing the current market price, at the time of the calculation of the ratio, by the Earnings per Share, as reported by Bloomberg or by another widely available source.

“**Redemption Payment Date**” means the date that is on or before the 15<sup>th</sup> Business Day after the Monthly Redemption Date or Annual Redemption Date, as applicable.

“**Reference Exchange Rate**” means the U.S. dollar/Canadian dollar WM/Reuters closing spot rate determined at 11:00 a.m. (Toronto time) as provided by the valuation agent of the Fund, or another U.S. dollar/Canadian dollar exchange rate deemed appropriate by the Manager.

“**Registrar and Transfer Agent**” means Equity Financial Trust Company.

“**Reinvestment Plan**” has the meaning ascribed thereto under “Distribution Policy – Distribution Reinvestment Plan”.

“**Reinvestment Plan Agency Agreement**” has the meaning ascribed thereto under “Distribution Policy – Distribution Reinvestment Plan”.

“**Return on Equity**” means the simple annual return on common equity calculated by dividing the trailing net income (losses) minus the trailing cash preferred dividends (each amount calculated by adding the most recently

reported four fiscal quarters) by the average total common equity (based on the most recently reported four fiscal quarters), as reported by Bloomberg or by another widely available source.

“**SIFT Rules**” mean the provisions of the Tax Act providing for a tax on certain income distributed by a “SIFT trust”, as defined in the Tax Act.

“**strike price**” means, in relation to a call option, the price specified in the option that must be paid by the option holder to acquire the underlying security.

“**Tax Act**” means the *Income Tax Act* (Canada) as amended and the regulations thereunder.

“**Trustee**” means initially Harvest, in its capacity as trustee under the Declaration of Trust, and thereafter such successor as may be appointed trustee in accordance with the provisions of the Declaration of Trust.

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

“**Units**” means the class of units of the Fund designated as the “Units”.

“**United States**” or “**U.S.**” means the United States of America, its territories and possessions, any state thereof, and the District of Columbia.

“**Unitholders**” means holders of Units.

“**Valuation Time**” means 4:15 p.m. (Toronto time) on each Thursday during the year (or, if a Thursday is not a Business Day, the Business Day following such Thursday) and on the last Business Day of each month, and any other time as may be determined by the Manager from time to time.

“**\$**” means Canadian dollars unless otherwise indicated.

#### **INFORMATION REGARDING PUBLIC INFORMATION**

*Certain information contained in this prospectus relating to publicly traded securities and the issuers of those securities is taken from and based solely upon information published by those issuers. In addition, certain information contained in this prospectus was obtained from public sources. Neither the Manager, the Investment Manager, the Fund nor the Agents have independently verified the accuracy or completeness of any such information.*

#### **FORWARD LOOKING STATEMENTS**

*Certain statements included in this prospectus constitute forward looking statements or information, including those identified by the expressions “anticipate”, “believe”, “plan”, “estimate”, “expect”, “intend” and similar expressions to the extent they relate to the Fund, the Manager or the Investment Manager. The forward looking statements and information are not historical facts but reflect the Fund’s, the Manager and/or the Investment Manager’s current expectations regarding future results or events. The prospectus includes, from a number of third party sources forward looking statements or information and although the Fund, the Manager and/or Investment Manager believes such statements or information to be reliable, no assurance can be given that such forward looking statements or information will be accurate. These forward looking statements and information are subject to a number of risks and uncertainties that could cause actual results or events to differ materially from current expectations, including the matters discussed under “Risk Factors” and in other sections of this prospectus. Accordingly, readers should not place undue reliance on forward looking statements and information. All forward looking statements and information is qualified by this cautionary statement.*

## PROSPECTUS SUMMARY

*The following is a summary of the principal features of this distribution and should be read together with the more detailed information and financial data and statements contained elsewhere in this prospectus.*

### THE FUND

The Fund is a closed-end investment fund established under the laws of the Province of Ontario pursuant to the Declaration of Trust dated November 19, 2014.

### THE OFFERING

<b>Offering:</b>	The Offering consists of Units.
<b>Amount:</b>	A minimum of \$20,000,000 of Units (2,000,000 Units) and a maximum of \$150,000,000 of Units (15,000,000 Units).
<b>Offering Price:</b>	\$10.00 per Unit
<b>Minimum Purchase:</b>	200 Units (\$2,000)
<b>Investment Objectives:</b>	<p>The Fund's investment objectives are to provide Unitholders with (i) the opportunity for capital appreciation; (ii) monthly cash distributions; and (iii) lower overall volatility of Portfolio returns than would otherwise be experienced by owning Equity Securities of the Healthcare Leaders directly.</p> <p>The Fund will invest in an equally-weighted Portfolio of Equity Securities of 20 Healthcare Issuers from the Healthcare Leaders Investable Universe that at the time of investment and immediately following each semi-annual reconstitution and rebalancing (i) have a market capitalization of at least US\$5 billion, and (ii) have options in respect of their Equity Securities listed on a recognized options exchange.</p> <p>In order to seek to generate additional returns, the Investment Manager may sell call options each month on Equity Securities held in the Portfolio. The Investment Manager will not sell call options on more than 33% of the Equity Securities of any of the Healthcare Leaders held in the Portfolio.</p> <p>See "Investment Objectives."</p>
<b>Investment Strategy:</b>	<p>To seek to achieve its investment objectives, the Fund will invest in an equally-weighted Portfolio of 20 Healthcare Issuers chosen from the Healthcare Leaders Investable Universe that at the time of investment and immediately following each semi-annual reconstitution and rebalancing (i) have a market capitalization of at least US\$5 billion, and (ii) have options in respect of their Equity Securities listed on a recognized options exchange. See "Investments of the Fund – Investment Strategy".</p> <p>The Investment Manager will select the Equity Securities for the Portfolio and will semi-annually reconstitute and rebalance the Portfolio such that the Portfolio, at the time of the initial investment and immediately following each semi-annual reconstitution and rebalancing, will have the following investment characteristics:</p> <p><b>Value –</b> An average Price-to-Earnings ratio lower than the average for the Healthcare Leaders Investable Universe; and</p> <p><b>Quality –</b> An average 5-year Return on Equity greater than the average for the Healthcare Leaders Investable Universe.</p> <p>In determining the composition of the Portfolio, consideration will also be given to other quantitative factors such as yield, earnings per share growth, implied volatility and option liquidity.</p> <p>Commencing in 2015, the Portfolio will be reconstituted and rebalanced semi-annually (within 20 Business Days following the last Business Day of June and December) but may be reconstituted and rebalanced more frequently if: i) a Healthcare Leader in the Portfolio is the subject of a merger or other fundamental corporate action that in the opinion of the Investment</p>



Manager requires the Healthcare Leader to be removed from the Portfolio; or ii) a Healthcare Leader's options are no longer listed on a recognized options exchange. In such circumstances, the Healthcare Leader that is removed from the Portfolio will be replaced with another Healthcare Leader from the Healthcare Leaders Investable Universe at the discretion of the Investment Manager such that the Portfolio will meet the value and quality investment characteristics described above at the time of such reconstitution or rebalancing.

In order to seek to generate additional returns, the Investment Manager may write call options each month on Equity Securities held in the Portfolio. Such options will generally be at a strike price that is at-the-money but the Investment Manager may write options that are out-of-the-money, at its discretion. The Investment Manager will not sell call options on more than 33% of the Equity Securities of any of the Healthcare Leaders held in the Portfolio.

See "Investments of the Fund – Investment Strategy" and see "Risk Factors" for a discussion of risks relating to the Fund's investment strategy.

**Monthly  
Distributions:**

The Fund intends to make monthly cash distributions payable to Unitholders of record on the last Business Day of each month and pay such cash distributions on or before the 15<sup>th</sup> day of the following month. Beginning in January 2016, the Fund will annually determine and announce the Indicative Distribution Amount for the following 12 months based upon the prevailing market conditions. The initial Indicative Distribution Amount will be \$0.0583 per Unit per month (\$0.70 per annum representing an annual cash distribution of 7.0% based on the \$10.00 per Unit issue price). The initial cash distribution is anticipated to be payable on or before February 15, 2015 to Unitholders of record on January 30, 2015.

The current yield on the securities comprising the Indicative Portfolio is approximately 2.39%, net of anticipated withholding taxes. Assuming an offering size of \$100 million and fees and expenses are as disclosed herein, the Portfolio would be required to generate a return of approximately 8.66% per annum, net of withholding taxes, through premiums from covered call options, dividends, capital appreciation or a combination of the foregoing in order for the Fund to maintain the original Net Asset Value per Unit (after accounting for the fees and expenses of the Offering) while making monthly cash distributions at the initial Indicative Distribution Amount. Assuming the current level of dividends, market volatility of the Equity Securities of the Healthcare Leaders included in the Indicative Portfolio and certain of the factors set out under the heading "Income from Covered Call Option Writing", it is estimated that options covering 19.7% of the Portfolio will have to be sold in order to meet the initial Indicative Distribution Amount. If the return derived from the Portfolio is less than the amount necessary to fund the monthly distributions and if the Manager chooses nevertheless to ensure that the monthly distributions are paid to Unitholders at the initial Indicative Distribution Amount, this will result in a portion of the capital of the Fund being returned to Unitholders and the NAV per Unit being reduced. As the Investment Manager will not write call options on more than 33% of the Equity Securities of any Healthcare Leader in the Portfolio, if the return on the Portfolio including from call options, dividends, capital appreciation or a combination of the foregoing, is less than the amount necessary to fund distributions at the then current Indicative Distribution Amount, the Fund may return a portion of the capital of the Fund to Unitholders to ensure that the distribution is paid. In the event it does not do so in such circumstances, distributions will be reduced. The Investment Manager is not obliged to write options when it would otherwise choose not to do so to fund distributions. It is expected that distributions to Unitholders will primarily be characterized as capital gains, but may also include Canadian dividends, foreign-source income, returns of capital and other income. **See "Risk Factors" for a discussion of certain factors that should be considered by prospective purchasers of Units.**

If, in any taxation year after such distributions, there would otherwise remain in the Fund additional net income or net realized capital gains, a special distribution of such portion of the net income and net realized capital gains as is necessary to ensure that the Fund will not be liable for income tax under the Tax Act will be automatically payable on the last day of that taxation year to Unitholders of record on that date.

There can be no assurance that the Fund will be able to achieve its monthly distribution

objective or make payments on any Distribution Payment Date. Amounts distributed on the Units that represent returns of capital are generally non-taxable to a Unitholder but reduce the Unitholder's adjusted cost base of the Units for tax purposes. See "Income Tax Considerations" and "Distribution Policy".

**Distribution  
Reinvestment**

The Fund intends to provide Unitholders with the opportunity to reinvest monthly cash distributions made by the Fund in additional Units through the distribution reinvestment plan of the Fund described under "Distribution Policy – Distribution Reinvestment Plan".

**Foreign  
Currency  
Hedging:**

Highstreet will hedge substantially all of the value of the Portfolio attributable to the Units' non-Canadian currency exposure back to the Canadian dollar at all times. It is not intended that the dividends on the Equity Securities comprising the Portfolio or option premiums realized on the call options written by the Fund will be hedged back to the Canadian dollar. See "Investments of the Fund – Foreign Currency Hedging".

**Borrowing:**

The Fund does not intend to borrow money or employ other forms of leverage.

**Annual  
Redemption:**

Commencing in 2016, Units may be surrendered for redemption during the period from the first Business Day of June to 5:00 p.m. (Toronto time) on the tenth Business Day prior to the second last Business Day in June, subject to the Fund's right to suspend redemptions in certain circumstances. Units surrendered for redemption during this period will be redeemed on the applicable Annual Redemption Date and the Unitholder will receive payment on or before the 15th Business Day in the following month equal to the NAV per Unit, as applicable, on the applicable Annual Redemption Date. Units are also redeemable on a monthly basis. See "Redemption of Units".

**Use of Proceeds:**

The Fund will use the proceeds from the sale of Units as follows:

	<b>Minimum Offering</b>	<b>Maximum Offering</b>
Gross proceeds to the Fund	\$20,000,000	\$150,000,000
Agents' fees	\$1,050,000	\$7,875,000
Expenses of issue	\$300,000	\$600,000
Net proceeds to the Fund	<u>\$18,650,000</u>	<u>\$141,525,000</u>

See "Use of Proceeds".

**Manager:**

Harvest is responsible for providing or arranging for the provision of administration services required by the Fund. See "Organization and Management Details of the Fund – The Manager".

Harvest has taken the initiative in organizing the Fund and accordingly, may be a "Promoter" of the Fund within the meaning of applicable securities legislation. See "Organization and Management Details of the Fund – Promoter".

**Investment  
Manager:**

Highstreet Asset Management Inc. (the "**Investment Manager**" or "**Highstreet**") has been retained as the investment manager and the options advisor to select Equity Securities and reconstitute and rebalance the Portfolio and execute and maintain the option writing strategy of the Fund. Highstreet is an investment management firm with total assets under management, as at September 30, 2014, of approximately \$1.6 billion including a family of pooled funds and investments for separately managed accounts, pension plans and endowment funds. See "Organization and Management Details of the Fund – The Investment Manager".

**Agents:**

The Fund has engaged BMO Nesbitt Burns Inc., CIBC World Markets Inc., Scotia Capital Inc., National Bank Financial Inc., Canaccord Genuity Corp., Global Securities Corporation, GMP Securities L.P., Raymond James Ltd., Desjardins Securities Inc., Dundee Securities Ltd., Industrial Alliance Securities Inc., Mackie Research Capital Corporation and Manulife Securities Incorporated (collectively, the "**Agents**") as agents to offer Units for sale to the public.

The Fund has granted to the Agents an Over-Allotment Option, exercisable for a period of 30 days from the Closing Date, to purchase additional Units in an amount up to 15% of the

Units issued at the Closing at a price of \$10.00 per Unit to cover over-allotments, if any. If the Over-Allotment Option is exercised in full under the maximum Offering, the total price to the public will be \$172,500,000, the Agents' fees will be \$9,056,250 and the net proceeds to the Fund will be estimated to be \$163,443,750. This prospectus also qualifies the grant of the Over-Allotment Option and the distribution of the Option Units issuable on the exercise of the Over-Allotment Option. A purchaser who acquires Option Units forming part of the Over-Allotment Option acquires such Option Units under this prospectus, regardless of whether the over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases. See "Plan of Distribution".

<u>Agents' Position</u>	<u>Maximum Size</u>	<u>Exercise Period</u>	<u>Exercise Price</u>
Over-Allotment Option	2,250,000 Units	Within 30 days following the Closing Date	\$10.00 per Unit

<b>Organization and Management of the Fund:</b>	<u>Management of the Fund</u>	<u>Name and Municipality of Residence</u>	<u>Services Provided to Fund</u>
	Trustee, Manager and Promoter	Harvest Portfolios Group Inc. 710 Dorval Drive Suite 209 Oakville, Ontario L6K 3V7	Manages the overall business of the Fund
	Investment Manager	Highstreet Asset Management Inc. 244 Pall Mall Street Suite 350 London, Ontario N6A 5P6	Provides portfolio management services to the Fund
	Custodian and Valuation Agent	State Street Trust Company Canada 30 Adelaide Street East Toronto, Ontario M5C 3G6	Provides custody and valuation services to the Fund
	Auditor	PricewaterhouseCoopers LLP 18 York Street Suite 2600 Toronto, Ontario M5J 0B2	Provides audit services to the Fund
	Registrar and Transfer Agent	Equity Financial Trust Company 200 University Avenue Suite 400 Toronto, Ontario M5H 4H1	Maintains the security register and the register of transfers of securities

See "Organization and Management Details of the Fund".

**Termination of the Fund:** The Fund does not have a fixed termination date. See "Termination of the Fund". For details with respect to a Permitted Merger, see "Unitholder Matters".

**Eligibility for Investment:** Provided that the Fund qualifies as a mutual fund trust within the meaning of the Tax Act, or the Units are listed on a "designated stock exchange" within the meaning of the Tax Act (which includes the TSX), the Units, if issued on the date hereof, would be qualified investments for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans, registered disability savings plans, registered education savings plans and tax free savings accounts (each a "**plan trust**"). See "Income Tax Considerations – Status of the Fund" and "Income Tax Considerations – Taxation of Registered Plans".

Notwithstanding the foregoing, if the Units are "prohibited investments" for the purposes of a registered retirement savings plan ("**RRSP**"), registered retirement income fund ("**RRIF**") or a tax-free savings account ("**TFSA**"), the annuitant of the RRSP or RRIF or the holder of the TFSA will be subject to a penalty tax as set out in the Tax Act. A "prohibited investment"

includes a unit of a trust (i) which does not deal at arm's length with the annuitant or holder, or (ii) in which the annuitant or holder has a "significant interest". In general terms, "significant interest" means the ownership of 10% or more of the value of a trust's outstanding units or interests by the annuitant or holder, either alone or together with persons with whom the annuitant or holder 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 the Tax Act for a trust governed by an RRSP, RRIF or TFSA. Annuitants or holders 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. See "Income Tax Considerations – Taxation of Registered Plans".

**Income Tax Considerations:**

A Unitholder who is resident in Canada will generally be required to include in computing income for a taxation year that part of the net income of the Fund, including net taxable capital gains, if any, that is paid or becomes payable to the Unitholder by the Fund in the year. To the extent that amounts payable to a Unitholder are designated by the Fund as taxable dividends from taxable Canadian corporations, the taxable portion of net realized capital gains and foreign source income, those amounts will retain their character and be treated as such in the hands of the Unitholder.

Distributions by the Fund to a Unitholder in excess of the Unitholder's share of the Fund's net income and net realized capital gains will generally not result in an income inclusion, but will reduce the adjusted cost base of the Unitholder's Units. To the extent that the adjusted cost base of a Unit held as capital property would otherwise be less than zero, the Unitholder will be deemed to have realized a capital gain equal to such negative amount. A Unitholder who disposes of Units held as capital property (on a redemption or otherwise) will generally realize a capital gain (or capital loss) to the extent that the proceeds of disposition exceed (or are less than) the aggregate adjusted cost base of the Units disposed of and any reasonable costs of disposition.

**Each investor should satisfy himself or herself as to the federal, provincial and territorial tax consequences of an investment in Units by obtaining advice from his or her tax advisor. See "Income Tax Considerations".**

**RISK FACTORS**

An investment in Units is subject to various risk factors, including the following risks which prospective purchasers should consider before purchasing Units:

1. there being no assurance that the Fund will achieve its investment objectives;
2. the possible loss of investment;
3. there being no guaranteed return on investment;
4. investing in Equity Securities;
5. volatility of the Equity Securities;
6. fluctuations in value of Healthcare Leaders;
7. risks related to Healthcare Issuers;
8. regulatory risk;
9. risks related to Healthcare Issuers operating in the real estate sector;
10. sensitivity to interest rate fluctuations;
11. risks associated with the use of options and other derivative instruments;
12. Portfolio concentration;
13. passive management;
14. reliance on the Investment Manager and the Manager;

15. the possibility that the Units will trade at a discount to the Net Asset Value per Unit and risks relating to redemptions;
16. nature of the Units;
17. taxation of the Fund;
18. the fact that the Fund is not a mutual fund for securities law purposes and will not be subject to the Canadian policies and regulations that apply to open-end mutual funds;
19. the potential for conflicts of interest;
20. recent global financial developments;
21. the Fund's lack of operating history and the current absence of a public trading market for the Units;
22. the fact that the Fund is not a trust company;
23. changes in legislation; and
24. foreign currency exposure.

See "Risk Factors".

## SUMMARY OF FEES AND EXPENSES PAYABLE BY THE FUND

<u>Type of Charge</u>	<u>Amount and Description</u>
<b>Fees payable to the Agents:</b>	\$0.525 (5.25%) per Unit.
<b>Expenses of Issue:</b>	The Fund will pay the expenses incurred in connection with the Offering of Units by the Fund, which are estimated to be \$600,000, subject to a maximum of 1.5% of the gross proceeds of the Offering.
<b>Management Fee:</b>	An annual management fee (the “ <b>Management Fee</b> ”) of 0.85% of the NAV plus applicable taxes (including HST), will be paid to the Manager. The Management Fee will be calculated and payable monthly in arrears based on the average NAV calculated at each Valuation Time during that month. The Management Fee will be paid in cash. The Investment Manager will be remunerated by the Manager out of the Management Fee.
<b>Operating Expenses:</b>	<p>The Fund will pay for all ordinary expenses incurred in connection with its operation and administration and any applicable HST thereon. It is expected that the expenses for the Fund will include, without limitation: fees payable to the Custodian and other third party services providers, legal, accounting, audit and valuation fees and expenses, fees and expenses of the members of the Independent Review Committee (“<b>IRC</b>”), expenses related to compliance with NI 81-107 – <i>Independent Review Committee for Investment Funds</i>, fees and expenses relating to the voting of proxies by a third party, premiums for insurance coverage for the members of the IRC, costs of reporting to Unitholders, registrar, transfer and distribution agency costs, fees payable to the Plan Agent under the Reinvestment Plan for performing certain financial, record-keeping, Unitholder reporting and general administrative services and for acting as plan agent, listing fees and expenses and other administrative expenses and costs incurred in connection with the continuous public filing requirements, website maintenance costs, taxes, costs and expenses of preparing financial and other reports, costs and expenses arising as a result of complying with all applicable laws, regulations and policies including any costs associated with the printing and mailing costs of any documents that the securities regulatory authorities require be sent or delivered to investors in the Fund and extraordinary expenses that the Fund may incur. Such expenses will also include expenses of any action, suit or other proceedings in which or in relation to which the Manager, the Investment Manager, the Custodian, the IRC and/or any of their respective officers, directors, employees, consultants or agents is entitled to indemnity by the Fund. The aggregate annual amount of these fees and expenses is estimated to be \$250,000. The Fund will also be responsible for all commissions and other costs of Portfolio transactions and any extraordinary expenses of the Fund which may be incurred from time to time.</p>

See “Fees and Expenses – Ongoing Fees and Expenses”.

## THE FUND

### Overview of the Legal Structure of the Fund

The Fund is a closed-end investment fund established under the laws of the Province of Ontario pursuant to the Declaration of Trust dated November 19, 2014.

The principal office of the Fund and Harvest is located at 710 Dorval Drive, Suite 209, Oakville, Ontario L6K 3V7.

The Fund is subject to the provisions of NI 81-102 applicable to non-redeemable investment funds.

### INVESTMENT OBJECTIVES

The Fund's investment objectives are to provide Unitholders with (i) the opportunity for capital appreciation; (ii) monthly cash distributions; and (iii) lower overall volatility of Portfolio returns than would otherwise be experienced by owning Equity Securities of the Healthcare Leaders directly.

The Fund will invest in an equally-weighted portfolio of Equity Securities of 20 Healthcare Issuers from the Healthcare Leaders Investable Universe that at the time of investment and immediately following each semi-annual reconstitution and rebalancing (i) have a market capitalization of at least US\$5 billion, and (ii) have options in respect of their Equity Securities listed on a recognized options exchange.

In order to seek to generate additional returns, the Investment Manager may sell call options each month on Equity Securities held in the Portfolio. The Investment Manager will not sell call options on more than 33% of the Equity Securities of any Healthcare Leader held in the Portfolio.

### INVESTMENTS OF THE FUND

#### Investment Strategy

To seek to achieve its investment objectives, the Fund will invest in an equally-weighted Portfolio of Equity Securities of 20 Healthcare Issuers chosen from the Healthcare Leaders Investable Universe that at the time of investment and immediately following each semi-annual reconstitution and rebalancing (i) have a market capitalization of at least US\$5 billion, and (ii) have options in respect of their Equity Securities listed on a recognized options exchange.

The Investment Manager will select the Equity Securities for the Portfolio and will semi-annually reconstitute and rebalance the Portfolio such that the Portfolio, at the time of the initial investment and immediately following each semi-annual reconstitution and rebalancing, will have the following investment characteristics:

**Value** – An average Price-to-Earnings ratio lower than the average for the Healthcare Investable Universe; and

**Quality** – An average 5-year Return on Equity greater than the average for the Healthcare Leaders Investable Universe.

In determining the composition of the Portfolio, consideration will also be given to other quantitative factors such as yield, earnings per share growth, implied volatility and option liquidity.

If the Fund had been in existence on October 20, 2014, the Portfolio would have included the following securities (the “**Indicative Portfolio**”):

Company	US Ticker	Market Cap (\$ millions)
AbbVie Inc.	ABBV	86,700
Aetna Inc.	AET	27,109
Amgen Inc.	AMGN	104,454
Astrazeneca PLC	AZN	85,199
Baxter International Inc.	BAX	36,801
Becton, Dickinson and Company	BDX	23,531
Bristol-Meyers Squibb Company	BMJ	83,824
Eli Lilly and Company	LLY	70,502

GlaxoSmithKline PLC	GSK	105,083
Johnson & Johnson	JNJ	279,773
Medtronic, Inc.	MDT	62,532
Merck & Company, Inc.	MRK	155,914
Novartis AG	NVS	238,130
Pfizer, Inc.	PFE	177,100
Quest Diagnostics Incorporated	DGX	8,614
Sanofi S.A.	SNY	136,837
St. Jude Medical, Inc.	STJ	16,786
Teva Pharmaceutical Industries Ltd	TEVA	44,509
UnitedHealth Group Incorporated	UNH	86,028
WellPoint Inc.	WLP	31,662
Portfolio Average		<b>93,054</b>
Healthcare Leaders Investable Universe		<b>46,105</b>

Note: Past performance is not an indication or guarantee of future performance.

Commencing in 2015, the Portfolio will be reconstituted and rebalanced semi-annually (within 20 Business Days following the last Business Day of June and December) but may be reconstituted and rebalanced more frequently if: (i) a Healthcare Leader in the Portfolio is the subject of a merger or other fundamental corporate action that in the opinion of the Investment Manager requires the Healthcare Leader to be removed from the Portfolio; or (ii) a Healthcare Issuer's options are no longer listed on a recognized options exchange. In such circumstances, the Healthcare Leader that is removed from the Portfolio will be replaced with another Healthcare Leader from the Healthcare Leaders Investable Universe at the discretion of the Investment Manager such that the Portfolio will meet the value and quality investment characteristics described above at the time of such reconstitution and rebalancing. In the event that there are not 20 Healthcare Issuers that meet the investment criteria of the Fund, the Fund will invest in fewer than 20 Healthcare Issuers.

It is the Investment Manager's intention to purchase only ADRs for those Healthcare Leaders from the Healthcare Leaders Investable Universe that are considered to be "foreign issuers" in the U.S. and that are not listed on a Canadian stock exchange. The Investment Manager intends to purchase common shares for all other Healthcare Leaders selected for the Portfolio.

In order to seek to generate additional returns, the Investment Manager may sell call options each month on Equity Securities held in the Portfolio. The Investment Manager will not sell call options on more than 33% of the Equity Securities of any Healthcare Leader held in the Portfolio.

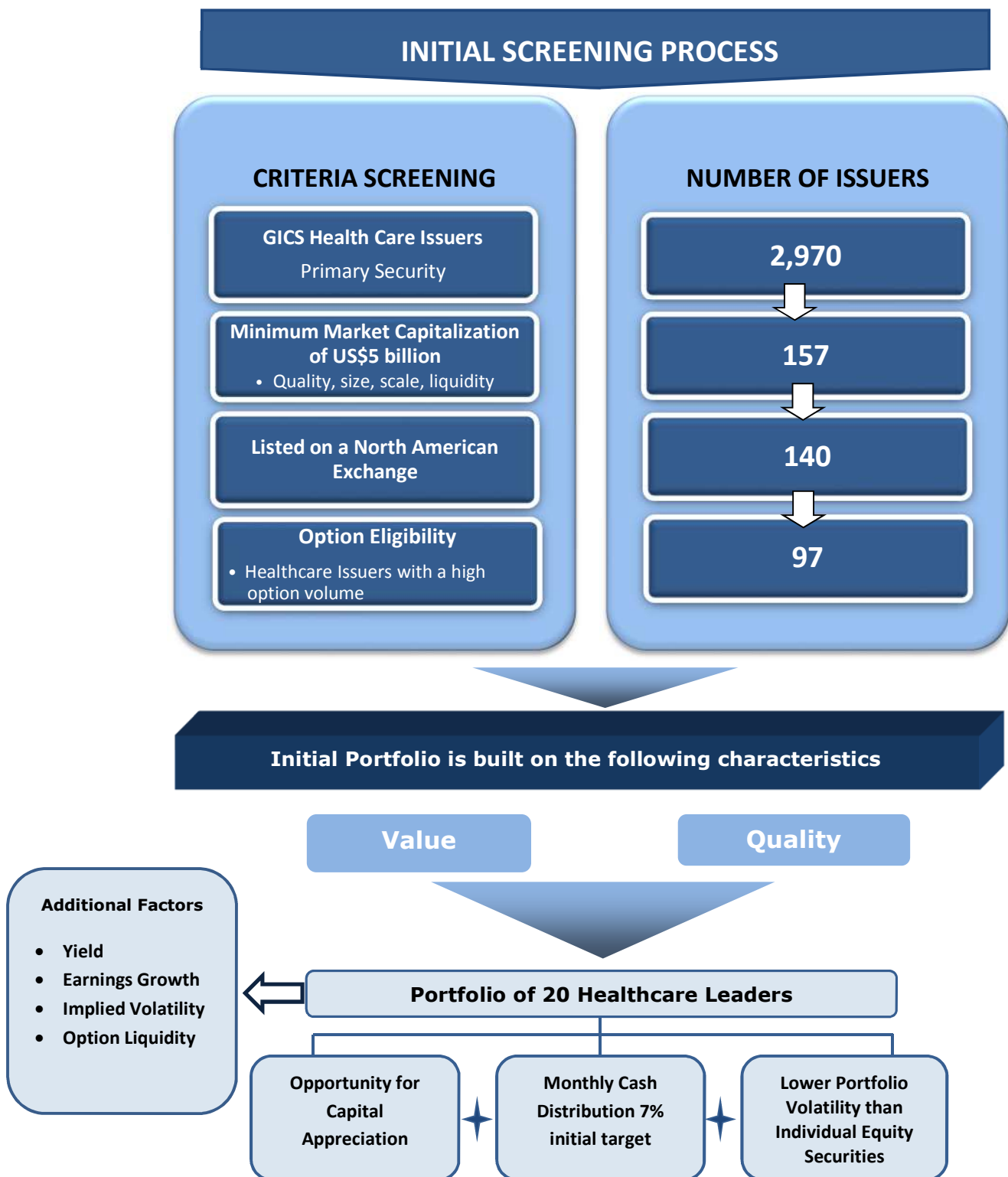
In order to facilitate distributions and/or pay expenses of the Fund, the Fund may sell Equity Securities at its discretion in which case the weighting of the Portfolio will be affected. To the extent that the Fund has excess cash at any time, at the Investment Manager's discretion, in consultation with the Manager, such excess cash may be invested by the Fund in Equity Securities of Healthcare Leaders in the Portfolio, generally targeting investment in Equity Securities of Healthcare Leaders in the Portfolio which have less than average weight in the Portfolio at the time. The Fund does not intend to borrow money or employ other forms of leverage.

The Fund may close out options in advance of year-end to reduce the likelihood that gains distributed in any year are reversed in a subsequent year. The Fund may also sell Portfolio Securities that are in a loss position to reduce the capital gain that would otherwise be payable by the Fund by way of a special distribution (either in cash and/or Units) in a particular year where the Manager, in consultation with the Investment Manager, determines that it is in the best interests of the Fund to do so.

#### Portfolio Selection Process

In acquiring the 20 Healthcare Leaders for the Portfolio, the Investment Manager will filter out a Healthcare Issuer that has a market capitalization of less than US\$5 billion or is not eligible to have listed options written on their Equity Securities.

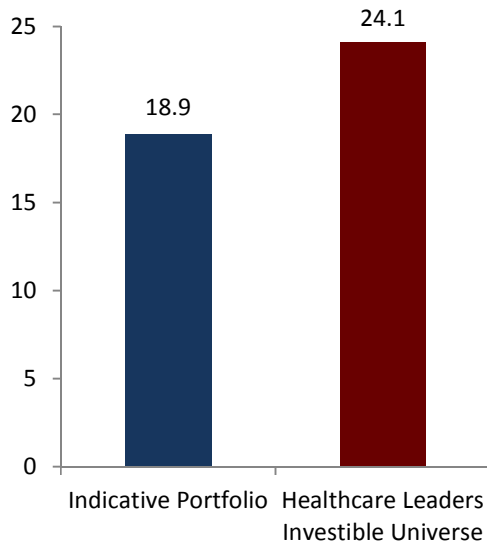




The chart below shows the value comparisons of the Indicative Portfolio with the Healthcare Leaders Investable Universe.

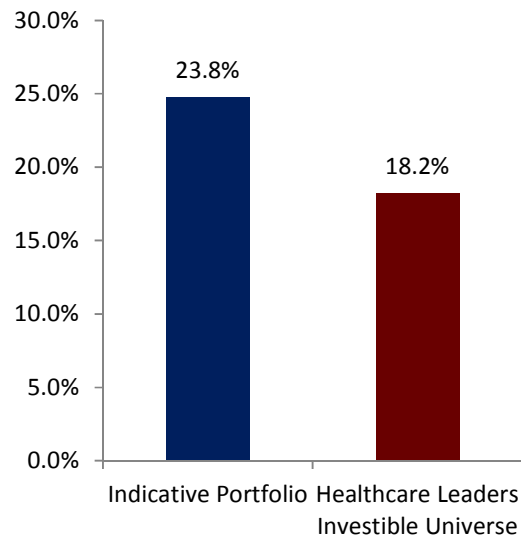
**Value:**

The Indicative Portfolio's present Price-to-Earnings ratio is 18.9x versus the Healthcare Leaders Investment Universe of 24.1x.



**Quality:**

The Indicative Portfolio's 5 year average Return on Equity is 23.8% versus the Healthcare Leaders Investment Universe of 18.2%.



*Quality*

The Indicative Portfolio has a 5-year average Return on Equity that is greater than the Healthcare Leaders Investable Universe.

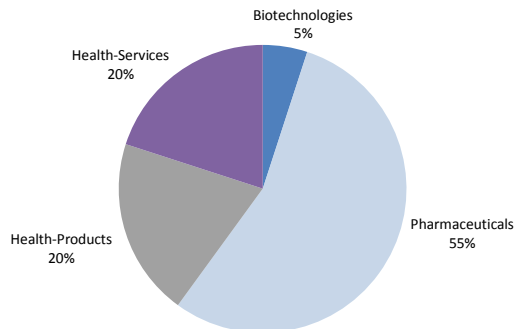
Source: Bloomberg, October 20, 2014.

Note: Past performance is not an indication or guarantee of future performance.

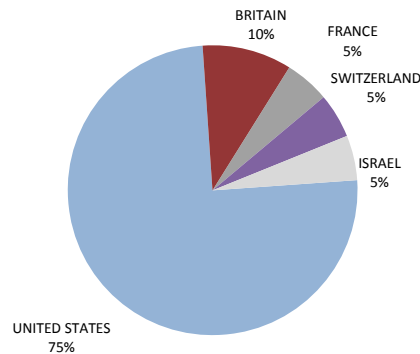
*Diversification*

As the charts below highlight, the Manager believes that the Healthcare Leaders offer both geographic and sub sector diversification.

**Healthcare Leaders Sub-Sector Allocations**



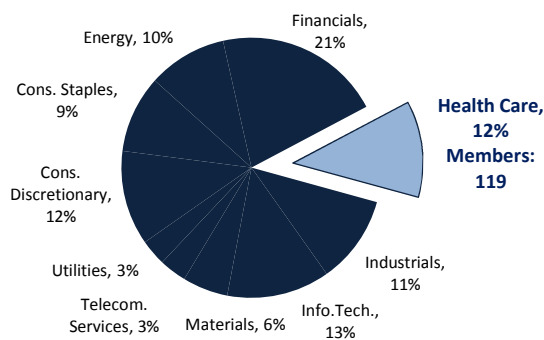
**Geographic Exposure Based on Country Head Office**



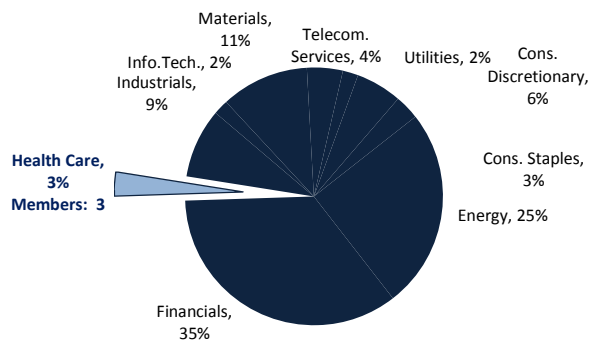
Source: Bloomberg, October 20, 2014.

As the charts below indicate, the Investment Manager believes that Healthcare Leaders offer a significant degree of diversification for Canadian equities investors seeking exposure to the healthcare sector. Canadian Healthcare Issuers are limited and make up less than 3% of the S&P TSX Composite Index, while Healthcare Issuers currently make up 12% of the MSCI World Index. The Manager believes an investment in Equity Securities of the Healthcare Leaders offers the opportunity for global diversification with exposure to the various sub-sectors of the healthcare sector.

**MSCI World Index**



**S&P TSX Composite Index**



Source: MSCI Fact Sheets, August 29, 2014, Bloomberg October 6, 2014.

### *Lower Volatility*

The Fund will be employing a call writing strategy on up to 33% of the Portfolio, which the Manager believes will lower the overall volatility.

### **Covered Option Writing**

The Manager and the Investment Manager believe that option writing may have potential to add value and is an effective way to help lower the level of volatility for an investor and potentially improve returns. All other things being equal, higher volatility in the price of a security results in higher Option Premiums in respect of such security. The Manager believes Equity Securities of Healthcare Leaders are suited for a covered call writing strategy. Each month, covered call options will be written by the Investment Manager on not more than 33% of the

Equity Securities of any Healthcare Leader held in the Portfolio. Such options will generally be at a strike price that is at-the-money but the Investment Manager may write options that are out-of-the-money at its discretion. The proportion of the Equity Securities of each Healthcare Leader in respect of which the Investment Manager may write options may differ between Healthcare Leaders. The extent to which any of the individual Equity Securities in the Portfolio are subject to option writing and the terms of such options will vary from time to time based on the Manager's or the Investment Manager's assessment of the market.

The decision as to which of the Healthcare Leaders' securities options will be written on, and the number of options to be written on such securities, will be based upon the Investment Manager's assessment of the best value offered by the option premiums available on the securities held in the Portfolio at the time such options are written. Accordingly, in making such determination, the Investment Manager will not have regard for the capital appreciation that may be foregone on a security during the term of a call option, except to the extent that it may affect option premiums.

In circumstances where the Investment Manager determines that it is in the best interest of the Fund to do so, it may write call options in respect of more securities held in the Portfolio than it believes are necessary to fund the monthly distributions from time to time. This may require the Fund to pay a special distribution (either in cash and/or Units) in a particular taxation year to ensure that the Fund will not be liable for income tax under the Tax Act. In addition, depending upon, among other things, the Fund's cash position and prevailing market conditions, the Investment Manager may also elect to write options on fewer securities than would be necessary to fund distributions at the then current Indicative Distribution Amount in any particular month or months. This may have the effect of reducing amounts available for distribution and consequently, the amount of distributions paid in a particular month or months.

While the writing of call options may have the effect of lowering overall volatility of returns associated with the Portfolio, the Investment Manager will not execute its option writing strategy with a primary view to minimizing volatility.

The Investment Manager in its discretion may close out outstanding options that are in-the-money prior to their expiry date or permit securities subject to a call option to be called away. In circumstances where securities are called away, the Investment Manager will use the proceeds realized by the Fund on the exercise of the call options to acquire securities of the Healthcare Leader whose securities were called away in the market as soon as practicable following the exercise of such options. This may result in securities being acquired at prices exceeding the price received for them pursuant to exercised options, even after taking into account the premium realized by the Fund on the writing of the option.

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 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 will be obligated to sell the securities to the holder at the strike price per security. Alternatively, the Fund may repurchase a call option it has written that is "in-the-money" by paying the market value of the call option. 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, the option will expire and the Fund will retain the underlying security. In each case, the Fund will retain the Option Premium.

The amount of Option Premium depends upon, among other factors, the 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. 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.

**When a call option is written on a security in the Portfolio, the amounts that the Fund will be able to realize on the security if it is called on termination of the call option will be limited to the dividends received prior to the exercise of the call option 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 will forego potential returns resulting from any price appreciation of the security underlying the option above the strike price in favour of**

**the certainty of receiving the Option Premium. See “Risk Factors – Use of Options and Other Derivative Instruments”.**

*Income from Covered Call Option Writing*

The following table sets forth income, expressed as a percentage of the Net Asset Value, net of withholding taxes and Fund expenses (excluding any gains or losses on portfolio investments, distribution increases or decreases and any amounts paid to close out “in-the-money” options), generated by writing at-the-money covered call options on the indicated proportions of the Equity Securities of each Healthcare Leader held in the Portfolio at various volatility levels.

**Cash Flow from Option Premiums and Dividends**

**(Net of Withholding Taxes and Fund Expenses <sup>(1)</sup>)**

**Volatility**

Percentage of Portfolio	10%	20%	24.2%	30%	40%	50%	60%	70%	80%	90%	100%
5%	1.68	2.33	2.60	2.97	3.61	4.26	4.90	5.54	6.19	6.83	7.46
10%	2.27	3.56	4.10	4.85	6.13	7.42	8.71	9.99	11.27	12.55	13.83
15%	2.85	4.79	5.60	6.72	8.65	10.58	12.51	14.44	16.36	18.28	20.20
19.7%	3.40	5.93	7.00	8.47	11.00	13.53	16.06	18.58	21.10	23.62	26.13
20%	3.44	6.02	7.10	8.59	11.17	13.75	16.32	18.89	21.45	24.01	26.57
25%	4.03	7.25	8.60	10.47	13.69	16.91	20.12	23.33	26.54	29.74	32.94
30%	4.61	8.48	10.11	12.34	16.21	20.07	23.93	27.78	31.63	35.47	39.31
33%	4.97	9.22	11.01	13.47	17.72	21.97	26.21	30.45	34.68	38.91	43.13

(1) Net of Management Fee and administrative expenses.

(2) Average implied volatility of the Portfolio as at October 20, 2014.

**The information above is provided for illustrative purposes only and should not be construed as a forecast or projection. No assurance can be given that the returns from call option writing upon which the estimated gross income of the Fund has been based will be realized.**

The above tables were generated using a modified Black-Scholes Model and are based on the following assumptions:

- (a) the gross proceeds of the Offering are \$100 million and the net proceeds are fully invested in Equity Securities of the Healthcare Leaders comprising the Indicative Portfolio on an equally weighted basis;
- (b) all call options are exercisable only at maturity and are written at-the-money;
- (c) all call options are written for a term of 30 days;
- (d) the U.S. risk-free or benchmark interest rate equals 0.20% per annum;
- (e) there is no change in currency exchange rates during the term of the options;
- (f) the average net return from dividends paid on the Equity Security is 2.82% (2.39% after withholding tax) per annum, assuming an equal weighting among the Healthcare Leaders included in the Portfolio;
- (g) there are no realized capital gains or losses on the Equity Security for the period during which the call options are outstanding; and

- (h) annual expenses of the Fund are \$250,000 and fees payable to the Manager are 0.85% per annum of the Net Asset Value.

The figures shown above do not take into account the potential price impact on portfolio value resulting from writing covered call options. In the case of covered call options written generally at-the-money, the investor forgoes any upside return but the investor receives the premium payment. In an upward trending market, a portfolio that is subject to covered call option writing will generally provide lower total returns and a commensurately lower volatility. In a flat or downward trending market, such a portfolio will generally provide higher relative returns as well as lower volatility.

#### *Volatility History*

The historical average, low, high and current values of the trailing 30-day volatility (expressed in percentages on an annualized basis) for the securities of each of the Healthcare Leaders to be included in the Portfolio for the 10 year period ending October 20, 2014 is set out below.

#### **Volatilities - 10 years to October 20, 2014**

<b>Issuer</b>	<b>Median (%)</b>	<b>Low (%)</b>	<b>High (%)</b>	<b>Current Implied 30 Day (%)</b>
AbbVie Inc.	22.69	15.83	37.87	30.84
Aetna Inc.	28.76	15.84	126.78	28.71
Amgen Inc.	24.08	14.63	73.30	26.01
Astrazeneca PLC	23.52	11.40	71.16	33.41
Baxter International Inc.	20.76	11.67	64.04	17.74
Becton, Dickinson and Company	18.77	11.26	56.99	20.73
Bristol-Meyers Squibb Company	22.61	11.36	68.24	28.22
Eli Lilly and Company	20.17	11.03	72.84	20.12
GlaxoSmithKline PLC	19.89	10.98	67.42	21.00
Johnson & Johnson	14.26	8.85	57.87	15.78
Medtronic, Inc.	21.19	12.35	73.90	22.15
Merck & Company, Inc.	22.22	11.84	84.60	24.27
Novartis AG	18.19	11.02	58.79	22.12
Pfizer, Inc.	21.06	11.93	73.44	17.20
Quest Diagnostics Incorporated	22.28	14.30	71.66	26.60
Sanofi S.A.	24.53	12.49	71.11	25.62
St. Jude Medical, Inc.	28.93	16.72	78.19	24.31
Teva Pharmaceutical Industries Ltd	24.25	14.17	69.04	28.05
UnitedHealth Group Incorporated	25.57	13.27	114.92	20.25
WellPoint Inc.	25.21	15.86	105.23	31.15
	<b>22.45</b>	<b>12.84</b>	<b>74.87</b>	<b>24.21</b>

As of October 20, 2014. Note: Past performance is not an indication or guarantee of future performance.

#### *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), 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 distributions expected to be paid on the underlying security during the relevant term</i>	The greater the distributions, the lower the call Option Premium.

### **Foreign Currency Hedging**

All of the securities expected to make up the Portfolio will be denominated in U.S. dollars and expected dividends and premiums from call options received will be in U.S. dollars. The Investment Manager will take currency exposure into account in managing the Portfolio and will hedge substantially all of the value of the Portfolio attributable to the Units’ non-Canadian currency exposure back to the Canadian dollar at all times. It is not intended that the dividends on the Equity Securities comprising the Portfolio or option premiums realized on the call options written by the Fund will be hedged back to the Canadian dollar.

### **Borrowing**

The Fund does not intend to borrow money or employ other forms of leverage.

## **OVERVIEW OF THE SECTOR THAT THE FUND INVESTS IN**

The Canadian universe of Healthcare Issuers is fairly limited, therefore the Fund will provide Canadian investors seeking exposure to the healthcare sector the opportunity to diversify.

The Manager believes that the global healthcare sector offers investors an opportunity to invest in sub-sectors of the healthcare sector that are expected to benefit from increased demand for healthcare services as a result of i) aging populations, ii) improved living standards and iii) medical innovation. The following is an overview of the healthcare sector and the sub-sectors in which the Fund will invest.

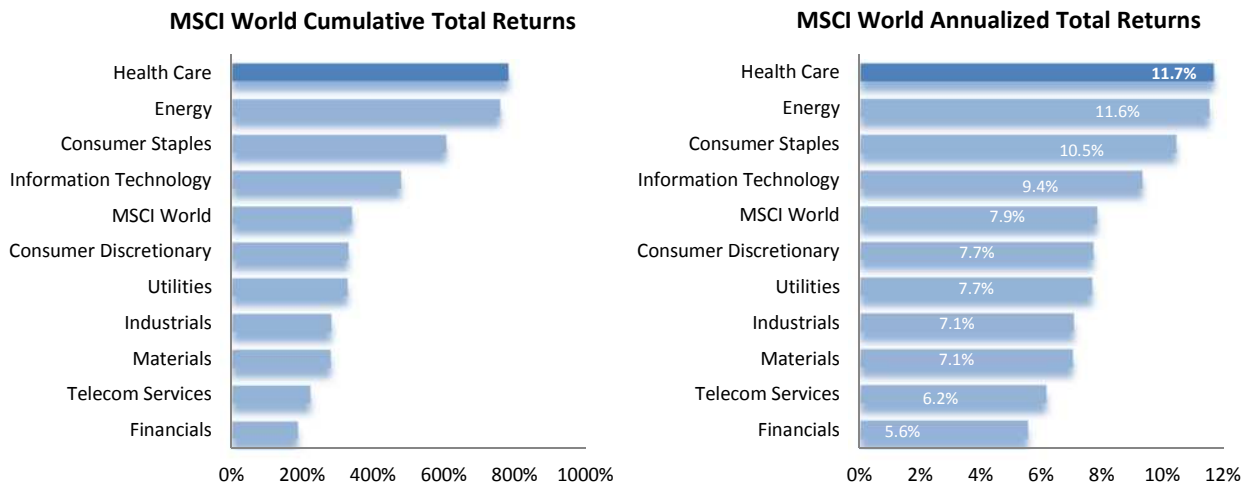
### **The Healthcare Sector**

The global healthcare sector is comprised of companies that provide medical and healthcare goods and services. There are four general sub-sectors in which healthcare companies operate: pharmaceuticals, healthcare products, biotechnologies and healthcare services. Pharmaceuticals are companies involved in drug development and production including generics manufacturers that make inexpensive copies of branded drugs after the expiry of a drug’s patent or that are specialty pharmaceuticals that tend to reformulate existing drugs. Healthcare products companies are companies that manufacture devices used to diagnose, monitor and treat medical conditions or improve the quality of healthcare. Biotechnology companies are typically involved in drug development. Finally, the healthcare services sector includes health maintenance organizations, private hospitals, healthcare focused real estate (for example retirement residences), drug distributors, healthcare insurance companies, contract research organizations and distributors.

### **Sector Review**

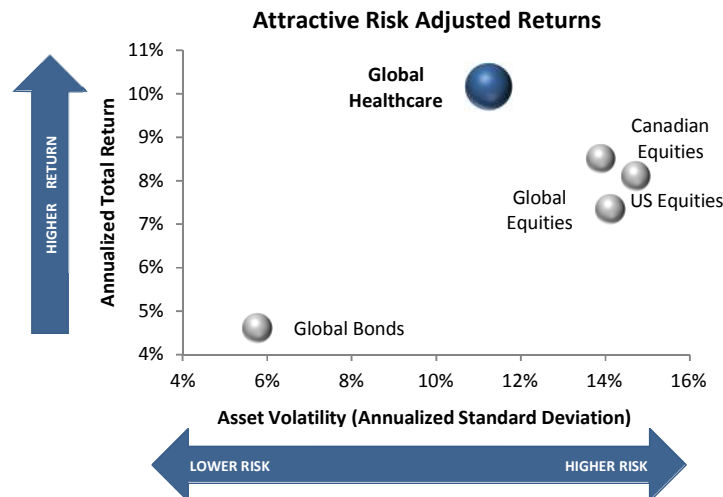
The healthcare sector is considered a defensive sector as many of the products and services are considered essential. As highlighted by the charts below, the healthcare sector has outperformed all sub-sectors of the S&P 500 Index since 1990 both cumulatively and on an annualized basis.

## Sector Review Since 1995 (USD)



Source: Bloomberg from January 31, 1995 to September 30, 2014.

The healthcare sector has had positive returns since 2004 with one exception during the 2008 financial crisis where, despite having a negative return, it was the top performing sub-sector in the MSCI World Index. The Manager believes that the sector has historically generated attractive risk adjusted returns compared to Canadian Equities, U.S. Equities and Global Equities and Global Bonds with the Global Healthcare sector having generated superior returns with lower volatility as highlighted in the chart below.



Source: Bloomberg. Based on the 10-year period ended September 30, 2014. As measured in local currency.

Indices: "CDN Equities" represented by the S&P/TSX Composite Total Return Index; "Global Bonds" represented by the JPM Aggregate Bond Index Total Return USD unhedged; "Global Equities" represented by the MSCI Daily Total Return World Index; "Global Healthcare" is represented by the MSCI Daily Total Return World Gross Healthcare Index; and "U.S. Equities" represented by the S&P 500 Total Return Index.

### Key Demographic and Economic Drivers

The Investment Manager and Manager believe that there are three key demographic and economic factors that will drive the performance of the healthcare sector in the future:

1. **Global aging populations** – Immediate and increasing demand for healthcare. As people age, there tends to be a significant increase in amounts spent on healthcare.

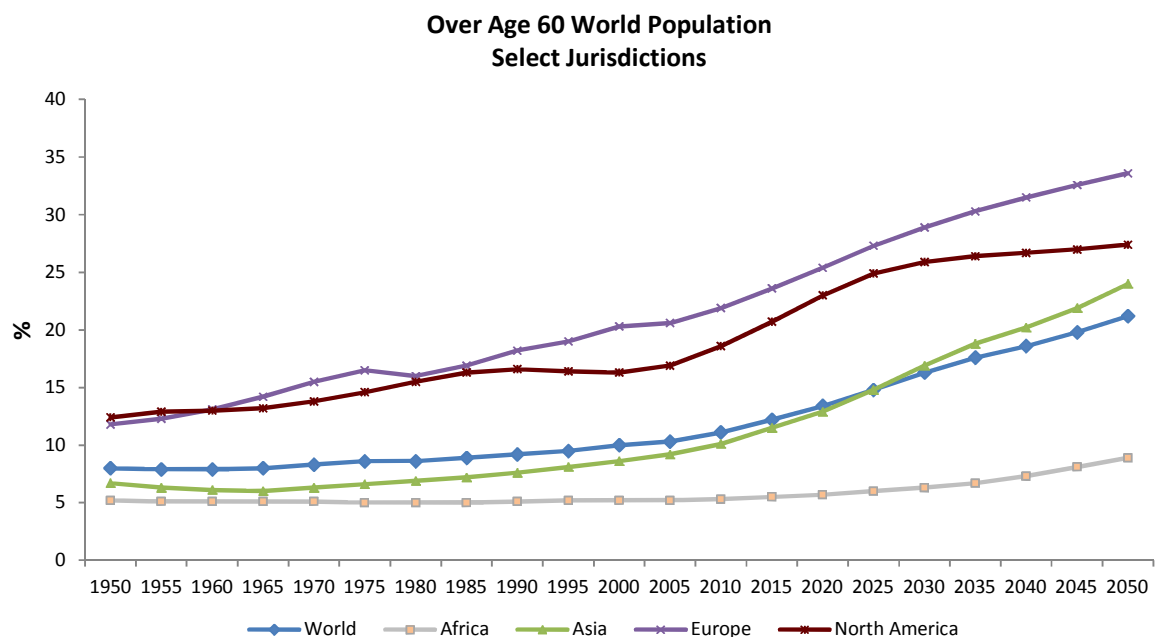


2. **Increasing living standards** – In emerging markets, the proportion of income spent on healthcare increases as improving income levels result in growing demand for better access to healthcare services and medicines.
3. **New market developments** – New drug and technological innovations resulting in new and improving opportunities in new/existing markets.

### Global Aging Populations

As the charts below illustrate, the percentage of the population over 60 around the world is expected to increase significantly. According to the United Nations Department of Economic and Social Affairs, the 60 and over age group is set to nearly double from 11% of the population to 21% of the population from 2010 to 2050.

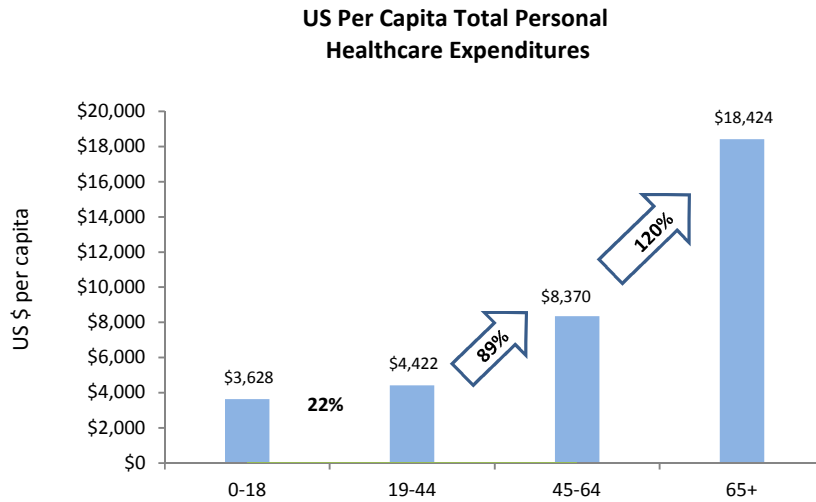
### Population Will Grow Older and Create More Demand



Sources: The 2012 Report of the United Nations Department of Economic and Social Affairs.

### Aging Population – Cost implications

An aging population contributes significantly to the cost of healthcare. As the chart below illustrates, the cost of healthcare in the U.S. for an individual 65 years of age is approximately three times more than an individual age 18 to 44.

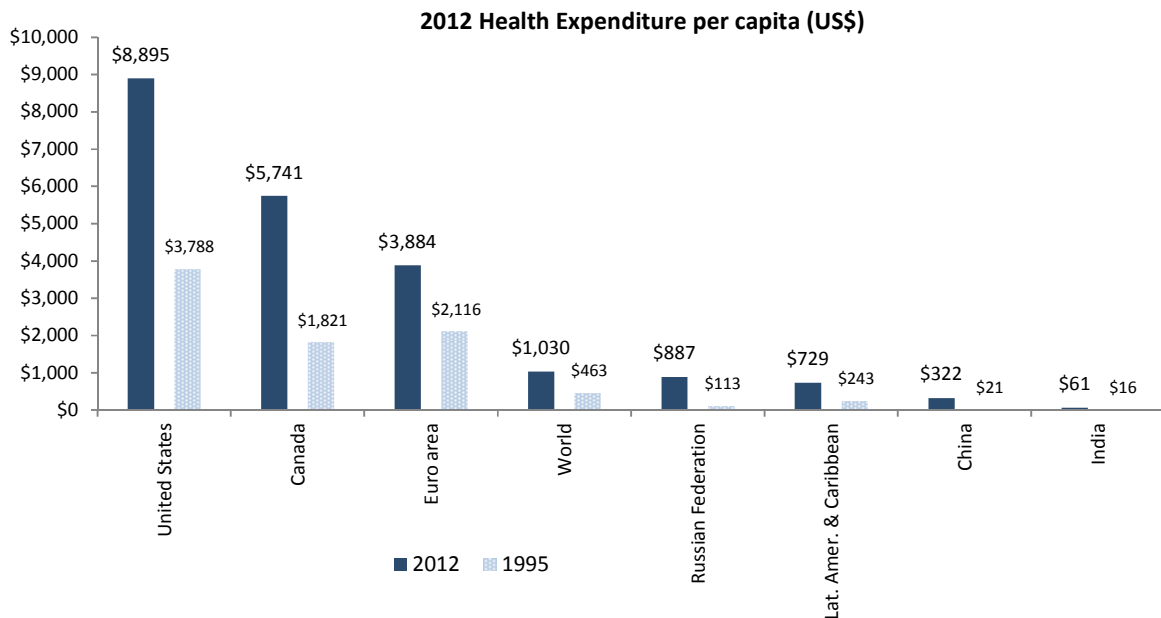


Sources: Centers for Medicare & Medicaid Services, 2010.

## Increasing Living Standards

### *Emerging Markets – Increasing Living Standards*

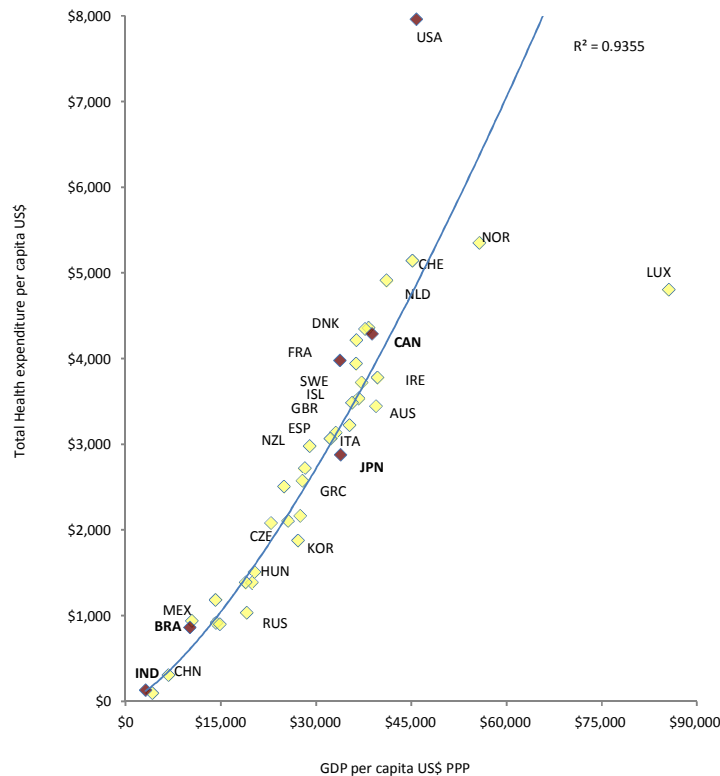
One of the prominent growth trends in healthcare demand is the increasing living standards of emerging nations currently largely underserved in the healthcare area. As illustrated in the chart below, spending has increased substantially since 1995 and spending in more developed markets is significantly higher than in developing markets.



Source: The World Bank, 2013.

As can be seen in the chart below, spending on health increases as GDP per capita increases. As demonstrated in the chart below, as GDP per capita increases for developing nations, health expenditures increase at a significantly higher rate.

**Total Health Expenditure per capita and GDP per capita**



Source: OECD Health at a Glance 2011.

## New Market Developments

Over the last decade a number of new healthcare markets have been developed due to a high level biotech investment and an improving regulatory environment. New drug development can take 10 years and significant capital to go from initial start up to actual product approval and commercial readiness. New drug and technological innovations can result in expanding existing markets and the development of new and highly profitable markets.

## INVESTMENT RESTRICTIONS

The Fund is subject to the investment restrictions set out in NI 81-102 that are applicable to non-redeemable investment funds. In addition, the Declaration of Trust contains investment restrictions to the effect that on and after the initial investment of assets, the Fund may not:

- (a) purchase any security issued by any issuer (other than short term debt securities issued or guaranteed by the Government of Canada or any Canadian province or municipality) if as a result more than 10% of the Fund's total assets would consist of securities issued by such issuer;
- (b) purchase securities other than Equity Securities of Healthcare Leaders (except as contemplated by (d));
- (c) borrow money or employ any other forms of leverage;

- (d) use derivative instruments, other than for the purposes of writing call options and currency hedging, in each case in a manner consistent with the Fund's investment strategy;
- (e) write covered call options on more than 33% of the Equity Securities of any of the Healthcare Leaders held in Portfolio;
- (f) write call options unless the security underlying the option is held by the Fund;
- (g) dispose of any security that is subject to a call option written by the Fund unless such option has either terminated or expired;
- (h) own securities of a "subject entity" (as defined for the purposes of the SIFT Rules) that have a total fair market value that is greater than 10% of the "equity value" (as defined for the purposes of the SIFT Rules) of the subject entity;
- (i) invest in any securities of an entity that would be a foreign affiliate of the Fund within the meaning of the Tax Act;
- (j) invest for the purposes of exercising control over management of any issuer in the Portfolio;
- (k) invest in or hold (i) securities of or an interest in any non-resident entity, an interest in or a right or option to acquire such property, or an interest in a partnership which holds any such property if the Fund (or the partnership) would be required to include any significant amounts in income pursuant to section 94.1 of the Tax Act, (ii) an interest in a trust (or a partnership which holds such an interest) which would require the Fund (or the partnership) to report income in connection with such interest pursuant to the rules in section 94.2 of the Tax Act, or (iii) any interest in a non-resident trust (or a partnership which holds such an interest) other than an "exempt foreign trust" for the purposes of section 94 of the Tax Act;
- (l) invest in any security that is a tax shelter investment within the meaning of the Tax Act;
- (m) act as an underwriter except to the extent that the Fund may be deemed to be an underwriter in connection with the sale of securities in its Portfolio;
- (n) make any investment or conduct any activity that would result in the Fund failing to qualify as a "unit trust" or a "mutual fund trust" within the meaning of the Tax Act; and
- (o) make or hold any investments that would result in the Fund itself being subject to the tax for SIFT trusts as provided for in the SIFT Rules.

If a percentage restriction on investment or use of assets set forth above is adhered to at the time of the transaction, later changes to the market value of the investment or the total assets of the Fund will not be considered a violation of the restriction (except for the restrictions in paragraphs (h) or (o)). Investment restrictions that do not provide for a percentage restriction must be adhered to at all times. If the Fund receives from an issuer subscription rights to purchase securities of that issuer, and if the Fund exercises such subscription rights at a time when the Fund's Portfolio holdings of securities of that issuer would otherwise exceed the limits set forth above, it will not constitute a violation if, prior to receipt of securities upon exercise of such rights, the Fund has sold at least as many securities of the same class and value as would result in the restriction being complied with.

The foregoing investment restrictions may not be changed without the approval of the Unitholders, by an Extraordinary Resolution, unless such changes are necessary to ensure compliance with all applicable laws, regulations or other requirements imposed by applicable regulatory authorities from time to time. See "Unitholder Matters".

## **FEES AND EXPENSES**

### **Initial Expenses**

The expenses of the Offering (including the costs of creating the Fund, the costs of printing and preparing this prospectus, legal expenses of the Fund, marketing expenses and legal and other out of pocket expenses incurred by the Agents and certain other expenses) will, together with the Agents' fees, be paid from the gross proceeds of the Offering. The Offering expenses are estimated to be \$600,000. The Manager has agreed to pay all expenses

incurred in connection with the Offering, other than the Agents' fees, that exceed 1.5% of the gross proceeds of the Offering.

### **Management Fee**

Pursuant to the Declaration of Trust, the Manager is entitled to a management fee at an annual rate of 0.85% of NAV plus applicable taxes (including HST). Fees payable to Harvest will be calculated and payable monthly in arrears based on the average NAV calculated at each Valuation Time during that month. The Management Fee will be paid in cash.

### **Ongoing Fees and Expenses**

The Fund will pay for all ordinary expenses incurred in connection with its operation and administration and any applicable HST thereon. It is expected that the expenses for the Fund will include, without limitation: fees payable to the Custodian and other third party services providers, legal, accounting, audit and valuation fees and expenses, fees and expenses of the members of the Independent Review Committee ("**IRC**"), expenses related to compliance with NI 81-107 – *Independent Review Committee for Investment Funds*, fees and expenses relating to the voting of proxies by a third party, premiums for insurance coverage for the members of the IRC, costs of reporting to Unitholders, registrar, transfer and distribution agency costs, fees payable to the Plan Agent under the Reinvestment Plan for performing certain financial, record-keeping, Unitholder reporting and general administrative services and for acting as plan agent, listing fees and expenses and other administrative expenses and costs incurred in connection with the continuous public filing requirements, website maintenance costs, taxes, costs and expenses of preparing financial and other reports, costs and expenses arising as a result of complying with all applicable laws, regulations and policies including any costs associated with the printing and mailing costs of any documents that the securities regulatory authorities require be sent or delivered to investors in the Fund and extraordinary expenses that the Fund may incur. Such expenses will also include expenses of any action, suit or other proceedings in which or in relation to which the Manager, the Investment Manager, the Custodian, the IRC and/or any of their respective officers, directors, employees, consultants or agents is entitled to indemnity by the Fund. The aggregate annual amount of these fees and expenses is estimated to be \$250,000. The Fund will also be responsible for all commissions and other costs of Portfolio transactions and any extraordinary expenses of the Fund which may be incurred from time to time.

Any arrangements for additional services between the Fund and the Manager, or any affiliate thereof, that have not been described in this prospectus will be on terms approved by the Fund's IRC that are no less favourable to the Fund than those available from arm's length persons (within the meaning of the Tax Act) for comparable services and the Fund will pay all expenses associated with such additional services.

### **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 the Investment 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 Investment Objectives***

There is no assurance that the Fund will be able to achieve its Investment Objectives. Furthermore, there is no assurance that the Fund will be able to pay distributions in the short or long term, nor is there any assurance that the Net Asset Value will appreciate or be preserved. Changes in the weightings of Portfolio Securities held by the Fund resulting from stock price movements can affect the overall yield to Unitholders.

#### ***Loss of Investment***

An investment in the Fund is appropriate only for investors who have the capacity to absorb investment losses and who can withstand distributions not being made for any period of time.

### ***No Guaranteed Return***

There is no guarantee that an investment in the Fund will earn any positive return in the short or long term.

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.

### ***Equity Securities Risk***

Equity Securities such as common shares or units of income trusts give the holder part ownership in the issuer. The value of an equity security changes with the fortunes of the issuer that issued it. General market conditions and the health of the economy as a whole can also affect equity prices. Further continued volatility or illiquidity could impair materially the profitability of these issuers.

### ***Volatility and Distributions***

The amount of distributions may fluctuate from month to month and there can be no assurance that the Fund will make any distribution in any particular month. The current yield on the securities comprising the Indicative Portfolio is approximately 2.39%, net of anticipated withholding taxes. The distributable cash flow and monthly distributions to Unitholders will be substantially based upon the level of premiums realized by the Fund pursuant to the option writing strategy described herein as opposed to the level of dividends received on the securities comprising the Portfolio. The Portfolio would be required to generate a return of approximately 8.66% per annum in order for the Fund to maintain a stable Net Asset Value per Unit (after accounting for the fees and expenses of the Offering) while making the initial cash distributions of \$0.70 per Unit per year (assuming an offering size of \$100 million and fees and expenses are as disclosed herein). As the Fund will not write call options on more than 33% of the Equity Securities of any of the Healthcare Leaders included in the Portfolio, if there is a significant decrease in volatility of the Equity Securities, this could have a significant adverse effect on the distributable cash flow generated by the Fund and, accordingly, the distributions, if any, paid by the Fund to Unitholders from time to time. As the Investment Manager will not write call options on more than 33% of the Equity Securities of any Healthcare Leader in the Portfolio, if the return on the Portfolio including from call options, dividends, capital appreciation or a combination of the foregoing, is less than the amount necessary to fund distributions at the then current Indicative Distribution Amount, the Fund may return a portion of the capital of the Fund to Unitholders to ensure that the distribution is paid. In the event it does not do so in such circumstances, distributions will be reduced. The Investment Manager is not obliged to write options when it would otherwise choose not to do so to fund distributions.

### ***Fluctuations in Value of Healthcare Leaders***

The value of the Units will vary according to the value of the securities of the Healthcare Leaders included in the Portfolio, which will depend, in part, upon the performance of such Healthcare Leaders. The performance of the Healthcare Leaders included in the Portfolio will be influenced by a number of factors which are not within the control of the Fund, the Manager or the Investment Manager, including materials and other commodity prices, operational risks relating to the specific business activities of the Healthcare Leaders, industry competition, uncertainty and costs of funding capital projects, development of new technology, protection of intellectual property, risks relating to infringement of third party intellectual property, interest rates, exchange rates, environmental, health and safety risks, political and economic risks, issues relating to government regulation and risks relating to operating in foreign jurisdictions.

### ***Risk Related to Healthcare Issuers***

The Portfolio may be susceptible to factors affecting the healthcare and technology related industries and to greater risk and market fluctuations than an investment in a broader range of portfolio securities covering different economic sectors. Healthcare, technology, and technology related industries may also be subject to greater government regulation than many other industries. Accordingly, changes in government policies and the need for regulatory approvals may have a materially adverse effect on these industries. Additionally, these companies may be subject to risks of developing technologies, competitive pressures, as well as a relatively high risk of obsolescence caused by scientific and technological advances and are dependent upon consumer and business acceptance as new

technologies evolve. The development of these industry-specific investments may differ from the general stock exchange trends.

### ***Regulatory Risk***

The healthcare sector is highly regulated and may receive government funding. Investments in the healthcare sector may be substantially affected by changes in government policy, such as increased regulation, ownership restrictions, deregulation or reduced government fund. There can be no assurance that future changes in government regulation of healthcare will not have a material adverse effect on the healthcare sector, which could in turn have an adverse effect on the investments of the Fund.

In addition, the formulation, manufacturing, packaging, labelling, handling, distribution, importation, exportation, licensing, sale and storage of the produce of Healthcare Issuers are generally subject to extensive laws, governmental regulations, administrative determinations, court decisions and similar constraints. Such laws, regulations and other constraints or new laws, regulations or constraints could lead to the imposition of significant penalties or claims and could negatively impact the business of Healthcare Issuers. Further, the adoption of new laws, regulations or other constraints or changes in the interpretations of such requirements may result in significant compliance costs or lead certain Healthcare Issuers to discontinue offering certain products and/or services, thereby impacting the business, financial condition, results of operations and cash flows of such Healthcare Issuers, which could in turn impact the funds available for dividends or distributions and could cause the market value of the securities of such Healthcare Issuers to decline.

### ***Risks related to Healthcare Issuers Operating in the Real Estate Sector***

Investments in Healthcare Issuers that operate in the real estate sector will be subject to the general risks associated with real property investments. Real property investments are affected by various factors, including changes in general economic conditions (such as the availability of long term mortgage funds) and in local conditions (such as oversupply of space or reduction in demand for real estate in the area), the attractiveness of the properties to tenants, competition from other available properties and various other factors. The value of real property and any improvements thereto also may depend on the credit and financial stability of the tenants. The income of an issuer operating in the real estate sector that is available for payment to its unitholders or shareholders, as the case may be, would be adversely affected if a significant number of tenants were to become unable to meet their obligations, or if the issuer was unable to lease a significant amount of available space in its properties on economically favourable lease terms.

### ***Sensitivity to Interest Rate Fluctuations***

It is anticipated that the market price for Units and the value of the Portfolio Securities at any given time will be affected by the level of interest rates prevailing at such time. A rise in interest rates may have a negative effect on the market price of the Units. Unitholders who wish to redeem or sell their Units may, therefore, be exposed to the risk that the redemption price or sale price of the Units will be negatively affected by interest rate fluctuations.

### ***Use of Options and Other Derivative Instruments***

The Fund is subject to the full risk of its investment position in the securities comprising its Portfolio, including those securities that are subject to outstanding call options, should the market price of such securities decline. In addition, the Fund will not participate in any gain on the securities that are subject to outstanding call options above the strike price of such options. See “Investments of the Fund – Covered Option Writing”.

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, leveraging 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 will exist to permit the Fund to write covered call options on desired terms or to close out option positions should the Investment 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. 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.

In purchasing call options or entering into forward contracts, the Fund is subject to the credit risk that its counterparty (a clearing corporation, in the case of exchange traded instruments) may be unable to meet its obligations. In addition, there is risk of loss by the Fund of margin deposits in the event of the bankruptcy of the dealer with whom the Fund has an open position in an option. The ability of the Fund to close out its positions may also be affected by exchange imposed daily trading limits on options and futures contracts. If the Fund is unable to close out a position it will be unable to realize its profit or limit its losses until such time as the option becomes exercisable or expires. The inability to close out options, futures and forward positions could also have an adverse impact on the Fund's ability to use derivatives instruments to effectively hedge its Portfolio or implement its Investment Strategy.

The use of options may have the effect of limiting or reducing the total returns of the Fund. In addition, the income associated with writing covered call options may be outweighed by the foregone opportunity of remaining invested directly in the securities comprising the Portfolio. In such an event, the Fund would have to increase the percentage of the Portfolio that is subject to covered call options in order to meet its targeted distributions.

#### ***Portfolio Concentration Risk***

The Fund will invest at all times in securities of Healthcare Leaders. The Fund's holdings will not be diversified and the Net Asset Value per Unit 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.

#### ***Passive Management Risk***

An investment in Units should be made with an understanding that the value of the Portfolio Securities may fluctuate in accordance with the financial condition of the Healthcare Leaders from time to time, the value of the securities generally and other factors. Because it is the Fund's intention 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 Healthcare Leader 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 Healthcare Leaders due to, among other things, the option writing strategy used by the Fund.

#### ***Reliance on the Manager and the Investment Manager***

The Manager is responsible for providing, or arranging for the provision of, management and administrative services including investment and portfolio management services required by the Fund. The Investment Manager is responsible for reconstituting, rebalancing and hedging the Portfolio and executing and maintaining the Fund's option writing program. The Investment Manager has discretion in the composition and reconstitution of the Portfolio. As such, there is inherent risk in the Portfolio selection process. Investors who are not willing to rely on the Manager and the Investment Manager should not invest in Units.

#### ***Trading at a Discount 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. The purpose of the annual redemption right is to reduce the discount at which Units trade to the Net Asset Value per Unit 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 circumstances described under "Redemption of Units – Suspension of Redemptions and Purchases".

#### ***Nature of the Units***

The Units share certain attributes common to both equity securities and debt instruments. Units are dissimilar to debt instruments in that there is no principal amount owing to Unitholders. The Units represent a



fractional interest in the assets of the Fund. 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.

### ***Taxation of the Fund***

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

Subject to the derivative forward agreement 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 losses sustained on closing out options as capital gains and losses. In addition, subject to the derivative forward agreement 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 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 Tax Act at the time of the distribution. Such potential liability may reduce the NAV or NAV per Unit.

The Tax Act contains relatively new rules (the “derivative forward agreement rules”) 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 derivative forward agreement rules are broad in scope and could apply to other agreements or transactions (including certain options and forward currency contracts). 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. In general, the writing of a covered call option by the Fund in the manner described in “Investments of the Fund – Covered Options Writing” will not be subject to the derivative forward agreement rules. It is not clear whether the writing of covered calls, if coupled with certain other transactions, could be subject to the derivative forward agreement rules. The Manager has advised counsel that the Fund will not write covered call options that would be subject to the derivative forward agreement rules. Counsel understand that, in response to inquiries from industry participants, the Department of Finance (Canada) is considering clarifications to the derivative forward agreement rules as regards their potential application.

The SIFT Rules will apply to a mutual fund trust that is a SIFT trust. The Fund should not be a SIFT trust for the purposes of these rules because, at any time that a class of Units are listed or traded on a stock exchange or other public market as defined in the Tax Act, the Fund should not hold “non-portfolio property” based on its investment objectives and investment restrictions. If the SIFT Rules were to apply to the Fund, they may have an adverse impact on the Fund including on the distributions received by Unitholders.

The Fund intends to invest in foreign securities. Many foreign countries preserve their right under domestic tax laws and applicable tax conventions with respect to taxes on income and on capital (“**Tax Treaties**”) to impose tax on dividends paid or credited to persons who are not resident in such countries. While the Fund intends to make its investments in such a manner as to mitigate the amount of foreign taxes incurred under foreign tax laws and subject to any applicable Tax Treaties, investments in selected foreign securities may subject the Fund to foreign taxes on dividends paid or credited to the Fund or any gains realized on the disposition of such securities. Any foreign taxes incurred by the Fund will generally reduce the value of the Fund and amounts payable to Unitholders. To the extent that such foreign tax paid by the Fund 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 Tax Act. To the extent that such foreign tax paid does not exceed 15% of such amount and has not been deducted in computing the Fund’s income and the Fund designates its income from a foreign source in respect of a Unitholder of the Fund, the Unitholder will, for the purposes of computing its foreign tax credits, 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. The availability of foreign tax credits to a Unitholder is subject to the detailed rules in the Tax Act.

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

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

### ***Potential Conflicts of Interest***

The Manager and the Investment Manager, their respective directors and officers and their respective affiliates and associates may engage in the promotion, management or investment management of other accounts, funds or trusts which invest primarily in the securities held by the Fund in the Portfolio. Although none of the directors and officers of the Manager or Investment Manager will devote his or her full time to the business and affairs of the Fund, each director and officer of the Manager or Investment 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, the Manager and the Investment Manager, as applicable.

### ***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, economic growth in China, military conflicts in the Middle East, a reduction in quantitative easing by the U.S. Federal Reserve 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.

### ***Operating History***

The Fund is a newly organized investment fund with no previous operating history. There is currently no public market for Units and there can be no assurance that an active public market will develop or be sustained after completion of the Offering.

### ***Not a Trust Company***

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

### ***Changes in Legislation***

There can be no assurance that certain laws applicable to the Fund, including income tax laws, government incentive programs and the treatment of mutual fund trusts under the Tax Act, will not be changed in a manner which adversely affects the Fund or the Unitholders.

### ***Foreign Currency Exposure***

As the Portfolio may include securities and options traded in foreign currencies, and because a large proportion of the operating costs, revenue or assets of Healthcare Leaders may be valued in foreign currencies, the Net Asset Value, when measured in Canadian dollars, will be affected by changes in the value of the foreign currencies relative to the Canadian dollar. The Manager cannot hedge against operating costs or revenue of the Healthcare Leaders included in the Portfolio that are denominated in foreign currencies. Accordingly, no assurance can be given that the Fund will not be adversely impacted by changes in foreign exchange rates. As the Portfolio will include securities of issuers exposed to foreign currencies, the Net Asset Value and distributable cash (which

will not be hedged in any circumstances), when measured in Canadian dollars, will be affected by changes in the value of these currencies relative to the Canadian dollar.

Substantially all of the non-Canadian priced Portfolio securities attributable to the Units will be hedged to Canadian dollars. The use of hedges involves special risks, including the possible default by the other party to the transaction, illiquidity and, to the extent the 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. The costs associated with a hedging program may outweigh the benefits of the arrangements in such circumstances.

### **DISTRIBUTION POLICY**

The Fund intends to make monthly cash distributions payable to Unitholders of record on the last Business Day of each month and pay such cash distributions on or before the 15th day of the following month. Beginning in January 2016, the Fund will annually determine and announce the Indicative Distribution Amount for the following 12 months based upon the prevailing market conditions. The initial Indicative Distribution Amount will be \$0.0583 per Unit per month (\$0.70 per annum representing an annual cash distribution of 7.0% based on the \$10.00 per Unit issue price) The initial cash distribution is anticipated to be payable on or before February 15, 2015 to Unitholders of record on January 30, 2015.

The current yield on the securities comprising the Indicative Portfolio is approximately 2.39%, net of anticipated withholding taxes. Assuming an offering size of \$100 million and fees and expenses are as disclosed herein, the Portfolio would be required to generate a return of approximately 8.66% per annum, net of withholding taxes, through premiums from covered call options, dividends, capital appreciation or a combination of the foregoing in order for the Fund to maintain the original Net Asset Value per Unit (after accounting for the fees and expenses of the Offering) while making monthly cash distributions at the initial Indicative Distribution Amount. Assuming the current level of dividends, market volatility of the Equity Securities of the Healthcare Leaders included in the Indicative Portfolio and certain of the factors set out under the heading “Income from Covered Call Option Writing”, it is estimated that options covering 19.7% of the Portfolio will have to be sold in order to meet the initial Indicative Distribution Amount. If the return derived from the Portfolio is less than the amount necessary to fund the monthly distributions and if the Manager chooses nevertheless to ensure that the monthly distributions are paid to Unitholders at the initial Indicative Distribution Amount, this will result in a portion of the capital of the Fund being returned to Unitholders and the NAV per Unit being reduced. As the Investment Manager will not write call options on more than 33% of the Equity Securities of any Healthcare Leader in the Portfolio, if the return on the Portfolio including from call options, dividends, capital appreciation or a combination of the foregoing, is less than the amount necessary to fund distributions at the then current Indicative Distribution Amount, the Fund may return a portion of the capital of the Fund to Unitholders to ensure that the distribution is paid. In the event it does not do so in such circumstances, distributions will be reduced. The Investment Manager is not obliged to write options when it would otherwise choose not to do so to fund distributions. It is expected that distributions to Unitholders will primarily be characterized as capital gains, but may also include Canadian dividends, foreign-source income, returns of capital and other income.

In addition, depending upon, among other things, the Fund’s cash position and prevailing market conditions, the Investment Manager may also elect to write options on fewer securities than would be necessary to fund distributions at the then current Indicative Distribution Amount in any particular month or months. This may have the effect of reducing amounts available for distribution and consequently, the amount of distributions paid in a particular month or months.

If, in any taxation year after such distributions, there would otherwise remain in the Fund additional net income or net realized capital gains, a special distribution (either in cash or Units) of such portion of the net income and net realized capital gains as is necessary to ensure that the Fund will not be liable for income tax under the Tax Act will be automatically payable on the last day of that taxation year to Unitholders of record on that date. Immediately after a pro rata distribution of Units to all Unitholders in satisfaction of any non-cash distribution, the number of outstanding Units will be consolidated such that each Unitholder will hold after the consolidation the same number of Units as the Unitholder held before the non-cash distribution, except in the case of a non-resident Unitholder to the extent tax was required to be withheld in respect of the distribution. See “Income Tax Considerations”.

There can be no assurance that the Fund will be able to achieve its monthly distribution objective or make payments on any Distribution Payment Date. Amounts distributed on the Units that represent returns of capital are

generally non-taxable to a Unitholder but reduce the Unitholder's adjusted cost base of the Units for tax purposes. See "Income Tax Considerations".

### **Distribution Reinvestment Plan**

Subject to obtaining any necessary regulatory approvals, the Fund will make available to Unitholders the opportunity to reinvest monthly distributions from the Fund in additional Units by participating in a distribution reinvestment plan (the "**Reinvestment Plan**") which will provide that cash distributions made by the Fund, if any, shall, at the election of a Unitholder, be automatically reinvested in additional Units on such Unitholder's behalf in accordance with the terms of such plan (as described below) and the reinvestment plan agency agreement (the "**Reinvestment Plan Agency Agreement**") to be entered into by the Manager on behalf of the Fund, the Manager and a Canadian plan agent (the "**Plan Agent**") appointed to establish the Reinvestment Plan. Notwithstanding the foregoing, Unitholders who are not residents of Canada for the purposes of the Tax Act will not be able to participate in the Reinvestment Plan and Unitholders who cease to be residents of Canada will be required to terminate such Unitholders' participation in the Reinvestment Plan.

Subject to the foregoing, cash distributions will, at the election of the Unitholder, be automatically reinvested in additional Units on behalf of those Unitholders who are residents of Canada for the purposes of the Tax Act (each such Unitholder being a "**Plan Participant**"). Such distributions due to Plan Participants will be paid to the Plan Agent and applied to the purchase of Units on behalf of Plan Participants in the following manner. If the trading price of the Units on the TSX (or such other exchange or market on which the Units are then listed and primarily traded) (the "**Market Price**") on the relevant Distribution Payment Date plus estimated brokerage fees and commissions is below the NAV per Unit determined on the Business Day immediately prior to the Distribution Payment Date, the Plan Agent will purchase the Units on the TSX (or such other exchange or market on which the Units are trading) except the Plan Agent will endeavour to terminate purchases in the open market and cause the Fund to issue the remaining Units from treasury if, following commencement of the purchases, the Market Price, plus brokerage fees and commissions, exceeds the NAV per Unit determined on the Business Day immediately prior to the Distribution Payment Date. Provided the Plan Agent can terminate purchases on the open market, the remaining Units will be issued by the Fund from treasury at a price equal to the greater of (i) the NAV per Unit on the relevant Distribution Payment Date or (ii) 95% of the closing Market Price on the Distribution Payment Date. It is possible that the average purchase price per Unit paid by the Plan Agent may exceed the Market Price at the relevant Distribution Payment Date, resulting in the purchase of fewer Units than if the distribution had been paid entirely by Units issued by the Fund. Applicable brokerage fees and commissions incurred in connection with purchases of Units made in the market pursuant to the Reinvestment Plan will be paid and deducted from the distributions due to the Plan Participants.

The Units purchased in the market or from the Fund (as applicable) will be allocated on a pro rata basis to the Plan Participants. The Plan Agent will credit a Plan Participant's account in respect of Units acquired on behalf of such Plan Participant under the Reinvestment Plan. While the Fund will not issue fractional Units, a cash payment for any fractional Units that would otherwise be issuable under the Reinvestment Plan relating to a distribution will be paid by the Plan Agent to the relevant Plan Participants shortly after the payment date for such distribution. No certificates representing the Units issued or purchased pursuant to the Reinvestment Plan will be issued. The automatic reinvestment of the distributions under the Reinvestment Plan will not relieve Plan Participants of any income tax applicable to such distributions under the Tax Act. See "Income Tax Considerations".

If the Units are thinly traded, purchases in the market under the Reinvestment Plan may significantly affect the market price. Depending on market conditions, direct reinvestment of cash distributions by Unitholders in the market may be more, or less, advantageous than the reinvestment arrangements under the Reinvestment Plan. The Plan Agent's fees for administering the Reinvestment Plan will be paid by the Fund.

To participate in the Reinvestment Plan, beneficial holders may elect to participate under the Reinvestment Plan by notifying their investment advisor, or any other broker, dealer, bank or trust company through which they hold their Units. A CDS Participant will then complete and sign an authorization form notifying the Plan Agent that a beneficial holder intends to participate under the Reinvestment Plan. The authorization form directs the Plan Agent to reinvest all of the participating holder's cash distributions in the purchase of additional Units on behalf of the holder. Following receipt by the Fund of a duly completed authorization form, participating in the Reinvestment Plan becomes effective on the next distribution record date for any distribution declared on the Units. Unitholders will be able to terminate their participation in the Reinvestment Plan by providing, or by causing to be provided, written notice to the Manager at least 10 Business Days' prior to a distribution record date for a distribution. Such

notice, if actually received by the Manager no later than 10 Business Days prior to a distribution record date for a distribution, will have effect in respect of the distribution to be made as of such date. Thereafter, distributions to such holders will be in cash.

The Manager will be able to terminate the Reinvestment Plan, in its sole discretion, upon not less than 30 days' notice to the Plan Participants and the Plan Agent. The Manager will also be able to amend, modify or suspend the Reinvestment Plan at any time in its sole discretion, provided that it gives notice of that amendment, modification or suspension to Unitholders, which notice may be given by the Fund by issuing a press release or by publishing an advertisement containing a summary description of the amendment in at least one major daily newspaper of general and regular paid circulation in Canada, or in any other manner the Manager determines to be appropriate. The Fund will not be required to issue Units into any jurisdiction where that issuance would be contrary to applicable laws.

## **PURCHASES OF SECURITIES**

Prospective purchasers may subscribe for Units through any one of the Agents or any member of a sub-agency group that the Agents may form. Closing of the Offering will take place on or about December 18, 2014, or such later date that is on or before 90 days after a receipt for the final prospectus is issued, as may be agreed upon by the Fund and the Agents. The distribution price was determined by negotiation between the Agents and the Fund. See "Plan of Distribution".

## **REDEMPTION OF UNITS**

### **Annual Redemption**

Commencing in 2016, Units may be surrendered for redemption ("**Annual Redemption**") during the period from the first Business Day of June to 5:00 p.m. (Toronto time) on the tenth Business Day prior to the second last Business Day in June (the "**Annual Redemption Notice Period**"), subject to the Fund's right to suspend redemptions in certain circumstances. Units surrendered for redemption during the applicable Annual Redemption Notice Period will be redeemed on the second last Business Day of June (the "**Annual Redemption Date**") and the Unitholder will receive payment on the applicable Redemption Payment Date equal to the NAV per Unit, as applicable, on the Annual Redemption Date (the "**Annual Redemption Price**").

### **Monthly Redemption**

Units may be surrendered for redemption at any time prior to 5:00 p.m. (Toronto time) on the tenth Business Day before the last Business Day of the applicable month (the "**Monthly Redemption Notice Period**") by Unitholders thereof ("**Monthly Redemption**"). Upon receipt by the Fund of the redemption notice, in the manner described below, a Unitholder shall be entitled to receive a price per Unit (the "**Monthly Redemption Price**") equal to the lesser of:

- (i) 95% of the "market price" of the Units on the principal market on which the Units are quoted for trading during the 20 trading day period ending immediately before the Monthly Redemption Date; and
- (ii) 100% of the "closing market price" on the principal market on which the Units are quoted for trading on the Monthly Redemption Date.

**Notwithstanding the Monthly Redemption Price formula above, at no time will the Fund pay out redemption proceeds greater than the NAV per Unit as determined on the Monthly Redemption Date for each Unit being redeemed on such Monthly Redemption Date.**

For the purposes of this calculation, "market price" will be an amount equal to the weighted average of the closing price of the Units for each of the trading days on which there was a closing price; provided that if the applicable exchange or market does not provide a closing price, but only provides the highest and lowest prices of the Units traded on a particular day, the "market price" shall be an amount equal to the average of the highest and lowest prices for each of the trading days on which there was a trade; and provided further that if there was trading on the applicable exchange or market for fewer than 10 of the 20 trading days, the "market price" shall be the average of the following prices established for each of the 20 trading days: the average of the last bid and last asking prices of the Units for each day there was no trading; the closing price of the Units for each day that there was trading if the exchange or market provides a closing price; and the average of the highest and lowest prices of the

Units for each day that there was trading if the market provides only the highest and lowest prices of Units traded on a particular day. The “closing market price” shall be an amount equal to the closing price of the Units if there was a trade on the date and the exchange or market provides a closing price; an amount equal to the average of the highest and lowest prices of the Units if there was trading and the exchange or other market provides only the highest and lowest prices of the Units traded on a particular day; or the average of the last bid and last asking prices of the Units if there was no trading on that date.

The Monthly Redemption Price payable by the Fund in respect of any Units surrendered for redemption shall be satisfied by way of a cash payment on the Redemption Payment Date, provided that the entitlement of Unitholders to receive cash upon the redemption of their Units may be suspended if: (i) at the time such Units are tendered for redemption, the outstanding Units are not listed for trading on a stock exchange or traded or quoted on another market which provides representative fair market value prices for the Units; or (ii) the normal trading of Units is suspended or halted on any stock exchange on which the Units are listed (or, if not listed on a stock exchange, on any market on which the Units are quoted for trading) on the Monthly Redemption Date or for more than 10 trading days during the 20 day trading period ending immediately before the Monthly Redemption Date.

It is anticipated that the Monthly Redemption will not be the primary mechanism for Unitholders to dispose of their Units.

### **Exercise of Redemption Privilege**

The Monthly Redemption privilege or the Annual Redemption privilege must be exercised by causing written notice (the “**Redemption Notice**”) to be given within the Monthly Redemption Notice Period or Annual Redemption Notice Period, as applicable, in the manner described below. Such surrender will be irrevocable upon the delivery of the Redemption Notice to CDS through a CDS Participant, except with respect to those Units which are not paid for by the Fund on the relevant Redemption Payment Date.

A Unitholder who desires to exercise redemption privileges must do so by causing a CDS Participant to deliver to CDS (at its office in the City of Toronto), on behalf of the Unitholder, the Redemption Notice. A Unitholder who desires to redeem Units should ensure that the CDS Participant is provided with the Redemption Notice of his or her intention to exercise his or her redemption privilege sufficiently in advance of the relevant notice date so as to permit the CDS Participant to deliver the Redemption Notice to CDS and so as to permit CDS to deliver notice to the Registrar and Transfer Agent, in advance of the required time. Any expense associated with the preparation and delivery of Redemption Notices will be for the account of the Unitholder exercising the redemption privilege.

Except as provided under “Suspension of Redemptions and Purchases” below, by causing a CDS Participant to deliver to CDS a notice of the Unitholder’s intention to redeem Units, a Unitholder shall be deemed to have irrevocably surrendered his or her Units for redemption and appointed such CDS Participant to act as his or her exclusive settlement agent with respect to the exercise of the redemption privilege and the receipt of payment in connection with the settlement of obligations arising from such exercise. Any Redemption Notice delivered by a CDS Participant regarding a Unitholder’s intent to redeem which CDS determines to be incomplete, not in proper form or not duly executed shall for all purposes be void and of no effect and the redemption privilege to which it relates shall be considered for all purposes not to have been exercised thereby. A failure by a CDS Participant to exercise redemption privileges or to give effect to the settlement thereof in accordance with the Unitholder’s instructions will not give rise to any obligations or liability on the part of the Fund to the CDS Participant or to the Unitholder. Pursuant to the Declaration of Trust, the Fund may allocate and designate as payable capital gains realized by the Fund to a Unitholder whose Units are being redeemed. Any such allocations will reduce the redemption price otherwise payable to the redeeming Unitholder.

### **Suspension of Redemptions and Purchases**

The Manager may direct the Trustee to suspend the Monthly Redemption and the Annual Redemption of Units or payment of redemption proceeds: (i) during any period when normal trading is suspended on a stock exchange or other market on which securities owned by the Fund are listed and traded, if these securities represent more than 50% by value or underlying market exposure of the total assets of the Fund, without allowance for liabilities, and if these securities are not traded on any other exchange that represents a reasonably practical alternative for the Fund; or (ii) with the prior permission of the applicable securities regulatory authorities, for any period not exceeding 30 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 Trustee 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 as to which payment has not been made, as well as to all requests received while the suspension is in effect. All Unitholders making such requests shall be advised by the Manager of the suspension and that the redemption will be effected at a price determined on the first Business Day following the termination of the suspension. All such 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 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.

## INCOME TAX CONSIDERATIONS

In the opinion of Borden Ladner Gervais LLP, counsel to the Fund, and Blake, Cassels & Graydon LLP, counsel to the Agents, the following is, as of the date hereof, a summary of the principal Canadian federal income tax considerations generally applicable to the acquisition, holding and disposition of Units by a Unitholder who acquires Units pursuant to this prospectus. This summary is applicable to a Unitholder who is an individual (other than a trust) and who, for the purposes of the Tax Act and at all relevant times, is resident in Canada, deals at arm's length with and is not affiliated with the Fund and holds Units as capital property. Generally, the Units will be considered to be capital property to a purchaser provided that the purchaser does not hold such Units in the course of carrying on a business of buying and selling securities and has not acquired them in one or more transactions considered to be an adventure in the nature of trade. Certain Unitholders who might not otherwise be considered to hold Units as capital property may, in certain circumstances, be entitled to have such Units and all other "Canadian securities" as defined in the Tax Act owned or subsequently acquired by them treated as capital property by making the irrevocable election permitted by subsection 39(4) of the Tax Act. This summary does not apply to a Unitholder who has entered or will enter into a "derivative forward agreement" as that term is defined in the Tax Act with respect to the Units.

This summary also assumes that the Fund will comply with its investment restrictions at all relevant times, that none of the issuers of the Portfolio Securities will be foreign affiliates of the Fund or of any Unitholders and that none of the Portfolio Securities will be a "tax shelter investment" within the meaning of section 143.2 of the Tax Act.

Further, this summary assumes that none of the Portfolio Securities will be an "offshore investment fund property" (or an interest in a partnership that holds such property) that would require the Fund (or the partnership) to include significant amounts in income pursuant to section 94.1 of the Tax Act, or an interest in a trust (or a partnership which holds such an interest) which would require the Fund (or the partnership) to report significant amounts of income in connection with such interest pursuant to the rules in section 94.2 of the Tax Act, or an interest in a non-resident trust (or a partnership which holds such an interest) other than an "exempt foreign trust" as defined in section 94 of the Tax Act.

This summary is based on the facts set out in this Prospectus, the current provisions of the Tax Act, counsel's understanding of the current administrative policies and assessing practices of the CRA published in writing prior to the date hereof and all specific proposals to amend the Tax Act publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (such proposals referred to hereafter as the "**Tax Proposals**") and relies upon advice from the Manager and the Agents as to certain factual matters. This summary does not otherwise take into account or anticipate any changes in law, whether by legislative, governmental or judicial action, nor does it take into account other federal or any provincial, territorial or foreign income tax legislation or considerations or changes to the administrative policies and assessing practices of the CRA. There can be no assurance that the Tax Proposals will be enacted in the form publicly announced or at all.

This summary is also based on the assumption that the Fund will at no time be a "SIFT trust" as defined in the SIFT Rules. Provided that the Fund complies with its investment restrictions and does not hold "non-portfolio property" as defined in the SIFT Rules, it will not be a SIFT trust. If the Fund were to become a SIFT trust within the meaning of the SIFT Rules, the income tax considerations discussed herein could be materially and adversely different.

**This summary is not exhaustive of all possible Canadian federal income tax considerations applicable to an investment in Units and does not describe the income tax considerations relating to the deductibility of interest on money borrowed to acquire Units. Moreover, the income and other tax consequences of acquiring,**

**holding or disposing of Units will vary depending on an investor's particular circumstances including the province or territory in which the investor resides or carries on business. Accordingly, 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.**

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

This summary is based on the assumptions that the Fund will qualify at all times as a "mutual fund trust" within the meaning of the Tax Act, that the Fund will validly elect under the Tax Act to be a mutual fund trust from the date it was established and that the Fund has not been established and will not be maintained primarily for the benefit of non-residents.

To qualify as a mutual fund trust (i) the Fund must be a Canadian resident "unit trust" for purposes of the Tax Act, (ii) the only undertaking of the Fund must be (a) the investing of its funds in property (other than real property or interests in real property or an immovable or a real right in an immovable), (b) the acquiring, holding, maintaining, improving, leasing or managing of any real property (or interest in real property) or of any immovable (or a real right in an immovable) that is capital property of the Fund, or (c) any combination of the activities described in (a) and (b), and (iii) the Fund must comply with certain minimum requirements respecting the ownership and dispersal of Units (the "**minimum distribution requirements**"). In this connection, (i) the Manager intends to cause the Fund to qualify as a unit trust throughout the life of the Fund, (ii) the Fund's undertaking conforms with the restrictions for mutual fund trusts, and (iii) the Manager has advised counsel that it has no reason to believe that, following the Closing, the Fund will not comply with the minimum distribution requirements at all material times. The Manager has advised counsel that it intends to ensure that the Fund will meet the requirements necessary for it to qualify as a mutual fund trust no later than the Closing Date and at all times thereafter and to file the necessary election so that the Fund will qualify as a mutual fund trust throughout its first taxation year.

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.

Provided that the Fund qualifies and continues at all times to qualify as a "mutual fund trust" within the meaning of the Tax Act, or the Units are listed on a "designated stock exchange" within the meaning of the Tax Act (which includes the TSX), the Units will be qualified investments for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans, registered disability savings plans, registered education savings plans and tax-free savings accounts (each a "**plan trust**"). For certain consequences of holding Units in a plan trust, see "Income Tax Considerations – Taxation of Registered Plans".

#### **Taxation of the Fund**

The Fund will be subject to tax in each taxation year under Part I of the Tax Act on the amount of its income for the year, including net realized taxable capital gains, less the portion thereof that it claims in respect of the amount paid or payable to Unitholders in the year. The Manager has advised counsel that the Fund intends to make distributions payable 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 Tax Act for each 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. In certain circumstances, losses of the Fund may be suspended or restricted, and therefore would be unavailable to shelter income or capital gains of the Fund.

The Fund will be required to include in its income for each taxation year any dividends received (or deemed to be received) by it in such year on a Portfolio Security.

Premiums received on covered call options written by the Fund that 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 of buying and selling securities 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 with the objective of earning dividends thereon over the life of the Fund and will write covered call options with the objective of increasing the yield on the Portfolio beyond the dividends received on the Portfolio. Thus, having regard to the foregoing and in accordance with the CRA's published administrative practices, transactions undertaken by the Fund in respect of shares comprising the Portfolio and options on such shares written



as described in “Investments of the Fund – Covered Option Writing” will be treated and reported by the Fund as arising on capital account.

Premiums received by the Fund on covered call options that are subsequently exercised will be added in computing the proceeds of disposition to the Fund of the securities disposed of by the Fund upon the exercise of such call options, unless the premium was in respect of an option granted in a previous year so that it constituted a capital gain of the Fund in the previous year in which case, if such exercise results in the Fund disposing of securities, such capital gain will be reversed.

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

Upon the actual or deemed disposition of a security included in the Portfolio, the Fund will realize a capital gain (or capital loss) to the extent the proceeds of disposition net of 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 in the nature of trade. The Manager has advised counsel that the Fund will purchase Portfolio Securities with the objective of receiving dividends, distributions and income thereon and will take the position that gains and losses realized on the disposition thereof are capital gains and capital losses.

The Fund will be entitled for each taxation year throughout which it is a mutual fund trust for purposes of the Tax Act 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 Tax Act based on the redemptions of Units during the year (the “**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 or other disposition of Portfolio Securities in connection with the redemption of Units.

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 for that year 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 Tax Act.

The Fund will enter into transactions denominated in currencies other than the Canadian dollar, including the acquisition of Portfolio Securities and the granting of call options on Portfolio Securities. The cost and proceeds of disposition of securities, option premiums, and all other amounts will be determined for the purposes of the Tax Act in Canadian dollars using the appropriate exchange rates determined in accordance with the detailed rules in the Tax Act in that regard. The amount of income, gains and losses realized by the Fund may be affected by fluctuations in the value of foreign currencies relative to the Canadian dollar. Subject to the derivative forward agreement rules, which are discussed 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, and provided that the hedge is sufficiently linked.

The derivative forward agreement rules are targeted at 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 derivative forward agreement rules are broad in scope and could apply to other agreements or transactions (including certain options and forward currency contracts). If the derivative forward agreement rules were to apply in respect of derivatives to be utilized by the Fund the gains in respect of which would otherwise be capital gains, the gains realized in respect of the property underlying such derivatives could be treated as ordinary income rather than capital gains. In general, the writing of a covered call option by the Fund in the manner described in “Investments of the Fund – Covered Options Writing” is not expected to be subject to the derivative forward agreement rules. It is not clear whether the writing of covered calls, if coupled with certain other

transactions, could be subject to the derivative forward agreement rules. Counsel understand that, in response to inquiries from industry participants, the Department of Finance (Canada) is considering clarifications to the derivative forward agreement rules as regards their potential application.

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 paid by the Fund 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 Tax Act. To the extent that such foreign tax paid does not exceed 15% of such amount 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 which 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 Tax Act.

### **Taxation of Unitholders**

A Unitholder will generally be required to include in computing income for a taxation year the amount of the Fund's net income for the taxation year computed in Canadian dollars, including net realized taxable capital gains, paid or payable to the Unitholder (whether in cash or in Units) in the taxation year. 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, that is paid or payable to the Unitholder in that taxation year will not be included in the Unitholder's income for the year. Any other amount in excess of the Unitholder's share of the Fund's net income for a taxation year paid or payable to the Unitholder in the year will not generally be included in the Unitholder's income, but will generally reduce the adjusted cost base of the Unitholder's Units. In addition, the Fund is 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 the taxation year, losses from prior years without affecting the ability of the Fund to distribute its income annually. Such amount distributed to a Unitholder but not deducted by the Fund will not be included in the Unitholder's income. However, the adjusted cost base of the Unitholder's Units will be reduced by such amount. 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 to zero. Any losses of the Fund for purposes of the Tax Act cannot be allocated to, and cannot be treated as a loss of, a Unitholder.

Provided that appropriate designations are made by the Fund, such portion of (i) the net realized taxable capital gains of the Fund, (ii) the income of the Fund from foreign sources, and (iii) the taxable dividends received or deemed to be received by the Fund on shares of taxable Canadian corporations, as is paid or becomes payable to a Unitholder will effectively retain its character and be treated as such in the hands of the Unitholder for purposes of the Tax Act. To the extent that the Fund so designates its income from a foreign source in respect of a Unitholder, the Unitholder will, for the purposes of computing its foreign tax credits, 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. The availability of foreign tax credits in respect of foreign source income designated to a Unitholder by the Fund is subject to the foreign tax credit rules under the Tax Act and the Unitholder's particular circumstances. Investors should consult their own tax advisors in this regard. To the extent that amounts are designated as taxable dividends from taxable Canadian corporations, the gross up and dividend tax credit rules will apply, including the enhanced gross-up and dividend tax credit rules in respect of eligible dividends paid by taxable Canadian corporations.

On the disposition or deemed disposition of a Unit or a fraction of a Unit (whether on a sale, redemption or otherwise), the Unitholder will realize a capital gain (or capital loss) to the extent that the Unitholder's proceeds of disposition (other than any capital gains allocated and designated as payable by the Fund to the Unitholder on the redemption) exceed (or are less than) the aggregate of the adjusted cost base of the Unit and any reasonable costs of disposition. If, at any time, the Fund delivers securities from the Portfolio 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 securities may or may not be qualified investments for plan trusts. If such securities are not qualified investments for plan trusts, such plan trusts (and, in the case of certain plan trusts, the annuitants,

subscribers or beneficiaries thereunder or holders thereof) may be subject to adverse tax consequences including, in the case of registered education savings plans, revocation of such plan trusts.

For the purpose of determining the adjusted cost base of Units to a Unitholder, when Units are acquired, the cost of the newly acquired Units will be averaged with the adjusted cost base of all Units 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. If a Unitholder participates in the Reinvestment Plan and the Unitholder acquires a Unit from the Fund at a price that is less than 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. A consolidation of Units following a distribution paid in the form of additional Units will not be regarded as a disposition of Units. See “Attributes of the Units – Units”.

Pursuant to the Declaration of Trust, the Fund may allocate and designate as payable any capital gains realized by the Fund as a result of any disposition of property of the Fund undertaken to permit or facilitate the redemption of Units to a Unitholder whose Units are being redeemed. Any such allocations and designations will reduce the redemption price otherwise payable to the redeeming Unitholder and, therefore, the Unitholder’s proceeds of disposition.

Generally, one half of any capital gain (a “**taxable capital gain**”) realized on the disposition of Units, or designated in respect of a Unitholder, will be included in the Unitholder’s income and one half of any capital loss (an “**allowable capital loss**”) realized may be deducted from taxable capital gains of the Unitholder for that year. 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 taxable capital gains in accordance with the provisions of the Tax Act.

In general terms, net income of the Fund paid or payable to a Unitholder that is designated as taxable dividends from taxable Canadian corporations or as net realized taxable capital gains as well as taxable capital gains realized by the Unitholders on the disposition of Units may increase the Unitholder’s liability for alternative minimum tax.

### **Taxation of Registered Plans**

Amounts of income and capital gains included in a plan trust’s income are generally not taxable under Part I of the Tax Act, provided that the Units are qualified investments for the plan trust. See “Income Tax Considerations – Status of the Fund”. Unitholders should consult their own advisors regarding the tax implications of establishing, amending, terminating or withdrawing amounts from a plan trust.

Notwithstanding the foregoing, if the Units are “prohibited investments” for the purposes of a registered retirement savings plan (“**RRSP**”), registered retirement income fund (“**RRIF**”) or a tax-free savings account (“**TFSA**”), the annuitant of the RRSP or RRIF or the holder of the TFSA will be subject to a penalty tax as set out in the Tax Act. A “prohibited investment” includes a unit of a trust (i) which does not deal at arm’s length with the annuitant or holder, or (ii) in which the annuitant or holder has a “significant interest”. In general terms, “significant interest” means the ownership of 10% or more of the value of a trust’s outstanding units or interests by the annuitant or holder, either alone or together with persons with whom the annuitant or holder 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 the Tax Act for a trust governed by an RRSP, RRIF or TFSA. Annuitants or holders 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.

### **Tax Implications of the Fund’s Distribution Policy**

The NAV 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 Units are acquired. A Unitholder who acquires Units, including pursuant to the Reinvestment 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 may have been reflected in the price paid by the Unitholder for the Units. Since the Fund intends to make monthly distributions as described under “Distribution Policy”, the consequences of acquiring Units late in a calendar year will generally depend on the amount of monthly distributions throughout the year and whether one or more special distributions to Unitholders are necessary late in the calendar year to ensure that the Fund will not be liable for non-refundable income tax on such amounts under the Tax Act.

## **ORGANIZATION AND MANAGEMENT DETAILS OF THE FUND**

### **The Manager**

Harvest is a Canadian investment fund manager that was founded by long term members of the investment management industry in 2009. Harvest is focused on developing income investment products and its guiding principles are to provide investment products that are clear and understandable, transparent in portfolio structure and seek to generate consistent income. Harvest is the manager of Harvest Banks & Buildings Income Fund and Harvest Canadian Income & Growth Fund which are mutual funds and the Global Advantaged Telecom & Utilities Income Fund, Brand Leaders Income Fund, Brand Leaders Plus Income Fund, Energy Leaders Income Fund, Energy Leaders Plus Income Fund and Australian REIT Income Fund which are investment funds that publicly trade on the TSX under the symbols HGI.UN, HBL.UN, HBF.UN, HEN.UN, HPF.UN and HRR.UN, respectively.

The Manager will perform the management functions of the Fund pursuant to the Declaration of Trust. The Manager is a company incorporated pursuant to the laws of Ontario. The municipal address of the Manager where it principally provides services to the Fund is located at 710 Dorval Drive, Suite 209, Oakville, Ontario L6K 3V7.

### **Duties and Services to be Provided by the Manager**

Pursuant to the Declaration of Trust, Harvest is the manager of the Fund and is responsible for delegating all investment decisions of the Fund in accordance with the investment objectives, strategy and restrictions and for arranging for the execution of all Portfolio transactions, and for managing and administering the day-to-day business and affairs of the Fund. The Manager may delegate certain of its powers to third parties, where, in the discretion of the Manager, it would be in the best interests of the Fund to do so. The Manager's duties include, without limitation: authorizing the payment of operating expenses incurred on behalf of the Fund; preparing financial statements and financial and accounting information as required by the Fund; ensuring that Unitholders are provided with financial statements (including semi-annual and annual financial statements) and other reports as are required by applicable law from time to time; ensuring that the Fund complies with regulatory requirements and applicable stock exchange listing requirements; preparing or causing to be prepared the reports of the Fund to Unitholders and the Canadian securities regulatory authorities; as applicable, determining the timing and amount of distributions to be made by the Fund; and negotiating contractual agreements with third party providers of services, including registrars, transfer agents, auditors and printers.

The Manager has retained the Investment Manager to provide investment advisory and portfolio management services with respect to the Portfolio and will monitor the Fund's investment strategy and ensure compliance with the Fund's investment restrictions.

Pursuant to the Declaration of Trust, the Manager is required to exercise its powers and discharge its duties honestly, in good faith and in the best interests of the Fund and to exercise the care, diligence and skill of a reasonably prudent person in comparable circumstances. The Declaration of Trust provides that the Manager will not be liable in any way for any default, failure or defect in the Portfolio held by the Fund if it has satisfied the duties and the standard of care, diligence and skill set forth above. The Manager will incur liability, however, in cases of wilful misconduct, bad faith, negligence, disregard of the Manager's standard of care or by any material breach or default by it of its obligations under the Declaration of Trust.

Unless the Manager resigns or is removed as described below, the Manager will continue as manager of the Fund until the termination of the Fund. The Manager may resign if the Fund is in material breach or default of the provisions of the Declaration of Trust and if capable of being cured, any such breach or default has not been cured within 30 days' notice of such material breach or default to the Fund. The Manager is deemed to have resigned if the Manager: (i) becomes bankrupt or insolvent; (ii) ceases to be resident in Canada for the purposes of the Tax Act or carry out its functions of managing the Fund in Canada; or (iii) no longer holds the licenses, registrations or other authorizations necessary to carry out its obligations and is unable to obtain them within a reasonable period after their loss. The Manager may resign as manager of the Fund upon 60 days' notice to the Unitholders. The Manager may not be removed other than by a meeting of the Unitholders, as described under the heading "Unitholder Matters". In the event that the Manager is in material breach or default of the provisions of the Declaration of Trust and, if capable of being cured, any such breach or default has not been cured within 30 days' notice of such breach or default to the Manager, the Trustee shall give notice thereof to Unitholders and Unitholders may direct the Trustee to remove the Manager and appoint a successor manager of the Fund.

The Manager will be reimbursed by the Fund for all reasonable costs and expenses incurred by the Manager on behalf of the Fund as described under “Fees and Expenses”. In addition, the Manager and each of its directors, officers and employees will be indemnified by the Fund for all liabilities, costs and expenses incurred in connection with any action, suit or proceeding that is proposed or commenced, or other claim that is made against the Manager, or any of its directors, officers or employees, in the exercise of its duties as Manager, except those resulting from the Manager’s wilful misconduct, bad faith, negligence, disregard of the Manager’s standard of care or material breach or default by the Manager of its obligations under the Declaration of Trust.

### **Officers and Directors of the Manager**

The name and municipality of residence of each of the directors, applicable officers and senior management of the Manager and their principal occupation are as follows:

<b><u>Name and Municipality of Residence</u></b>	<b><u>Office</u></b>	<b><u>Principal Occupation</u></b>
Michael Kovacs Oakville, Ontario	President and Chief Executive Officer, Chairman of the Board of Directors, and Corporate Secretary	President and Chief Executive Officer, Harvest Portfolios Group Inc.
Townsend Haines Toronto, Ontario	Chief Financial Officer, Managing Director and Director	Chief Financial Officer, Managing Director, Harvest Portfolios Group Inc.
Mary Medeiros Oakville, Ontario	Senior Vice President, Operations and Director	Senior Vice President, Operations, Harvest Portfolios Group Inc.
Paul MacDonald Mississauga, Ontario	Vice President, Investments, and Chief Compliance Officer	Vice President, Investments and Portfolio Manager, Harvest Portfolios Group Inc.
Daniel Lazzer Toronto, Ontario	Vice President, Finance	Vice President, Finance, Harvest Portfolios Group Inc.
Nick Bontis Ancaster, Ontario	Director	Associate Professor, Strategic Management & Director, Undergraduate Programs, DeGroote School of Business, McMaster University

The following is a brief description of the background of the key management of Harvest.

#### ***Michael Kovacs, President and Chief Executive Officer***

Michael is President and Chief Executive Officer of Harvest Portfolios Group Inc. Michael founded Harvest in 2009 and is responsible for the long term vision and business development of the firm. Since 1991, Michael has held senior management positions in a number of Investment Management businesses which include Guardian Capital Group, AIC Funds, ING Funds and Sentry Investments and has been a Senior Officer since 2002. Michael began his career in 1985 as an Investment advisor and is a strong believer in providing quality investment products for long term growth and income. Michael is the Chairman of Harvest Portfolios Group Inc.

#### ***Townsend Haines, Chief Financial Officer, Managing Director and Director***

Townsend has developed extensive experience in sales, sales management, product development and strategic planning during his 32 years in the investment industry. Townsend has been Vice President of Sales at AGF, Guardian Group of Funds, Franklin Templeton and the Executive Director of Global Strategy. Townsend’s board and committee memberships have included the Investment Funds Institute of Canada, University of Western Ontario Senate and Board of Governors and the Board of Trustees of the Toronto School of Theology at University of Toronto. He is currently a member of the Investment Committee of the Board of Regents of Victoria University at University of Toronto. Townsend holds a Bachelor of Economics from the University of Western Ontario, and a Masters of Theological Studies degree from the University of Toronto. He has also successfully completed numerous industry courses including CFA Level I, the Partners, Directors and Senior Officers Qualifying

Examination. Townsend has held various registrations and designations including Compliance Officer, Senior Officer, Senior Portfolio Manager and the Charter Financial Planner designation.

***Mary Medeiros, Senior Vice President, Operations and Director***

Mary is a financial executive with over 20 years in the investment management business. Prior to joining Harvest in 2009 as Senior Vice President, Operations, Mary managed national administration and sales systems for a Canadian mutual fund company and the branch operations for an investment dealer. She was licensed as an advisor in 1997, working directly with retail investors until joining a Canadian investment fund manager in 2000.

***Paul MacDonald, Vice President, Investments and Chief Compliance Officer***

Paul has over 10 years of experience in the investment business. Most recently Paul was Vice President and Portfolio Manager at Creststreet Asset Management. He was responsible for the management of portfolios with a focus on the Canadian and resource markets and has been involved in developing several new closed end and tax efficient fund structures. Previously, Paul spent five years at a Canadian investment management firm where he focused on specialty tax investments and was the lead manager of an award winning Canadian natural resource fund. Prior to that, Paul spent three years as an investment associate with a major North American investment firm. Paul obtained a Bachelor of International Finance degree from Griffith University in Australia and holds a CFA charter.

***Daniel Lazzar, Vice President, Finance***

Daniel spent over 12 years in public accounting and close to 10 years with PricewaterhouseCoopers LLP (PwC) in the Audit and Assurance practice prior to joining Harvest. For over half of his tenure at PwC he specialized in the investment management industry where he provided audit services to a diverse client base which included mutual fund companies, asset managers, hedge funds and brokers. Prior to this he serviced various clients in the consumer products and real estate industries. Daniel was also actively involved at PwC through instructing educational programs for partners and staff. Daniel holds a Bachelor of Business Administration degree from the Schulich School of Business at York University and is a Chartered Professional Accountant.

***Dr. Nick Bontis, Director***

Dr. Nick Bontis is a tenured professor of strategic management at the DeGroote School of Business, McMaster University. He received both his Bachelor of Arts in 1992 (Honours Business Administration) and his PhD from the Ivey School of Business at The University of Western Ontario in 1999. His doctoral dissertation on the mutual fund industry went on to become the #1 selling thesis in Canada. He has won over a dozen major teaching awards and the faculty researcher of the year twice. Maclean's magazine has rated him as one of McMaster's most popular professors for six years. He is also a 3M National Teaching Fellow, an honour bestowed upon the top university professors in the country. Prior to his career in academia, Dr. Bontis was a securities analyst at CIBC Securities Inc.

In September 2013, Michael Kovacs, President and Chief Executive Officer of the Manager, entered into a settlement agreement and order with the Ontario Securities Commission (the "OSC") with respect to certain personal trades and failing to file insider trading reports in connection with a fund managed by the Manager. Pursuant to the settlement agreement reached between the OSC and Mr. Kovacs, he agreed to an order which included that all of his trades be pre-cleared by the chief compliance officer of the Manager for a period of one year following the date of the settlement agreement. Pursuant to the settlement agreement, Mr. Kovacs paid a voluntary payment of \$15,000 and paid an administrative penalty and costs of the OSC's investigation in the amount of \$15,000. A copy of the settlement agreement and order of the OSC is available on the OSC's website at [www.osc.gov.on.ca](http://www.osc.gov.on.ca).

***The Investment Manager***

Highstreet Asset Management Inc. (the "**Investment Manager**" or "**Highstreet**") has been retained as the investment manager and the options advisor to select Equity Securities and reconstitute and rebalance the Portfolio and execute and maintain the option writing strategy of the Fund. Highstreet is an investment management firm with total assets under management, as at September 30, 2014, of approximately \$1.6 billion including a family of pooled funds and investments for separately managed accounts, pension plans and endowment funds. Highstreet has 16 investment professionals with mandates in Canadian, U.S. and international equities, fixed income bonds and a variety of covered call overlay mandates. Its 4 member option team has over 50 years of combined experience.

Highstreet's principal office is located at 244 Pall Mall Street, Suite 350, London, Ontario, N6A 5P6 and was founded in 1998.

Highstreet is registered as a Portfolio Manager, Exempt Market Dealer, Investment Fund Manager and Commodity Trading Manager in the Province of Ontario. It is 100% owned by AGF Management Inc.

The principal advisors of Highstreet Asset Management Inc. who are responsible for investing the net proceeds of the Offering to purchase securities for the Portfolio and reconstituting, rebalancing and hedging the Portfolio in accordance with the Investment Objectives, Investment Strategy and Investment Restrictions and for the Fund's selective call option writing and trading are:

<b><u>Name and Municipality of Residence</u></b>	<b><u>Position with the Advisor</u></b>	<b><u>Current Occupation</u></b>
Ben Legge ..... London, Ontario	President and Chief Investment Officer	President and Chief Executive Officer, Highstreet Asset Management Inc.
Janice M. Evans..... London, Ontario	Vice President, Portfolio Manager	Vice President, Portfolio Manager, Highstreet Asset Management Inc.
Grant Wang ..... London, Ontario	Senior Vice President, Head of Research	Senior Vice President, Head of Research, Highstreet Asset Management Inc.

The following individuals provide a supporting role to the principal advisors of Highstreet in the investment management of the Fund:

<b><u>Name and Municipality of Residence</u></b>	<b><u>Position with the Advisor</u></b>	<b><u>Current Occupation</u></b>
Jeffery Kay ..... London, Ontario	Senior Analyst, Research	Senior Analyst, Research, Highstreet Asset Management Inc.
Brian Jia ..... London, Ontario	Analyst, Research	Analyst, Research, Highstreet Asset Management Inc.

A description of the experience and background for each of these individuals is set out below.

#### ***Ben Legge, President and Chief Investment Officer***

Mr. Legge is responsible for leading Highstreet's overall strategic direction and leads the firm's investment management functions. Since joining Highstreet in 2010, Mr. Legge has provided valuable contributions towards enhancing Highstreet's disciplined investment process. Mr. Legge's leadership and industry knowledge is rooted in 20 years of global investment experience. Prior to joining Highstreet, Mr. Legge was a senior investment team member at a large British investment trust managing European and global equity portfolios.

#### ***Janice M. Evans, Vice President, Portfolio Manager***

Ms. Evans joined Highstreet's investment team in 2007. As the Head of our structured products team, she is responsible for the overall portfolio management of Highstreet's option overlay strategies, including the application of Highstreet's proprietary option model, trading, reporting, and client communication. Ms. Evans has 18 years of experience as both a portfolio manager and investment counsellor. Prior to joining Highstreet, she was a senior investment professional with a large Canadian financial institution.

#### ***Grant Wang, Senior Vice President, Head of Research***

Mr. Wang is responsible for overseeing the research team's initiatives required to develop and enhance Highstreet's quantitative investment strategies. He plays a key role in facilitating the sharing of ideas between Highstreet's portfolio managers and quantitative specialists with respect to research proposals and findings. Prior to

joining Highstreet in 2012, Mr. Wang spent 7 years as a lead quantitative researcher for one of Canada's largest pension funds. Mr. Wang has 12 years of experience developing predictive statistical models.

**Jeffery Kay, Senior Analyst, Research**

Mr. Kay is primarily responsible for quantitative research and strategy development within Highstreet's option overlay team, while working directly with the Senior Portfolio Manager in the management of client portfolios. Mr. Kay is also responsible for the ongoing development and execution of the firm's risk management processes. Prior to joining Highstreet in 2011, Mr. Kay worked in risk management and quantitative analysis for a large Canadian financial institution. Mr. Kay has 11 years of investment experience.

**Brian Jia, PhD. Analyst, Research**

Mr. Jia joined Highstreet's research team in 2013. He specializes in the development, application, and data analysis of our investment strategies. He also contributes to research on long-only equity strategies, and option modelling combined with the execution process. Mr. Jia has 7 years of research experience in financial econometrics. Prior to joining Highstreet, he was a senior software engineer in leading IT companies and has worked as a quantitative financial analyst for large Canadian financial institutions, including one of the country's largest pension plans.

**Details of the Investment Management Agreement**

The Investment Manager provides investment advisory and portfolio management services to the Fund with respect to the Portfolio pursuant to the Investment Management Agreement. Decisions regarding the purchase and sale of securities and the execution of transactions for the Portfolio will be made by the Investment Manager, in accordance with and subject to the terms of the Investment Management Agreement. Subject to the terms of the Investment Management Agreement, the Investment Manager will implement the investment strategy for the Portfolio on an ongoing basis.

Under the Investment Management Agreement, the Investment Manager covenants to deal fairly, honestly and in good faith with a view to the best interests of the Fund and, in connection therewith, to exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in the circumstances. Provided Highstreet has acted in accordance with the standard of care, diligence and skill set forth above, Highstreet and its directors, officers, employees, agents or affiliates shall not be held liable for any act, omission or mistake of judgment in the course of, or connected with, the performance of its obligations under the Investment Management Agreement, nor for the making, retention or sale of any investment under the Investment Management Agreement, nor for any resultant or other loss to or diminution of the assets of the Fund, except as is caused by the negligence, lack of good faith or wilful misconduct of Highstreet.

Pursuant to the Investment Management Agreement, the Investment Manager and its officers, directors, employees, agents and affiliates shall not be held liable to the Fund, Harvest, Unitholders or any other party for any loss or damage relating to the Fund and shall be indemnified from the assets of the Fund against all actions, proceedings, claims, costs, losses (other than loss of profits), damages or expenses, including legal costs, in connection with the Investment Management Agreement brought, commenced or prosecuted against such party for or in respect of any act, deed, matter or thing whatsoever, made, done, acquiesced in or omitted in or about or in relation to the execution of Highstreet's duties as investment manager and also from and against all other costs, including legal costs, charges and expenses which it sustains or incurs in or about or in relation to the business and affairs of the Fund unless any such indemnified person is finally adjudicated to have committed a material breach or default of its obligations under the Investment Management Agreement or an act or omission involving bad faith, negligence, fraud, wilful misconduct or reckless disregard of such person's duties under the Investment Management Agreement.

The Investment Manager or Manager may terminate the Investment Management Agreement in the following circumstances: (i) upon not less than 90 days written notice to the other party; or (ii) by written notice taking immediate effect if the other party is in breach of any of the terms of the Investment Management Agreement and has not remedied the breach within 30 days of receipt of written notice requiring the breach to be remedied.

The Investment Management Agreement may be terminated immediately if any of the following events take place: (i) in the event Highstreet or Harvest is subject to a material regulatory issue that would affect the ability of Highstreet or Harvest to fulfill its obligations under the Investment Management Agreement or if Highstreet is unable to provide the investment management services contemplated in the Investment Management Agreement;



(ii) in the event that Highstreet or Harvest becomes bankrupt, or a petition for bankruptcy is filed against either party and such petition is not dismissed within 60 days; or (iii) in the event that Highstreet or Harvest makes any assignment for the benefit of its creditors, files any notice under or takes any other benefits of any insolvency law, or if a receiver is appointed for Highstreet or Harvest.

Any termination of the Investment Management Agreement shall not affect the liability of the parties in respect of any action undertaken before such notice was given. During the time period between the date of notice of termination is given and the effective date of termination, Highstreet agrees to continue to provide investment advisory or management services to the Fund to the best of its ability in accordance with the standard of care set out above.

The Manager is responsible for payment of the investment management fees of the Investment Manager out of the Management Fee. See “Fees and Expenses”.

### **Conflicts of Interest**

The management services of Harvest under the Declaration of Trust are not exclusive and nothing in the Declaration of Trust prevents Harvest from providing similar management services to other investment funds and other clients (whether or not their investment objectives and policies are similar to those of the Fund) or from engaging in other activities. The investment management services of Highstreet under the Investment Management Agreement are not exclusive and nothing in the Investment Management Agreement prevents Highstreet from providing similar investment management services to other investment funds and other clients (whether or not their investment objectives and policies are similar to those of the Fund) or from engaging in other activities. Investments in securities purchased by the Investment Manager on behalf of the Fund and other investment funds or trusts managed by the Investment Manager, will be allocated to the Fund and such other investment funds or trusts on a pro rata basis according to the size of the order and the applicable investment restrictions and policies of the Fund and the other investment funds or trusts.

The Declaration of Trust acknowledges that the Trustee and the Manager 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 Trustee may act as trustee of, and provide services to, issuers of securities, including issuers of securities in which the Fund has invested or may invest.

### **Independent Review Committee**

In accordance with NI 81-107, the Manager has appointed an Independent Review Committee (“**IRC**”) for the Fund and the investment funds managed by it. The IRC is composed of three individuals, each of whom is independent of the Manager, the Fund and entities related to the Manager. The members of the IRC are Don Hathaway, Adam Conyers and Karen Fisher. The Manager is required to identify conflict of interest matters inherent in its management of the Fund and request input from the IRC in respect of how it manages those conflicts of interest, as well as its written policies and procedures outlining its management of those conflicts of interest. The IRC has adopted a written charter that it follows when performing its functions and is subject to requirements to conduct regular assessments. The mandate and responsibilities of the IRC are to consider and make a recommendation or approval, as applicable, with respect to any conflict of interest matter referred to it by the Manager. The IRC will prepare, at least annually, a report of its activities for Unitholders. This report will be available on the Harvest’s website at [www.harvestportfolios.com](http://www.harvestportfolios.com) or at the Unitholder’s request, at no cost, by contacting Harvest at 1-866-998-8298. Information contained on the Manager’s website is not part of this prospectus and is not incorporated by reference.

The members of the IRC will be indemnified by the Manager and the Fund in accordance with NI 81-107. The IRC members will not be responsible for the investments made by the Fund or for the performance of the Fund. The members of the IRC may serve in a similar capacity in respect of other funds managed by the Manager. The Fund’s pro rata share of all fees and expenses of the IRC (which is currently anticipated to be \$11,000 per annum) will be paid by the Fund, and the regular fees and expenses of the IRC (based on the amounts agreed by the Manager for the first year) have been included in the Fund’s estimated annual operating expenses (see “Fees and Expenses”). In future years the IRC members will set their own compensation in accordance with NI 81-107. In addition, the IRC has the authority, pursuant to NI 81-107 to retain independent counsel or other advisors, at the expense of the Fund, if the members deem it necessary to do so.

## **The Trustee**

The Manager is the trustee of the Fund pursuant to the Declaration of Trust and is responsible for certain aspects of the day-to-day administration of the Fund. The address of the Trustee where it principally provides services to the Fund is at 710 Dorval Drive, Suite 209, Oakville, Ontario L6K 3V7.

The Trustee may resign upon 60 days' notice to Unitholders. The Trustee shall be removed if the Trustee is no longer resident in Canada for purposes of the Tax Act, ceases to carry on its functions of managing the Fund in Canada, or ceases to exercise the main powers and discretions of the trustee in respect of the Fund in Canada, and the Trustee may be removed with the approval of a simple majority vote cast at a meeting of Unitholders, called for such purpose or by the Manager (if the Manager is not then the Trustee), if the Trustee has committed certain events of bankruptcy or insolvency or is in material breach or default of its obligations under the Declaration of Trust which breach has not been cured within 30 days after notice thereof has been given to the Trustee. Any such resignation or removal shall become effective only upon the acceptance of appointment by a successor. If the Trustee resigns, its successor may be appointed by the Manager. The successor must be approved by Unitholders if the Trustee is removed by Unitholders. If no successor has been appointed within 60 days, the Trustee or any Unitholder may apply to a court of competent jurisdiction for the appointment of a successor.

The Declaration of Trust will provide that the Trustee shall not be liable in carrying out its duties under the Declaration of Trust except where it is in breach of its obligations under the Declaration of Trust or where the Trustee fails to act honestly and in good faith, and in the best interests of Unitholders to the extent required by laws applicable to trustees, or to exercise the degree of care, diligence and skill that a reasonably prudent trustee would exercise in comparable circumstances. In addition, the Declaration of Trust will contain other customary provisions limiting the liability of the Trustee and indemnifying the Trustee, or any of its officers, directors, employees or agents, in respect of certain liabilities incurred by it in carrying out its duties.

## **The Custodian**

State Street Trust Company Canada will be appointed as the custodian (the "**Custodian**") and valuation agent of the Fund pursuant to separate custodian and valuation agreements between the Fund and the Custodian. The custodian's principal place of business in respect of the Fund is Toronto, Ontario. In accordance with the terms of the custodian agreement (the "**Custodian Agreement**"), the Custodian will be responsible for the safekeeping of all of the investments and other assets of the Fund delivered to it but not those assets of the Fund not directly controlled or held by the Custodian as the case may be. In the event that any portfolio assets are acquired by the Fund that cannot be held in Canada, the Custodian may appoint sub custodians who are qualified to act as such.

In carrying out its duties, the Custodian is required to exercise:

- (a) the degree of care, diligence and skill that a reasonably prudent person would exercise in the circumstances, or
- (b) at least the same degree of care which it gives to its own property of a similar kind under its custody, if this is a higher degree of care than in paragraph (a) above.

Except to the extent the Custodian has not complied with its standard of care, the Custodian will not be liable for any act or omission in the course of, or connected to, rendering services under the Custodian Agreement or for loss to, or diminution of, the Fund's property. In no event shall the Custodian be liable for any consequential or special damages. The Fund shall indemnify and save harmless the Custodian and its affiliates, subsidiaries and agents, and their directors, officers, and employees from and against all legal fees, judgments and amounts paid in settlement incurred by such indemnified parties in connection with custodial services provided under the Custodian Agreement except to the extent incurred as a result of breach of the above standard of care.

The Custodian Agreement provides that it may be terminated by either party at any time on 60 days written notice unless a different period is agreed to. Either party may terminate the Custodian Agreement immediately in the event that either party is declared bankrupt or shall be insolvent, the assets or the business of either party shall become liable to seizure or confiscation by a public or governmental authority, or the Manager's powers and authorities to act on behalf of or represent the Fund have been revoked or terminated.

In addition, the Custodian will be responsible for providing valuation services to the Fund and will calculate the NAV of the Fund and the NAV per Unit pursuant to the terms of a separate valuation service agreement. See "Calculation of Net Asset Value".

The Custodian will receive fees for custodial and valuation services provided to the Fund as described above.

#### **Promoter**

Harvest has taken the initiative in organizing the Fund and accordingly may be considered to be a “promoter” of the Fund within the meaning of the securities legislation of certain provinces of Canada. Harvest will not receive any fees from the Fund in its capacity as promoter. Harvest will receive management fees from the Fund and will be entitled to reimbursement of expenses incurred in relation to the Fund as described under “Fees and Expenses”.

#### **Auditor**

The Fund’s auditor is PricewaterhouseCoopers LLP, Chartered Professional Accountants, Licensed Public Accountants, at its principal office located at Suite 2600, 18 York Street, Toronto, Ontario, M5J 0B2.

#### **Registrar and Transfer Agent**

Equity Financial Trust Company will be appointed the registrar and transfer agent for the Units.

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

The NAV of the Fund on a particular date will be equal to the aggregate fair value of the assets of the Fund less the aggregate fair value of the liabilities of the Fund, expressed in Canadian dollars at the Reference Exchange Rate on such date. The NAV of the Fund will be calculated using the fair value of the Fund’s assets and liabilities based on the policies and procedures described below.

The NAV per Unit on any day will be obtained by dividing the NAV of the Fund allocated to the Units of such class, divided by the number of Units of such class then outstanding at the time the calculation is made.

#### **Valuation Policies and Procedures of the Fund**

Unless otherwise required by law, in determining the NAV of the Fund the Manager will take into account:

- (a) the value of any cash on hand or on deposit, demand notes, accounts receivable, prepaid expenses, cash dividends or distributions received (or to be received and declared to shareholders of record on a date before the date as of which the net asset value is being determined), and interest accrued and not yet received, shall be deemed to be the face amount thereof, unless the Manager determines that any such asset is not worth the face amount thereof, in which event the value thereof shall be deemed to be such value as the Manager determines to be the fair value thereof;
- (b) bonds, debentures, notes, money market instruments and other debt securities shall be valued by taking the bid price at the NAV Valuation Time;
- (c) any security that is listed or dealt in on a stock exchange shall be valued at the sale price applicable to a board lot last reported at the NAV Valuation Time on the principal stock exchange on which such security is traded, or if no sale price is available at that time, the last closing price quoted for the security, but if bid and ask quotes are available, at the average of the latest bid and ask price rather than the last quoted closing price;
- (d) the value of any security, the resale of which is restricted or limited by reason of a representation, undertaking or agreement by the Fund or by the predecessor in title of the Fund shall be the lesser of (i) the value based on reported quotation in common use and (ii) that percentage of the market value of securities of the same class, the resale of which is not restricted or limited by reasons of any representation, undertaking or agreement, equal to the percentage that the acquisition cost of the Fund was of the market value of such securities at the time of acquisition, provided that a gradual taking into account of the actual value of the securities may be made when the date on which the restrictions will be lifted is known;
- (e) any security purchased, the purchase price of which has not been paid, shall be included for valuation purposes as a security held, and the purchase price, including brokers’ commissions and other expenses, shall be treated as a liability of the Fund;

- (f) any security sold but not delivered, pending receipt of the proceeds, shall be valued at the net sale price;
- (g) if any date on which the NAV is determined is not a Business Day, then the securities comprising the Portfolio and other property of the Fund will be valued as if such date were the preceding Business Day;
- (h) if any investment cannot be valued under the foregoing rules or if the foregoing rules are at any time considered by the Manager to be inappropriate under the circumstances, then notwithstanding the foregoing rules, the Manager shall make such valuation as it considers fair and reasonable;
- (i) the value of all assets of the Fund quoted or valued in terms of foreign currency, the value of all funds on deposit and contractual obligations payable to the Fund in foreign currency and the value of all liabilities and contractual obligations payable by the Fund in foreign currency shall be determined using the applicable rate of exchange current as quoted by customary banking sources at, or as nearly as practicable to, the applicable date on which the NAV is determined; and
- (j) the estimated operating expenses of the Fund shall be accrued to the date as of which the NAV is being determined.

Harvest may suspend the calculation of the NAV when the right to redeem a Unit is suspended. See “Redemption of Units – Suspension of Redemptions and Purchases”. During any period of suspension, there will be no calculation of the NAV and the Fund will not be permitted to issue or redeem Units. The calculation of the NAV will resume when trading in the Fund’s securities resumes.

Effective January 1, 2014, the net asset value per unit of investment funds for financial statement purposes will be calculated in accordance with International Financial Reporting Standards (“IFRS”). Under IFRS, an investment fund’s accounting policies for measuring the fair value of its investments and derivatives for financial statement purposes are expected to be aligned with those used in measuring its net asset value for transactions with Unitholders.

### **Reporting of Net Asset Value**

The NAV and the NAV per Unit of a class will be calculated on each Business Day based on valuations as of 4:15 p.m. (Toronto time). The NAV and the NAV per Unit of a class is published each Thursday (or if a Thursday is not a Business Day, the Business Day following such Thursday) and on the last Business Day of each month and provided by the Manager to the Unitholders on request by calling toll-free 1-866-998-8298 or via the internet at [www.harvestportfolios.com](http://www.harvestportfolios.com), as applicable.

## **ATTRIBUTES OF THE UNITS**

### **Units**

The beneficial interests in the net assets and net income of the Fund are reflected in the Units. The Fund is authorized to issue an unlimited number of classes of units and an unlimited number of units of each class.

Except as provided under “Unitholder Matters – Non-Resident Unitholders”, all Units have equal rights and privileges. Each Unit is entitled to one vote at all meetings of Unitholders and is entitled to participate equally with respect to any and all distributions made by the Fund, including distributions of net income and net realized capital gains, if any, and distributions upon the termination of the Fund. On the redemption of the Units, however, the Fund may in its sole discretion, designate payable to the redeeming Unitholders, as part of the redemption price, any capital gains realized by the Fund in the taxation year in which the redemption occurred. Units are issued only as fully paid and are non-assessable. Units will only be issued through the book-entry only system administered by CDS as described below.

The Declaration of Trust provides that the Fund may not issue additional Units following completion of the Offering, except: (i) for net proceeds per Unit not less than the NAV per Unit of the applicable class calculated on the date immediately prior to the pricing of the offering; (ii) by way of a distribution paid in additional Units; (iii) pursuant to the Reinvestment Plan; or (iv) with the approval of Unitholders. Immediately after a pro rata distribution of Units to all Unitholders of a class in satisfaction of any non-cash distribution, the number of outstanding Units of the applicable class will be consolidated such that each Unitholder will hold after the consolidation the same number of Units of the applicable class as the Unitholder held before the non-cash

distribution, except in the case of a non-resident Unitholder to the extent tax was required to be withheld in respect of the distribution.

Registration of interests in and transfers of the Units will be made only through the book-entry only system of CDS. As a result, the Fund will deliver to CDS a certificate evidencing the aggregate number of Units of each class immediately following the closing of the Offering. Units must be purchased, transferred and surrendered for retraction only through a CDS Participant. All rights of an owner of Units must be exercised through, and all payments or other property to which such owner is entitled will be made or delivered by, CDS and the CDS Participant through which the owner holds such Units. Upon purchase of any Units, the owner will receive only the customary confirmation. References in this prospectus to a holder of Units means, unless the context otherwise requires, the owner of the beneficial interest in such Units.

Neither the Fund, the Trustee, the Custodian, the Manager, the Investment Manager, nor the Agents will have any liability for (i) records maintained by CDS relating to the beneficial interests in the Units or the book-entry only accounts maintained by CDS; (ii) maintaining, supervising or reviewing any records relating to such beneficial ownership interests; or (iii) any advice or representation made or given by CDS and made or given with respect to the rules and regulations of CDS or any action taken by CDS or at the direction of the CDS Participants.

The ability of a beneficial owner of Units to pledge such Units or otherwise take action with respect to such owner's interest in such Units (other than through a CDS Participant) may be limited due to the lack of a physical certificate.

The Fund has the option to terminate registration of the Units through the book-entry only system in which case certificates for Units in fully registered form would be issued to beneficial owners of such securities or to their nominees.

#### **Purchase for Cancellation**

The Declaration of Trust provides that the Fund may, in its sole discretion, from time to time, purchase (in the open market or by invitation for tenders) Units for cancellation subject to applicable law and stock exchange requirements, based on the Manager's assessment that such purchases are accretive to Unitholders, in all cases at a price per Unit not exceeding the most recently calculated Net Asset Value per Unit of Unit immediately prior to the date of any such purchase of Units. It is expected that these purchases will be made as normal course issuer bids through the facilities and under the rules of the TSX or such other exchange or market on which the Units are then listed.

#### **Take-over Bids**

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

### **UNITHOLDER MATTERS**

#### **Meetings of Unitholders**

A meeting of Unitholders may be convened by the Trustee or the Manager at any time and must be convened if requisitioned by the holders of not less than 25% of the Units then outstanding by a written requisition specifying the purpose of the meeting. Unitholders may request to change the Manager only if the Manager is in breach under the Declaration of Trust. Not less than 21 days and not more than 50 days' notice will be given of any meeting of Unitholders. The quorum at any meeting of all Unitholders is two Unitholders present in person or by proxy except for the purpose of any meeting called by Unitholders to consider item (c) under "Unitholder Matters – Matters Requiring Unitholder Approval" in which case the quorum shall be Unitholders holding 25% of the outstanding Units. If no quorum is present at any meeting when called, the meeting, if called on the requisition of Unitholders, will be terminated and otherwise will be adjourned for not less than 10 days and at the adjourned meeting the Unitholders then present in person or represented by proxy will form the necessary quorum. At any meeting of Unitholders, each Unitholder will be entitled to one vote for each Unit registered in the Unitholder's name.

The Fund does not intend to hold annual meetings of Unitholders.

### **Matters Requiring Unitholder Approval**

Any matter to be considered at a meeting of Unitholders, other than certain matters requiring the approval by Extraordinary Resolution as set out below, require the approval of Unitholders by Ordinary Resolution. Pursuant to the Declaration of Trust, the following matters require approval by Extraordinary Resolution:

- (a) a change in the investment objectives or investment restrictions of the Fund, unless such change is necessary to ensure compliance with applicable laws, regulations or other requirements imposed by applicable regulatory authorities from time to time;
- (b) any change in the basis of calculating fees or other expenses that are charged to the Fund that could result in an increase in charges to the Fund other than a fee or expense charged by a person or company that is at arm's length to the Fund and for which Unitholders are sent a written notice of such change at least 60 days before the effective date of such change;
- (c) a change of the manager of the Fund, other than to an affiliate of the Manager;
- (d) the issuance of additional Units other than (i) for net proceeds per Unit not less than the NAV per Unit of the applicable class calculated on the date immediately prior to the pricing of the offering, (ii) by way of a distribution paid in additional Units, or (iii) pursuant to the Reinvestment Plan;
- (e) a reorganization (other than a Permitted Merger) with, or transfer of assets to, another entity if the Fund ceases to continue after the reorganization or transfer of assets;
- (f) a reorganization (other than a Permitted Merger) with, or acquisition of assets of, another entity if the Fund continues after the reorganization or acquisition of assets and the transaction would be a material change to the Fund; or
- (g) a termination of the Fund, other than as described under "Termination of the Fund".

In addition, the Manager may, without obtaining Unitholder approval, merge the Fund (a "**Permitted Merger**") with another fund or funds in accordance with applicable laws. If the Manager determines that a merger is a Permitted Merger, the Manager can effect the merger, including any required changes to the Declaration of Trust, without seeking Unitholder approval for the merger or such amendments. If a decision is made to merge, the Manager will send Unitholders written notice at least 60 days prior to the proposed effective date thereof disclosing details of the proposed merger. While the funds to be merged will have similar investment objectives, the funds may have different investment strategies, guidelines and restrictions and, accordingly, the units of the merged funds will be subject to different risk factors.

The Unitholders will also be permitted to vote on any modification, amendment, alteration or deletion of rights, privileges or restrictions attaching to the Units which would have a material adverse effect on the interest of the Unitholders. No amendment may be made to the Declaration of Trust which would have the effect of reducing the expenses reimbursable to the Manager or terminating the Manager unless the Manager, in its sole discretion, consents.

### **Amendments to the Declaration of Trust**

The Trustee at the request of the Manager may, without the approval of or notice to Unitholders, amend the Declaration of Trust for certain limited purposes specified therein, including 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 or regulation applicable to or affecting the Fund;
- (b) make any change or correction in the Declaration of Trust which is of a typographical nature or is required to cure or correct any ambiguity or defective or inconsistent provision, clerical omission, mistake or manifest error contained therein;
- (c) bring the Declaration of Trust into conformity with applicable laws, rules and policies of Canadian securities regulators or with current practice within the securities industry, provided that any such amendment does not adversely affect the pecuniary value of the interests of the Unitholders;

- (d) maintain the status of the Fund as a “mutual fund trust” for the purposes of the Tax Act or to respond to amendments to such Act or to the interpretation thereof;
- (e) change the name of the Fund;
- (f) provide added protection or benefit to Unitholders;
- (g) divide the capital of the Fund into one or more series of Units and to establish the attributes of each series, provided that the rights of existing Unitholders are not changed in an adverse manner;
- (h) create one or more new class or classes of units of the Fund having rights or privileges inferior to or equal to the outstanding units of any class and make amendments to the Declaration of Trust related thereto, provided that the rights of existing Unitholders are not changed in an adverse manner;
- (i) terminate the Fund without Unitholder approval as set forth under the heading “Termination of the Fund”; and
- (j) make any changes to effect a Permitted Merger.

Except for changes to the Declaration of Trust that require the approval of Unitholders or changes described above that do not require approval of or prior notice to Unitholders, the Declaration of Trust may be amended from time to time by the Trustee, at the request of the Manager, upon not less than 30 days prior written notice to Unitholders.

#### **Reporting to Unitholders**

The Fund will prepare, file and send to Unitholders unaudited semi-annual and audited annual financial statements of the Fund and other documents in accordance with NI 81-106.

#### **Non-Resident Unitholders**

The Fund was not established and shall not be maintained for the benefit of one or more non-resident persons within the meaning of the Tax Act. At no time may non-residents of Canada and partnerships (other than “Canadian partnerships” as defined in the Tax Act) be the beneficial owners of more than 50% of the units of the Fund (on a number of units or fair market value basis) and the Trustee shall inform the Registrar and Transfer Agent of this restriction. The Trustee may require a declaration as to the jurisdiction in which a beneficial owner of units of the Fund is resident and, if a partnership, as to its status as a “Canadian partnership”. If the Trustee becomes aware, as a result of requiring such declarations as to beneficial ownership or otherwise, that the beneficial owners of 40% or more of the units of the Fund then outstanding (on a number of units or fair market value basis) are, or may be, non-residents and/or partnerships (other than “Canadian partnerships”), or that such a situation is imminent, the Trustee may make a public announcement thereof and the Trustee may send a notice to such non-resident persons and partnerships, chosen in inverse order to the order of acquisition or in such manner as the Trustee may consider equitable and practicable, requiring them to dispose of their units of the Fund or a portion thereof to residents of Canada within a specified period of not less than 30 days. If the persons receiving such notice have not disposed of the specified number of units of the Fund or provided the Trustee with satisfactory evidence that they are not non-residents or partnerships (other than “Canadian partnerships”) within such period, the Trustee may redeem or, on behalf of such persons, dispose of such units of the Fund. Upon such redemption or sale, the affected persons shall cease to be beneficial owners of units of the Fund and their rights shall be limited to receiving the redemption price or the net proceeds of sale of such units of the Fund.

#### **Tax Information Reporting**

Pursuant to the Canada-United States Enhanced Tax Information Exchange Agreement entered into between Canada and the United States on February 5, 2014 (the “IGA”) and related Canadian legislation found in Part XVIII of the Tax Act, the dealers through which Unitholders hold their Units are required to report certain information with respect to Unitholders who are U.S. residents and U.S. citizens (including U.S. citizens who are residents and/or citizens of Canada), and certain other “U.S. Persons”, as defined under the IGA (excluding plan trusts), to the CRA. The CRA is expected to provide the information to the U.S. Internal Revenue Service.

## TERMINATION OF THE FUND

The Fund does not have a fixed termination date. However, the Fund may be terminated at any time upon not less than 90 days' written notice by the Trustee provided that the prior approval of Unitholders has been obtained by Extraordinary Resolution at a meeting of Unitholders called for that purpose (the "**Termination Date**"); provided, however, that the Trustee may, in its discretion, on 60 days' notice to Unitholders, terminate the Fund without the approval of Unitholders if, in the opinion of the Trustee, the NAV of the Fund is reduced as a result of redemptions or otherwise so that it is no longer economically feasible to continue the Fund. In either case, a press release disclosing the termination must be issued not earlier than 15 days and not later than 90 days prior to the termination.

The Fund will issue a press release not earlier than 15 days and not later than 90 days prior to the Termination Date setting forth the details of the termination including the fact that, upon termination, the net assets of the Fund will be distributed to Unitholders on a *pro rata* basis.

Immediately prior to the termination of the Fund, including on the Termination Date, the Trustee, the Manager and Investment Manager, as applicable, will, to the extent possible, convert the assets of the Fund to cash and after paying or making adequate provision for all of the Fund's liabilities, distribute the net assets of the Fund to the Unitholders as soon as practicable after the date of termination, subject to compliance with any securities or other laws applicable to such distributions.

## USE OF PROCEEDS

The Fund will use the proceeds from the sale of Units as follows (excluding the Units sold pursuant to the exercise of the Over-Allotment Option):

	<u>Minimum Offering</u>	<u>Maximum Offering</u>
Gross proceeds to the Fund	\$20,000,000	\$150,000,000
Agents' fees	\$1,050,000	\$7,875,000
Expenses of issue	\$300,000	\$600,000
Net proceeds to the Fund	<u>\$18,650,000</u>	<u>\$141,525,000</u>

The Fund will use the net proceeds of the Offering (including any net proceeds from the exercise of the Over-Allotment Option) to invest in securities in accordance with the investment objectives and restrictions of the Portfolio as described herein. See "Investment Objectives" and "Investment Restrictions". Harvest anticipates that the net proceeds of the Offering will be substantially invested within 30 days from the Closing Date. Pending such investment, the cash portion of the net proceeds will be invested in money market instruments.

## PLAN OF DISTRIBUTION

Pursuant to the Agency Agreement among the Agents, the Manager, the Investment Manager and the Fund, the Agents have agreed to offer the Units for sale, as agents of the Fund, on a best efforts basis, if, as and when issued by the Fund. The Agents will receive a fee equal to \$0.525 (5.25%) for each Unit sold and will be reimbursed for reasonable out of pocket expenses incurred by them. The Agents may form a sub agency group including other qualified investment dealers and determine the fee payable to the members of such group, which fee will be paid by the Agents out of their fees. While the Agents have agreed to use their best efforts to sell the Units offered hereby, the Agents will not be obligated to purchase Units that are not sold.

The Fund has granted the Agents an Over-Allotment Option, exercisable in whole or in part at any time and from time to time during the period of 30 days following the Closing, to purchase additional Units in an amount up to 15% of the aggregate number of Units issued at the Closing on the same terms set forth above. To the extent that the Over-Allotment Option is exercised, the Option Units will be purchased at the Offering Price and the Agents will be entitled to a fee of \$0.525 per Option Unit in respect of each Option Unit purchased. This prospectus also qualifies the granting of the Over-Allotment Option and the distribution of the Option Units that may be offered in relation to the Over-Allotment Option. A purchaser who acquires Option Units forming part of the Agents' over-allocation position acquires such Option Units under this prospectus, regardless of whether the over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases.



The TSX has conditionally approved the listing of the Units. The listing is subject to the Fund fulfilling all the requirements of the TSX on or before February 13, 2015. The Units will be listed on the TSX under the symbol HHL.UN.

If subscriptions for a minimum of 2,000,000 Units have not been received within 90 days following the date of issuance of a final receipt for the prospectus, the Offering may not continue without the consent of the securities authorities and those who have subscribed for Units on or before such date. Under the terms of the Agency Agreement, the Agents may, at their discretion on the basis of their assessment of the state of the financial markets and upon the occurrence of certain stated events, terminate the Agency Agreement. Cash proceeds from subscriptions will be held by the Agents until Closing. If the minimum Offering is not achieved and the necessary consents are not obtained or if the Closing does not occur for any reason, subscription proceeds received from prospective purchasers will be returned to such purchasers promptly without interest or deduction. Subscriptions for Units will be received subject to rejection or allotment in whole or in part. The right is reserved to close the subscription books at any time without notice. Closing is expected to take place on or about December 18, 2014, or such later date that is on or before 90 days after a receipt for the final prospectus is issued, as may be agreed upon by the Fund and the Agents.

Pursuant to policy statements of certain Canadian securities regulators, the Agents may not, throughout the period of distribution, bid for or purchase Units. The foregoing restriction is subject to certain exceptions, on the conditions that the bid or purchase not be engaged in for the purpose of creating actual or apparent active trading in, or raising the price of, the Units. Such exceptions include a bid or purchase permitted under applicable laws and rules of the relevant self-regulatory authorities relating to market stabilization and passive market making activities and a bid or purchase made for and on behalf of a customer where the order was not solicited during the period of distribution. Pursuant to the first mentioned exception, in connection with the Offering, the Agents may over allot and may effect transactions to cover their over allotted position. Such transactions, if commenced, may be discontinued at any time.

#### **INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS**

Harvest will receive the fees described under “Fees and Expenses” for its services to the Fund and will be reimbursed by the Fund for all expenses incurred in connection with the operation and administration of the Fund.

#### **PROXY VOTING DISCLOSURE FOR PORTFOLIO SECURITIES HELD**

The proxies associated with securities held by the Fund will be voted in accordance with the best interests of Unitholders determined at the time the vote is cast. The Investment Manager maintains policies and procedures that are designed to be guidelines for the voting of proxies; however, each vote is ultimately cast on a case-by-case basis, taking into consideration the relevant facts and circumstances at the time of the vote. Any conflict of interest will be resolved in a way that most benefits Unitholders.

The Investment Manager’s proxy voting policies and procedures set out various considerations that the Investment Manager will address when voting, or refraining from voting, proxies, including that:

- (a) the Investment Manager will generally vote with management on routine matters such as electing corporate directors, appointing external auditors and adopting or amending management compensation plans unless it is determined that supporting management’s position would not be in the best interests of Unitholders;
- (b) the Investment Manager will address on a case-by-case basis, non-routine matters, including those business issues specific to the issuer or those raised by shareholders of the issuer with a focus on the potential impact of the vote on the Fund’s NAV; and
- (c) the Investment Manager has the discretion whether or not to vote on routine or non-routine matters. In cases where the Investment Manager determines that it is not in the best interests of Unitholders to vote, the Investment Manager will not be required to vote.

The Manager will post the proxy voting record annually at [www.harvestportfolios.com](http://www.harvestportfolios.com). The Fund will send the most recent proxy voting policies and procedures and proxy voting record, without charge, to any Unitholder upon a request made by the Unitholder.

## **MATERIAL CONTRACTS**

The following contracts can reasonably be regarded as material to purchasers of Units:

- (a) the Declaration of Trust described under “Organization and Management Details of the Fund”;
- (b) the Investment Management Agreement as described under “Organization and Management Details of the Fund”;
- (c) the Agency Agreement described under “Plan of Distribution”; and
- (d) the Custodian Agreement described under “Organization and Management Details of the Fund”.

Copies of the foregoing agreements, after the execution thereof, may be inspected during business hours at the principal office of the Fund during the course of distribution of the Units offered hereby. Any of the foregoing contracts that are not executed prior to the filing of this prospectus will be filed with the securities regulatory authorities forthwith after such contract is entered into.

## **LEGAL AND ADMINISTRATIVE PROCEEDINGS**

In September 2013, Michael Kovacs, President and Chief Executive Officer of the Manager, entered into a settlement agreement and order with the OSC with respect to certain personal trades and failing to file insider trading reports in connection with a fund managed by the Manager. Pursuant to the settlement agreement reached between the OSC and Mr. Kovacs, he agreed to an order which included that all of his trades be pre-cleared by the chief compliance officer of the Manager for a period of one year following the date of the settlement agreement. Pursuant to the settlement agreement, Mr. Kovacs paid a voluntary payment of \$15,000 and paid an administrative penalty and costs of the OSC’s investigation in the amount of \$15,000. A copy of the settlement agreement and order of the OSC is available on the OSC’s website at [www.osc.gov.on.ca](http://www.osc.gov.on.ca).

## **EXPERTS**

Borden Ladner Gervais LLP and Blake, Cassels & Graydon LLP have prepared the opinion as to certain tax matters as described under “Income Tax Considerations”.

The Fund’s auditor is PricewaterhouseCoopers LLP, Chartered Professional Accountants, Licensed Public Accountants, who has prepared an independent auditor’s report dated November 19, 2014 in respect of the Fund’s statement of financial position as at November 19, 2014. PricewaterhouseCoopers LLP has advised that they are independent with respect to the Fund within the meaning of the Rules of Professional Conduct of the Chartered Professional Accountants of Ontario.

None of these professional firms has any registered or beneficial interest, direct or indirect, in the securities of the Fund or of an associate or affiliate of the Fund.

## **PURCHASERS’ STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION**

Securities legislation in certain of the provinces and territories of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two Business Days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces and territories, the securities legislation further provides a purchaser with remedies for rescission or damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser’s province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser’s province or territory for the particulars of these rights or consult with a legal adviser.

## **INDEPENDENT AUDITOR'S REPORT**

To the Unitholder and Trustee of Healthcare Leaders Income Fund (the "**Fund**")

We have audited the accompanying statement of financial position of the Fund as at November 19, 2014 and the related notes which comprise of a summary of significant accounting policies and other explanatory information (the "**financial statement**").

### **Management's responsibility for the financial statement**

Management is responsible for the preparation and fair presentation of the financial statement in accordance with those requirements of International Financial Reporting Standards relevant to preparing such a financial statement, and for such internal control as management determines is necessary to enable the preparation of the financial statement that is free from material misstatement, whether due to fraud or error.

### **Auditor's responsibility**

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statement presents fairly, in all material respects, the financial position of the Fund as at November 19, 2014 in accordance with those requirements of International Financial Reporting Standards relevant to preparing such a financial statement.

Toronto, Canada  
November 19, 2014

*(Signed)* "PricewaterhouseCoopers LLP"  
Chartered Professional Accountants  
Licensed Public Accountants

**HEALTHCARE LEADERS INCOME FUND  
STATEMENT OF FINANCIAL POSITION**

**As at November 19, 2014**

**ASSETS**

**Current Assets**

Cash .....	\$10
<b>Total Assets</b>	<b><u>\$10</u></b>

**Net Assets Attributable to the Holder of Redeemable Units**

1 Unit (Notes 1 and 4) .....	<u>\$10</u>
------------------------------	-------------

<b>Net Assets Attributable to the Holder of Redeemable Units per unit</b>	<b>\$10</b>
---	-------------

**Approved by the Board of Directors of Harvest Portfolios Group Inc.:**

(SIGNED) "MICHAEL KOVACS"  
Director

(SIGNED) "TOWNSEND HAINES"  
Director

*The accompanying notes are an integral part of this financial statement.*

**HEALTHCARE LEADERS INCOME FUND**  
**NOTES TO STATEMENT OF FINANCIAL POSITION**

**1. NATURE OF OPERATIONS**

Healthcare Leaders Income Fund (the “**Fund**”) is a closed-end fund governed by the laws of the Province of Ontario pursuant to a declaration of trust (the “**Declaration of Trust**”) dated November 19, 2014 by Harvest Portfolios Group Inc. (“**Harvest**” or the “**Manager**”), as manager and trustee of the Fund. Pursuant to the Declaration of Trust, Harvest in its capacity as trustee of the Fund, is holding in trust the sum of \$10.00 which Harvest has contributed and which constitutes the initial trust property of the Fund, and as such is the Fund’s ultimate parent as of that date. Highstreet Asset Management Inc. (“**Highstreet**” or the “**Investment Manager**”) has been retained as the investment manager for the Fund. The registered head office of the Fund is 710 Dorval Drive, Oakville, Ontario.

The Fund’s investment objectives are to provide Unitholders with (i) the opportunity for capital appreciation; (ii) monthly cash distributions; and (iii) lower overall volatility of the Portfolio returns than would otherwise be experienced by owning Equity Securities of the Healthcare Leaders directly. In order to seek to generate additional returns, the Investment Manager may sell call options each month on Equity Securities held in the Portfolio. The Investment Manager will not sell call options on more than 33% of the Equity Securities of any Healthcare Leader held in the Portfolio. Also, the Fund will hedge substantially all of the value of the Units back to the Canadian dollar at all times.

The statement of financial position was authorized for issue by the Board of Directors of the trustee of the Fund on November 19, 2014.

**2. SIGNIFICANT ACCOUNTING POLICIES**

The principal accounting policies applied in the preparation of the statement of financial position are set out below.

**Basis of presentation**

The financial statement of the Fund is prepared in accordance with International Financial Reporting Standards (“**IFRS**”), as published by the International Accounting Standards Board (IASB) relevant to preparing a statement of financial position. The statement of financial position has been prepared under the historical cost convention.

**Functional and presentation currency**

The financial statement is presented in Canadian dollars, which is the Fund’s functional and presentation currency.

**Financial instruments**

The Fund recognizes financial instruments at fair value upon initial recognition, plus transaction costs in the case of financial instruments measured at amortized cost. Regular way purchases and sales of financial assets are recognized at their trade date.

Cash is comprised of cash on deposit with a financial institution and is classified as loans and receivables and is measured at amortized cost subsequent to initial recognition.

The Fund’s obligation for net assets attributable to the holder of redeemable units is presented at the redemption amount that is payable if the holder exercises the right to put the units back to the Fund on the Annual Redemption Date.

**Securities valuation**

The NAV of the Fund on a particular date will be equal to the aggregate fair value of the assets of the Fund less the aggregate fair value of the liabilities of the Fund, expressed in Canadian dollars on such date. The NAV of the Fund will be calculated using the fair value of the Fund’s assets and liabilities.

**Net assets attributable to holders of redeemable units per unit**

The NAV per Unit on any day will be obtained by dividing the NAV of the Fund divided by the number of Units then outstanding at the time the calculation is made.

### **Redeemable units**

The Fund's outstanding redeemable units are classified as financial liabilities in accordance with the requirements of International Accounting Standard 32 Financial Instruments: Presentation.

### **3. FAIR VALUE**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The carrying values of cash and the Fund's obligation for net assets attributable to the holder of redeemable units approximate their fair values.

### **4. REDEEMABLE UNITS**

The authorized capital of the Fund consists of an unlimited number of transferable units, each of which represents an equal, undivided interest in the net assets of the Fund. Except as provided in the Declaration of Trust, all units have equal rights and privileges. Each unit is entitled to one vote at all meetings of unitholders and is entitled to participate equally in any and all distributions made by the Fund.

The Fund intends to make monthly cash distributions to Unitholders of record on the last Business Day of each month and to pay such cash distributions on or before the 15th day of the following month. The initial Indicative Distribution Amount (as defined herein) will be \$0.0583 per Unit per month (\$0.70 per Unit per annum representing an annual cash distribution of 7.0% based on the \$10.00 per Unit issue price). The initial cash distribution is anticipated to be payable on or before February 15, 2015 to Unitholders of record on January 30, 2015. Beginning in January 2016, the Manager will at least annually determine and announce the Indicative Distribution Amount for the following 12 months based upon, among other factors, income received from the Fund's investments and the prevailing market conditions. The Fund will also make available to Unitholders the opportunity to reinvest distributions from the Fund in additional Units by participating in a distribution reinvestment plan.

All issued redeemable units are fully paid. In accordance with the objectives outlined in Note 1, the Fund endeavours to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemptions, such liquidity being augmented by short-term borrowings or disposal of securities held where necessary.

### **Redemptions**

Units may be surrendered prior to 5:00 p.m. (Toronto time) on the 10th business day before the last business day of the applicable month by the holders for monthly redemption. Upon receipt by the Fund of the redemption notice, the holder of a unit shall be entitled to receive a price per unit (the "**Monthly Redemption Price**") equal to the lesser of:

- (a) 95% of the "market price" of the Units on the principal market on which the Units are quoted for trading during the 20 trading day period ending immediately before the monthly redemption date; and
- (b) 100% of the "closing market price" on the principal market on which the Units are quoted for trading on the monthly redemption date.

Notwithstanding the Monthly Redemption Price formula above, at no time will the Fund pay out redemption proceeds greater than the NAV per unit as determined on the Monthly Redemption Date for each unit being redeemed on such Monthly Redemption Date.

In accordance with the Fund prospectus, in addition to the monthly redemption rights, on an annual basis, commencing in June 2016, units may be surrendered for redemption at the Fund's NAV per unit, subject to the required redemption notice period, by the second last business day of June and the unitholder will receive payment on or before the 15<sup>th</sup> business day of the following month.

### **5. MANAGEMENT FEES AND OTHER EXPENSES**

Harvest is responsible for providing or arranging for required general and administrative services to the Fund.

Pursuant to the Declaration of Trust, the Manager is entitled to a management fee at an annual rate of 0.85% of NAV (the "**Management Fee**") plus applicable taxes. Fees payable to Harvest will be calculated and payable monthly in arrears based on the average NAV calculated at each Valuation Time during that month. The

Management Fee will be paid in cash and the Investment Manager will be remunerated by the Manager out of the Management Fee.

State Street Trust Company Canada (the “**Custodian**”) acts as custodian of the assets of the Fund and is also responsible for certain aspects of the Fund’s day to day operations. In consideration for the services provided by the Custodian, the Fund will pay a monthly fee to be agreed upon between the Custodian and Harvest.

In consideration for the services provided by the trustee of the Fund (except when the Manager is the trustee of the Fund), the Fund will pay a monthly fee to be agreed upon between the trustee of the Fund and Harvest.

The Fund will pay for all ordinary expenses incurred in connection with its operation and administration and any applicable HST thereon. It is expected that the expenses for the Fund will include, without limitation: fees payable to the Custodian and other third party services providers, legal, accounting, audit and valuation fees and expenses, fees and expenses of the members of the Independent Review Committee (“**IRC**”), expenses related to compliance with NI 81-107 – Independent Review Committee for Investment Funds, fees and expenses relating to the voting of proxies by a third party, premiums for insurance coverage for the members of the IRC, costs of reporting to Unitholders, registrar, transfer and distribution agency costs, fees payable to the Plan Agent under the Reinvestment Plan for performing certain financial, record-keeping, Unitholder reporting and general administrative services and for acting as plan agent, listing fees and expenses and other administrative expenses and costs incurred in connection with the continuous public filing requirements, website maintenance costs, taxes, costs and expenses of preparing financial and other reports, costs and expenses arising as a result of complying with all applicable laws, regulations and policies including any costs associated with the printing and mailing costs of any documents that the securities regulatory authorities require be sent or delivered to investors in the Fund and extraordinary expenses that the Fund may incur. Such expenses will also include expenses of any action, suit or other proceedings in which or in relation to which the Manager, the Investment Manager, the Custodian, the IRC and/or any of their respective officers, directors, employees, consultants or agents is entitled to indemnity by the Fund. The Fund will also be responsible for all commissions and other costs of Portfolio transactions and any extraordinary expenses of the Fund which may be incurred from time to time.

The Fund will pay the expenses incurred in connection with the Offering of Units by the Fund, subject to a maximum of 1.5% of the gross proceeds of the Offering. The expenses of the Offering, together with the Agent’s fees, payable by the Fund, will be reflected as a reduction of net assets attributable to the holder of redeemable units.

Any arrangements for additional services between the Fund and the Manager, or any affiliate thereof, that have not been described in this prospectus will be on terms approved by the Fund’s IRC that are no less favourable to the Fund than those available from arm’s length persons (within the meaning of the Tax Act) for comparable services and the Fund will pay all expenses associated with such additional services.

## **6. AGENCY AGREEMENT**

The Fund, the Manager and the Investment Manager have entered into an agency agreement with BMO Nesbitt Burns Inc., CIBC World Markets Inc., Scotia Capital Inc., National Bank Financial Inc., Canaccord Genuity Corp., Global Securities Corporation, GMP Securities L.P., Raymond James Ltd., Desjardins Securities Inc., Dundee Securities Ltd., Industrial Alliance Securities Inc., Mackie Research Capital Corporation and Manulife Securities Incorporated (collectively, the “**Agents**”) dated as of November 19, 2014 pursuant to which the Fund has agreed to create, issue and sell, and the Agents have agreed to offer for sale to the public, a minimum of 2,000,000 Units and a maximum of 15,000,000 Units at \$10.00 per Unit and. The Agents’ fee will be \$0.525 (5.25%) for each Unit sold.

The Fund has granted to the Agents an option exercisable for a period of 30 days following the closing of the Offering to purchase additional Units in an amount up to 15% of the aggregate number of Units issued at the closing of the Offering on the same terms as the offering of Units to cover over-allotments, if any.

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

Dated: November 19, 2014

This prospectus constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of each province and territory of Canada.

**Harvest Portfolios Group Inc.**  
(as Manager and Promoter of the Fund)

(*SIGNED*) “MICHAEL KOVACS”  
Chief Executive Officer and President

(*SIGNED*) “TOWNSEND HAINES”  
Chief Financial Officer

On behalf of the Board of Directors of Harvest Portfolios Group Inc.  
(as Manager and Promoter of the Fund)

(*SIGNED*) “NICK BONTIS”  
Director

(*SIGNED*) “MARY MEDEIROS”  
Director



## CERTIFICATE OF THE AGENTS

Dated: November 19, 2014

To the best of our knowledge, information and belief, this prospectus constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of each province and territory of Canada.

**BMO NESBITT BURNS  
INC.**

(SIGNED) "ROBIN G.  
TESSIER"

**CIBC WORLD MARKETS  
INC.**

(SIGNED) "MICHAEL D.  
SHUH"

**SCOTIA CAPITAL INC.**

(SIGNED) "RAJIV BAHL"

**NATIONAL BANK FINANCIAL INC.**

(SIGNED) "TIMOTHY EVANS"

**CANACCORD GENUITY  
CORP.**

(SIGNED) "RON SEDRAN"

**GLOBAL SECURITIES  
CORPORATION**

(SIGNED) "ADAM GARVIN"

**GMP SECURITIES L.P.**

(SIGNED) "ANDREW  
KIGUEL"

**RAYMOND JAMES LTD.**

(SIGNED) "J. GRAHAM  
FELL"

**DESJARDINS SECURITIES  
INC.**

(SIGNED) "BETH SHAW"

**DUNDEE SECURITIES  
LTD.**

(SIGNED) "AARON UNGER"

**INDUSTRIAL ALLIANCE  
SECURITIES INC.**

(SIGNED) "RICHARD  
LEGAULT"

**MACKIE RESEARCH  
CAPITAL CORPORATION**

(SIGNED) "DAVID  
KEATING"

**MANULIFE SECURITIES  
INCORPORATED**

(SIGNED) "WILLIAM PORTER"



# Healthcare Leaders Income Fund