

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. This prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and only by persons permitted to sell these securities. These securities have not been and will not be registered under the United States Securities Act of 1933, as amended, and, subject to certain exemptions, will not be offered or sold within the United States or to U.S. persons.

## PROSPECTUS

Initial Public Offering

April 28, 2011

# Marquest Canadian Equity Income Fund

**\$100,000,000 (10,000,000 Units) Maximum**  
**\$10.00 per Unit**

Marquest Canadian Equity Income Fund (the “**Fund**”) is an investment fund governed by the laws of the Province of Ontario which proposes to issue redeemable and transferable units (“**Units**”) of the Fund at a price of \$10.00 per Unit (the “**Offering**”).

### Investment Objectives

The Fund’s investment objectives are to provide holders with:

- (i) monthly distributions; and
- (ii) the opportunity for long-term capital appreciation.

In order to achieve the Fund’s investment objectives, the Fund will invest in a broadly diversified portfolio (the “**Portfolio**”) of the securities (the “**Portfolio Securities**”) comprising the S&P/TSX Equity Income Index (the “**Index**”) in approximately the same weightings as in the Index and may sell covered call options on the Portfolio Securities from time to time in order to enhance returns and lower the overall volatility of the Portfolio. See “Investment Objectives” and “Investment Strategy”.

### The Manager

The Fund has retained Marquest Asset Management Inc. (“**Marquest**” or the “**Manager**”) to provide fund management and portfolio advisory services. Marquest is a Canadian investment management firm incorporated in 1986 that offers a diverse range of investment products covering a variety of equity and fixed income products. Marquest is committed to fund governance best practices and standards. Marquest will act as trustee, manager and promoter of the Fund and will provide, or arrange to provide, all administrative services required by the Fund. See “Organization and Management Details of the Fund”.

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 Price: \$10.00 per Unit  
 Minimum Purchase: 200 Units  
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	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)(4)</sup> .....	\$20,000,000	\$1,050,000	\$18,950,000
Total Maximum Offering <sup>(4)</sup> .....	\$100,000,000	\$5,250,000	\$94,750,000

Notes:

- (1) The price of the Units was established by negotiation between the Fund and the Agents (as defined herein).
- (2) Before deducting the expenses of the issue (estimated at \$650,000) 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 Units have not been received within 90 days following the date of issuance of a receipt for this prospectus, the Offering may not continue without the consent of the Canadian securities regulators and those who have subscribed for Units 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, to purchase an aggregate of up to 15% of the aggregate number of Units issued at the closing of the Offering at a price of \$10.00 per Unit (the "**Option Units**"). If the Over-Allotment Option is exercised in full, the total Price to the Public under the Maximum Offering, the Agents' fee and the Net Proceeds to the Fund will be \$115,000,000, \$6,037,500 and \$108,962,500, respectively. This prospectus also qualifies both the grant of the Over-Allotment Option and the issuance of Option Units upon the exercise of such option regardless of whether the over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases.

**The Toronto Stock Exchange (the "TSX") has conditionally approved the listing of the Units subject to the Fund fulfilling all of the requirements of the TSX on or before June 28, 2011.**

**There is currently no market through which the Units may be sold and purchasers may not be able to resell securities purchased under this prospectus. This may affect the pricing of the securities in the secondary market, the transparency and availability of trading prices, the liquidity and the extent of issuer regulation. The Agents may over-allot or effect transactions as described under "Plan of Distribution". See "Risk Factors" for a discussion of certain factors that should be considered by prospective investors in Units, including with respect to the use of leverage and liquidity associated with the writing of covered call options. There is no assurance that the Fund will meet its distribution and capital appreciation objectives.**

#### **The Agents**

Scotia Capital Inc., CIBC World Markets Inc., RBC Dominion Securities Inc., BMO Nesbitt Burns Inc., National Bank Financial Inc., Canaccord Genuity Corp., GMP Securities L.P., HSBC Securities (Canada) Inc., Macquarie Private Wealth Inc., Raymond James Ltd., Mackie Research Capital Corporation, Wellington West Capital Markets Inc., Dundee Securities Ltd. and Union Securities Ltd. (collectively, the "**Agents**") conditionally offer the Units on a "best efforts" basis, subject to prior sale, if, as and when issued by the Fund and accepted by the Agents in accordance with the conditions contained in the Agency Agreement (defined under "Plan of Distribution"), and subject to the approval of certain legal matters on behalf of the Fund and the Manager by Wildeboer Dellelce LLP and on behalf of the Agents by Osler, Hoskin & Harcourt LLP. The Agents may over-allot and effect transactions to cover their over-allotted position. See "Plan of Distribution".

**Subscriptions for Units will be received subject to rejection or allotment in whole or in part and the Fund reserves the right to close the subscription books at any time without notice. Registrations of interests in and transfers of Units will be made only through non-certificated interests issued under the book-entry only system administered by CDS. Non-certificated interests representing the aggregate Units subscribed for under the Offering will be recorded, in the name of CDS or its nominee, on the register of the Fund maintained by Computershare Investor Services Inc. on the date of the closing of the offering, which is expected to occur on or about May 9, 2011 or such later date as the Fund and the Agents may agree, but in any event not later than 90 days after a final receipt for this prospectus is issued. A purchaser of Units will receive a customer confirmation from the registered dealer from or through which the Units are purchased and will not have the right to receive physical certificates evidencing their ownership in the Units. See "Attributes of Units – Book-Entry Only System".**

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## **MARKET 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 publicly reported by such issuers. Furthermore, certain information relates to the markets generally and does not purport to provide advice as to any particular investment or guidance with respect to any particular investment objective. Nor do these reports purport to provide information with respect to particular sectors or the issuers within those sectors. Neither the Manager, the Fund nor the Agents have independently verified the accuracy or completeness of any information or assume any responsibility for the completeness or accuracy of the information derived from these reports.*

## **FORWARD-LOOKING STATEMENTS**

This prospectus contains forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as “plans”, “proposes”, “expects”, “estimates”, “intends”, “anticipates” or “believes”, or variations (including negative and grammatical variations) of such words and phrases or state that certain actions, events or results “may”, “could”, “would”, “might” or “will” be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the Fund’s actual results, performance or developments to be materially different from any future results, performance or developments expressed or implied by the forward-looking statements.

While the Fund anticipates that subsequent events and developments may cause its views to change, the Fund specifically disclaims any obligation to update these forward-looking statements, except as required by applicable law. These forward-looking statements should not be relied upon as representing the Fund’s views as of any date subsequent to the date of this prospectus. Although the Fund has attempted to identify important factors that could cause actual results, performance or developments to differ materially from those described in forward-looking statements, there may be other factors that cause results, performance or developments not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results, performance or developments could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. The factors identified above are not intended to represent a complete list of the factors that could affect the Fund. Additional factors are noted under “Risk Factors” below.

## 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. Capitalized terms used in this prospectus have defined meanings.*

**The Fund:** Marquest Canadian Equity Income Fund (the “**Fund**”) is an investment fund established under the laws of the Province of Ontario on April 28, 2011. Marquest Asset Management Inc. (“**Marquest**” or the “**Manager**”) will be the trustee and manager of the Fund. See “The Fund”.

**Offering:** The offering (the “**Offering**”) consists of redeemable, transferable Units (the “**Units**”) of the Fund. See “Plan of Distribution”.

**Maximum Issue:** \$100,000,000 (10,000,000 Units)

**Minimum Issue:** \$20,000,000 (2,000,000 Units)

**Price:** \$10.00 per Unit

**Minimum Purchase:** \$2,000 (200 Units)

**Investment Objectives:** The Fund’s investment objectives are to provide holders with:

- (i) monthly distributions; and
- (ii) the opportunity for long-term capital appreciation.

In order to achieve the Fund’s investment objectives, the Fund will invest in a broadly diversified portfolio (the “**Portfolio**”) of the securities (the “**Portfolio Securities**”) comprising the S&P/TSX Equity Income Index (the “**Index**”) in approximately the same weightings as in the Index and may sell covered call options on the Portfolio Securities from time to time in order to enhance returns and lower the overall volatility of the Portfolio. See “Investment Objectives”.

**Investment Strategy:** The Index is market capitalization weighted and is comprised of 50 to 75 of the highest yielding securities selected from the S&P/TSX Composite Index with each constituent being capped at 5% of the Index and each Global Industrial Classification Standard sector (each a “**Sector**”) being capped at 30% of the Index. See “Investment Strategy – Sectors the Fund Invests In”.

Each month the Manager may sell covered call options, from time to time, on not more than 25% of the total assets of the Fund and no more than 40% of the securities of any individual Portfolio issuer. See “Investment Strategy – Covered Option Writing”.

**Sectors the Fund Invests In:** The Index is a strategy index focused on dividend income and is comprised of 50 to 75 stocks of the highest yielding securities selected from the S&P/TSX Composite Index. The Index is market capitalization weighted with each constituent being capped at 5% of the Index and each Sector being capped at 30% of the Index. The Index was launched on December 20, 2010 to meet the Canadian investing community’s desire for a new high yield, high dividend index to replace the S&P/TSX Income Trust Index. As at March 31, 2011, the Index yield was 4.88% and the weighted average market capitalization was \$16.9 billion. See “Investment Strategy – Sectors the Fund Invests In”.

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regarding the advisability of investing in the Fund. See “Notice of Trademarks/Disclaimer”.

**Distributions:**

The Fund intends to make monthly distributions to Unitholders of record on the last business day of each month. Distributions will be paid on a business day designated by the Manager that will be no later than the 15th day of the following month. The Fund intends to pay monthly distributions initially expected to be \$0.0583 per Unit (approximately \$0.70 per annum, representing an annual cash distribution of 7.00% based upon the \$10.00 per Unit issue price). The initial cash distribution is anticipated to be payable on July 15, 2011, to Unitholders of record on June 30, 2011, based on an anticipated closing of May 9, 2011. Distributions paid by the Fund are generally expected to be capital gains and Canadian source dividends. The Fund will not have a fixed distribution but intends to announce distributions annually based on, among other things, the actual and expected distributions and returns generated from the Portfolio less the Fund’s estimated expenses.

Assuming the gross proceeds of the Offering are \$100 million and fees and expenses as described herein, the Portfolio is expected to generate dividend and distribution income of approximately 4.88% per annum (based on prices and Index weightings as at March 31, 2011). The Portfolio would be required to generate an additional return of approximately 3.73% of gross proceeds per annum, including from option premiums and capital appreciation, in order for the Fund to pay its initial targeted monthly distributions on the Units and maintain a stable net asset value (“**Net Asset Value**” or “**NAV**”). Based on: (i) the anticipated composition of the Portfolio; (ii) the average current volatility of the Portfolio Securities, and (iii) the other assumptions set forth under “Investment Strategy”, including that the Fund writes at-the-money call options on not more than 25% of the total assets of the Fund, the Portfolio would be expected to generate cash flow in excess of the above required return. If the return on the Portfolio (including option premiums and realized capital) is less than the amount necessary to fund monthly distributions, the Manager may return a portion of the capital of the Fund to Unitholders to ensure the distribution is paid and, accordingly, NAV per Unit would be reduced. **The amount of cash distributions may fluctuate from month to month and there can be no assurance that the Fund will make any distributions in any particular month or months.**

There can be no assurance given as to the amount of targeted distributions in the future. There is no assurance that the Fund will meet its investment objectives. See “Distribution Policy”.

**Termination:**

The Fund does not have a fixed termination date. See “Unitholder Matters – Termination of the Fund”.

**Annual Redemptions:**

Commencing in 2012, Units may be redeemed on the last business day in November of each year at a redemption price per Unit equal to NAV per Unit less any costs associated with the redemption including commissions and other costs related to liquidating any portion of the Portfolio required to fund such redemption. See “Calculation of Net Asset Value” and “Redemptions – Annual Redemptions”.

**Use of Proceeds:**

The net proceeds from the sale of Units (prior to the exercise of the Over-Allotment Option (as hereinafter defined)) will be as follows:

	<b>Maximum Offering<sup>(1)(2)</sup></b>	<b>Minimum Offering<sup>(1)(2)</sup></b>
<b>Offering</b>		
Gross proceeds to the Fund	\$100,000,000	\$20,000,000
Agents’ fees	(5,250,000)	(1,050,000)
Expenses of issue <sup>(3)</sup>	(650,000)	(300,000)
Net proceeds to the Fund	\$94,100,000	\$18,650,000

Notes:

- (1) There will be no closing unless a minimum of 2,000,000 Units are sold. The maximum Offering assumes 10,000,000 Units. If subscriptions for a minimum of Units have not been received within 90 days following the date of issuance of a receipt for this prospectus, this Offering may not continue without the consent of authorities and those who as subscribed on or before each date.
- (2) The Fund has granted the Agents an option (the “**Over-Allotment Option**”), exercisable for a 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 as set forth above. If the Over-Allotment is exercised in full, under the maximum Offering, the price to the public, the Agents’ fee and the net proceeds to the Fund before deducting the expenses of the Offering will be \$115,000,000, \$6,037,500 and \$108,962,500, respectively. This prospectus also qualifies the grant of the Over-Allotment Option and the distribution of the Units issuable on the exercise of the Over-Allotment Option. A purchaser who acquires the Units forming part of the Over-Allotment Option acquires those filled through the exercise of the Over-Allotment Option or secondary market purchases. See “Plan of Distribution”.
- (3) Subject to a maximum of 1.5% of the gross proceeds of the Offering.

The closing of the Offering will take place on or about May 9, 2011, or such later date as may be agreed upon by the Fund and the Agents, but in any event not later than 90 days after the final receipt for this prospectus is issued (the “**Closing**”).

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 the Portfolio in accordance with the investment objectives, strategy and restrictions of the Fund as soon as possible after Closing. The Manager expects that the net proceeds of the Offering will be fully invested within 30 days of the Closing. See “Use of Proceeds”.

**Eligibility for Investment:**

In the opinion of Wildeboer Dellelce LLP, counsel for the Fund, and Osler, Hoskin & Harcourt LLP, counsel for the Agents, provided that the Fund qualifies as a mutual fund trust within the meaning of the *Income Tax Act* (Canada) (the “**Tax Act**”) or the Units are listed on a “designated stock exchange” for purposes of the Tax Act, the Units will be qualified investments under the Tax Act for trusts governed by registered retirement savings plans, tax-free savings accounts (“**TFSA**”), deferred profit sharing plans, registered disability savings plans, registered retirement income funds and registered education savings plans (“**Registered Plans**”).

Provided that the holder of a TFSA (or, pursuant to the changes to the Tax Act proposed in the March 22, 2011 Federal Budget, the annuitant of a registered retirement savings plan or registered retirement income fund) does not hold a “significant interest” (within the meaning of the Tax Act) in the Fund or any person or partnership that does not deal at arm’s length with the Fund for the purposes of the Tax Act, the Units will not be a prohibited investment for a trust governed by such TFSA (or such registered retirement savings plan or registered retirement income fund). Generally, a holder (or annuitant) will not have a “significant interest” in the Fund unless the holder (or annuitant) owns 10% or more of the value of the Fund’s outstanding Units, either alone or together with persons and partnerships with which the holder (or annuitant) does not deal at arm’s length. Holders are advised to consult their own tax advisors in this regard. See “Income Tax Considerations – Status of the Fund”.

**Taxation of Unitholders:**

A Unitholder who is resident in Canada and holds Units as capital property generally will be required to include in computing income for a taxation year that part of the net income, and the taxable portion of the net realized capital gains, of the Fund, if any, that is paid or becomes payable to the Unitholder by the Fund in that year (whether received in cash or additional Units). To the extent that amounts payable to a Unitholder are designated by the Fund as (i) taxable dividends from taxable Canadian corporations and (ii) net taxable capital gains, 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 not be taxable but will reduce the adjusted cost base of the Unitholder’s Units.

A Unitholder who disposes of Units held as capital property will 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”.**

**Leverage**

The Fund is permitted to borrow an amount not exceeding 10% of the value of the total assets within the Portfolio, which borrowing may be used for various purposes, including purchasing additional securities for the Portfolio, effecting market purchases of Units, maintaining liquidity and funding redemptions. The Fund does not initially intend to borrow and the Fund does not need to borrow to meet its investment objectives. For description including terms, see “Investment Strategy – Leverage”.

**Organization and Management of the Fund:**

Management of the Fund	Name and Municipality of Residence	Services Provided to the Fund
Trustee, Manager, Portfolio Advisor and Promoter	Marquest Asset Management Inc. Toronto, Ontario	Formed and established the Fund. Manages the overall business and operations of the Fund, including providing portfolio advisory services.
Custodian	State Street Trust Company Canada Toronto, Ontario	Provides custody services to the Fund.
Valuation Agent	State Street Fund Services Toronto Inc. Toronto, Ontario	Provides valuation services to the Fund.
Auditor	Ernst & Young LLP Toronto, Ontario	Provides audit services to the Fund.
Registrar and Transfer Agent	Computershare Investor Services Inc. Toronto, Ontario	Maintains the securities register and the register of transfers of securities.

See “Organization and Management Details of the Fund”

**Agents:**

Scotia Capital Inc., CIBC World Markets Inc., RBC Dominion Securities Inc., BMO Nesbitt Burns Inc., National Bank Financial Inc., Canaccord Genuity Corp., GMP Securities L.P., HSBC Securities (Canada) Inc., Macquarie Private Wealth Inc., Raymond James Ltd., Mackie Research Capital Corporation, Wellington West Capital Markets Inc., Dundee Securities Ltd. and Union Securities Ltd. (collectively the “Agents”) conditionally offer the Units on a “best efforts” basis, subject to prior sale, if, as and when issued by the Fund and accepted by the Agents in accordance with the conditions contained in the Agency Agreement (defined under “Plan of Distribution”). See “Plan of Distribution”.

The Fund has granted the Agents the Over-Allotment Option, exercisable for a 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 as set forth above. If the Over-Allotment is exercised in full, under the maximum Offering, the price to the public, the Agents’ fee and the net proceeds to the Fund before deducting the expenses of the Offering will be \$115,000,000, \$6,037,500 and \$108,962,500, respectively.

Agent's Position	Maximum Size	Exercise Period	Exercise Price
Over-allotment Option	1,500,000 Units	Within 30 days of the closing of the Offering	\$10.00 per Unit

**Risk Factors:**

An investment in Units will be subject to certain risk factors, including:

- (i) no assurance of achieving investment objectives;
- (ii) risks associated with fluctuations in NAV;
- (iii) risks associated with the performance of the Portfolio;
- (iv) equity risk;
- (v) risks associated with changes to interest rates;
- (vi) risks associated with use of options and other derivative instruments;
- (vii) volatility in the trading price of Units;
- (viii) reliance on the Manager;
- (ix) a lack of prior operating history of the Fund;
- (x) significant redemptions of Units;
- (xi) risks associated with securities lending;
- (xii) risks relating to the use of leverage;
- (xiii) market disruptions;
- (xiv) recent global financial developments;
- (xv) passive management risk;
- (xvi) changes to the Index;
- (xvii) use of prime broker to hold assets;
- (xviii) tax related risks including risks relating to taxation of the Fund and of Unitholders which are dependent on the tax status of the Fund, tax proposals and administrative positions of the Canada Revenue Agency regarding the deductibility of interest and other expenses;
- (xix) potential changes in legislation, including tax legislation;
- (xx) changes to the status of the Fund; and
- (xxi) potential conflicts of interest.

See "Risk Factors".

## SUMMARY OF FEES AND EXPENSES

The following table contains a summary of the fees and expenses payable by the Fund. The fees and expenses payable by the Fund will reduce the value of your investment in the Fund. For further particulars, see “Fees and Expenses”.

### Fees and Expenses Payable by the Fund

<u>Type of Fee</u>	<u>Amount and Description</u>
<b>Fees Payable to the Agents:</b>	\$0.525 per Unit (5.25%).
<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 \$650,000, subject to a maximum of 1.5% of the gross proceeds of the Offering. See “Fees and Expenses”.
<b>Management Fee:</b>	An annual management fee (the “ <b>Management Fee</b> ”) of 0.60% of the NAV, calculated daily and paid monthly in arrears, plus an amount calculated quarterly and paid as soon as practicable after the end of each calendar quarter equal to Service Fee (as defined below), plus any applicable taxes, will be paid to the Manager. See “Fees and Expenses”.
<b>Service Fee:</b>	The Manager will pay to each registered dealer a service fee (the “ <b>Service Fee</b> ”) equal to 0.40% annually of the NAV per Unit for each Unit held by clients of such registered dealer (calculated and paid at the end of each calendar quarter commencing on June 30, 2011), plus any applicable taxes. The Service Fee payable to the registered dealers in respect of the period ending June 30, 2011, shall be paid on a <i>pro rata</i> basis and multiplied by a fraction, the numerator of which is equal to the number of days from the closing of the Offering until June 30, 2011, and the denominator of which is equal to the number of days in the quarter ending June 30, 2011. This Service Fee is reflected in the calculation of the NAV for the Units. See “Fees and Expenses” and “Calculation of Net Asset Value”.
<b>Operating Expenses of the Fund:</b>	The Fund will pay for all ordinary expenses it incurs in connection with its operation and management. In addition to the fees and expenses referenced elsewhere in this prospectus, it is expected that these expenses will include, without limitation: (a) financial reporting costs and mailing and printing expenses for periodic reports to security holders and other security holder communications including marketing and advertising expenses; (b) any taxes payable by the Fund; (c) costs and fees payable to the Manager and other third party service providers including legal, accounting, audit, transfer agency, fund administration, and its custody; (d) ongoing regulatory filing fees, maintenance of listing fees or other stock exchange requirement fees, licence fees and other fees; (e) any expenses incurred in connection with any legal proceedings in which the Manager participates on behalf of the Fund or any other acts of the Manager or any other agent of the Fund in connection with the maintenance or protection of the property of the Fund; (f) any fees payable to, and expenses incurred by the independent review committee (the “ <b>IRC</b> ”); (g) any additional fees payable to the Manager for performance of extraordinary services on behalf of the Fund; (h) Index licensing fees and expenses; and (i) consulting fees and expenses associated with the preparation of tax filings. The aggregate annual amount of the general operating and administrative fees and expenses are estimated to be \$300,000 per annum (assuming gross proceeds of the Offering of \$100 million). The Fund will also be responsible for all taxes, commissions, brokerage commissions and other costs of securities transactions, debt service and costs relating to any credit facilities and any extraordinary expenses which it may incur or which may be incurred on its behalf from time to time, as applicable. See “Fees and Expenses – Management Fees” and “Fees and Expenses – Operating Expenses”.

## THE FUND

### Overview of the Legal Structure of the Fund

Marquest Canadian Equity Income Fund (the “**Fund**”) is a closed-end investment fund established as a trust under the laws of the Province of Ontario pursuant to a declaration of trust dated as of April 28, 2011 (the “**Declaration**”). Marquest Asset Management Inc. (“**Marquest**” or the “**Manager**”) is the trustee, manager and promoter of the Fund.

### Status of the Fund

The Fund is not a “mutual fund” under applicable Canadian securities legislation. Consequently, the Fund is not subject to certain policies and regulations that apply to publicly offered mutual funds, notably National Instrument 81-101—*Mutual Fund Prospectus Disclosure* and National Instrument 81-102—*Mutual Funds* (“**NI 81-102**”).

The principal office of the Fund and the Manager is located at 181 Bay Street, Suite 2340, Toronto, Ontario, M5J 2T3.

## INVESTMENT OBJECTIVES

The Fund’s investment objectives are to provide holders with:

- (i) monthly distributions; and
- (ii) the opportunity for long-term capital appreciation.

In order to achieve the Fund’s investment objectives, the Fund will invest in a broadly diversified portfolio (the “**Portfolio**”) of the securities (the “**Portfolio Securities**”) comprising the S&P/TSX Equity Income Index (the “**Index**”) in approximately the same weightings as in the Index and may sell covered call options on the Portfolio Securities from time to time in order to enhance returns and lower the overall volatility of the Portfolio.

## INVESTMENT STRATEGY

The Index is market capitalization weighted and is comprised of 50 to 75 of the highest yielding securities selected from the S&P/TSX Composite Index with each constituent being capped at 5% of the Index and each Global Industrial Classification Standard sector (each a “**Sector**”) being capped at 30% of the Index. The Manager believes that the Index will become the new benchmark for equity income mandates in Canada and that the securities comprising the Index will benefit from the positive outlook for the Canadian economy, which is being driven by the improving prospects of the global economy. In particular, the Manager anticipates that the commodity sector will benefit from the continued strong growth in the emerging markets and the steadily improving prospects for the OECD economies.

Each month the Manager may sell covered call options, from time to time, on not more than 25% of the total assets of the Fund and no more than 40% of the securities of any individual Portfolio issuer. The Manager believes that selling covered call options from time to time is an attractive risk-adjusted approach to owning securities of these Portfolio issuers. The Manager also believes that in a slightly rising, flat or downward trending market, a portfolio that is subject to covered call option writing from time to time will generally provide higher relative returns and lower volatility than one on which no options are written. The Manager may repurchase call options in advance of their maturity. Where options are exercised and Portfolio Securities are called away, the Manager generally expects to repurchase the same underlying Portfolio Securities. In the event that an option is re-purchased or exercised, the Manager may elect to sell additional call options on the same Portfolio Security from time to time.

In order to facilitate distributions and/or to pay expenses of the Fund, the Manager may sell Portfolio Securities at its discretion. As a result of Portfolio Securities being sold or called away, the weightings of the Portfolio Securities may change from time to time. The use of call options may have the effect of limiting or reducing the total returns

of the Fund, particularly in a rising market since the premiums associated with writing covered call options may be outweighed by the cost of closing out outstanding option positions. The Manager may decide, in its sole discretion, not to sell call options on any Portfolio issuer in any month if it determines that market conditions render it impracticable to do so.

The Fund may also close out options in advance of year-end to reduce the likelihood that gains distributed by way of a special distribution 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 in a particular year where the Manager determines that it is in the best interest of the Fund to do so. The composition of stocks upon which call options are to be written from time to time will be selected at the discretion of the Manager.

### **Sectors the Fund Invests In**

The Fund will invest the net proceeds of the offering (the “**Offering**”) in the securities comprising the Index.

#### *The Index*

The Index is a strategy index focused on dividend income and is comprised of 50 to 75 of the highest yielding securities selected from the S&P/TSX Composite Index. The Index was launched on December 20, 2011 to meet the Canadian investing community’s desire for a new high yield, high dividend index to replace the S&P/TSX Income Trust Index.

#### *Eligibility*

To be included in the Index, a security must be a constituent of the S&P/TSX Composite Index and have a non-zero indicated annual dividend yield.

The Index is established as follows:

- (i) determine the median indicated annual dividend/distribution yield of all securities with non-zero indicated annual dividend/distribution yields in the S&P/TSX Composite Index;
- (ii) select the 75 securities with the largest indicated annual dividend/distribution yield from those which have indicated annual dividend/distribution yields above the median calculated in step (i);
- (iii) if there are fewer than 75 but more than 50 such securities, those securities with indicated annual dividend/distribution yields equal to or greater than the median form the Index; and
- (iv) if there are fewer than 50 securities with indicated annual dividend/distribution yields above the median, securities may be added in descending order of indicated annual dividend/distribution yield below the median until a total of 50 names are included.

#### *Index Construction*

The Index is market capitalization weighted, subject to a maximum weight of 5% in respect of each security and 30% in respect of each Sector. The Index is rebalanced quarterly subject to such security and Sector limits. If a Sector weighting is capped, the excess weighting is allocated proportionately to securities in the uncapped Sectors of the Index.

#### *Tracking Error*

The performance of the Units will differ from the performance of the Index for a number of reasons, including the fact that: (i) the Portfolio Securities will be subject to call options from time to time; (ii) the Fund will have on going

costs and expenses including transaction costs not reflected in the Index returns; and (iii) the Index assumes full investment whereas the Fund will be required to hold cash from time to time.

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### Indicative Portfolio

As of March 31, 2011, the Index consisted of the following constituents:

Name	S&P Equity Income Index Weighting <sup>(1)</sup>	Market Capitalization <sup>(1)</sup>	Dividend Yield <sup>(1)(2)</sup>	Compound Annual Total Return Performance to March 31, 2011 <sup>(3)</sup>		
				1-Year	3-Year	5-Year
(C\$ millions)						
<b>Consumer Discretionary</b>						
Groupe Aeroplan	1.25%	\$2,453	3.81%	27.6%	-3.4%	-1.1%
Cineplex	0.68%	\$1,335	5.44%	20.3%	20.3%	15.7%
Reitmans (Canada)	0.46%	\$1,158	4.58%	1.2%	4.2%	2.2%
Shaw Communications	3.69%	\$8,966	4.50%	5.9%	5.0%	13.5%
Yellow Media	1.45%	\$2,819	11.79%	1.3%	-7.8%	-9.3%
<b>Consumer Staples</b>						
North West Co	0.53%	\$1,047	4.43%	25.2%	13.5%	22.5%
<b>Energy</b>						
Altagas	0.58%	\$2,177	5.14%	49.6%	4.5%	2.2%
ARC Resources	2.05%	\$7,511	4.55%	30.5%	4.1%	2.8%
Bonavista Energy	1.10%	\$4,638	4.80%	35.5%	4.3%	2.0%
Baytex Energy	1.77%	\$6,467	4.23%	67.8%	15.8%	7.1%
Crescent Point Energy	3.47%	\$12,671	5.87%	28.4%	28.2%	27.5%
Daylight Energy	0.65%	\$2,378	5.31%	12.2%	20.6%	4.3%
Enerplus	1.50%	\$5,590	3.91%	36.9%	-1.8%	-2.5%
Freehold Royalties	0.28%	\$1,349	7.38%	46.5%	21.1%	16.0%
Husky Energy	2.08%	\$26,240	4.07%	0.5%	-6.2%	0.7%
Inter Pipeline Fund	1.21%	\$4,409	5.62%	52.8%	32.1%	21.3%
Keyera	0.75%	\$2,751	4.88%	54.0%	35.5%	22.0%
NAL Energy	0.53%	\$1,951	6.35%	7.7%	12.5%	5.2%
Petrobakken Energy	0.40%	\$3,436	5.23%	-33.6%	n.a.	n.a.
Peyto	0.75%	\$2,736	3.50%	62.6%	15.6%	6.0%
Pengrowth Energy	1.20%	\$4,442	6.26%	20.8%	-0.5%	1.8%
Perpetual Energy	0.13%	\$617	8.65%	-1.0%	-8.3%	-15.2%
Pembina Pipeline	1.05%	\$3,828	6.80%	41.4%	22.9%	14.3%
Provident Energy	0.66%	\$2,427	5.98%	64.1%	18.4%	12.7%
Penn West Petroleum	3.40%	\$12,383	4.01%	31.2%	10.5%	2.8%
Transcanada	4.98%	\$27,478	4.27%	9.0%	6.3%	7.4%
Vermilion Energy	1.23%	\$4,506	4.51%	49.2%	19.4%	16.5%
Veresen	0.61%	\$2,213	7.18%	40.3%	21.1%	13.5%
<b>Financials</b>						
AGF Management Ltd	0.24%	\$1,872	5.30%	15.6%	-0.1%	-1.7%
Bank Of Montreal	4.94%	\$35,758	4.45%	6.4%	2.7%	0.6%
CI Financial	0.55%	\$6,645	3.90%	11.5%	5.5%	-1.0%
CIBC	4.93%	\$33,010	4.16%	17.3%	12.7%	4.2%
Davis & Henderson	0.17%	\$1,090	8.98%	24.7%	18.5%	10.0%
Great-West Lifeco	1.07%	\$25,514	4.57%	-2.9%	1.4%	3.6%
IGM Financial	0.80%	\$12,789	4.16%	16.0%	7.3%	5.0%

Genworth MI Canada	0.18%	\$2,742	3.97%	-1.5%	n.a.	n.a.
National Bank Of Canada	2.01%	\$12,878	3.35%	30.8%	16.2%	29.5%
Power Corp Of Canada	1.51%	\$13,206	4.04%	-3.4%	-1.8%	0.5%
Power Financial	1.11%	\$22,223	4.46%	-2.1%	0.5%	1.6%
Royal Bank Of Canada	4.89%	\$85,540	3.33%	4.0%	11.7%	9.0%
Sun Life Financial	2.73%	\$17,502	4.73%	-3.1%	-10.6%	-5.7%
TMX Group	0.45%	\$2,887	4.12%	36.7%	4.2%	-1.8%
<b>Health Care</b>						
CML Healthcare	0.47%	\$914	7.42%	-12.1%	-6.0%	1.1%
Nordion	0.39%	\$769	3.50%	39.7%	-17.5%	-11.4%
<b>Industrials</b>						
Chorus Aviation	0.34%	\$666	11.15%	33.2%	5.0%	3.6%
Russel Metals	0.84%	\$1,638	4.03%	37.7%	8.6%	7.8%
Superior Plus	0.62%	\$1,218	10.64%	-9.4%	7.0%	5.1%
Westshore Terminals	0.84%	\$1,919	4.19%	73.8%	27.7%	31.2%
<b>Real Estate</b>						
Allied Properties REIT	0.14%	\$1,010	6.00%	14.4%	3.9%	1.7%
Artis REIT	0.17%	\$1,073	7.61%	34.2%	2.9%	1.1%
Boardwalk REIT	0.29%	\$2,512	3.74%	26.6%	3.8%	1.4%
Can Apartment Properties REIT	0.23%	\$1,492	5.55%	43.5%	14.5%	10.5%
Chartwell Seniors Housing REIT	0.21%	\$1,324	5.83%	37.0%	9.0%	0.1%
Cominar REIT	0.19%	\$1,425	6.34%	26.5%	11.3%	9.7%
Calloway REIT	0.34%	\$2,952	6.00%	30.9%	17.1%	7.6%
Dundee REIT	0.26%	\$1,803	6.63%	38.9%	10.7%	13.4%
Extendicare REIT	0.16%	\$1,057	6.61%	30.2%	15.9%	7.6%
First Capital Realty	0.14%	\$2,612	4.99%	36.3%	20.1%	11.0%
H&R REIT	0.50%	\$3,218	4.32%	36.2%	10.4%	6.7%
Primaris REIT	0.23%	\$1,464	5.72%	35.4%	16.2%	11.1%
Canadian REIT	0.36%	\$2,314	4.07%	31.9%	13.2%	13.3%
Riocan REIT	1.05%	\$6,591	5.42%	46.1%	14.3%	9.2%
<b>Telecommunication Services</b>						
Bell Aliant	1.75%	\$6,113	7.08%	16.7%	3.1%	n.a.
BCE	4.81%	\$26,614	5.59%	22.9%	1.4%	1.3%
Manitoba Telecom Services	1.00%	\$1,960	5.66%	-1.1%	-1.7%	-0.3%
Rogers Communications	5.03%	\$19,779	4.03%	5.6%	-0.9%	13.4%
Telus	5.15%	\$15,683	4.24%	36.1%	6.9%	5.6%
<b>Utilities</b>						
Atlantic Power	0.51%	\$999	7.46%	36.1%	7.4%	3.6%
Brookfield Renewable Power	0.72%	\$2,481	5.49%	20.7%	5.1%	2.3%
Capital Power	0.42%	\$1,169	8.42%	27.8%	10.3%	1.0%
Emera	1.85%	\$3,818	4.10%	34.7%	19.9%	15.7%
Fortis	2.95%	\$5,789	3.50%	18.5%	8.5%	12.0%
Just Energy Group	1.08%	\$2,214	8.01%	18.5%	16.7%	5.9%
Northland Power	0.61%	\$1,203	6.78%	27.5%	18.1%	11.2%
Transalta	2.31%	\$4,521	5.68%	-6.1%	-9.9%	2.5%
<b>Weighted Average<sup>(4)</sup></b>		<b>\$16,922</b>	<b>4.88%</b>	<b>20.3%</b>	<b>7.4%</b>	<b>7.1%</b>

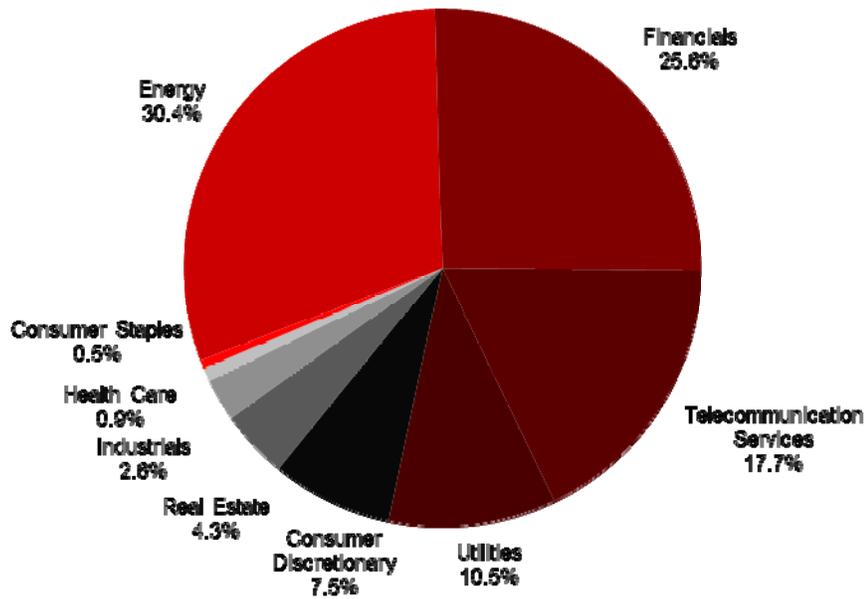
Source: Bloomberg, S&P

Notes:

- (1) Index weight, dividend yield and market capitalization as at March 31, 2011.
- (2) Dividend yield calculated using last distribution annualized or announced forward distributions if different than last distribution annualized.
- (3) Total return assumes reinvestment of distributions.
- (4) Weighted average calculated using Index weightings as at March 31, 2011. The weighted average compound annual total return assumes that historical weightings were the same as current Index weightings. The Index is rebalanced on a quarterly basis and Index weightings are subject to movement with price fluctuations.

*Sector Weight Comparison*

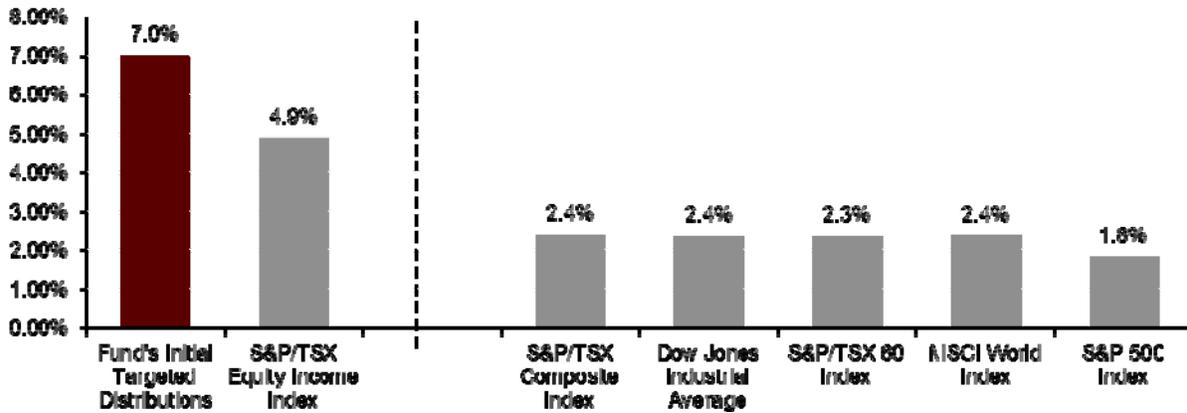
The following sets out the breakdown, as at March 31, 2011, of the weighting in each Sector of the Index:



Source: S&P

*Dividend Yield Comparison*

The following compares the annual gross dividend yields, as at March 31, 2011, of various Canadian, U.S. and world indices as compared to the Index and the Fund's initially targeted distributions:



Source: Bloomberg, S&P

## Covered Option Writing

### *Strategy*

The writing of covered call options by the Fund may involve the selling of call options from time to time in respect of not more than 25% of the total assets of the Fund and no more than 40% of the securities of any individual Portfolio issuer. Such call options may be either exchange-traded options or over-the-counter options. Call options will be written only in respect of the Portfolio Securities.

The holder of a call option purchased from the Fund will have the option, exercisable during a specific time period or at expiry, to purchase the securities underlying the option from the Fund at the strike price per security. By selling call options, the Fund will receive option premiums, which are generally paid within one business day of the writing of the option. If at any time during the term of a call option or at expiry, the market price of the underlying securities is above the strike price, the holder of the option may exercise the option and the Fund would be obligated to sell the securities to the holder at the strike price per security. In the event an option is repurchased or exercised, the Manager may elect to sell additional calls on the same security from time to time. If, however, the option is out-of-the-money at expiration of the call option, the holder of the option will likely not exercise the option and the option will expire. In each case, the Fund will retain the option premium. See “Investment Strategy – Covered Option Writing – Call Option Pricing”.

The amount of option premium depends upon, among other factors, the expected volatility of the price of the underlying security. 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. The Manager intends that the options sold by the Fund will be sold at a strike price which is “at-the-money” (that is at or close to the current market price of the Portfolio Securities). See “Investment Strategy – Covered Option Writing – Call Option Pricing”.

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

### *Call Option Pricing*

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

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

- (a) *The volatility of the price of the underlying security* – 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;

- (b) *The difference between the strike price 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 greater the option premium;
- (c) *The term of the option* – the longer the term, the greater the call option premium;
- (d) *The “risk-free” or benchmark interest rate in the market in which the option is issued* – the higher the risk-free interest rate, the greater the call option premium; and
- (e) *The dividends and distributions expected to be paid on the underlying security during the relevant term* – the greater the dividends and distributions, the lower the call option premium.

### 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 current constituents of the Index for the period from March 31, 2001 to March 31, 2011 are set out in the chart below:

	<b>Volatilities</b>			
	Average	Low	High	Current
Current constituents of the Index <sup>(1)</sup>	25.0%	7.8%	98.3%	17.6%

Source: Bloomberg

Notes:

- (1) Historical volatility data reflects the 10 year history for the current constituents of the Index and in some cases reflects periods of less than 10 years due to their shorter operating history. Volatility is weighted based on Index weightings as at March 31, 2011.

**The information set forth above is historical and is not intended to be, nor should it be construed as, an indication as to future volatility levels of the Portfolio Securities.**

### Income From Covered Call Option Writing

The following table sets forth income, expressed as a percentage of the issue price, and net of the Fund’s 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 from time to time on 25% of the total assets of the Fund at various volatility levels. All numbers are based on market prices and weightings as at March 31, 2011.

The income numbers shown below do not take into account the potential price impact on portfolio value resulting from writing covered call options. Securities on which the Fund has written covered calls have the full downside risk associated with a regular security holding but are limited in upside return to the amount out-of-the-money at which the call is written. In the case of covered calls written 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.

	<b>Assumed Volatility</b>								
	<b>10.0%</b>	<b>12.5%</b>	<b>15.0%</b>	<b>17.5%</b>	<b>20.0%</b>	<b>22.5%</b>	<b>25.0%</b>	<b>27.5%</b>	<b>30.0%</b>
<b>Return from Call Premiums<sup>(1)</sup></b>	2.9%	3.7%	4.5%	5.3%	6.1%	7.0%	7.8%	8.6%	9.4%
<b>Return from Dividend Yield</b>	4.6%	4.6%	4.6%	4.6%	4.6%	4.6%	4.6%	4.6%	4.6%
<b>Expenses as % of Gross Proceeds</b>	-1.3%	-1.3%	-1.3%	-1.3%	-1.3%	-1.3%	-1.3%	-1.3%	-1.3%
<b>Cash Available for Distribution<sup>(2)</sup></b>	<b>6.2%</b>	<b>7.0%</b>	<b>7.8%</b>	<b>8.6%</b>	<b>9.4%</b>	<b>10.2%</b>	<b>11.0%</b>	<b>11.9%</b>	<b>12.7%</b>

Notes:

- (1) Return from at-the-money call premiums written on 25% of total assets.

- (2) Expressed as a percentage of issue price and numbers may not add up to the total due to rounding.

**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 net income of the Fund has been based will be realized.**

The table was generated using a modified Black-Scholes model and assumes that call options will be written at-the-money – which is within the range generally expected to be utilized by the Manager in writing call options – and is based on the following assumptions:

- (a) the gross proceeds of the Offering are \$100 million and the net proceeds are fully invested in the securities of the issuers comprising the Index on the same basis they are weighted in the Index;
- (b) the range of volatility shown in the table approximates the range of the historical average volatility of Portfolio Securities;
- (c) all call options are exercisable only at maturity and are written at-the-money;
- (d) a maximum of 25% of the total assets of the Fund applied to Portfolio Securities on which exchange traded options are available are subject to one month call options throughout the relevant period;
- (e) the Canadian risk-free or benchmark interest rate equals 1.3% per annum;
- (f) the average net return from dividends and distributions paid on the Portfolio Securities is 4.88% of net asset value (“**Net Asset Value**” or “**NAV**”) per annum (which corresponds to 4.59% of issue price), assuming a market capitalization weighted allocation among the securities comprising the Index included in the Portfolio;
- (g) there are no realized capital gains or losses on the Portfolio Securities for the period during which the call options are outstanding (for illustrative purposes only – the Fund expects that there will be capital gains and losses that they may have a positive or negative effect on the value of the Fund);
- (h) the Management Fee is 0.60% of NAV plus an amount equal to the Service Fee, plus any applicable taxes, and operating expenses are equal to \$300,000 per year; and
- (i) no leverage is utilized.

### **Leverage**

Following the closing of the Offering, the Fund may enter into a loan facility (the “**Loan Facility**”) or a prime brokerage facility (the “**Prime Brokerage Facility**”) with one or more Canadian chartered banks (the “**Lender**”). The Lender will be at arm’s length to the Fund and the Manager and its respective affiliates and associates but may be affiliated with one of the Agents. The Fund does not initially intend to borrow and does not need to borrow to meet its investment objectives.

The Loan Facility or Prime Brokerage Facility, as applicable, will permit the Fund to borrow an amount not exceeding 10% of the value of the total assets within the Portfolio, which borrowing may be used for various purposes, including purchasing additional securities for the Portfolio, effecting market purchases of Units, maintaining liquidity and funding redemptions. The interest rates, fees and expenses under the Loan Facility or Prime Brokerage Facility, as applicable, will be typical of credit facilities of this nature and the Fund expects that the Lender will require the Fund to provide a security interest in favour of the Lender over the assets of the Fund to secure such borrowings. In order to ensure that the total amount borrowed by the Fund under the Loan Facility or Prime Brokerage Facility, as applicable does not exceed at any time 10% of the value of the total assets within the Portfolio, the Manager will take appropriate steps with the Portfolio which may include liquidating certain of the Portfolio assets and using the proceeds thereof to reduce the amount outstanding under the Loan Facility or Prime Brokerage Facility, as applicable.

The Loan Facility or Prime Brokerage Facility, as applicable, will contain provisions to the effect that in the event of a default under the Loan Facility or Prime Brokerage Facility, as applicable, the Lender's recourse will be limited solely to the assets of the Fund. Such provisions are intended to ensure that Unitholders will not be directly liable for the obligations of the Fund under the Loan Facility or Prime Brokerage Facility, as applicable. Other than borrowing by the Fund under the Loan Facility or Prime Brokerage Facility, as applicable, the Fund does not contemplate engaging in other borrowings.

### **Securities Lending**

In order to generate additional returns, the Fund may lend Portfolio Securities to securities borrowers acceptable to the Fund pursuant to the terms of a securities lending agreement between the Fund and any such borrower under which: (i) the borrower will pay to the Fund a negotiated securities lending fee and will make compensation payments to the Fund equal to any distributions received by the borrower on the securities borrowed; (ii) the securities loans must qualify as "securities lending arrangements" for the purposes of the *Income Tax Act* (Canada) (the "**Tax Act**"); and (iii) the Fund will receive collateral security. The Fund may only lend the portion of the securities of a Portfolio issuer that is not subject to a covered call option. If a securities lending agent is appointed for the Fund, such agent will be responsible for the ongoing administration of the securities loans, including the obligation to mark-to-market the collateral on a daily basis.

### **INVESTMENT RESTRICTIONS**

The Fund is subject to certain investment restrictions that, among other things, limit the securities that the Fund may acquire for the Portfolio. The Fund's investment restrictions may not be changed without approval by resolution passed by at least 66 <sup>2</sup>/<sub>3</sub>% of the votes cast by holders of Units voting thereon who attend in person or by proxy and vote at a meeting called for such purpose. See "Unitholder Matters – Matters Requiring Unitholder Approval". The Fund's investment restrictions provide that the Fund may:

- (i) only purchase equity securities of an issuer if such securities are included in the Index weighted on approximately the same basis that they are included in the Index. If the Index ceases to be published, other than on a temporary basis, the Manager may determine a successor index on which to base the composition of the Portfolio;
- (ii) purchase debt securities only if such securities are cash equivalents as defined in NI 81-102;
- (iii) not write call options in respect of more than 25% of the total assets of the Fund and no more than 40% of the securities of any individual Portfolio issuer;
- (iv) not write call options unless the security underlying the option is held by the Fund;
- (v) not dispose of any security that is subject to a call option written by the Fund unless such option has either terminated or expired;
- (vi) not borrow money (other than as described in this prospectus) or guarantee the obligations of any person other than the Manager, and then only in respect of the activities of the Fund;
- (vii) not make or hold any investment or undertake any activity that would result in the Fund failing to qualify as a "mutual fund trust" within the meaning of the Tax Act;
- (viii) not make or hold any investments that would result in the Fund itself being subject to the tax for SIFT trusts as provided for in section 122 of the Tax Act, including the following restrictions:
  - a. the Fund must not hold "securities" of a "subject entity", other than a "portfolio investment entity", (as defined in section 122.1 of the Tax Act) if such securities have a fair market value that is greater than 10% of the equity value in such subject entity for the purposes of the Tax Act;

- b. the Fund must not hold “securities” of a “subject entity”, other than a “portfolio investment entity”, (as defined in section 122.1 of the Tax Act) if, together with all of the securities that the Fund holds of entities affiliated with the particular subject entity, such securities have a total fair market value that is greater than 50% of the equity value of the Fund for the purposes of the Tax Act;
  - c. the Fund must not acquire any property that is a “Canadian real, immovable or resource property” for purposes of the Tax Act if at any time in the taxation year the total fair market value of such property held by the Fund is greater than 50% of the equity value of the Fund for the purposes of the Tax Act; and
  - d. the Fund must not hold a property that the Fund, or a person or partnership with whom the Fund does not deal at arm’s length, uses in the course of carrying on a business in Canada;
- (ix) not acquire or hold an interest in a non-resident trust (or in any partnership that holds an interest in a non-resident trust), if the Fund (or the partnership) would be required to include amounts in its income pursuant to sections 91, 94 or 94.1 of the Tax Act (and any proposed amendments to these provisions as set forth in draft legislation released on August 27, 2010 or any successor provisions thereto), or in accordance with proposed section 94.2 of the Tax Act as set forth in draft legislation released on August 27, 2010 (or amendments to such proposals or provisions as enacted into the law or successor provisions thereto);
  - (x) not invest in a security of an issuer that would be a foreign affiliate of the Fund for purposes of the Tax Act;
  - (xi) not invest in any security that is a “tax shelter investment” within the meaning of section 143.2 of the Tax Act;
  - (xii) not make or hold any investment that would be “taxable Canadian property” of the Fund (as such term is defined in the Tax Act (if the definition were read without reference to paragraph (b) thereof)) or an investment in “specified property” (within the meaning of the proposed amendment to subsection 132(4) of the Tax Act or amendments to such proposals, provisions as enacted into law or successor provisions thereto) if it would result in the Fund owning specified properties having a fair market value greater than 10% of the fair market value of all of its property;
  - (xiii) not enter into any arrangement (including the acquisition of securities for the Portfolio) where the result is a dividend rental arrangement for the purposes of the Tax Act; and
  - (xiv) not engage in securities lending that does not constitute a “securities lending arrangement” for the purposes of the Tax Act.

## **FEES AND EXPENSES**

### **Initial Fees and Expenses**

Subject to a maximum of 1.5% of the gross proceeds of the Offering, the expenses of the Offering, (including the costs of printing and preparing this prospectus, legal expenses, marketing expenses, certain expenses incurred by the Agents and certain other expenses incurred in connection with the Offering) estimated to be \$650,000, will, together with the Agents’ fees in respect of the Offering, be paid from the gross proceeds of the Offering.

### **Agents’ Fee**

The Fund will pay the Agents a fee of \$0.525 per Unit (5.25% of the price of a Unit) sold.

## **Management Fee**

An annual management fee (the “**Management Fee**”) of 0.60% of the NAV, calculated daily and paid monthly in arrears, plus an amount calculated quarterly and paid as soon as practicable after the end of each calendar quarter equal to Service Fee (as defined below), plus any applicable taxes, will be paid to the Manager.

## **Service Fee**

The Manager will pay to each registered dealer a service fee (the “**Service Fee**”) equal to 0.40% annually of the NAV per Unit for each Unit held by clients of such registered dealer (calculated and paid at the end of each calendar quarter commencing on June 30, 2011), plus any applicable taxes. The Service Fee payable to the registered dealers in respect of the period ending June 30, 2011, shall be paid on a *pro rata* basis and multiplied by a fraction, the numerator of which is equal to the number of days from the closing of the Offering until June 30, 2011, and the denominator of which is equal to the number of days in the quarter ending June 30, 2011. This Service Fee is reflected in the calculation of the NAV for the Units. See “Calculation of Net Asset Value”.

## **Operating Expenses**

The Fund will pay for all ordinary expenses it incurs in connection with its operation and management. In addition to the fees and expenses referenced elsewhere in this prospectus, it is expected that these expenses will include, without limitation: (a) financial reporting costs and mailing and printing expenses for periodic reports to security holders and other security holder communications including marketing and advertising expenses; (b) any taxes payable by the Fund; (c) costs and fees payable to the Manager and other third party service providers including legal, accounting, audit, transfer agency, fund administration, and its custody; (d) ongoing regulatory filing fees, maintenance of listing fees or other stock exchange requirement fees, license fees and other fees; (e) any expenses incurred in connection with any legal proceedings in which the Manager participates on behalf of the Fund or any other acts of the Manager or any other agent of the Fund in connection with the maintenance or protection of the property of the Fund; (f) any fees payable to, and expenses incurred by the independent review committee (the “**IRC**”); (g) any additional fees payable to the Manager for performance of extraordinary services on behalf of the Fund; (h) Index licensing fees and expenses; and (i) consulting fees and expenses associated with the preparation of tax filings. The aggregate annual amount of the general operating and administrative fees and expenses are estimated to be \$300,000 per annum (assuming gross proceeds of the Offering of \$100 million). The Fund will also be responsible for all taxes, commissions, brokerage commissions and other costs of securities transactions, debt service and costs relating to any credit facilities and any extraordinary expenses which it may incur or which may be incurred on its behalf from time to time, as applicable. See “Fees and Expenses – Management Fees” and “Fees and Expenses – Operating Expenses”.

## **RISK FACTORS**

There are certain risks inherent in an investment in the Units, including the following factors, which investors should carefully consider before investing. Some of the following factors are interrelated and, consequently, investors should treat such risk factors as a whole. The following information is a summary only of certain risk factors and is qualified in its entirety by reference to, and must be read in conjunction with, the detailed information appearing elsewhere in this prospectus. These risks and uncertainties are not the only ones that could affect the Fund and additional risks and uncertainties not currently known to the Fund or the Manager, or that they currently deem immaterial, may also impair the returns, NAV, financial condition and results of operations of the Fund. If any such risks actually occur, the returns, NAV, financial condition and results of operations of the Fund could be materially adversely affected and each of the financial performance of the Fund and the ability of the Fund to make cash distributions or satisfy requests for redemptions of Units could be materially adversely affected.

## **No Assurance of Achieving Investment Objectives**

There is no assurance that the Fund will be able to achieve its investment objectives or be able to pay distributions at targeted levels. The funds available for distribution to Unitholders will vary according to, among other things, the interest, dividends and distributions received in respect of its Portfolio Securities, premiums from writing covered

call options and the market value of the Portfolio Securities. There is no assurance that the Fund will earn any return.

The Manager, on behalf of the Fund, will at least annually re-evaluate the Fund's targeted level of distributions.

An investment in the Fund is appropriate only for investors who have the capacity to absorb a loss on their investment and who can withstand the effect of distributions not being paid in any period or at all.

### **Fluctuations in NAV**

The NAV applicable to Units and the funds available for distributions will vary according to, among other things, the value of the securities held within the Portfolio and the amount of distributions, interest and dividends paid by the issuers of the securities held by the Fund in the Portfolio. Fluctuations in the market value of the Portfolio Securities may occur for a number of reasons beyond the control of the Manager.

### **Performance of the Portfolio**

The NAV per Unit will vary as the fair value of the securities in the Portfolio varies. The Fund has no control over the factors that affect the fair value of the securities in the Portfolio, including factors that affect the equity markets generally, such as general economic and political conditions and fluctuations in interest rates, and factors unique to each issuer included in the Portfolio, such as changes in management, changes in strategic direction, achievement of strategic goals, mergers, acquisitions and divestitures, changes in distribution policies and other events that may affect the value of its securities. Some global economies are experiencing significantly diminished growth and some may suffer a recession. No assurance can be given that diminished availability of credit and significant equity devaluations will not adversely affect the markets into which the Fund will invest in the near to medium term.

### **Equity Risk**

The value of an equity security changes with the fortunes of the company that issued it. General market conditions and the health of the economy as a whole can also affect equity prices. Present economic conditions may adversely affect global companies and the pricing of their securities. Further continued volatility or illiquidity could impair materially the profitability of these issuers.

### **Changes to Interest Rates**

As the Fund is initially targeting monthly distributions of \$0.0583 per Unit, the market price of the Units may be affected by the level of interest rates prevailing from time to time. Unitholders who wish to sell their Units will therefore be exposed to the risk that the market price of the Units may 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 the Portfolio, including those securities that are subject to outstanding covered call options written by the Fund, should the market price of such securities decline. In addition, the Fund will not participate in any gain on securities that are subject to outstanding covered call options above the strike price of the options unless the Fund pays to repurchase the option at the then current market price of the option.

The use of covered call options may have the effect of limiting or reducing the total returns of the Fund, particularly in a rising market, since the premiums associated with writing covered call options may be outweighed by the cost of closing out outstanding options.

There can be no assurance that a liquid exchange or over-the-counter market will exist to permit the Fund to write covered call options on desired terms or to close out option positions should it desire to do so. The ability of the Fund to close out its positions may also be affected by exchange-imposed daily trading limits on options or the lack

of a liquid over-the-counter market. If the Fund is unable to repurchase a call option that 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.

Derivative transactions involve the risk of the possible default by the other party to the transaction (whether a clearing corporation in the case of exchange-traded instruments or other third party in the case of over-the-counter instruments) in that it may be unable to meet its obligations.

### **Volatility in the Trading Price of Units**

The Units may trade in the market at a discount to NAV per Unit, and there can be no assurance that the Units will trade at a price equal to (or greater than) the NAV per Unit.

### **Reliance on the Manager**

Unitholders will be dependent on the ability of the Manager to effectively manage the Fund and the Portfolio in a manner consistent with the investment objectives, strategy and restrictions of the Fund. The employees of the Manager who will be primarily responsible for the management of the Portfolio have experience in managing investment portfolios. There is no certainty that the employees of the Manager who will be primarily responsible for the management of the Portfolio will continue to be employees of the Manager throughout the term of the Fund. Furthermore, the Manager has been exposed to a claim and litigation relating to wrongful dismissal and related matters by a former officer. The Manager believes that such claim is entirely without merit. However, if such claim was not resolved in its favour, it could result in the Manager not being able to continue to supply trustee and management services to the Fund. The inability of the Manager to continue to supply such services could require the Unitholders to approve a new trustee and/or manager of the Fund or the termination of the Fund.

### **A Lack of Prior Operating History of the Fund**

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

### **Significant Redemptions of Units**

Units are redeemable annually and monthly as described under “Redemptions”. The purpose of the annual redemption right is to provide Unitholders with the right to realize their investment annually without any trading discount to the NAV. While the annual redemption right provides Unitholders the option of liquidity at NAV, there can be no assurance that it will also 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 potentially resulting in lower NAV per Unit.

### **Securities Lending**

The Fund may engage in securities lending. Although it will receive collateral for the loans and such collateral will be marked-to-market, the Fund will be exposed to the risk of loss should the borrower default on its obligation to return the borrowed securities and the collateral be insufficient to reconstitute the portfolio of loaned securities.

### **Use of Leverage**

The use of leverage by the Fund may result in capital losses or a decrease in distributions to Unitholders. If the value of the Portfolio decreases such that the amount borrowed by the Fund exceeds 10% of the value of the total assets within the Portfolio, the Fund may be required to sell assets in order to comply with such restriction. Such sales may be required to be done at prices which may adversely affect the value of the Portfolio and the return to the Fund. The interest expense, banking and other fees incurred in respect of any loan facility or prime brokerage facility entered into by the Fund will decrease the value of the assets of the Fund, thereby reducing the amounts available to pay

distributions on the Units. In addition, the Fund may not be able to renew any borrowings on acceptable terms or at all. There can be no assurance that the borrowing strategy employed by the Fund will assist the Fund in achieving its objectives.

### **Market Disruptions**

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

### **Recent Global Financial Developments**

Global financial markets experienced a sharp increase in volatility in late 2008 and early 2009. This contributed to a reduction in liquidity among financial institutions and reduced the availability of credit to those institutions and to the issuers who borrow from them. There is a possibility of similarly adverse market conditions returning and such market conditions and unexpected volatility or illiquidity in financial markets may also adversely affect the prospects of the Fund and the value of the Fund's investments. A substantial drop in the North American equities markets could be expected to have a negative effect on the Fund.

### **Passive Management Risk**

An investment in Units of the Fund should be made with an understanding that the Portfolio issuers and the Index may fluctuate in accordance with the financial condition of the companies comprising the Index from time to time, the value of the securities generally and other factors. Because it is the Fund's intention to invest in the securities comprising the Index 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 an issuer included in the Index will not necessarily result in the elimination of exposure to its securities. In addition, the performance of the Units will not necessarily reflect changes in the value of the Index, due to among other things, covered call option writing by the Fund.

### **Changes to the Index**

If the Index ceases to be published, other than on a temporary basis, the Manager may determine a successor index comprised of Canadian-domiciled issuers on which to base the composition of the Portfolio. No assurance can be given that the index methodology that governs the calculation, maintenance and administration of the Index will not change in the future.

### **Use of Prime Broker to Hold Assets**

Some or all of the Fund's assets may be held in one or more accounts with a prime broker in order to, among other things, facilitate the use of the over-the-counter option trades. Such accounts may provide less segregation of customer assets than would be the case with a more conventional custody arrangement. The prime broker may lend, pledge or hypothecate the Fund's assets in such accounts, which may result in a potential loss of such assets. As a result, the Fund's assets could be frozen and inaccessible for withdrawal or subsequent trading for an extended period of time if the prime broker experiences financial difficulty. In such case, the Fund may experience losses due to insufficient assets at the prime broker to satisfy the claims of its creditors and adverse market movements while its positions cannot be traded.

### **Taxation of the Fund**

Currently, a trust will be deemed not to be a mutual fund trust if it is established or maintained primarily for the benefit of non-residents unless all or substantially all of its property is property other than "taxable Canadian property" as defined in the Tax Act. Tax Proposals (as defined under "Income Tax Considerations") released on September 16, 2004 propose that a trust would cease to qualify as a mutual fund trust for purposes of the Tax Act if,

at any time after 2004, the fair market value of all Units held by non-residents or partnerships which are not Canadian partnerships for the purpose of the Tax Act is more than 50% of the fair market value of all issued and outstanding Units unless no more than 10% (based on fair market value) of the Fund's property is at any time taxable Canadian property within the meaning of the Tax Act and certain other types of specified property. On December 6, 2004, the Department of Finance tabled a Notice of Ways and Means Motion which did not include these proposed changes and stated that further discussions will take place with the private sector in this regard. Provided the Fund complies with its investment restrictions set forth under "Investment Restrictions", no more than 10% of the fair market value of the Fund's assets will at any time consist of taxable Canadian property and such other specified property. As the Fund intends to continue to meet all other requirements necessary to maintain its status as a mutual fund trust, the Manager does not anticipate that under current law or these Tax Proposals (if enacted as proposed) the Fund would lose mutual fund trust status.

If the Fund were to cease to qualify as a mutual fund trust, the income tax considerations as described under "Income Tax Considerations" would in some respects be materially different. Neither current law nor the Tax Proposals provide any means of rectifying a loss of mutual fund trust status.

There can be no assurance that Canadian federal and provincial income tax laws respecting the treatment of mutual fund trusts will not be changed in a manner that adversely affects the Fund or the Unitholders.

The Loss Deductibility Proposals (as defined under "Income Tax Considerations – Taxation of the Fund") limiting claims for losses are draft proposals. The scope of such provisions and whether or not there will be material changes before the provisions are finalized is uncertain. There can be no assurance that the Loss Deductibility Proposals, if enacted, may not have an adverse effect on the Fund. The Manager will have to monitor these Tax Proposals to determine the effect, if any, that they will have on any losses that may be realized by the Fund. See "Income Tax Considerations".

In determining its income for tax purposes, the Fund will treat gains and losses realized on the disposition of securities held by it, option premiums received on the writing of covered call options and any losses sustained on closing out options as capital gains and capital losses in accordance with the Canada Revenue Agency's ("CRA") published administrative policies. The CRA's practice is not to grant advance income tax rulings on the character of items as capital or income and no advance income tax ruling has been applied for or received from CRA. 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 and non-Canadian Unitholders being jointly liable for unremitted withholding taxes on prior distributions made to Unitholders who were not resident in Canada at the time of the distribution. Such potential liability may reduce NAV, NAV per Unit and/or the trading prices of the Units.

Under certain provisions of the Tax Act (the "**SIFT Rules**"), trusts or partnerships (defined as "**SIFT trusts**" and "**SIFT partnerships**", respectively) the securities of which are listed or traded on a stock exchange or other public market and that hold one or more "non-portfolio properties" (as defined in the Tax Act) are effectively taxed on income and capital gains in respect of such non-portfolio properties at combined rates comparable to the rates that apply to income earned and distributed by Canadian corporations. 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 the Fund is prohibited from holding "non-portfolio property" based on its investment objectives and investment restrictions, as described under the headings "Investment Objectives" and "Investment Restrictions", respectively. If the SIFT Rules were to apply to the Fund, they would have an adverse impact on the Fund including on the distributions received by Unitholders and/or the value of the Units.

Based on its investment objectives and investment restrictions the issuers of securities included in the Portfolio should not be SIFT trusts or SIFT partnerships within the meaning of the Tax Act. If the SIFT Rules were to apply to any such issuers, the after-tax returns realized by Unitholders may be reduced to the extent that the Fund receives distributions of income or capital gains from such SIFT trusts or SIFT partnerships. In addition, it is possible that SIFT trusts or SIFT partnerships may seek to restructure their affairs and organizational structures in a manner that could have an impact upon the returns to the Fund. Finally, the SIFT Rules have had, and may continue to have, an effect on the trading price of interests in trusts and partnerships that may be affected by such provisions.

## Changes in Legislation

There can be no assurance that income tax, securities and other laws or the interpretation and application of such laws by courts and governmental authorities will not be changed in a manner which adversely affects the Fund or the Unitholders.

## Changes to the Status of the Fund

The Fund will not be a “mutual fund” as defined under Canadian securities laws and, accordingly, the Fund is not subject to the Canadian policies and regulations that apply to open-end mutual funds. As a result, some of the protections provided to investors in mutual funds under Canadian securities laws, including certain provisions of NI 81-102, do not apply to the Fund.

## Potential Conflicts of Interest

The Manager, its 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.

Although officers, directors and professional staff of the Manager will devote as much time to the Fund as is deemed appropriate to perform its duties, the staff of the Manager may have conflicts in allocating their time and services among the Fund and the other funds managed by the Manager.

## DISTRIBUTION POLICY

The Fund intends to make monthly distributions to Unitholders of record on the last business day of each month. Distributions will be paid on a business day designated by the Manager that will be no later than the 15th day of the following month. The Fund intends to pay monthly distributions initially expected to be \$0.0583 per Unit (approximately \$0.70 per annum, representing an annual cash distribution of 7.00% based upon the \$10.00 per Unit issue price). The initial cash distribution is anticipated to be payable on July 15, 2011, to Unitholders of record on June 30, 2011, based on an anticipated closing of May 9, 2011. Distributions paid by the Fund are generally expected to be capital gains and Canadian source dividends. The Fund will not have a fixed distribution but intends to announce distributions annually based on, among other things, the actual and expected distributions and returns generated from the Portfolio less the Fund’s estimated expenses.

Assuming the gross proceeds of the Offering are \$100 million and fees and expenses are as described herein, the Portfolio is expected to generate dividend and distribution income of approximately 4.88% per annum (based on market prices and Index weightings as at March 31, 2011). The Portfolio would be required to generate an additional return of approximately 3.73% of gross proceeds per annum, including from option premiums and capital appreciation, in order for the Fund to pay its initial targeted monthly distributions on the Units and maintain a stable Net Asset Value. Based on: (i) the anticipated composition of the Portfolio; (ii) the average current volatility of the Portfolio Securities, and (iii) the other assumptions set forth under “Investment Strategy”, including that the Fund writes at-the-money call options on not more than 25% of the total assets of the Fund, the Portfolio would be expected to generate cash flow in excess of the above required return. If the return on the Portfolio (including option premiums and realized capital appreciation) is less than the amount necessary to fund monthly distributions, the Manager may return a portion of the capital of the Fund to Unitholders to ensure the distribution is paid and, accordingly, NAV per Unit would be reduced. **The amount of cash distributions may fluctuate from month to month and there can be no assurance that the Fund will make any distributions in any particular month or months.**

The use of call options may have the effect of limiting or reducing the total returns of the Fund, particularly in a rising market, since the premiums associated with writing covered call options may be outweighed by the cost of closing out outstanding options. However, the Manager believes that in a slightly rising, flat or downward trending market, a portfolio that is subject to covered call option writing from time to time will generally provide higher relative returns and lower volatility than one on which no options are written.

If the Fund's net income for tax purposes, after adjusting for net realized taxable capital gains, for any year exceeds the aggregate amount of the regular monthly distributions made in the year to Unitholders, the Fund may pay one or more special distributions in such year to Unitholders as is necessary to ensure that the Fund will not be liable for income tax on such amounts under the Tax Act (after taking into account all available deductions, credits and refunds). Such distributions may be made in Units and/or cash. A distribution payable in Units will increase the aggregate adjusted cost base to the Unitholders of their Units. Immediately following payment of such distribution in Units, the number of Units outstanding will be automatically consolidated such that the number of Units outstanding will be equal to the number of Units outstanding immediately prior to such payment, except in the case of a non-resident Unitholder if tax was required to be withheld in respect of the distribution. See "Income Tax Considerations".

## 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. The closing of the Offering will take place on or about May 9, 2011, or such later date as may be agreed upon by the Fund and the Agents, but in any event not later than 90 days after the final receipt for this prospectus is issued (the "Closing"). The Offering price was determined by negotiation between the Agents and the Fund.

## REDEMPTIONS

### Annual Redemptions

Except as provided under "Limitation and Suspension of Redemptions", commencing in 2012, Units may be redeemed on the last business day in November of each year (each, an "Annual Redemption Date") at a redemption price per Unit equal to NAV per Unit less any costs associated with the redemptions including commissions and other costs related to liquidating any portion of the Portfolio required to fund such redemption. See "Calculation of Net Asset Value". Units must be surrendered for annual redemption to the Fund's registrar and transfer agent by no later than 4:00 p.m. (Toronto time) on November 1 of such year or the immediately preceding business day, in the event that November 1 is not a business day. Payment of the proceeds of redemption will be made on or before the last business day of December.

### Monthly Redemptions

Units may be surrendered for redemption to the Fund's registrar and transfer agent on the last business day of any month, other than November 2012 or November of any year following 2012, (the "Redemption Date") by no later than 4:00 p.m. (Toronto time) on the 15th day of such month or the immediately preceding business day in the event that the 15th day is not a business day. Payment of the proceeds of redemption will be made on or before the last business day of the following month (the "Redemption Payment Date"). Unitholders whose Units are surrendered for redemption will be entitled to receive a redemption price per Unit (the "Monthly Redemption Price") equal to the lesser of: (i) 95% of the Trading Price (as defined below) of the Units; and (ii) the Market Price (as defined below). Any declared and unpaid distributions payable on or before a Redemption Date in respect of Units tendered for redemption on such Redemption Date will also be paid on the Redemption Payment Date. For these purposes, "Trading Price" means the weighted average trading price on the TSX or such other stock exchange on which the Units may be listed for the ten trading days immediately preceding the relevant Redemption Date; and "Market Price" means the closing price of the Units on the TSX or such other stock exchange on which the Units may be listed on the Redemption Date or, if there was no trade during the relevant period preceding a monthly Redemption Date, the average of the last bid and the last asking prices of the Units on the TSX or such other stock exchange on which the Units may be listed for each day during the relevant period.

### Exercise of Redemption Privileges

The redemption right must be exercised by causing written notice to be given within the notice periods prescribed herein and in the manner described under "Attributes of Units — Book-Entry Only System". Such exercise will be irrevocable upon the delivery of notice to CDS through a CDS Participant.

## Limitation and Suspension of Redemptions

The Manager may suspend the redemption of Units or payment of redemption proceeds: (i) during any period when normal trading is suspended on stock exchanges or other markets on which securities in the Portfolio are listed and traded, if these securities represent more than 50% by value or underlying market exposure of the NAV, 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 securities regulatory authorities (if required), for a period not exceeding 120 days during which the Manager determines that conditions exist which render impractical the sale of assets of the Portfolio or which impair the ability of the Manager to determine the value of the assets of the Fund. The suspension may apply to all requests for redemption received prior to the suspension but 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 affected 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 Wildeboer Dellelce LLP, counsel to the Fund, and Osler, Hoskin & Harcourt LLP, counsel to the Agents, the following is, as of the date hereof, a summary of the principal Canadian federal income tax considerations that generally apply to the acquisition, holding and disposition of Units by a purchaser who acquires Units pursuant to this prospectus. This summary applies only to a purchaser who is an individual (other than a trust) and who, for purposes of the Tax Act, is resident in Canada, deals at arm's length with the Fund, is not affiliated with the Fund and holds Units as capital property (a "**Holder**"). Generally, the Units will be considered to be capital property to a Holder provided that the Holder does not hold such Units in the course of carrying on a business and has not acquired them in one or more transactions considered to be an adventure or concern in the nature of trade. Certain Holders who might not otherwise be considered to hold Units as capital property may, in certain circumstances, be entitled to have their Units and all other "Canadian securities" 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 is 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 does not hold "non-portfolio property" as defined in the SIFT Rules, it will not be a SIFT trust. Based upon its investment objectives and investment restrictions, as described under the headings "Investment Objectives" and "Investment Restrictions", respectively, the Fund is prohibited from holding any "non-portfolio properties".

This summary is based on the provisions of the Tax Act and the regulations thereunder in force on the date hereof, 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 and the regulations thereunder publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (the "**Tax Proposals**"). This summary does not otherwise take into account or anticipate any changes in law, whether by legislative, governmental or judicial decision or action, nor does it take into account other federal or any provincial, territorial or foreign income tax legislation or considerations. There is no assurance that the Tax Proposals will be enacted in the form proposed or at all. This summary also relies on advice from the Manager and Agents relating to certain matters.

This summary is also based on the assumptions that none of the issuers of the securities held by the Fund will be a foreign affiliate of the Fund or of any Unitholder, and that none of the securities held by the Fund will be (i) a "tax shelter investment" within the meaning of the Tax Act; (ii) an offshore investment fund property that would require the Fund to include significant amounts in the Fund's income pursuant to section 94.1 of the Tax Act; or (iii) an interest in a non-resident trust which would require the Fund to include amounts in income in connection with such interest pursuant to sections 91 or 94 of the Tax Act or proposed section 94.2 of the Tax Act as set forth in draft

legislation to amend the Tax Act dated August 27, 2010 (and any proposed amendments to section 94 and 94.1 of the Tax Act as set forth in draft legislation released on August 27, 2010 or any successor provisions thereto).

**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 the investor's particular circumstances including the province(s) or territory(ies) 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 particular investor. Prospective 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 assumption that the Fund will qualify at all times as a "mutual fund trust" within the meaning of the Tax Act. The Manager has advised counsel that it will satisfy the criteria to be a "mutual fund trust" and that the Fund intends to make an election so that it will qualify under the Tax Act as a mutual fund trust from the commencement of its first taxation year. **In the event the Fund were not to qualify as a mutual fund trust at all times, the income tax consequences described below would in some respects be materially and adversely different.**

Provided 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, the Units will be qualified investments under the Tax Act for trusts governed by registered retirement savings plans, registered retirement income funds, tax-free savings accounts ("TFSA"), deferred profit sharing plans, registered disability savings plans, and registered education savings plans ("**Registered Plans**").

Provided that the holder of a TFSA (or, pursuant to the changes to the Tax Act proposed in the March 22, 2011 Federal Budget, the annuitant of a registered retirement savings plan or registered retirement income fund) does not hold a "significant interest" (within the meaning of the Tax Act) in the Fund or any person or partnership that does not deal at arm's length with the Fund for purposes of the Tax Act, the Units will not be a prohibited investment for a trust governed by TFSA (or such registered retirement savings plan or registered retirement income fund). Generally, a holder (or annuitant) will not have a "significant interest" in the Fund unless the holder (or annuitant) owns 10% or more of the value of the Fund's outstanding Units, either alone or together with persons and partnerships with which the holder (or annuitant) does not deal at arm's length. Holders are advised to consult their own tax advisors in this regard.

### **Taxation of the Fund**

The Fund will be subject to tax under Part I of the Tax Act in each taxation year on its income for the year, including net realized taxable capital gains, less the portion thereof that it claims in respect of the amount payable to Unitholders in the year. An amount will be considered to be payable to a Unitholder in a taxation year if it is paid in the year by the Fund or the Unitholder is entitled in that year to enforce payment of the amount. Pursuant to the Declaration, the trustee intends to make sufficient income, including net realized taxable capital gains of the Fund, payable to Unitholders in each taxation year so that the Fund is not liable to pay tax under Part I of the Tax Act for the taxation year, other than tax on net realized taxable capital gains that would be refunded to it with respect to such taxation year.

Premiums received on covered call options written by the Fund which are not exercised prior to the end of the year will constitute capital gains of the Fund in the year received, unless such premiums are received by the Fund as income from a business or the Fund has engaged in a transaction or transactions considered to be an adventure in the nature of trade. The Manager has advised counsel that the Fund will purchase the Portfolio Securities with the objective of earning distributions 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 distributions received on the Portfolio. Having regard to the foregoing, and in accordance with the CRA's published administrative policies, transactions undertaken by the

Fund in respect of options on the Portfolio Securities will be treated and reported by the Fund as arising on capital account.

Premiums received by the Fund on covered call options which 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. In addition, where a covered call option is exercised after the end of the year in which it was granted, the Fund's capital gain in the previous year in respect of the receipt of the option premium may be reversed.

In computing its income for a taxation year, the Fund will be required to include all dividends received in the year on shares of corporations. It will also be required to include all interest on debt securities it holds that accrues or is deemed to accrue to it to the end of the year, or becomes receivable or is received by it before the end of the year, except to the extent that such interest was included in computing its income for a previous taxation year.

With respect to each issuer included in the Portfolio that is a trust and that is not a SIFT trust within the meaning of the SIFT Rules, the Fund will be required to include in the calculation of its income the net income, including net taxable capital gains, paid or payable to the Fund by the issuer in the year, notwithstanding that certain of such amounts may be reinvested in additional units of such issuer. Provided that appropriate designations are made by the issuer, net taxable capital gains realized by the issuer and taxable dividends from taxable Canadian corporations received by the issuer that are paid or payable by the issuer to the Fund will effectively retain their character in the hands of the Fund. The Fund will be required to reduce the adjusted cost base of units of such issuer by any amount paid or payable by the issuer to the Fund except to the extent that the amount was included in calculating the income of the Fund or was the Fund's share of the non-taxable portion of capital gains of such units. Where the adjusted cost base of such units becomes a negative amount at any time in a taxation year of the Fund, that negative amount will be deemed to be a capital gain realized by the Fund in that taxation year and the Fund's adjusted cost base of such units will be increased by the amount of such deemed capital gain. Losses (or allowable capital losses) of a trust in which the Fund holds units may not be flowed through to the Fund, but instead may be carried forward and deducted from future income (or taxable capital gains) by such trust.

With respect to each issuer included in the Portfolio that is a limited partnership and that is not a SIFT partnership within the meaning of the SIFT Rules, the Fund will be required to include or, subject to certain restrictions, will be entitled to deduct, in computing its income, its share of the net income or loss (and capital gain or capital loss) for tax purposes of the issuer allocated to the Fund for the fiscal period of the issuer ending in the Fund's taxation year, whether or not a distribution is received. In general, the adjusted cost base to the Fund of the securities plus the share of the income and capital gains of the issuer allocated to the Fund for fiscal years of the issuer ending before the particular time will be equal to the actual costs of such securities plus the share of the income and capital gains of the issuer allocated to the Fund for fiscal years of the issuer ending before the particular time less the share of losses and capital losses of the issuer allocated to the Fund for fiscal years of the issuer ending before the particular time, and less the Fund's share of any distributions received from the issuer before the particular time. If the adjusted cost base to the Fund of the securities of such an issuer would otherwise become negative, such negative amount will be deemed to be a capital gain realized by the Fund and the Fund's adjusted cost base of such securities will be increased by the amount of such deemed capital gain.

Under the SIFT Rules, each issuer in the Portfolio that is a SIFT trust or SIFT partnership as defined in the SIFT Rules will be subject to a tax in respect of its "non-portfolio earnings", which will include (i) income from non-portfolio properties (exceeding any losses for the taxation year from non-portfolio properties), other than taxable dividends, and (ii) taxable capital gains from distributions of non-portfolio properties (exceeding allowable capital losses from dispositions of such properties). For this purpose, non-portfolio properties include: (i) certain Canadian real and resource properties; (ii) a property that the SIFT trust or SIFT partnership (or a non-arm's length person or partnership) uses in the course of carrying on business in Canada; and (iii) securities of a "subject entity" if the SIFT trust or SIFT partnership holds securities of the subject entity that have a total fair market value that is greater than 50% of the SIFT trust's or SIFT partnership's "equity value", or greater than 10% of the subject entity's "equity value". A "subject entity" includes corporations resident in Canada, trusts resident in Canada, and "Canadian resident partnership". The SIFT Rules provide that non-portfolio earnings of a SIFT trust or SIFT partnership will be taxed at a rate that is approximately equivalent to the federal general corporate tax rate for the taxation year plus a provincial tax factor. Under the SIFT Rules, the non-portfolio earning of a SIFT trust or SIFT partnership

distributed to the Fund will generally be taxed to the Fund as though they were an eligible dividend from a taxable Canadian corporation.

In computing its income for tax purposes, the Fund may deduct reasonable administrative and other expenses incurred to earn income, including interest on any loan facility or prime brokerage facility entered into by the Fund generally to the extent borrowed funds are used to purchase Portfolio Securities. The Fund may not deduct interest on any loan facility or prime brokerage facility entered into by the Fund to the extent that borrowed funds are used to fund redemptions. The Fund may generally deduct ratably over a five year period (subject to reduction in any taxation year that is less than 365 days) the Agents' fees and other expenses of the Offering that are paid by the Fund and not reimbursed. 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 (including the Loss Deductibility Proposal discussed below).

On October 31, 2003, the Department of Finance (Canada) released for public consultation draft proposals regarding the deductibility of interest and other expenses (the "**Loss Deductibility Proposals**"). The Loss Deductibility Proposals propose that the Tax Act be amended to require, for taxation years commencing after 2004, that there be a "reasonable expectation of cumulative profit", determined without reference to capital gains, from a business or property in order for a taxpayer to have a loss from the business or property. The February 23, 2005 federal budget indicated that the Department of Finance will respond to concerns raised in respect of the Loss Deductibility Proposals with a more modest legislative proposal which will be released for public comment. No such alternative proposal has been released to date. If the Loss Deductibility Proposals were to apply to the Fund, losses of the Fund from a particular source that is a business or property could be limited in taxation years commencing after 2004 and result in an increase in the taxable income of the Fund with after-tax returns to Unitholders reduced as a result. The Manager will have to monitor these Tax Proposals to determine the effect, if any, that they will have on any losses that may be realized by the Fund.

In determining the income of the Fund, gains or losses realized upon dispositions of Portfolio Securities of the Fund will constitute capital gains or capital losses of the Fund in the year realized unless the Fund is considered to be trading or dealing in securities or otherwise carrying on an investment business of buying and selling securities or the Fund has acquired the securities in a transaction or transactions considered to be an adventure or concern in the nature of trade. The Manager has advised counsel that the Fund will purchase the Portfolio with the objective of earning distributions from the Portfolio Securities over the life of the Fund and will take the position that gains and losses realized on the disposition thereof are capital gains and capital losses. In addition, the Manager has advised counsel that the Fund will elect in accordance with the Tax Act to have each of its "Canadian securities" (as defined in the Tax Act) treated as capital property. Such election will ensure that gains or losses realized by the Fund on the disposition of its "Canadian securities" are capital gains or capital losses, as the case may be.

The Fund will be entitled for each taxation year throughout which it is a mutual fund trust to reduce (or receive a refund in respect of) its liability, if any, for tax on its net realized capital gains by an amount determined under the Tax Act based on the redemptions of Units during the year ("capital gains refund"). In certain circumstances, the capital gains refund in a particular taxation year may not completely offset the tax liability of the Fund for such taxation year which may arise upon the sale of securities in connection with redemptions of Units.

### **Taxation of Holders**

A Holder generally will be required to include in computing income for a taxation year the amount of the Fund's net income for the taxation year, including the taxable portion of the Fund's net realized capital gains, paid or payable to the Holder in the taxation year (whether received in cash or additional Units). The non-taxable portion of the net realized capital gains of the Fund paid or payable to a Holder in a taxation year will not be included in computing the Holder's income for the year and, provided appropriate designations are made by the Fund, will not reduce the adjusted cost base of the Holder's Units. Any amount in excess of such Holder's share of the net income and the net realized capital gains of the Fund for a taxation year that is paid or becomes payable to the Holder in such year generally will not be included in the Holder's income for the year but will reduce the adjusted cost base of the Holder's Units. To the extent that the adjusted cost base of a Unit would otherwise be a negative amount, the negative amount will be deemed to be a capital gain and the adjusted cost base of the Unit to the Holder will be increased by the amount of such deemed capital gain.

Provided that appropriate designations are made by the Fund, such portion of the net realized taxable capital gains of the Fund, and the taxable dividends received or deemed to be received by the Fund on shares of taxable Canadian corporations, as is paid or payable to a Holder will effectively retain its character and be treated as such in the hands of the Holder for purposes of the Tax Act. 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 an enhanced gross-up and dividend tax credit in respect of “eligible dividends” paid by taxable Canadian corporations. Any loss of the Fund for purposes of the Tax Act cannot be allocated to, and cannot be treated as a loss of, a Holder.

On the disposition or deemed disposition of Units (whether on a sale, redemption or otherwise), the Holder will realize a capital gain (or capital loss) to the extent that the Holder’s proceeds of disposition (excluding any amount payable by the Fund which represents an amount that is otherwise required to be included in the Holder’s income as described herein) exceed (or are less than) the aggregate of the adjusted cost base of the Units and any reasonable costs of disposition.

For the purpose of determining the adjusted cost base of Units to a Holder, when a Unit is acquired, the cost of the newly-acquired Unit will be averaged with the adjusted cost base of all of the Units owned by the Holder as capital property at that time. The costs of Units acquired as a distribution of income or capital gains will generally be equal to the amount of the distribution. A consolidation of Units following a distribution paid in the form of additional Units will not be regarded as a disposition of Units.

One-half of any capital gain (a “taxable capital gain”) realized on the disposition of Units will be included in the Holder’s income and one-half of any capital loss realized may be deducted from taxable capital gains in accordance with the provisions of the Tax Act. Allowable capital losses for a taxation year in excess of taxable capital gains may be carried back and deducted in any of the three preceding taxation years or carried forward and deducted in any subsequent taxation year against taxable capital gains in accordance with the provisions of the Tax Act.

### **Taxation of Registered Plans**

Registered Plans will generally not be subject to tax under Part I of the Tax Act on amounts of income and capital gains received from the Fund or on capital gains realized on the disposition of Units, provided that the Units are qualified investments for the Registered Plan. See “Income Tax Considerations – Status of the Fund”. Holders should consult their own advisors with respect to other tax considerations that are relevant to Registered Plans that invest in Units, including the taxation of amounts withdrawn from a Registered Plan.

### **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 Holder who acquires Units may become taxable on the Holder’s share of income and gains of the Fund that have accrued or been realized, but have not been made payable at the time the Units were acquired, notwithstanding that such amounts may have been reflected in the price paid by the Unitholder or the Units. The consequences of acquiring Units late in a calendar year will generally depend on the amount of the monthly distributions throughout the year, if any, and whether one or more year-end special distributions to Unitholders are necessary late in the calendar year to ensure that the Fund will not be liable for income tax under Part I of the Tax Act.

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

### **The Manager of the Fund**

The Fund has retained Marquest to provide fund management and portfolio advisory services. Marquest is a Canadian investment management firm incorporated in 1986 that offers a diverse range of investment products covering a variety of equity and fixed income products. As at January 31, 2011, Marquest had assets under management of approximately \$175 million. Marquest is committed to fund governance best practices and standards. Marquest will act as trustee, manager and promoter of the Fund and will provide, or arrange to provide,

all administrative services required by the Fund. The principal office of the Manager is 181 Bay Street, Suite 2340, Toronto, Ontario, M5J 2T3. The Manager will be entitled to receive fees as compensation for its services. See “Organization and Management Details of the Fund – Duties and Services to be Provided by the Manager” and “Fees and Expenses”.

### Officers and Directors of the Manager of the Fund

The following table sets forth the name, municipality of residence, position with Marquest, and principal occupation of each of the directors, officers and principals of Marquest during the five preceding years.

<b>Name and Municipality of Residence</b>	<b>Position with Marquest</b>	<b>Principal Occupation</b>
Gordon A. McMillan, Oakville, Ontario	Chairman and Director	Independent Businessman
Gerald L. Brockelsby, Oakville, Ontario	Chief Executive Officer, Chief Investment Officer and Director	Chief Executive Officer of Marquest Asset Management Inc.
Andrew A. McKay, Toronto, Ontario	President, Chief Financial Officer and Director	President and Chief Financial Officer of Marquest Asset Management Inc.
Lawrence R. Sinclair, Oakville, Ontario	Director	Independent Businessman
Sean Rogister, Toronto, Ontario	Vice President	Managing Director of Marquest Fixed Income Inc.
Alice Tsang, Toronto, Ontario	Vice President	Portfolio Manager at Marquest Asset Management Inc.
Andrew E. F. Bentley, Toronto, Ontario	Executive Vice President	Executive Vice President of Marquest Asset Management Inc.
Anne P. Wildfong, Toronto, Ontario	Vice President and Chief Compliance Officer	Vice President and Chief Compliance Officer of Marquest Asset Management Inc.

The following is a brief biographical description, including principal occupation for the last five years, of each of the directors and officers of Marquest:

**Gordon A. McMillan** is the Chairman of Marquest and a Managing Director of Pivot Acquisition Corp., a private Canadian acquisition company. Mr. McMillan has been an entrepreneur in the financial services industry since 1994. Prior to Marquest, Mr. McMillan was Chairman of Tailwind Financial Inc., a US-based special purpose acquisition company. Prior to co-founding Tailwind, Mr. McMillan was Chairman of Legend Investment Partners Inc. From December 2005 until February 2008, he served as Chairman and a director of JovFunds Management Inc. (formerly, Fairway Asset Management Corp.), an asset management holding company focused on private equity and structured investment products. From 2000 to 2005, Mr. McMillan was the Chief Executive Officer and a director of NGB Management Ltd., a private equity firm he founded which was focused on providing growth capital to life sciences companies in Canada. From 2000 to 2003, Mr. McMillan was the Chief Executive Officer and a director of Skylon Capital Corp., a private investment management holding company and VentureLink Capital Corp., a private equity firm providing growth capital to a broad range of companies in Canada, including firms operating in the Canadian financial services sector. Prior to co-founding Skylon and VentureLink, Mr. McMillan was the President, Chief Executive Officer and a director of Triax Capital Corp., a private Canadian investment management holding

company. Mr. McMillan holds a Bachelor of Laws degree from Queen's University in Kingston, Ontario and is a member of the Law Society of Upper Canada.

**Gerry L. Brockelsby** is the Chief Executive Officer and Founder of Marquest. Mr. Brockelsby began his career over thirty five years ago at Canada Permanent Trust managing family trust funds. Between 1977 and 1980, Mr. Brockelsby managed pension funds at Canada Trust following which he joined INCO Limited as Chief Investment Officer of their pension plan. In 1986, Mr. Brockelsby founded Marquest Asset Management which provides investment management services to institutional and individual clients. He has developed a reputation as a great communicator and has been sought out by leading business journals for his advice and insights on investment. He has been featured in the National Post and The Globe and Mail. In addition, he regularly appears on Business News Network. Mr. Brockelsby has a BA in Business Administration and is a Chartered Financial Analyst.

**Andrew A. McKay** is the President and Chief Financial Officer of Marquest. Previously, Mr. McKay was the Chief Executive Officer of Tailwind Financial Inc., a US-based special purpose acquisition company. Prior to founding Tailwind, Mr. McKay was Chief Executive Officer of Legend Investment Partners Inc. Prior to that, Mr. McKay was the Chief Executive Officer of Fairway Capital Corp., a Canadian asset management firm. Prior to founding Fairway Capital, Mr. McKay was the Chief Operating Officer, a director and co-founder of Skylon Capital Corp., an investment management holding company. Prior to such time, he was a director of Altamira International Bank (Barbados) Inc., the offshore asset management subsidiary of Altamira Management Ltd. and an officer of Ivory & Sime plc, a leading UK investment management firm. Mr. McKay is a Fellow of both the Institute of Chartered Management Accountants and the Institute of Chartered Secretaries and Administrators.

**Lawrence R. Sinclair** is a Director of Marquest. Previously, Mr. Sinclair was Vice President, Finance at Matthews Group Ltd. Mr. Sinclair has also held senior offices as Executive Vice President of the Molson Companies Limited, Vice President and Controller of Genstar Ltd., Secretary-Treasurer of Inland Cement Co. Ltd., and Assistant Controller of Pembina Pipeline Ltd.

**Sean Rogister** is the Managing Director of Marquest Fixed Income Inc., a division of Marquest. Mr. Rogister has over 20 years' experience building and leading fixed income and other capital markets-related businesses. Prior to joining Marquest, Mr. Rogister spent 10 years leading the Fixed Income department at Ontario Teachers Pension Plan, one of Canada's largest pension funds where he also had responsibility for the fund's Tactical Asset Allocation, overseeing equity indexes and derivatives, currencies, commodities and quantitative trading. Previously, Mr. Rogister was Vice President, Fixed Income, Illiquids Arbitrage at Deutsche Bank, Canada Inc. and Vice President and Manager of Fixed Income Exchange-Traded Derivatives at BMO Nesbitt Burns Inc. Mr. Rogister has a BA from the University of Western Ontario and an MBA from the University of Toronto, and carries the Canadian Institute of Corporate Directors designation.

**Alice Tsang** is a Portfolio Manager at Marquest. Previously, Ms. Tsang was responsible for institutional sales at Octagon Capital Inc., a Canadian investment dealer as well as an assistant manager at Rothschild Asset Management, a Canadian mutual fund corporation. Prior to such time Ms. Tsang was Portfolio Accountant at Howson Tatterall Investment Counsel Ltd., a leading Canadian investment counsellor. Ms. Tsang has a Bachelor of Arts degree from the University of Toronto and is a Chartered Financial Analyst.

**Andrew Bentley** is Executive Vice President of Marquest. Previously, he was President and Director of Navina Asset Management Inc., a company he co-founded that was subsequently acquired by Aston Hill Financial Inc. Mr. Bentley has also held senior offices as Senior Vice President at Fairway Capital Management Corp., President of NGB Management Inc. and Vice President at Skylon Capital Corp. Andrew holds an Honours Bachelor of Science (Biology) degree from Queen's University and a Bachelor of Kinesiology degree from McMaster University.

**Anne P. Wildfong** joined the Marquest team in 2007. Previously, she was Vice-President at Knight Bain Private Counsel from 2006 to 2007 and Vice-President, Private Wealth Services at Altamira Investment Inc. from 1993 to 2006. Throughout her career, she has concentrated on managing investments for high net worth clients. Anne holds a Bachelor of Business Administration from Wilfred Laurier University, is a Fellow of the Canadian Securities Institute and holds the Certified Financial Planner designation. Anne is committed to giving back to her community. She is an active member of the Family Firm Institute and acts as an Executive Member of the Student Advisory Committee for Harrison Public School.

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

Pursuant to the terms of a management agreement dated April 28, 2011 between the Fund and the Manager (the “**Management Agreement**”), the Manager has been appointed as the sole and exclusive manager of the affairs of the Fund. In such capacity, the Manager is responsible for the day-to-day activities of the Fund from time to time. The services to be provided by the Manager under the terms of the agreement include, without limitation: (i) appointing, supervising and removing service providers for the Fund as the Manager sees fit; (ii) carrying out all capital markets responsibilities, such as securities offerings; (iii) preparing or causing to be prepared the requisite continuous disclosure documents of the Fund; (iv) maintaining proper books, accounts and records of the Fund; (v) providing employees having the requisite experience and skill to perform the obligations of the Manager under the Management Agreement; and (vi) doing all such other acts or things and entering into agreements or documents on behalf of the Fund to seek to achieve the investment objectives of the Fund. In carrying out its obligations under the Management Agreement, the Manager will be required to exercise its powers and discharge its duties diligently, honestly and in good faith and in the best interests of the Fund, including without limitation exercising the standard of care, diligence and skill that a reasonably prudent person would exercise in similar circumstances.

## **Details of the Management Agreement**

The Manager will continue as manager until the termination of the Fund unless: (i) the Manager resigns by written notice to the Fund; (ii) the Manager is removed by written notice given by the Fund following the occurrence of certain specified events of default (as described below); or (iii) the Manager is removed by written notice given by the Fund following an Extraordinary Resolution of the Unitholders directing the Fund to remove the Manager as manager of the Fund. The following comprise an event of default under the Management Agreement: (i) the bankruptcy or insolvency of the Manager, or if the Manager either voluntarily or under an order of a court of competent jurisdiction makes a general assignment for the benefit of its creditors or otherwise acknowledges its insolvency; (ii) the Manager’s wilful misconduct, bad faith, negligence or breach of its standard of care owed under the Management Agreement, which in the case of negligence which is capable of being cured, is not cured within 30 days following written notice to the Manager from the Fund specifying in reasonable detail the nature of such negligence; or (iii) the Manager no longer holds the licenses, registrations or other authorizations necessary to carry out its obligations thereunder and is unable to obtain them within a reasonable period after their loss. There is no termination of the Manager for breach of its obligations under the Management Agreement unless such breach constitutes a breach of the standard of care owed by the Manager.

The Management Agreement contains indemnification provisions whereby the Fund indemnifies the Manager against any loss, expense, damage or injury suffered in the scope of its authority under the Management Agreement, provided the same does not result from wilful misconduct, bad faith, negligence or breach of its standard of care owed under the Management Agreement. In addition, under the Management Agreement, the Manager indemnifies the Fund against any loss, expense, damage or injury suffered as a result of the Manager’s wilful misconduct, bad faith, negligence or breach of its standard of care owed under the Management Agreement.

For its services, the Manager will be paid the Management Fee described under “Fees and Expenses — Management Fees” and “Fees and Expenses - Operating Expenses”. Pursuant to the terms of the Management Agreement, the Manager will bear all costs and expenses incurred by the Manager in connection with all salaries, employee expenses, office rent and equipment, and other expenses customarily considered to be overhead expenses.

## **Independent Review Committee**

An IRC has been established for the Fund, in accordance with National Instrument 81-107 - *Independent Review Committee for Investment Funds* (“**NI 81-107**”). The IRC will be composed of three members, William D. Packham, John R. Anderson and Jeremy Zuker. Each will be independent of the Manager, and its respective affiliates within the meaning of NI 81-107. The following is a description of the principal occupation of the current members of the IRC.

**William D. Packham** is President and Chief Executive Officer of Hampton Securities Incorporated, a financial services holding company. From 2002 until 2007, Mr. Packham served as President and Chief Executive Officer of Rockwater Capital Corporation, an independent public financial services company, as well as a member of the

Board of Directors. Mr. Packham has held numerous positions in the investment industry including senior roles with firms such as Merrill Lynch Canada Inc. and Midland Walwyn Inc. In 1998, as President of Midland Walwyn Capital Inc., Mr. Packham was instrumental in the merger of the firm with Merrill Lynch Canada Inc., where he held the title President and Chief Operating Officer, and later Vice Chairman of Merrill Lynch Canada Inc. until joining Rockwater Capital Corporation as President and Chief Executive Officer in September 2002. Mr. Packham served as Chairman of the Investment Dealers Association of Canada (now Investment Industry Regulatory Organization of Canada) in 2001 and 2002 and has also served on various industry boards and has been a Director or advisor to several other private and public companies. Mr. Packham obtained his Bachelor of Mathematics degree from the University of Waterloo and is also a Chartered Accountant.

**John R. Anderson** has nearly 20 years of financial and corporate governance experience including 14 years as a partner at Ernst & Young from 1979 to 1993. Mr. Anderson is currently the chief financial officer of LPBP Inc. and former chief financial officer of Impax Energy Services Income Trust. Mr. Anderson has also held a senior advisory position at MDS Capital Corp, a division of MDS Inc., from 1998 to 2000. Mr. Anderson currently serves as chairman of the board of the audit committee, Canadian Medical Discoveries Fund Inc.

**Jeremy Zuker** is the founder and general manager of WagJag.com, one of Canada's leading group buying websites which was acquired by Torstar in 2010. Previously, Mr. Zuker led business development for Tailwind Financial Inc., a US-based special purpose acquisition company from 2007 to 2009. Prior to that Mr. Zuker was an Associate with TorQuest Partners Inc., a Canadian-based manager of private equity funds. Mr. Zuker has international business experience and holds an Msc in Political Economy from The London School of Economics (merit) and received his A.B. (magna cum laude) in Economics and Public Policy from Duke University.

The IRC will adopt a written charter that includes its mandate, responsibilities and functions, and the policies and procedures it will follow when performing its functions.

In accordance with NI 81-107, the mandate of the IRC is to consider and provide recommendations to the Manager on conflict of interest matters, as contemplated by NI 81-107. The Manager is required under NI 81-107 to identify conflict of interest matters inherent in its management of the Fund, and request input from the IRC on how it manages those conflict of interest matters, as well as on its written policies and procedures outlining its management of those conflict of interest matters.

The Manager must refer its proposed course of action in respect of any such conflict of interest matters to the IRC for its review. Certain matters require the IRC's prior approval, but in most cases the IRC will provide a recommendation to the Manager as to whether or not, in the opinion of the IRC, the Manager's proposed action provides a fair and reasonable result for the Fund. For recurring conflict of interest matters, the IRC can provide the Manager with standing instructions.

The members of the IRC will be indemnified by the Manager and the Fund, as permitted by 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 investment funds managed by the Manager or others. Members of the IRC will receive compensation from the Fund (initially, \$5,000 per annum). In addition, the Fund will be responsible for all fees and expenses of setting up and running the IRC. The estimated regular fees and expenses of the IRC have been included in the Fund's estimated annual operating expenses. In future years the IRC members will set their own compensation in accordance with NI 81-107. 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 IRC will report at least annually to the Unitholders of the Fund on its activities, as required by NI 81-107. The reports of the IRC will be available free of charge from the Manager on request by contacting the Manager at its office and will be posted on the Manager's website at [www.marquest.ca](http://www.marquest.ca) or delivered, at no charge, upon request to the Manager, 181 Bay Street, Suite 2340, Toronto, Ontario, M5J 2T3. The report of the IRC will be available on or about March 31 in each year commencing in 2012.

## **The Custodian**

The Fund has appointed State Street Trust Company Canada (the “**Custodian**”) as custodian of the Fund’s assets pursuant to a custodian agreement between the Fund and the Custodian (the “**Custodian Agreement**”). The Custodian is, among other things, in the business of providing professional custodial services. The head office of the Custodian is located in Toronto, Ontario. The Custodian may employ sub-custodians as considered appropriate in the circumstances. Pursuant to the Custodian Agreement the Custodian will provide safekeeping and custodian services in respect of the assets of the Fund.

The Fund will pay the Custodian customary custodianship fees for its services. The Custodian Agreement may be terminated by other party on 60 days’ notice, and immediately by either party on written notice if either party declared bankruptcy or becomes insolvent, the assets or the business of either party becomes liable to seizure or confiscation by any public government authority, the Manager’s powers and authority to act on behalf of or in respect of the Fund has been revoked or terminated or the Custodian ceases to be qualified under applicable laws.

## **Valuation Agent**

State Street Fund Services Toronto Inc. (in such capacity the “**Valuation Agent**”) is the valuation agent for the Fund and is responsible for providing administration services to the Fund, including fund valuation and financial reporting services. The Valuation Agent will be responsible for providing valuation services to the Fund and will calculate the NAV and NAV per Unit pursuant to the terms of a separate fund administration agreement. See “Calculation of Net Asset Value”.

## **Auditor**

The auditor of the Fund is Ernst & Young LLP, at its offices in Toronto, Ontario.

## **Transfer Agent and Registrar**

Pursuant to a transfer agent, registrar and distribution disbursing agent agreement, each executed between the Fund and Computershare Investor Services Inc. (“**Computershare**”), Computershare has been appointed the registrar and transfer agent for the Units at its principal office located in Toronto, Ontario.

## **Promoter**

The Manager 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.

## **CALCULATION OF NET ASSET VALUE**

### **Calculation of Net Asset Value**

The Net Asset Value of the Fund will be calculated at the close of business on each business day (each a “**Valuation Date**”) by the Valuation Agent. The NAV of the Fund is the value of the total assets of the Fund less the consolidated liabilities of the Fund, including any distributions declared but unpaid as of such date.

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

The most recently calculated NAV and NAV per Unit will be available to the public upon request and will be posted daily at [www.marquest.ca](http://www.marquest.ca) for this purpose. The Fund NAV will be reported in Canadian dollars.

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

In calculating the NAV, the assets on such Valuation Date will be determined as follows:

- (a) the value of any cash on hand or on deposit, bills and demand notes, accounts receivable, prepaid expenses, distributions, dividends or other amounts received (or declared to holders of record of securities owned by the Fund on a date before the Valuation Date as of which the assets are being determined, and to be received) and interest accrued and not yet received, shall be deemed to be the full amount thereof provided that if the Valuation Agent has determined that any such deposit, bill, demand note, accounts receivable, prepaid expense, distribution, dividend or other amount received (or declared to holders of record of securities owned by the Fund on a date before the Valuation Date as of which the assets are being determined, and to be received) or interest accrued and not yet received is not otherwise worth the full amount thereof, the value thereof shall be deemed to be such value as the Valuation Agent determines to be the fair market value thereof;
- (b) the value of any security, index future or index option which is listed or traded upon a stock exchange (or if more than one, on the principal stock exchange for the security, as determined by the Valuation Agent) shall be determined by taking the latest available sale price of recent date, or lacking any recent sales or any record thereof, the latest available offer price (unless in the opinion of the Valuation Agent such price does not reflect the value thereof and in which case the latest offer price or bid price shall be used), as at the Valuation Date on which the assets are being determined, all as reported by any means in common use;
- (c) the value of any security which is traded over-the-counter will be priced at the last bid price quoted by a major dealer (which may be the counterparty) in such securities or as the Valuation Agent determines to be the fair market value;
- (d) where a covered clearing corporation option, option on futures or over-the-counter option is written, the premium received by the Fund shall be reflected as a derivative liability that shall be valued at an amount equal to the current market value of the clearing corporation option, option on futures or over-the-counter option that would have the effect of closing the position. Any difference resulting from revaluation of such options shall be treated as an unrealized gain or loss on investment. The deferred credit shall be deducted in arriving at the NAV. The securities, if any, which are the subject of a written clearing corporation option, or over-the-counter option shall be valued at their current market value;
- (e) the value of any purchased or written clearing corporation options, options on futures or over-the-counter options, debt like securities and listed warrants shall be the current market value thereof;
- (f) the value of any security or other asset for which a market quotation is not readily available will be its fair market value on the Valuation Date on which the assets are being determined as determined by the Valuation Agent (generally the Valuation Agent will value such asset at cost until there is a clear indication of an increase or decrease in value);
- (g) any market price reported in currency other than Canadian dollars shall be converted into Canadian funds by applying the rate of exchange obtained from the best available sources to the Valuation Agent, including, but not limited to, the Valuation Agent or any of its affiliates; and
- (h) listed securities subject to a hold period will be valued as described above with an appropriate discount as determined by the Valuation Agent.

If an investment cannot be valued under the above guidelines, or if the Valuation Agent or Manager determines that the above guidelines are at any time inappropriate under the circumstances, then notwithstanding such guidelines, the Valuation Agent will make such valuation as it considers fair and reasonable in consultation with the Manager and, if there is an appropriate industry practice, in a manner consistent with such industry practice for valuing such investment.

The Manager, will review and, if required from time to time, consider the appropriateness of the valuation guidelines adopted by the Fund. As such, at the discretion of the Manager, the valuation guidelines may be modified, acting reasonably, in good faith and in the best interests of the Unitholders. Any such material

modification of the valuation guidelines will be disclosed by press release or other timely disclosure document issued by the Fund.

For the purposes of financial statement reporting, the Fund is required to calculate NAV in accordance with Canadian generally accepted accounting principles (“**Canadian GAAP**”). On April 1, 2005, the Canadian Institute of Chartered Accountants (the “**CICA**”) issued Section 3855, Financial Instruments – Recognition and Measurement (“**Section 3855**”) of the CICA Handbook – Accounting, which establishes standards for the fair valuation of investments as well as the accounting treatment of transaction costs. The adoption of Section 3855 results in the use of different valuation techniques for certain investments.

Canadian GAAP requires that the fair value of long positions in financial instruments (specifically securities held by the Fund that are actively traded) be measured based on the bid price for the security instead of the closing price or last sale price of the security for the day. This requirement is reflected in the reported value of the Fund’s investments in its annual and interim financial statements, as these financial statements are prepared in accordance with Canadian GAAP. However, in accordance with National Instrument 81-106 - Investment Fund Continuous Disclosure the fair value of the assets of the Fund used to determine daily NAV per Unit of the Fund for subscription orders, exchanges or redemptions is based on the Fund’s valuation principles, as set out above, which are not the same as Canadian GAAP requirements.

### **Net Asset Value per Unit**

The net asset value per Unit (the “**NAV per Unit**”) will be the quotient obtained by dividing the value of assets of the Fund allocated to Units by the total number of Units (immediately before any Unit redemptions and subscriptions) at the close of business on the relevant Valuation Date.

## **ATTRIBUTES OF UNITS**

The Fund is authorized to issue an unlimited number of Units. Each Unit entitles the Unitholder to the same rights and obligations as a holder of any other Unit and no Unitholder is entitled to any privilege, priority or preference in relation to any other Unitholder. Each Unitholder is entitled to participate equally with respect to any and all distributions, other than redemptions, made by the Fund.

On dissolution, liquidation or wind-up of the Fund, the Unitholders of record are entitled to receive on a *pro rata* basis all of the assets of the Fund remaining after payment of all debts, liabilities and liquidation expenses of the Fund. Units may be redeemed at the option of Unitholders on a Monthly Redemption Date and on the last business day in October, subject to certain conditions. See “Redemptions.”

### **Purchase for Cancellation**

Subject to the applicable law, the Fund may at any time or times purchase Units for cancellation at prices per Unit not exceeding the NAV per Unit of such Unit on the business day immediately prior to such purchase up to a maximum in any twelve month period of 10% of the outstanding public float of Units.

### **Amendments**

Amendments to the terms of the Units must be approved by Unitholders of the Fund in accordance with applicable laws and as set forth under “Unitholder Matters — Matters Requiring Unitholder Approval”.

### **Book-Entry Only System**

Registration of interests in, and transfers of, the Units will be made only through the book-entry only system of CDS. On the date of Closing, the Fund will deliver to CDS a certificate evidencing the aggregate number of Units subscribed for under the Offering. Units must be purchased, transferred and surrendered for redemption 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 or 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.

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.

A holder of Units who desires to exercise redemption privileges must do so by causing the CDS Participant through which he or she holds his or her Units to deliver to CDS at its office in the City of Toronto on behalf of the holder, a written notice of the holder's intention to redeem Units by no later than 5:00 p.m. (Toronto time) on the applicable notice date described above. A holder of Units who desires to redeem Units should ensure that the CDS Participant is provided with notice of his or her intention to exercise his or her redemption right sufficiently in advance of the deadline so as to permit the CDS Participant to deliver a notice to CDS by 5:00 p.m. (Toronto time) on the notice date described above.

By causing a CDS Participant to deliver to CDS a notice of the holder's intention to redeem Units, the holder of Units will be deemed to have irrevocably surrendered his or her Units for redemption and appointed such CDS Participant to act as his or her exclusive settlement agent with respect to the exercise of such redemption privilege and the receipt of payment in connection with the settlement of obligations arising from such exercise, provided that the Manager may from time to time permit the withdrawal of a redemption notice on such terms and conditions as the Manager may determine, in its sole discretion, provided that such withdrawal will not adversely affect the Fund. Any expense associated with the preparation and delivery of the redemption notice will be for the account of the holder of Units exercising the redemption privilege.

Any redemption notice that CDS determines to be incomplete, not in proper form or not duly executed will, for all purposes, be void and of no effect and the redemption privilege to which it relates will 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 a holder's instructions will not give rise to any obligations or liability on the part of the Fund or the Manager to the CDS Participant, the Unitholder or the holder of Units.

The Manager may, without the approval of Unitholders, change the redemption rights attached to the Units on not less than 30 days' notice to Unitholders by increasing the number of times in each year that Units may be redeemed by Unitholders (at a redemption price per Unit to be determined by the Manager), so long as such change does not result in the Fund being a mutual fund for securities law purposes and provided that no such change may be made without Unitholder approval if it would eliminate the rights of Unitholders to redeem their Units on a Monthly Redemption Date.

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

## **UNITHOLDER MATTERS**

### **Matters Requiring Unitholder Approval**

Unless otherwise required by law, the following acts require the approval of holders of Units at a meeting called and held for such purpose:

- (i) a change to the fundamental investment objective or investment restrictions of the Fund, unless such changes are necessary to ensure compliance with applicable laws, regulations or other requirements imposed by applicable regulatory authorities from time to time;
- (ii) except as described herein, a change in the Manager, other than (a) a change resulting in an affiliate of the Manager assuming such position or (b) a termination of the Management Agreement in accordance with its terms;

- (iii) any increase in the basis of calculating management fees paid to the Manager;
- (iv) any material amendments to the Declaration, other than any material amendment that requires either unanimous Unitholder approval or the consent of the Manager or does not require Unitholder approval as set forth under the heading “Unitholder Matters – Amendments to the Declaration”;
- (v) the sale of all or substantially all of the assets of the Fund other than in the ordinary course of its activities and other than in connection with the termination of the Fund;
- (vi) any amendment, modification or variation in the provisions or rights attaching to the Units;
- (vii) any termination of the Fund, other than disclosed under “Termination of the Fund”;
- (viii) a reorganization with, or transfer of assets to, another entity, if
  - a) the Fund ceases to continue after the reorganization or transfer of assets; and
  - b) the transaction results in Unitholders becoming security holders in the other entity;
- (ix) a reorganization with, or acquisition of assets of, another entity, if
  - a) the Fund continues after the reorganization or acquisition of assets;
  - b) the transaction results in the security holders of the other entity becoming security holders of the Fund; and
  - c) the transaction would be a material change to the Fund; or
- (x) any offering of Units at a price per Unit the net proceeds of which is less than 100% of the most recently calculated NAV per Unit, immediately prior to the pricing of such issuance.

Each Unit will have one vote at such a meeting. Items (viii) and (ix) require approval by resolution passed by at least a simple majority of the votes cast by Unitholders (an “**Ordinary Resolution**”), whereas each of the other matters require approval by resolution passed by at least 66 <sup>2</sup>/<sub>3</sub>% of votes cast by holders of Units voting thereon (an “**Extraordinary Resolution**”).

In addition, any change to any of the foregoing matters requiring Unitholder approval shall require the same approval required to approve such matter.

At a meeting of Unitholders of the Fund, a quorum will constitute 10% of the outstanding Units, represented in person or by proxy at a meeting. If no quorum is present at such meeting within 30 minutes of the time called for such meeting, if called on the requisition of a Unitholder the meeting will be terminated and otherwise will be adjourned to be held on the day that is 14 days after the so adjourned meeting, at the same time and place; provided that if such day is not a business day, the meeting shall be held on the next business day. At the adjourned meeting the Unitholders then present in person or represented by proxy will form the necessary quorum.

### **Amendments to the Declaration**

Unless all of the Unitholders consent thereto, no amendment can be made to the Declaration which would have the effect of reducing the interests in the Fund of the Unitholders, increasing the liability of any Unitholder, or changing the right of any Unitholder to vote at any meeting of the Fund. No amendment may be made to the Declaration which would have the effect of reducing the fees payable or expenses reimbursable to the Manager or terminating the Manager unless the Manager, in its sole discretion, consents.

The Trustee at the request of the Manager may, without the approval of or notice to Unitholders, amend the Declaration for certain limited purposes specified therein, including to:

- (a) remove any conflicts or other inconsistencies which may exist between any terms of the Declaration and any provisions in this prospectus or any provisions of any law or regulation applicable to or affecting the Fund;
- (b) make any change or correction in the Declaration which is of a typographical nature or is required to cure or correct any ambiguity or defect or inconsistent provision, clerical omission, mistake or manifest error contained therein;
- (c) bring the Declaration into conformity with (i) applicable laws, rules and policies of Canadian securities regulators or (ii) current practice within the securities or investment fund industries, provided that any amendment contemplated by (ii) does not adversely affect the pecuniary value of the interests of the Unitholders;
- (d) maintain the status of the Fund as a “unit trust” and “mutual fund trust” for the purposes of the Tax Act or to respond to amendments (including proposed amendments) to such Act or the interpretation thereof;
- (e) terminate the Fund without Unitholder approval as set forth under the heading “Termination of the Fund”;
- (f) create one or more new class or classes of securities of the Fund having rights or privileges inferior to or equal to the outstanding securities of any class and make consequential amendments to the Declaration related thereto;
- (g) change the name of the Fund;
- (h) notwithstanding any provision to the contrary in the Declaration, have the Portfolio track, to the extent practicable, a market index that is substantially similar to the Index as from time to time may be selected by the Manager, in lieu of attempting to track the Index or any other capital market index previously selected by the Manager; or
- (i) provide added protection or benefit to Unitholders or to the Fund.

Except for changes to the Declaration which require the approval of Unitholders or changes described above which require neither approval nor prior notice to Unitholders, the Declaration 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. Such written 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.

### **Reporting to Unitholders**

The Fund will make available to Unitholders, within the time periods prescribed by law, such financial statements and other continuous disclosure documents as are required by applicable law, including consolidated unaudited interim and consolidated audited annual financial statements that will include the accounts of the Fund and a consolidated statement of investments. The Fund shall make available to each Unitholder annually, within the time periods prescribed by law, information necessary to enable such Unitholder to complete an income tax return with respect to the amounts payable by the Fund.

## 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 Manager provided that the prior approval by resolution passed by at least 66<sup>2</sup>/<sub>3</sub>% of votes cast by holders of Units voting thereon at a meeting of Unitholders called for that purpose; provided, however, that the Manager may, in its discretion, on 60 days' notice to Unitholders, terminate the Fund without the approval of Unitholders if, in the opinion of the Manager, the NAV of the Fund is reduced so that it is no longer economically feasible to continue the Fund. Upon termination, the net assets of the Fund will be distributed to Unitholders on a pro rata basis. Prior to the date fixed for the termination of the Fund, the Manager will, to the extent practicable, convert the assets of the Fund to cash.

## USE OF PROCEEDS

The net proceeds of the Offering will be as follows:

	<u>Maximum Offering<sup>(1)(2)</sup></u>	<u>Minimum Offering<sup>(1)(2)</sup></u>
Gross proceeds to the Fund	\$100,000,000	\$20,000,000
Agents' fee	(5,250,000)	(1,050,000)
Expenses of issue <sup>(3)</sup>	(650,000)	(300,000)
Net proceeds to the Fund	<u>\$94,100,000</u>	<u>\$18,650,000</u>

### Notes:

- (1) There will be no closing unless a minimum of 2,000,000 Units are sold. The Maximum Offering assumes 10,000,000 Units. If subscriptions for a minimum of 2,000,000 Units have not been received within 90 days following the date of issuance of a 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.
- (2) The Fund has granted the Agents an option (the "**Over-Allotment Option**"), exercisable for a 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 as set forth above. If the Over-Allotment Option is exercised in full, under the Maximum Offering, the Gross Proceeds to the Fund, the Agents' Fee and the Net Proceeds to the Fund before deducting the expenses of the Offering will be \$115,080,000, \$6,037,500 and \$108,962,500, respectively. This prospectus also qualifies the grant of the Over-Allotment Option and the distribution of the Units issuable on the exercise of the Over-Allotment Option. A purchaser who acquires Units forming part of the Over-Allotment Option acquires those Units under this prospectus, regardless of whether the over-allotment position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases. See "Plan of Distribution".
- (3) Subject to a maximum of 1.5% of the gross proceeds of the Offering.

The net proceeds from the Offering will be used by the Fund to acquire the securities that will comprise the Portfolio.

## PLAN OF DISTRIBUTION

Pursuant to an agreement dated as of April 28, 2011 (the "**Agency Agreement**") between Scotia Capital Inc., CIBC World Markets Inc., RBC Dominion Securities Inc., BMO Nesbitt Burns Inc., National Bank Financial Inc., Canaccord Genuity Corp., GMP Securities L.P., HSBC Securities (Canada) Inc., Macquarie Private Wealth Inc., Raymond James Ltd., Mackie Research Capital Corporation, Wellington West Capital Markets Inc., Dundee Securities Ltd. and Union Securities Ltd. (collectively, the "**Agents**"), the 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 at a price of \$10.00 per Unit. The Agents will receive a fee equal to \$0.525 for each Unit sold payable by the Fund (representing 5.25% of the Offering per Unit) and will be reimbursed for out-of-pocket expenses incurred by them. The Offering price was determined by negotiation between the Agents and the Fund. 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 which 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 of the Offering, to purchase up to 15% of the aggregate number of Units issued at the closing of the Offering at a price of \$10.00 per Unit (the "**Option Units**").

The Option Units are qualified for sale hereunder. To the extent that the Over-Allotment Option is exercised, the Agents will be entitled to a fee of 5.25% of the gross proceeds realized in respect of the exercise of the Over-Allotment Option.

If subscriptions for a minimum of 2,000,000 Units (\$20,000,000) 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 Canadian securities regulators 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. In the event the Minimum Offering is not achieved by the Fund and the necessary consents are not obtained or if the closing of the Offering does not occur for any reason, subscription proceeds received from prospective purchasers will be held in trust by the applicable Agent and 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 of the Offering will take place on or about May 9, 2011, or such later date as may be agreed upon by the Fund and the Agents, but in any event not later than 90 days after the final receipt for this prospectus is issued.

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 condition 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 by-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 or effect transactions in connection with their over-allotted position. Such transactions, if commenced, may be discontinued at any time. Such transactions, if effected, may diminish the effect that sales of Units may otherwise have on the price of Units while such Units are in distribution.

Pursuant to the Agency Agreement, the Fund and the Manager have agreed to indemnify the Agents, their controlling persons, directors, officers and employees against certain liabilities.

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

The Manager will receive the fees described under “Fees and Expenses” for their respective 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.

#### **MATERIAL CONTRACTS**

Contracts material to investors in the Units offered by this prospectus that have been or that will have been entered into by the Fund on the closing of the Offering are:

- (i) the Declaration described under “Organization and Management details of the Fund”, “Attributes of Units” and “Unitholder Matters”;
- (i) the Management Agreement described under “Organization and Management Details of the Fund — Details of the Fund Management Agreement”;
- (ii) the Agency Agreement described under “Plan of Distribution”; and
- (iii) the Custodian Agreement referred to under “Organization and Management Details of the Fund”.

Copies of the foregoing agreements may be inspected during business hours at the principal office of the Fund and the Manager during the course of distribution of the Units offered hereby.

## **EXPERTS**

The matters referred to under “Income Tax Considerations” and certain other legal matters relating to the securities offered hereby will be passed upon by Wildeboer Dellelce LLP on behalf of the Fund, and by Osler, Hoskin & Harcourt LLP on behalf of the Agents. As of the date hereof, the partners and associates of Wildeboer Dellelce LLP and Osler, Hoskin & Harcourt LLP each beneficially own less than 1% of the outstanding securities of the Fund and its affiliates and associates.

The auditors of the Fund are Ernst & Young LLP. The auditors of the Fund have confirmed that they are independent of the Fund within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario. The address of Ernst & Young LLP is Ernst & Young Tower, 222 Bay Street Toronto Dominion Centre, Toronto, Ontario, M5K 1J7.

## **NOTICE OF TRADEMARKS/DISCLAIMER**

The Fund is not sponsored, endorsed, sold or promoted by S&P or its third party licensors. Neither S&P nor its third party licensors makes any representation or warranty, express or implied, to the Unitholders or any member of the public regarding the advisability of investing in securities generally or in the Units particularly or the ability of the Index to track general stock market performance. S&P’s and its third party licensor’s only relationship to the Fund is the licensing of certain trademarks and trade names of S&P and the third party licensors and of the Index which is determined, composed and calculated by S&P or its third party licensors without regard to the Fund. S&P and its third party licensors have no obligation to take the needs of the Fund or the Unitholders into consideration in determining, composing or calculating the Index. Neither S&P nor its third party licensors is responsible for and has not participated in the determination of the prices and amounts of the Units or the timing of the issuance or the sale of the Units or in the determination or calculation of the price at which the Units may be redeemed. S&P has no obligation or liability in connection with the administration, marketing or trading of the Units.

NEITHER S&P, ITS AFFILIATES NOR THEIR THIRD PARTY LICENSORS GUARANTEE THE ADEQUACY, ACCURACY, TIMELINESS OR COMPLETENESS OF THE S&P/TSX EQUITY INCOME INDEX OR ANY DATA INCLUDED THEREIN OR ANY COMMUNICATIONS, INCLUDING BUT NOT LIMITED TO ORAL OR WRITTEN COMMUNICATIONS (INCLUDING ELECTRONIC COMMUNICATIONS) WITH RESPECT THERETO. S&P, ITS AFFILIATES AND THEIR THIRD PARTY LICENSORS SHALL NOT BE SUBJECT TO ANY DAMAGES OR LIABILITY FOR ANY ERRORS, OMISSIONS OR DELAYS THEREIN. S&P MAKES NO EXPRESS OR IMPLIED WARRANTIES, AND EXPRESSLY DISCLAIMS ALL WARRANTIES OR MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE WITH RESPECT TO THE MARKS, THE INDEX OR ANY DATA INCLUDED THEREIN. WITHOUT LIMITING ANY OF THE FOREGOING, IN NO EVENT WHATSOEVER SHALL S&P, ITS AFFILIATES OR THEIR THIRD PARTY LICENSORS BE LIABLE FOR ANY INDIRECT, SPECIAL, INCIDENTAL, PUNITIVE OR CONSEQUENTIAL DAMAGES, INCLUDING BUT NOT LIMITED TO, LOSS OF PROFITS, TRADING LOSSES, LOST TIME OR GOODWILL, EVEN IF THEY HAVE BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES, WHETHER IN CONTRACT, TORT, STRICT LIABILITY OR OTHERWISE.

“Standard & Poor’s®” and “S&P®” are trademarks of S&P and have been licensed for use by the Fund. “TSX®” is a trademark of the TSX, Inc. and have been licensed for use by S&P.

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

Securities legislation in certain of the provinces and territories of Canada provide 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, the securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, revisions of the price or damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission, revisions of the price 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 for the particulars of these rights or consult with a legal advisor.

## AUDITORS' CONSENT

We have read the prospectus of Marquest Canadian Equity Income Fund (the "**Fund**") dated April 28, 2011 relating to the issuance of up to 10,000,000 Units of the Fund. We have complied with Canadian generally accepted standards for an auditors' involvement with offering documents.

We consent to the inclusion in the above mentioned prospectus of our report to the Fund on the statement of net assets of the Fund as at April 28, 2011. Our report is dated April 28, 2011.

Toronto, Ontario  
April 28, 2011

*(signed)* Ernst & Young LLP  
Chartered Accountants  
Licensed Public Accountants

## INDEPENDENT AUDITORS' REPORT

To: The Manager of Marquest Canadian Equity Income Fund and  
The Directors of Marquest Asset Management Inc.

We have audited the accompanying statement of net assets of the Fund as at April 28, 2011 and 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 Canadian generally accepted accounting principles, 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.

### Auditors' 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 auditors 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 April 28, 2011 in accordance with Canadian generally accepted accounting principles.

Toronto, Ontario  
April 28, 2011

(signed) Ernst & Young LLP  
Chartered Accountants  
Licensed Public Accountants

**MARQUEST CANADIAN EQUITY INCOME FUND**

**STATEMENT OF NET ASSETS**

**As at April 28, 2011**

**ASSETS**

Cash..... 10  
\$10

**UNITHOLDER'S EQUITY**

Unitholder's equity..... 10  
\$10

Approved by the Board of Directors of  
Marquest Asset Management Inc.  
the Trustee and Manager of

**MARQUEST CANADIAN EQUITY INCOME FUND**

(Signed) "*GERALD L. BROCKELSBY*"  
Director

(Signed) "*ANDREW A. MCKAY*"  
Director

*See accompanying notes to this financial statement.*

## MARQUEST CANADIAN EQUITY INCOME FUND

### NOTES TO FINANCIAL STATEMENT

As at April 28, 2011

#### 1. ORGANIZATION AND UNITHOLDER'S EQUITY

Marquest Canadian Equity Income Fund (the “**Fund**”) is an investment fund established as a trust under the laws of the Province of Ontario pursuant to a declaration of trust dated April 28, 2011. The manager of the Fund is Marquest Asset Management Inc. (“**Marquest**” or the “**Manager**”). Marquest also is the trustee of the Fund (in such capacity, the “**Trustee**”). The Fund is authorized to issue an unlimited number of units (the “**Units**”). On April 28, 2011, the Fund issued one Unit for \$10.00 cash.

The Fund is authorized to issue an unlimited number of Units. Each Unit entitles the holder of a Unit (a “**Unitholder**”) to the same rights and obligations as a holder of any other Unit and no Unitholder is entitled to any privilege, priority or preference in relation to any other Unitholder. Each Unitholder is entitled to participate equally with respect to any and all distributions, other than redemptions, made by the Fund.

On dissolution, liquidation or wind-up of the Fund, the Unitholders of record are entitled to receive on a *pro rata* basis all of the assets of the Fund remaining after payment of all debts, liabilities and liquidation expenses of the Fund. Units may be redeemed at the option of Unitholders on a monthly Redemption Date (as herein defined) and on the last business day in November, subject to certain conditions.

Except as discussed below regarding the limitation and suspension of redemptions rights, commencing in 2012, Units may be redeemed on the last business day in November of each year at a redemption price per Unit equal to net asset value (“**NAV**”) per Unit less any costs associated with the redemptions including commissions and other costs related to liquidating any portion of the Portfolio required to fund such redemption. Units must be surrendered for annual redemption to the Fund’s registrar and transfer agent by no later than 4:00 p.m. (Toronto time) on November 1 of such year or the immediately preceding business day, in the event that November 1 is not a business day. Payment of the proceeds of redemption will be made on or before the last business day of December.

Units may be surrendered for redemption to the Fund’s registrar and transfer agent on the last business day of any month, other than November (the “**Redemption Date**”) by no later than 4:00 p.m. (Toronto time) on the 15th day of such month or the immediately preceding business day in the event that the 15th day is not a business day. Payment of the proceeds of redemption will be made on or before the last business day of the following month (the “**Redemption Payment Date**”). Unitholders whose Units are surrendered for redemption will be entitled to receive a redemption price per Unit equal to the lesser of: (i) 95% of the Trading Price (as defined below) of the Units; and (ii) the Market Price (as defined below). Any declared and unpaid distributions payable on or before a Redemption Date in respect of Units tendered for redemption on such Redemption Date will also be paid on the Redemption Payment Date. For these purposes, “**Trading Price**” means the weighted average trading price on the TSX or such other stock exchange on which the Units may be listed for the ten trading days immediately preceding the relevant Redemption Date; and “**Market Price**” means the closing price of the Units on the TSX or such other stock exchange on which the Units may be listed on the Redemption Date or, if there was no trade during the relevant period preceding a monthly Redemption Date, the average of the last bid and the last asking prices of the Units on the TSX or such other stock exchange on which the Units may be listed for each day during the relevant period.

#### *Limitation and Suspension of Redemptions*

The Manager may suspend the redemption of Units or payment of redemption proceeds: (i) during any period when normal trading is suspended on stock exchanges or other markets on which securities in the Portfolio are listed and traded, if these securities represent more than 50% by value or underlying market exposure of the NAV, 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 prior permission of the securities regulatory authorities (if required), for a period not exceeding 120 days during which the Manager determines that conditions exist which render

impractical the sale of assets of the Portfolio or which impair the ability of the Manager to determine the value of the assets of the Fund. The suspension may apply to all requests for redemption received prior to the suspension but 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 affected 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.

## **2. SIGNIFICANT ACCOUNTING POLICIES**

The statement of financial position has been prepared in accordance with Canadian generally accepted accounting principles (“**Canadian GAAP**”). In applying Canadian GAAP, management may make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses during any reporting year. Actual results could differ from those estimates. The following is a summary of significant accounting policies followed by the Fund in the preparation of its financial statements.

### *Investments*

The Fund’s investment in portfolio securities is recorded on a trade date basis and is valued at the bid price.

### *Income Recognition*

Dividend income will be recorded on the ex-dividend date. Interest income will be recorded on an accrual basis.

### *Evaluation of Covered Call Options*

Where a covered clearing corporation option, option on futures or over-the-counter option is written, the premium received by the Fund shall be reflected as a derivative liability that shall be valued at an amount equal to the current market value of the clearing corporation option, option on futures or over-the-counter option that would have the effect of closing the position.

### *Issue Costs*

Issue costs incurred in connection with the offering are charged to equity.

## **3. AGENCY AGREEMENT**

Pursuant to the agency agreement dated April 28, 2011, the Fund has engaged Scotia Capital Inc., CIBC World Markets Inc., RBC Dominion Securities Inc., BMO Nesbitt Burns Inc., National Bank Financial Inc., Canaccord Genuity Corp., GMP Securities L.P., HSBC Securities (Canada) Inc., Macquarie Private Wealth Inc., Raymond James Ltd., Mackie Research Capital Corporation, Wellington West Capital Markets Inc., Dundee Securities Ltd. and Union Securities Ltd. as agents (collectively, the “**Agents**”) to offer Units for sale to the public pursuant to a prospectus dated April 28, 2011 and pursuant to which the Fund has agreed to create, issue and sell a minimum of 2,000,000 Units and a maximum of 10,000,000 Units at \$10.00 per Unit. The expenses of the offering of the Units (the “**Offering**”), estimated at \$650,000 subject to a maximum of 1.5% of the gross proceeds of the Offering, together with the Agents’ fee of \$0.525 per Unit will be paid from the proceeds of the Offering.

The Fund has granted to the Agents an option exercisable in whole or in part for a period of 30 days following the closing of the Offering, to purchase an aggregate of up to 15% of the aggregate number of Units issued at the closing of the Offering at a price of \$10.00 per Unit.

#### **4. MANAGEMENT FEE AND OTHER EXPENSES**

The Manager, as the manager of the Fund, is responsible for managing the business and day-to-day operations of the Fund and is entitled to a management fee at an annual rate of 0.60% of the net asset value of the Fund, calculated daily and paid monthly in arrears, plus any applicable taxes, plus an amount calculated quarterly and paid as soon as practicable after the end of each calendar quarter equal to Service Fee (as defined below), plus any applicable taxes.

The Manager will pay to each registered dealer a service fee (the "**Service Fee**") equal to 0.40% annually of the NAV per Unit for each Unit held by clients of such registered dealer (calculated and paid at the end of each calendar quarter commencing on June 30, 2011), plus any applicable taxes. The Service Fee payable to the registered dealers in respect of the period ending June 30, 2011, shall be paid on a pro rata basis and multiplied by a fraction, the numerator of which is equal to the number of days from the closing of the Offering until June 30, 2011, and the denominator of which is equal to the number of days in the quarter ending June 30, 2011.

#### **5. FUTURE ACCOUNTING STANDARDS**

In February 2008, Canada's Accounting Standards Board ("**AcSB**") confirmed that Canadian GAAP, as used by publicly accountable enterprises, will be replaced by International Financial Reporting Standards ("**IFRS**") for fiscal years beginning on or after January 1, 2011. However, in June 2010, an Exposure Draft issued by the AcSB entitled "Adoption of IFRS by Investment Companies" proposed to allow entities that currently comply with Accounting Guideline 18 the option to defer implementation of IFRS until its fiscal year beginning on or after January 1, 2012.

The Exposure Draft was approved in October 2010. On January 12, 2011, the AcSB decided to further extend the deferral of the mandatory IFRS adoption to January 1, 2013. The Fund intends to defer implementation to January 1, 2013.

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

Dated: April 28, 2011

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 of the Provinces and Territories of Canada.

**MARQUEST CANADIAN EQUITY INCOME FUND**  
by its trustee, manager and promoter,  
**MARQUEST ASSET MANAGEMENT INC.**

(Signed) "*GERALD L. BROCKELSBY*"  
Chief Executive Officer

(Signed) "*ANDREWA. MCKAY*"  
Chief Financial Officer

On behalf of the Board of Directors  
of MARQUEST ASSET MANAGEMENT INC.

(Signed) "*GORDON A. MCMILLAN*"  
Director

(Signed) "*LAWRENCE R. SINCLAIR*"  
Director

**CERTIFICATE OF AGENTS**

Dated: April 28, 2011

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 of the Provinces and Territories of Canada.

**SCOTIA CAPITAL INC.**

**CIBC WORLD MARKETS INC.**

**RBC DOMINION SECURITIES INC.**

(Signed) "*BRIAN D. MCCHESENEY*"

(Signed) "*MICHAEL D. SHUH*"

(Signed) "*EDWARD JACKSON*"

**BMO NESBITT BURNS INC.**

**NATIONAL BANK FINANCIAL INC.**

(Signed) "*ROBIN G. TESSIER*"

(Signed) "*TIMOTHY D. EVANS*"

**CANACCORD  
GENUITY CORP.**

**GMP SECURITIES  
L.P.**

**HSBC SECURITIES  
(CANADA) INC.**

**RAYMOND JAMES  
LTD.**

**WELLINGTON  
WEST CAPITAL  
MARKETS INC.**

(Signed) "*RON  
SEDRAN*"

(Signed) "*NEIL M.  
SELFE*"

(Signed) "*BRENT  
LARKAN*"

(Signed) "*J.  
GRAHAM FELL*"

(Signed) "*SCOTT D.  
LARIN*"

**MACQUARIE PRIVATE WEALTH INC.**

**MACKIE RESEARCH CAPITAL CORPORATION**

(Signed) "*RAY SAWICKI*"

(Signed) "*DAVID J. KEATING*"

**DUNDEE SECURITIES LTD.**

**UNION SECURITIES LTD.**

(Signed) "*AARON UNGER*"

(Signed) "*VILMA JONES*"