

ANNUAL INFORMATION FORM

For the year ended December 31, 2016



Units

March 29, 2017

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FORWARD-LOOKING STATEMENTS

Certain statements in this Annual Information Form are forward-looking statements, including those identified by the expressions “anticipate”, “believe”, “plan”, “estimate”, “expect”, “intend” and similar expressions to the extent they relate to Caldwell U.S. Dividend Advantage Fund (the “Fund”) or Caldwell Investment Management Ltd. (the “Manager” or “CIM”). Forward-looking statements are not historical facts but reflect the current expectations of the Fund or the Manager regarding future results or events. Such forward-looking statements reflect the Fund’s or the Manager’s current beliefs and are based on information currently available to them. Forward-looking statements involve significant risks and uncertainties. A number of factors could cause actual results or events to differ materially from current expectations. Some of these risks, uncertainties and other factors are described in this Annual Information Form under the heading “Risk Factors”. Although the forward-looking statements contained in this Annual Information Form are based upon assumptions that the Fund and the Manager believe to be reasonable, neither of the Fund or the Manager can assure investors that actual results will be consistent with these forward-looking statements. The forward-looking statements contained in this Annual Information Form were prepared for the purpose of providing investors with information about the Fund and may not be appropriate for other purposes. Neither of the Fund or the Manager assumes any obligation to update or revise such forward-looking statements to reflect new events or circumstances, except as required by law.

NAME, FORMATION AND HISTORY OF THE FUND

Caldwell U.S. Dividend Advantage Fund is a non-redeemable investment fund established as a trust under the laws of the Province of Ontario pursuant to a declaration of trust dated May 28, 2015 (as supplemented, amended or restated from time to time, the “Declaration of Trust”). Caldwell Investment Management Ltd. is the manager and portfolio manager of the Fund. Unless otherwise indicated, all references to dollar amounts in this Annual Information Form are to Canadian dollars.

The Fund completed its initial public offering (the “Initial Public Offering”) in June 2015 issuing an aggregate of 5,185,000 Units (“Units”) at a price of \$10.00 per Unit for gross proceeds of approximately \$52 million. The Manager paid all of the fees and expenses of the Initial Public Offering. As a result, the net asset value per Unit immediately following the closing of the Initial Public Offering was \$10.00.

The Units are listed on the Toronto Stock Exchange (“TSX”) under the symbol UDA.UN.

The principal offices of the Fund and of the Manager are located at Suite 1702, P.O. Box 47, 150 King Street West, Toronto, Ontario, M5H 1J9. The telephone numbers, website address and e-mail address of the Manager are 416-593-1798 and 1-800-256-2441, www.caldwellinvestment.ca and funds@caldwellinvestment.com, respectively. The Fund’s website is located at www.caldwellinvestment.ca/investment-solutions/closed-end-funds/us-dividend-advantage-fund/.

The Fund is a non-redeemable investment fund and is not considered to be a mutual fund under the securities legislation of the provinces and territories of Canada. While the Fund is subject to National Instrument 81-102-*Investment Funds* (“NI 81-102”), it is not subject to all of the investment restrictions and operating policies that apply to mutual funds under such legislation.

INVESTMENT OBJECTIVES

The investment objectives of the Fund are to provide holders of Units (“Unitholders”) with:

- (i) monthly cash distributions; and
- (ii) the potential for capital appreciation and enhanced long-term risk adjusted returns.

The Fund has been created to invest in an actively managed portfolio (the “Portfolio”) comprised primarily of U.S. dividend-paying equity securities that exhibit a combination of low current volatility and high profitability and are expected by the Manager to significantly benefit from the current U.S. economic expansion.

INVESTMENT STRATEGIES

The Fund seeks to achieve its objectives by investing in an actively managed portfolio comprised primarily of U.S. dividend-paying equity securities that exhibit a combination of low current volatility and high profitability and are expected by the Manager to significantly benefit from the current U.S. economic expansion. In addition, the Fund incorporates a disciplined risk management process that is designed to tactically shift the Portfolio towards the least volatile sectors of the market and reduce equity exposure from time to time in advance of future market downturns in order to mitigate the potential for capital loss. It is the view of the Manager that the U.S. economy is underpinned by strong positive fundamentals and that dividend-paying equity securities that exhibit a combination of low current volatility and high profitability will significantly and disproportionately benefit from U.S. economic growth.

The Manager employs a disciplined multi-stage investment process which utilizes a unique combination of quantitative and qualitative fundamental analysis in constructing and maintaining the Portfolio. The Manager's proprietary quantitative model is used to identify a universe of investable securities which exhibit the following prerequisite key attributes:

- high profitability, as measured by strong operating margins and return on assets;
- dividend paying; and
- low current volatility, determined in respect of the short-term average distribution of daily returns.

As at March 16, 2017, the Fund's universe of investable securities was comprised of 296 dividend-paying equity securities and the Fund held 42 dividend-paying equity securities in the Portfolio. The Manager expects that the Fund will typically hold an average of 35 to 50 dividend-paying equity securities in the Portfolio.

The Manager then employs an active, top-down, bottom-up fundamental approach of evaluating and ranking investment candidates with an emphasis on valuation, balance sheet strength, management team quality, strategic positioning of the company within its industry and overall correlation of the company relative to the Portfolio. Emphasis is placed on the securities of issuers which, in the view of the Manager, are financially strong, have exhibited low current volatility, improving operating performance and offer the potential for dividend and business growth.

Volatility and Returns

Historically, investment strategies focused on low current volatility, high dividend-paying equity securities have considerably outperformed the broader market. It is the Manager's view that this outperformance can be attributed to the following:

- Securities that exhibit low current volatility tend to experience lower drawdowns, i.e. smaller price movements in declining markets, which considerably enhances compound returns over time;
- The commitment to regularly pay and grow dividends imposes a greater discipline on management teams, which is complementary to a low volatility strategy. These companies must carefully manage cash flow and selectively pursue opportunities to grow distributable income with remaining free cash flow. Moreover, larger investment initiatives generally require management teams to access the capital markets, which places a higher degree of scrutiny and control on management decisions; and
- Historically low interest rates in conjunction with aging populations in North America and Europe have fueled investor demand for yield. The Manager believes that well-managed dividend-paying issuers that exhibit low current volatility and possess both strong balance sheets and good prospects for growth will continue to benefit from increased investor demand, which is expected to result in ongoing valuation multiple expansion.

There is also a direct correlation between low volatility securities and positive market outcomes. Further, by minimizing portfolio exposure to high volatility securities, many of the most adverse investment outcomes can be mitigated or entirely avoided, thereby improving compounded returns on both an absolute and risk-adjusted basis.

Embedded Dynamic Risk Management

The Manager's proprietary quantitative model is designed to systematically identify high margin low current volatility equity securities which are expected by the Manager to outperform the broader market with significantly less risk. The universe of investible securities is designed to expand and contract as a result of changing market conditions. The Manager expects that the Fund will typically hold an average of 35 to 50 dividend-paying equity securities in the Portfolio.

Based on an analysis of historical market conditions, the Fund's investible universe would have significantly contracted prior to major market downturns, decreasing to zero as a result of deteriorating market conditions associated with the Russian credit crisis in 1998 (one time) and the financial crisis in 2008 (three times). In addition, the universe would have decreased to as few as nine issuers in January 2000 prior to the commencement of the technology-related market decline.

Active Risk Management Overlay

The Manager, in consultation with its Investment-Risk Committee, overlays a risk management strategy designed to continually gauge the health of the overall market, to predict periods of increased market risk and to assess potential adverse impact on the Portfolio. Such periods of heightened market risk may be characterized by factors such as increased market volatility, converging correlations between securities, narrowing market breadth and an inversion of interest rate term structures.

Major market declines over the last several decades have been characterized by high volatility and increased correlations between stocks. Diversification becomes less effective as a means of reducing portfolio risk as correlations between securities increase.

In order to enhance long-term risk adjusted returns and mitigate risk, the asset allocation of the Portfolio is regularly assessed by the Manager and adjusted, as required, in order either to seek to insulate the Portfolio from an anticipated market decline (which may be characterized by indicators such as converging correlations between securities and increased market volatility, as demonstrated in the charts above) or to position it to participate fully in a rising market. In this regard, the Manager adjusts the Portfolio towards or away from economically sensitive sectors, reduces or increases leverage and cash positions, selectively invests in fixed income securities and engages in hedging strategies designed to insulate the Portfolio from declines in individual securities or sectors.

Leverage

The Fund may utilize various forms of leverage (including through short selling and net notional exposure under derivative contracts). It is anticipated that the leverage employed by the Fund will be achieved primarily by way of a loan facility or prime brokerage facility. The maximum aggregate amount of leverage that the Fund will employ is 25% of Total Assets. Accordingly, at the time such leverage is incurred, the maximum amount of leverage that the Fund could employ is 1.33:1 (total long positions (including leveraged positions) divided by the net assets of the Fund). Derivatives and shorting used solely for purposes of hedging (as defined in NI 81-102) will not be included in the leverage threshold calculation. If at any time leverage exceeds the threshold, the Manager will cause the leverage to be reduced to below such threshold as soon as reasonably practicable. The amount of leverage, if any, utilized by the Fund will vary from time to time based on the Manager's assessment of market conditions and cash flow requirements. As of December 31, 2016, the Fund employed leverage of approximately 18.26% of Total Assets.

Use of Derivatives

Subject to the Fund's investment restrictions, the Fund may invest in or use derivative instruments for hedging purposes consistent with its investment objectives. The Fund's use of derivatives for hedging purposes is not otherwise subject to any limitations where such hedging does not create leverage. For example, the Fund may use derivatives for hedging purposes with the intention of offsetting or reducing risks, such as currency value fluctuations, stock market risks and interest rate changes, associated with an investment or group of investments.

Subject to the Fund's investment restrictions, the Fund also may invest in or use derivative instruments for non-hedging purposes consistent with its investment objectives to a maximum of 10% of the NAV. If the Fund elects to do so it may, for example, without limitation, write covered call options on some or all of the securities comprising the Portfolio or write cash covered put options. The holder of a covered 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 exercise price per security determined at the time of writing the call option. In addition, the Fund may from time to time engage in writing cash covered put options based on a portion of the Fund's assets held in cash, cash equivalents and cash cover. The Fund may utilize such cash, cash equivalents and cash cover to provide cover in respect of the writing of cash covered put options, which are intended to generate additional returns and to reduce the net cost of acquiring the securities subject to the cash covered put options. The holder of a put option purchased from the Fund will have the option, exercisable during a specific time period or at expiry, to sell the securities underlying the option to the Fund at the exercise price per security. By selling covered call options and/or cash covered put options, the Fund will receive option premiums.

Short Selling

The Fund may engage in short selling up to a maximum of 10% of the NAV. This 10% limit, however, does not apply to short sales of securities or short positions maintained by the Fund for the purposes of hedging (as defined in NI 81-102) the exposure of the Portfolio to equity securities that are to be received by the Fund in connection with (i) the exercise by the Fund of a right to acquire such securities pursuant to a conversion or (ii) the exercise by the issuer of a right to issue such securities at maturity. The Fund may engage in short selling, as permitted by securities laws, and may do so as a complement to the Fund's investment strategy in circumstances where the Manager expects that the securities of an issuer will decrease in market value.

Currency Hedging

The Portfolio will consist primarily of securities which are denominated in currencies other than the Canadian dollar (any such currencies being "foreign currencies") and, accordingly, the Fund will be exposed to foreign currency risk. From time to time, between 0% and 100% of the value of the Portfolio's foreign currency exposure may be hedged back to the Canadian dollar. The Manager does not currently hedge the Portfolio's foreign currency exposure back to the Canadian dollar. The decisions as to whether the Fund's exposure to foreign currencies will be hedged back to the Canadian dollar, and the amount of such exposure to be hedged, will depend on such factors as exchange rates, the Manager's outlook for the economy both in the U.S. and globally and a comparison of the costs associated with such hedging transactions against the benefits expected to be obtained therefrom.

Investment in other Investment Funds

In accordance with applicable securities legislation, including NI 81-102, and as an alternative to or in conjunction with investing in and holding securities directly, the Manager may also invest in one or more other investment funds, including other investment funds managed by the Manager (each, an "Other Fund"), provided that no management fees or incentive fees are payable by the Fund that, to a reasonable person, would duplicate a fee payable by the Other Fund for the same service. The Fund's allocation to investments in Other Funds, if any, will vary from time to time depending upon the size of the Portfolio, the relative size and liquidity of the investment fund, and the ability of the Manager to identify appropriate investment funds that are consistent with the Fund's investment objectives and strategies.

Lending of Portfolio Securities

In order to generate additional returns, the Fund may lend Portfolio securities in accordance with the requirements of NI 81-102. In lending its securities, the Fund may earn lending income while retaining the securities' potential for capital appreciation. The advantage of such loans is that the Fund continues to receive amounts equal to the dividends and distributions on loaned securities while at the same time earning lending income on those securities. The use of securities lending must be in the best interests of the Fund.

INVESTMENT RESTRICTIONS

The Fund is subject to certain restrictions and practices contained in securities legislation, including NI 81-102, which are designed in part to ensure that the investments of the Fund are diversified and relatively liquid and to ensure the proper administration of the Fund. The Fund is managed in accordance with the foregoing restrictions and practices and is also subject to certain investment restrictions contained in the Declaration of Trust that provide that:

- (a) subject to (b) below, at least 75% of the Total Assets shall be invested in dividend paying equity securities of U.S. domiciled issuers or issuers that derive a significant portion of their revenue or earnings from the U.S.;
- (b) at the Manager's discretion, the Portfolio may be invested up to 100% in cash or Cash Equivalents, including bonds issued by the governments of the United States or Canada;
- (c) except with respect to investments in Other Funds and in accordance with applicable securities legislation, including NI 81-102, not more than 10% of the Total Assets may be invested in securities of any one issuer (other than in respect of Cash Equivalents);
- (d) the Fund will not make borrowings if immediately following the borrowings, the aggregate borrowed amount would exceed 25% of Total Assets (derivatives and shorting used solely for purposes of hedging (as defined in NI 81-102) will not be included in this leverage threshold calculation);
- (e) except with respect to investments in Other Funds and in accordance with applicable securities legislation, including NI 81-102, no securities will be purchased if after such purchase the Fund would hold more than 10% of the outstanding voting securities of that issuer;
- (f) the Fund will not invest in or use derivative instruments other than for hedging purposes as described under "Investment Strategies", or invest in or use derivative instruments for non-hedging purposes other than as described under "Investment Strategies" to a maximum of 10% of the NAV;
- (g) the Fund will not make short sales of securities or maintain short positions, in each case in excess of 10% of the NAV. This 10% limit, however, does not apply to short sales of securities or short positions maintained by the Fund for the purposes of hedging (as defined in NI 81-102) the exposure of the Portfolio to equity securities that are to be received by the Fund in connection with (i) the exercise by the Fund of a right to acquire such securities pursuant to a conversion or (ii) the exercise by the issuer of a right to issue such securities at maturity;
- (h) not more than 10% of the Total Assets may be invested in illiquid securities, which for these purposes means securities the resale of which is restricted by a representation, undertaking or agreement by the Fund or by law or that could not be disposed of within a period of 30 days at an amount which at least approximates the amount that the securities are valued for purposes of calculating NAV;

- (i) the Fund will not engage in securities lending that does not constitute a “securities lending arrangement” for purposes of the Tax Act;
- (j) the Fund will not purchase securities of an issuer if, as a result of such purchase, the Fund would be required to make a take-over bid that is a “formal bid” for purposes of the *Securities Act* (Ontario) or the equivalent provision of applicable securities laws of any other jurisdiction;
- (k) the Fund will not purchase securities from, sell securities to, or otherwise contract for the acquisition or disposition of securities with the Manager or any of its affiliates, any officer, director or shareholder of the Manager, any person, trust, firm or corporation managed by the Manager or any of its affiliates or any firm or corporation in which any officer, director or shareholder of the Manager may have a material interest (which, for these purposes, includes beneficial ownership of more than 9.9% of the voting securities of such entity) unless, with respect to any purchase or sale of securities, either: (i) any such transaction is effected through normal market facilities, pursuant to a non-pre-arranged trade, and the purchase price approximates the prevailing Market Price; or (ii) is approved by the Manager’s independent review committee;
- (l) the Fund will not invest in or hold (i) securities of or an interest in any non-resident entity, an interest in or a right or option to acquire such property, or an interest in a partnership which holds any such property if the Fund (or the partnership) would be required to include any significant amounts in income pursuant to section 94.1 of the Tax Act, (ii) an interest in a trust (or a partnership which holds such an interest) which would require the Fund (or the partnership) to include significant amounts in income in connection with such interest pursuant to the rules in section 94.2 of the Tax Act, or (iii) any interest in a non-resident trust (or a partnership which holds such an interest) other than an “exempt foreign trust” for the purposes of section 94 of the Tax Act;
- (m) the Fund will not invest in any security that would be a “tax shelter investment” within the meaning of section 143.2 of the Tax Act;
- (n) the Fund will not invest in any security of an issuer that would be a “foreign affiliate” of the Fund for purposes of the Tax Act;
- (o) the Fund will 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;
- (p) the Fund will not make any investment or conduct any activity that would result in the Fund failing to qualify or ceasing to qualify as a “mutual fund trust” for purposes of the Tax Act or acquire any property 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 any amendment to such definition); and
- (q) the Fund will not make or hold any investment that would result in the Fund itself being a SIFT trust for purposes of the SIFT Rules.

If a percentage restriction on investment or use of assets or borrowing or financing arrangements set forth above as an investment restriction is adhered to at the time of the transaction, later changes to the market value of the investment or Net Asset Value of the Fund will not be considered a violation of the investment restrictions (except for the restriction in paragraph (q) above which must be complied with at all times and which may necessitate the selling of investments from time to time). If the amount of leverage exceeds 25% of Total Assets at any time, the Manager will cause the leverage to be reduced to bring the aggregate amount of leverage below 25% of Total Assets as soon as reasonably practicable. If the Fund receives from an issuer subscription rights to purchase securities of that issuer, and if the Fund exercises those subscription rights at a time when the Fund’s holdings of securities of that issuer would otherwise exceed the limits set forth above, the exercise of those rights will not constitute a violation of the investment restrictions if, prior to the receipt of securities of that issuer on exercise of these rights,

the Fund has sold at least as many securities of the same class and value as would result in the restriction being complied with.

THE UNITS

The beneficial interest in the net assets and net income of the Fund is divided into units of such classes as may be determined by the Manager from time to time. Initially, Units have been authorized for issuance. The Fund is authorized to issue an unlimited number of Units. As of December 31, 2016, there were 5,063,100 Units outstanding.

Each Unit entitles the holder to the same rights and obligations as any other Unitholder and no Unitholder is entitled to any privilege, priority or preference in relation to any other Unitholder. Each Unitholder is entitled to one vote for each Unit held and is entitled to participate equally with respect to any and all distributions made by the Fund, including distributions of net realized capital gains or income, if any. On the redemption of Units, however, the Fund may in its sole discretion, allocate and/or designate as payable to redeeming Unitholders any net realized capital gains and income realized by the Fund to facilitate the redemption of Units. Any such allocation and designation will reduce the redemption price otherwise payable to the redeeming Unitholder. On termination or liquidation 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.

The Declaration of Trust provides that the Fund may not issue additional Units following completion of the Initial Public Offering except (i) for net proceeds per Unit of not less than 100% of the most recently calculated Net Asset Value per Unit prior to the pricing of such issuance (and, for greater certainty, in making such determination, if such NAV is calculated prior to a record date for a distribution in respect of Units, the most recently calculated NAV per Unit for the purposes of determining the subscription price will be adjusted to account for any distributions which have been declared payable in respect of the Units and which will not be received by the subscriber); (ii) by way of Unit distributions; or (iii) pursuant to the Reinvestment Plan (defined below under “The Units – Distributions – Distribution Reinvestment Plan”).

On December 16, 2004, the *Trust Beneficiaries' Liability Act, 2004* (Ontario) came into force. This statute provides that holders of units of a trust are not, as beneficiaries, liable for any act, default, obligation or liability of the trust if, when the act or default occurs or the liability arises: (i) the trust is a reporting issuer under the Securities Act; and (ii) the trust is governed by the laws of Ontario. The Fund is a reporting issuer under the Securities Act and the Fund is governed by the laws of Ontario by virtue of the provisions of the Declaration of Trust.

Distributions

The Fund does not have a fixed distribution but in accordance with the Fund's investment objectives intends to pay monthly cash distributions based on, among other things, the actual and expected returns on the Portfolio. The Manager will at least annually determine an indicative distribution amount for the year based upon the prevailing market conditions and an estimate of distributable cash flow from the Portfolio for such year. The Fund intends to make monthly distributions to Unitholders of record on the last Business Day of each month (each, a “Distribution Record Date”). Distributions will be paid on a Business Day designated by the Manager that will be on or about the 15th day of the month following the Distribution Record Date. From January 1, 2016 to December 31, 2016, the Fund paid aggregate cash distributions of \$0.60 per Unit, which was in line with the Fund's distribution target for 2016.

The Fund has a target distribution of \$0.05 per Unit per month (\$0.60 per Unit per annum) for the 12 months ending December 31, 2017.

The amount of monthly distributions may fluctuate and there can be no assurance that the Fund will make any distribution in any particular month or months. If the return on the Portfolio and the increase in the value of the Portfolio is less than the amount necessary to fund the monthly distributions and all expenses of the Fund and if the Manager chooses nevertheless to ensure that the monthly distributions are paid to

Unitholders, this will result in a portion of the capital of the Fund being returned to Unitholders and, accordingly, the Net Asset Value per Unit would be reduced.

It is anticipated that returns on the Portfolio over the life of the Fund will be derived primarily from dividends, interest and other distributions received on the Portfolio securities and net realized capital gains from the sale of the Portfolio securities. It is expected that a significant portion of distributions will be designated by the Fund as foreign source income; however, distributions may also include, among other things, amounts designated by the Fund as taxable capital gains and returns of capital.

In order to ensure that the Fund will not generally be liable for income tax under Part I of the Tax Act in any taxation year, the Declaration of Trust provides that a special distribution will, if necessary, be automatically payable to Unitholders in the taxation year or, in the case of a taxation year that ends on December 15 of a calendar year, after December 15 but on or before December 31 of the calendar year in which such taxation year ends. The special distribution may be necessary where the Fund realizes income and net realized capital gains for tax purposes which exceeds monthly distributions paid or made payable to Unitholders during the taxation year. Such special distributions may be paid in the form of Units and/or cash. Any special distributions payable in Units will increase the aggregate adjusted cost base of a Unitholder's Units. Immediately following payment of such a special distribution in Units, the number of Units outstanding will be automatically consolidated such that the number of Units outstanding after such distribution will be equal to the number of Units outstanding immediately prior to such distribution, except in the case of a non-resident Unitholder to the extent tax is required to be withheld in respect of the distribution. See "Income Tax Considerations".

The Fund intends that the monthly distributions will be paid in cash. However, year-end special distributions may be paid in cash and/or Units from time to time.

Distribution Reinvestment Plan

The Fund has adopted a distribution reinvestment plan (the "Reinvestment Plan") which provides that all monthly cash distributions made by the Fund shall, at the election of each Unitholder, be automatically reinvested in additional Units ("Plan Units") on each such Unitholder's behalf in accordance with the terms of such plan (as described below) and the reinvestment plan agency agreement (to which the Reinvestment Plan is appended) dated June 19, 2015 entered into by the Fund, the Manager and CST Trust Company (the Fund's registrar and transfer agent acting as plan agent) (the "Plan Agent") to establish the Reinvestment Plan. Notwithstanding the foregoing, Unitholders who are not residents of Canada are not able to participate in the Reinvestment Plan and Unitholders who cease to be residents of Canada are required to terminate such Unitholders' participation in the Reinvestment Plan.

Subject to the foregoing, all monthly cash distributions will be automatically reinvested in additional Units on behalf of those Unitholders who are residents of Canada and who elect to participate in the Reinvestment Plan (each such Unitholder being a "Beneficial Plan Participant"). A Unitholder may become a Beneficial Plan Participant by notifying his, her or its CDS Participant, which in turn will notify the Plan Agent through CDS, that the Unitholder wishes to become a Beneficial Plan Participant. Beneficial Plan Participants should note that (i) the Plan Agent is authorized to deal exclusively with CDS for the purposes of the Reinvestment Plan with respect to Plan Units that are registered in the name of CDS or its nominee, (ii) the rights of Beneficial Plan Participants whose Units are registered in the name of CDS or its nominee shall be exercised only indirectly through CDS, and (iii) Beneficial Plan Participants will not be recognized by the Fund or the Plan Agent as registered holders of Plan Units.

Distributions due to Beneficial Plan Participants will be paid to the Plan Agent and applied to the purchase of Units on behalf of Beneficial Plan Participants in the following manner. If the weighted average trading price of the Units on the TSX (or such other exchange or market on which the Units are then listed and primarily traded) for the 10 trading days immediately preceding the relevant Distribution Date (the "Market Price") plus estimated brokerage fees and commissions is greater than or equal to the NAV per Unit as at such Distribution Date, the Plan Agent will, after the relevant Distribution Date, apply distributions to the purchase of Units from the Fund at a price equal to NAV per Unit as at the Distribution Date, provided that if the NAV per Unit as at the Distribution Date is less than 95% of the Market Price per Unit as at the Distribution Date, then Units will be purchased from the Fund at a price equal to 95% of the Market Price as at the Distribution Date (the "Treasury Purchase Procedure"). No fees will be

paid to the Plan Agent in connection with the Treasury Purchase Procedure. Otherwise, if the Market Price plus estimated brokerage fees and commissions is less than the NAV per Unit as at the Distribution Date, purchases of Units will be made in the market during the 10 trading days following the relevant Distribution Date, on any business day when the Market Price plus estimated brokerage fees and expenses is less than the NAV per Unit as at such Distribution Date, and on the 11th trading day after the Distribution Date the unused part (if any) of the distributions paid to the Plan Agent for the benefit of Beneficial Plan Participants will be applied to a purchase of Units from the Fund in accordance with the Treasury Purchase Procedure. Applicable brokerage fees and commissions incurred in connection with purchases of Units made in the market pursuant to the Reinvestment Plan will be borne on a *pro rata* basis by each Beneficial Plan Participant. Purchases of Units in the market pursuant to the Reinvestment Plan will not have a dilutive effect on the NAV per Unit.

The Reinvestment Plan also allows Beneficial Plan Participants, to the extent permitted under applicable law and regulatory rulings obtained, to make optional cash payments through its CDS Participant, who in turn makes such optional cash payments to the Plan Agent (“Optional Cash Payments”), for investment in Units by the Plan Agent. A minimum of \$100 must be received by the Plan Agent per Optional Cash Payment and the Plan Agent may limit the maximum amount of Optional Cash Payments by Beneficial Plan Participants in order to ensure that the two percent limit described below is not exceeded. Optional Cash Payments will be invested on the same basis as monthly cash distributions. Optional Cash Payments must be received by a Beneficial Plan Participant’s CDS Participant, who in turn shall provide the same to the Plan Agent, at least five business days prior to a Distribution Date to be used to purchase Units immediately following such Distribution Date. Optional Cash Payments received less than five business days prior to a Distribution Date will be held by the Plan Agent and will not be used by the Plan Agent to purchase Units until after the second following Distribution Date. A Beneficial Plan Participant who wishes to make an Optional Cash Payment must ensure that the written notice of such Beneficial Plan Participant’s intention to make such Optional Cash Payment and the funds necessary to make such Optional Cash Payment are received by its CDS Participant, who in turn shall provide the same to the Plan Agent by 5:00 p.m. (Toronto time) on the day which is five business days prior to the Distribution Date. The aggregate number of Units that may be purchased with Optional Cash Payments in a calendar year may not exceed two percent of the outstanding Units at the commencement of such calendar year.

The Units purchased in the market or from the Fund will be notified to CDS for allocation by CDS Participants on a *pro rata* basis among the Beneficial Plan Participants. The Plan Agent will credit the account of CDS with the appropriate number of Units purchased under the Reinvestment Plan. Units purchased will be credited by CDS for the benefit of a Beneficial Plan Participant to the account of the applicable CDS Participant through whom a Beneficial Plan Participant holds Units. No fractional Units will be issued under the Reinvestment Plan. Rather, a cash adjustment for any fractional Units will be paid by the Plan Agent to CDS on a monthly basis, based on the NAV per Unit on the last business day prior to the date of any such cash adjustment. No certificates representing Units issued or purchased pursuant to the Reinvestment Plan will be issued. **The automatic reinvestment of the distributions under the Reinvestment Plan will not relieve Beneficial Plan Participants of any income tax applicable to such distributions.** See “Income Tax Considerations”.

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

Beneficial Plan Participants are able to terminate their participation in the Reinvestment Plan by providing notice to his, her or its CDS Participant. Such notice, if actually received by the CDS Participant prior to a Record Date, will have effect in respect of the distribution to be made as of such date. Thereafter, distributions to such Unitholders will be in cash. The Manager can terminate the Reinvestment Plan, in its sole discretion, upon not less than 30 days’ notice to CDS and the Plan Agent. The Manager is also able to amend, modify or suspend the Reinvestment Plan at any time in its sole discretion, provided that it gives notice of that amendment, modification or suspension to CDS, which notice may be given by the Fund by issuing a press release or by publishing an advertisement containing a summary description of the amendment in at least one major daily newspaper of general and regular paid circulation in Canada or in any other manner the Manager determines to be appropriate. The Fund is not required to issue Units into any jurisdiction where that issuance would be illegal.

Redemption of Units

Commencing in 2018, Units may be surrendered annually for redemption during the period from October 1 until 5:00 p.m. (Toronto time) on the last Business Day in October of each year (the “Annual Redemption Notice Period”) subject to the Fund’s right to suspend redemptions in certain circumstances. Units properly surrendered for redemption during the Annual Redemption Notice Period will be redeemed on the second last Business Day in November of each year (the “Annual Redemption Date”) and the Unitholder will receive payment on or before the 15th day of the month following the Annual Redemption Date. Redeeming Unitholders will receive a redemption price per Unit equal to the applicable NAV per Unit on the Annual Redemption Date, less any costs and expenses incurred by the Fund in order to fund such redemption, including brokerage costs.

In addition to the annual redemption right, Units may also be surrendered at any time for redemption on the second last Business Day of any month (other than the month of November (except in 2015, 2016 and 2017)) (a “Monthly Redemption Date”), subject to certain conditions. In order to effect such a redemption, the Units must be surrendered by no later than 5:00 p.m. (Toronto time) on the date which is the last Business Day of the month preceding the month in which the Monthly Redemption Date falls, subject to the Fund’s right to suspend redemptions in certain circumstances. Units properly surrendered for redemption within such period will be redeemed on the Monthly Redemption Date and the Unitholder surrendering such Units will receive payment on or before the 15th day of the month following the Monthly Redemption Date.

Unitholders surrendering a Unit for redemption on a Monthly Redemption Date will receive a redemption price per Unit equal to the lesser of (i) 95% of the Market Price of a Unit, and (ii) 100% of the Closing Market Price of a Unit on the applicable Monthly Redemption Date less, in each case, any costs and expenses incurred by the Fund in order to fund such redemption, including brokerage costs, provided that in no event shall the redemption price per Unit exceed 100% of the NAV per Unit on the Monthly Redemption Date (the “Monthly Redemption Amount”). A Unitholder who redeems a Unit on a Monthly Redemption Date will also be required to pay a redemption fee to the Manager equal to 6.0% of the Monthly Redemption Amount.

The Fund may, in its discretion, determine what portion, if any, of the amount paid to a redeeming Unitholder on a redemption of Units is an allocation and/or designation to the Unitholder of net realized capital gains and income, as applicable, of the Fund realized by the Fund to facilitate the redemption of Units. Any such allocation and/or designation will reduce the redemption price otherwise payable to the redeeming Unitholder.

Any unpaid distribution payable to Unitholders of record on or before the Monthly Redemption Date or the Annual Redemption Date, as applicable, in respect of Units tendered for redemption on such redemption date will also be paid on the same day as the redemption proceeds are paid.

Exercise of Redemption Right

An owner of Units who desires to exercise redemption privileges thereunder must do so by causing a participant (a “CDS Participant”) in the depository, trading, clearing and settlement systems administered by CDS Clearing and Depository Securities Inc. (“CDS”) to deliver to CDS (at its office in the City of Toronto) on behalf of the owner a written notice (the “Redemption Notice”) of the owner’s intention to redeem Units. An owner 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 privilege sufficiently in advance of the relevant notice date so as to permit the CDS Participant to deliver notice to CDS and so as to permit CDS to deliver notice to the transfer agent and registrar of the Fund in advance of the required time. The form of Redemption Notice will be available from a CDS Participant or the transfer agent and registrar. Any expense associated with the preparation and delivery of Redemption Notices will be for the account of the owner exercising the redemption privilege.

Except as provided under “Suspension of Redemptions”, by causing a CDS Participant to deliver to CDS a notice of the owner’s intention to redeem Units, an owner shall be deemed to have irrevocably surrendered his or her Units for redemption and appointed such CDS Participant to act as his or her exclusive settlement agent with respect to the exercise of the redemption privilege and the receipt of payment in connection with the settlement of obligations arising from such exercise.

Any Redemption Notice delivered by a CDS Participant regarding an owner's intent to redeem which CDS determines to be incomplete, not in proper form or not duly executed shall for all purposes be void and of no effect and the redemption privilege to which it relates shall be considered for all purposes not to have been exercised thereby. A failure by a CDS Participant to exercise redemption privileges or to give effect to the settlement thereof in accordance with the owner's instructions will not give rise to any obligations or liability on the part of the Fund to the CDS Participant or to the owner.

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 a stock exchange or other market on which securities owned by the Fund are listed and traded, if these securities represent more than 50% by value or underlying market exposure of the total assets of the Fund, without allowance for liabilities, and if these securities are not traded on any other exchange that represents a reasonably practical alternative for the Fund; or (ii) for a period not exceeding 30 days with the consent of the securities regulatory authorities. 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 Fund of the suspension and that the redemption will be effected at a price determined on the first Business Day following the termination of the suspension. In such circumstances, all such Unitholders shall 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 Fund shall be conclusive.

Resale of Units Tendered for Redemption

Following the closing of the Initial Public Offering, the Fund entered into a recirculation agreement (the "Recirculation Agreement") with Caldwell Securities Ltd. (the "Recirculation Agent") whereby the Recirculation Agent agreed to use commercially reasonable efforts to find purchasers for any Units tendered for redemption prior to the relevant Monthly Redemption Date or the Annual Redemption Date, as applicable. The Fund may, but is not obliged to, require the Recirculation Agent to seek such purchasers. In such event, the amount to be paid to the Unitholder on the Monthly Redemption Date or the Annual Redemption Date, as applicable, will be an amount equal to the proceeds of the sale of the Units, less any applicable commission payable to the Recirculation Agent. Such amount shall not be less than the amount that a Unitholder would have been otherwise entitled to receive. The Recirculation Agreement provides that the Recirculation Agent will not recirculate Units unless the price achieved by the Recirculation Agent in selling Units tendered for redemption is equal to or in excess of the redemption price to be paid to the redeeming Unitholder net of applicable fees and expenses. A Unitholder is entitled to require the Fund to redeem any Unit surrendered for redemption and is not obligated to have his or her Units recirculated.

Market Purchases

To enhance liquidity and to provide market support for the Units, the Fund has a mandatory market purchase program under which the Fund is, subject to the following exceptions and to compliance with any applicable regulatory requirements, obligated to purchase any Units offered on the TSX (or such other exchange or market on which the Units are then listed and primarily traded) if, at any time, the price at which Units are then offered on the TSX (or such other exchange or market on which the Units are then listed and primarily traded) is less than 95% of the NAV per Unit as at the close of business in Toronto, Ontario on the immediately preceding business day. The maximum number of Units to be purchased by the Fund pursuant to such mandatory market purchase program in any calendar quarter is 1.25% of the number of Units outstanding at the beginning of such period. In addition, the Fund is not obligated to make such purchases, if among other things: (i) the Manager reasonably believes that the Fund would be required to make an additional year end special distribution in respect of the year to Unitholders in order that the Fund will generally not be liable to pay income tax after the making of such purchase, (ii) in the opinion of the Manager, the Fund lacks the cash, debt capacity or other resources to make such purchases, or (iii) in the opinion of the Manager, such purchases would adversely affect the ongoing activities of the Fund or the remaining Unitholders. In addition, as described below under "Purchase for Cancellation", the Fund has the right (but not the obligation), exercisable in its sole discretion, at any time to purchase additional Units in the market,

subject to any applicable regulatory requirements and limitations. The Fund has obtained the necessary regulatory approvals from the Canadian securities regulatory authorities in order that the Fund may arrange for one or more securities dealers to find purchasers for any such Units as well as any Units purchased by the Fund in the open market (under normal course issuer bids or otherwise).

In connection with any market purchases of Units (including those discussed below under “Purchase for Cancellation”), the Fund pays the Manager the following amounts as partial compensation for the fees and expenses the Manager paid in connection with the Initial Public Offering: (i) if the purchase is made at a greater than 6.0% discount to the then current NAV of the Unit purchased, the Fund pays the Manager an amount (inclusive of taxes) equal to 6.0% of the then current NAV of the Unit purchased, or (ii) if the purchase is made at a discount to the then current NAV of the Unit that is less than or equal to 6.0%, the Fund pays the Manager an amount (inclusive of taxes) equal to such discount. Each such amount paid by the Fund is intended to partially compensate the Manager for the fees and expenses paid by the Manager in connection with the Initial Public Offering. The maximum amount that the Manager may be paid in respect of any market purchase is 6.0% of the NAV of the Units purchased. Such amounts are only paid if the Units purchased by the Fund are cancelled and will not be paid by the Fund once the Manager has received, together with any Redemption Fees, an aggregate amount equal to the fees and expenses paid by it in relation to the Initial Public Offering or any future offering. To the extent that a purchase is made at a price that is greater than a 6.0% discount to the then current NAV of the Unit, the amount of the balance will be accretive to the NAV of the Fund.

Purchase for Cancellation

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

BOOK-ENTRY ONLY SYSTEM

Registration of interests in, and transfers of, the Units will be made only through non-certificated interests issued under the book-entry only system of CDS. Units must be purchased, converted, 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 from the registered dealer which is a CDS Participant (from or through which the Units were purchased). References in this Annual Information Form to a Unitholder means, unless the context otherwise requires, the owner of the beneficial interest in such Units.

The Fund, the Manager and the Agents will not have any liability for (i) records maintained by CDS relating to the beneficial interests in the Units or the book entry accounts maintained by CDS; (ii) maintaining, supervising or reviewing any records relating to such beneficial ownership interests; or (iii) any advice or representation made or given by CDS and made or given with respect to the rules and regulations of CDS or any action taken by CDS or at the direction of the CDS Participants.

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

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

UNITHOLDER MATTERS

Meetings of Unitholders

A meeting of Unitholders may be convened by the Manager by a written requisition specifying the purpose of the meeting and must be convened if requisitioned by Unitholders holding not less than 10% of the Units then outstanding by a written requisition specifying the purpose of the meeting.

Notice of all meetings of Unitholders will be given in accordance with the Declaration of Trust and applicable law. The quorum for a meeting of all Unitholders is two or more Unitholders present in person or represented by proxy holding not less than 15% of the Units then outstanding. The quorum for a meeting is two or more holders of Units present in person or represented by proxy holding not less than 15% of the Units then outstanding. In the event that such quorum is not present within one-half hour after the time called for a meeting, the meeting, if convened upon the request of a Unitholder, will be dissolved, but in any other case, the meeting will stand adjourned to such day no more than 14 days later and to such time and place as may be appointed by the chairman of the meeting (which for greater certainty can be at a later time on the date of the originally scheduled meeting), and if at such adjourned meeting a quorum is not present, the Unitholders present in person or by proxy at such adjourned meeting will be deemed to constitute a quorum.

The Fund, subject to obtaining any necessary regulatory approvals, does not intend to hold annual meetings of Unitholders.

Matters Requiring Unitholder Approval

In addition to the matters requiring Unitholder approval under NI 81-102, pursuant to the Declaration of Trust, the following matters require the approval of Unitholders by resolution passed by at least 66 $\frac{2}{3}$ % of the votes cast at a meeting called and held for such purpose (an "Extraordinary Resolution"), other than items (e) and (f), which require approval of Unitholders by a simple majority vote at a meeting called and held for such purpose (an "Ordinary Resolution"):

- (a) a change in the investment objectives of the Fund as described under "Investment Objectives";
- (b) a change in the investment restrictions of the Fund as described under "Investment Restrictions";
- (c) any change in the basis of calculating fees or other expenses that are charged to the Fund which could result in an increase in charges to the Fund other than a fee or expense charged by a person or company that is at arm's length to the Fund;
- (d) a change of the manager of the Fund, other than a change resulting in an affiliate of the Manager assuming such position;
- (e) the removal of the trustee of the Fund, other than a change resulting in an affiliate of the Trustee or the Manager becoming a successor or replacement trustee or another person acceptable to the Manager assuming such position;
- (f) other than pursuant to a Permitted Merger (defined below), a reorganization with, or transfer of assets to, another mutual fund trust, if
 - (i) the Fund ceases to continue after the reorganization or transfer of assets; and
 - (ii) the transaction results in Unitholders becoming securityholders in the other mutual fund trust;
- (g) other than pursuant to a Permitted Merger, a reorganization with, or acquisition of assets from, another mutual fund trust, if

- (i) the Fund continues after the reorganization or acquisition of assets;
 - (ii) the transaction results in the securityholders of the other mutual fund trust becoming Unitholders of the Fund; and
 - (iii) the transaction would be a material change to the Fund;
- (h) a termination of the Fund, other than as described under “Termination of the Fund”;
- (i) the issuance of additional Units, other than (i) for net proceeds per Unit of not less than 100% of the most recently calculated Net Asset Value per Unit prior to the pricing of such issuance (and, for greater certainty, in making such determination, if such NAV is calculated prior to a record date for a distribution in respect of Units, the most recently calculated NAV per Unit for the purposes of determining the subscription price will be adjusted to account for any distributions which have been declared payable in respect of the Units and which will not be received by the subscriber), (ii) by way of unit distributions, or (iii) pursuant to the Reinvestment Plan; and
- (j) an amendment, modification or variation in the provisions or rights attaching to the Units.

Permitted Merger

The Fund may, without obtaining Unitholder approval, enter into a merger or other similar transaction which has the effect of combining the Fund or its assets on a tax-deferred “rollover basis” (a “Permitted Merger”) with any other investment fund or funds managed or advised by the Manager or an affiliate thereof that has or have investment objectives and investment strategies that are substantially the same as the Fund’s on an exchange ratio based on the relative NAVs of such funds, subject to NI 81-102 which requires, among other things:

- (a) approval of the Permitted Merger by the Fund’s independent review committee;
- (b) written notice to Unitholders at least 60 days before the effective date of the Permitted Merger;
- (c) a special redemption right allowing Unitholders to redeem Units at 100% of NAV per Unit if they so choose prior to the Permitted Merger; and
- (d) the merging funds bearing none of the costs associated with the Permitted Merger.

Amendments to the Declaration of Trust

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

- (a) remove any conflicts or other inconsistencies which may exist between any terms of the Declaration of Trust and any provisions of any law or regulation applicable to or affecting the Fund;
- (b) make any change or correction in the Declaration of Trust which is of a typographical nature or is required to cure or correct any ambiguity or defective or inconsistent provision, clerical omission, mistake or manifest error contained therein;
- (c) bring the Declaration of Trust into conformity with applicable laws, rules and policies of Canadian securities regulators or with current practice within the securities industry, provided that any such amendment does not adversely affect the rights, privileges or interests of the Unitholders;

- (d) maintain, or permit the Manager or Trustee to take such steps as may be desirable or necessary to maintain, the status of the Fund as a “mutual fund trust” for the purposes of the Tax Act or to respond to amendments to the Tax Act or the interpretation thereof;
- (e) effect a Permitted Merger;
- (f) add additional classes of units whose rights and privileges are not greater than the existing classes of units of the Fund; or
- (g) provide added protection or benefit to Unitholders.

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

Accounting and Reporting

The Fund will furnish to Unitholders such financial statements (including interim unaudited and annual audited financial statements) and other reports as are from time to time required by applicable law to be furnished by the Manager, including prescribed forms needed for the completion of Unitholders’ tax returns under the Tax Act and equivalent provincial legislation.

The Manager keeps, or arranges for the keeping of, adequate books and records reflecting the activities of the Fund. A Unitholder or his or her duly authorized representative has the right to examine the books and records of the Fund during normal business hours at the offices of the Manager or such other location as the Manager shall determine. Notwithstanding the foregoing, a Unitholder shall not have access to any information that, in the opinion of the Manager, should be kept confidential in the interests of the Fund.

CALCULATION OF NET ASSET VALUE

Calculation of Net Asset Value and NAV per Unit

The NAV of the Fund on a particular date will be equal to the value of the total assets of the Fund less the aggregate value of the liabilities of the Fund.

The NAV per Unit on any day will be obtained by dividing the NAV of the Fund by the number of Units then issued and outstanding.

The NAV per Unit will be calculated as of 4:00 p.m. (Toronto time) on each Valuation Day (the “Valuation Time”). Such information will be provided by the Manager to Unitholders on request.

Reporting of Net Asset Value

The NAV per Unit will be made available at no cost daily on a website established for such purpose (www.caldwellinvestment.ca/investment-solutions/closed-end-funds/us-dividend-advantage-fund/).

Valuation Policies and Procedures of the Fund

In determining the NAV of the Fund, the following will be taken into account:

- (a) cash on hand or on deposit, bills and demand notes and accounts receivable, prepaid expenses, dividends receivable and interest declared or accrued and not yet received are valued at the full amount or at what the Valuation Agent considers to be the fair value;

- (b) the value of any loans, bonds, debentures and other debt obligations will be valued by taking the average of the bid and ask prices quoted by a major dealer or independent third party pricing service, such as Thomson Reuters (Markets) LLC, in such assets on a Valuation Day at such times as the Valuation Agent, in its discretion, deems appropriate;
- (c) money market investments are recorded at their fair value;
- (d) any security that is listed or dealt in on a stock exchange shall be valued at the closing sale price (or such other value as the Canadian Securities Administrators may permit) last reported at the Valuation Time on the principal stock exchange on which such security is traded, or, if no reliable closing sale price is available at that time, the security shall be fair valued;
- (e) securities or property which have no available price quotations are valued at the Valuation Agent's best estimate of the fair value;
- (f) foreign currency accounts shall be expressed in Canadian dollars on the following basis: (i) investments and other assets shall be valued by applying the applicable exchange rate at the end of the relevant valuation period and (ii) purchases and sales of investments, income and expenses shall be recorded by applying the applicable exchange rate on the dates of such transactions;
- (g) the Fund's holdings are valued in Canadian dollars before the Valuation Agent calculates the NAV of the security;
- (h) forward foreign exchange contracts shall be valued as the difference between the value of the contract on the date the contract was originated and the value of the contract at the Valuation Time. Foreign exchange options shall be valued at their quoted market value. When the contract or option closes or expires, a realized foreign exchange gain or loss shall be recognized;
- (i) forward contracts shall be valued as the difference between the value of the contract on the date the contract originated and the value of the contract at the Valuation Time;
- (j) clearing corporation options shall be valued at the current market value;
- (k) futures contracts shall be valued at the outstanding current margin payable or receivable;
- (l) estimated operating expenses payable by the Fund shall be accrued to the date as of which the NAV is being determined;
- (m) all other assets shall be valued at the Valuation Agent's best estimate of fair value; and
- (n) if any investment cannot be valued under the foregoing rules or if the foregoing rules are at any time considered by the Valuation Agent to be inappropriate under the circumstances, then notwithstanding the foregoing rules, the Valuation Agent shall make such valuation as it considers fair and reasonable.

The Valuation Agent may also fair value securities in the following circumstances:

- (a) when there is a halt trade on a security that is normally traded on an exchange;
- (b) where securities trade on markets that have closed prior to the time of calculation of the NAV of the Fund and for which there is sufficient evidence that the closing price on that market is not the most appropriate value at the time of valuation; and
- (c) when there are investment or currency restrictions imposed by a country that affect the Fund's ability to liquidate the assets held in that market.

RESPONSIBILITY FOR OPERATIONS

The Manager

The Manager performs or arranges for the performance of management and administrative services for the Fund and is also be responsible for implementing the investment strategy of the Fund pursuant to a management agreement (the “Management Agreement”) between the Fund and the Manager dated May 28, 2015. The Manager acts as the investment fund manager and the portfolio manager of the Fund pursuant to the Management Agreement. The Manager is entitled to receive fees as compensation for the management and investment management services rendered to the Fund.

Directors and Executive Officers of the Manager

The name and municipality of residence of the directors and executive officers of the Manager and their principal occupations are as follows:

Name and Municipality of Residence	Position with the Manager and Principal Occupation
Thomas S. Caldwell Toronto, Ontario	Chairman and Director of the Manager; Chairman, Chief Executive Officer and Director of Caldwell Securities Ltd. and Chairman and Chief Executive Officer of Caldwell Financial Ltd.
Sally Haldenby-Haba Etobicoke, Ontario	Chief Compliance Officer, Secretary and Chief Financial Officer of the Manager; Vice President and Secretary of Caldwell Securities Ltd., Secretary of Caldwell Financial Ltd.
Michael B.C. Gundy Toronto, Ontario	Director of the Manager; President of Gundy Inc., an exempt market dealer engaged in financings
Brendan T. N. Caldwell, CFA Toronto, Ontario	Chief Executive Officer, President, Chief Investment Officer and Director of the Manager; Director of Caldwell Securities Ltd., Vice President and Director of Caldwell Financial Ltd.

Each of the foregoing has held his or her current position or has held a similar position with the Manager or an affiliate during the five years preceding the date hereof.

The individuals at the Manager who have primary responsibility for the management of the Fund and the Portfolio are listed in the following table. The backgrounds of such individuals are further described below.

Name and Municipality of Residence	Position with the Manager
Thomas S. Caldwell Toronto, Ontario	Chairman and Director
Brendan T. N. Caldwell, CFA Toronto, Ontario	Chief Executive Officer, President, Chief Investment Officer and Director
James E. Thorne, Ph.D. Mississauga, Ontario	Chief Capital Market Strategist and Senior Portfolio Manager
William Chin Toronto, Ontario	Chief Technical Analyst and Portfolio Manager
Morgan Pampe, MFIN, CFA Toronto, Ontario	Portfolio Manager

Thomas S. Caldwell: Mr. Caldwell graduated from McGill University in 1965, and has been actively involved in the investment industry since that time. Mr. Caldwell is Chairman of CIM, an organization founded in 1980. CIM is a diversified investment company with affiliate organizations providing investment management, brokerage and insurance services to a broad spectrum of investors throughout North America and around the world. In 2014, Mr. Caldwell was inducted into the IIAC Investment Industry Hall of Fame. Mr. Caldwell is CEO and a Director of Urbana Corporation, a publicly traded investment company and Chairman of the Canadian Securities Exchange (CSE), “The Exchange for Entrepreneurs”. Mr. Caldwell is a past Governor of the Toronto Stock Exchange and one of the leading experts in capital markets, particularly in trading environments. He is recognized as one of the world’s foremost investors in securities exchanges. Mr. Caldwell manages the investment pools he is responsible for on a value/strategic overview basis.

Brendan T. N. Caldwell, CFA: Brendan earned his B.Sc. from Trinity College at the University of Toronto in 1991 and his M.A. in English Literature from the University of London, England, in 1992. Brendan has held his Chartered Financial Analyst (CFA) designation since 1995. Prior to joining Caldwell in 1995, Brendan worked for a major Canadian mutual fund company and then a bank-controlled investment dealer. His securities exchange memberships have included Toronto, New York, the Chicago Board Options Exchange, the Kansas City Board of Trade and the American Stock Exchange (AMEX). Brendan is a Fellow of the Canadian Securities Institute and a member of the Toronto Society of Financial Analysts, as well as the CFA Institute.

James E. Thorne, Ph.D.: Dr. Thorne is the Chief Capital Market Strategist and a Senior Portfolio Manager of CIM. From February 2001 to September 2014, he held various senior investment management positions at M&T Bank and its wholly-owned subsidiary, Wilmington Trust Investment Advisors, Inc. in the U.S., including Chief Investment Officer of Equities, Managing Director and Chief Capital Market Strategist. During his tenure, Dr. Thorne was responsible for the management of approximately \$23 billion in assets under management and developed small, mid and large-capitalization investment strategies which employed a combination of quantitative and qualitative analysis and achieved top-quartile performance. Dr. Thorne is a member of Caldwell’s Investment Risk Committee. Dr. Thorne received a Ph.D. in Economics in the fields of Finance and Industrial Organization from York University in June 1993 and was subsequently employed as a Professor of Economics and Finance at the Schulich School of Business and at Bishop’s University.

William Chin: Mr. Chin is a Portfolio Manager and advises on a number of Caldwell’s funds with specialties in macro-economics, currencies and technical analysis. He contributes 35 years of international investment experience in the areas of portfolio management, currency trading and treasury management. Mr. Chin is a member of Caldwell’s Investment Risk Committee. Mr. Chin began his career as a currency trader and progressed to the role of treasury manager for a large international bank. He was registered as a Portfolio Manager with the Ontario Securities Commission in 1999 and was managing high net worth client portfolios on a discretionary basis prior to joining Caldwell. William has an MBA in economics and international finance. He is an Associate with PPI Advisory, an estate and tax planning firm for high net worth families, business owners and charitable foundations. He has been a volunteer and a board member for the Canadian Society of Technical Analysts since 2001 and is their current President. He also serves on the board of the International Federation of Technical Analysts as the Vice President of the Americas. William is a frequent speaker on macro analysis, monetary policy and technical analysis.

Morgan Pampe, MFIN, CFA: Mr. Pampe is a Portfolio Manager with CIM. His responsibilities include investment analysis, portfolio construction and operational oversight for the investment funds managed by CIM. Prior to joining CIM in 2015, Mr. Pampe worked for seven years at an independent Canadian brokerage as an equity and foreign exchange trader. Mr. Pampe is a graduate of the Masters of Finance Program of the Rotman School of Management (University of Toronto) and holds the Chartered Financial Analyst designation.

Management Agreement

Pursuant to the Management Agreement, CIM is the investment fund manager and portfolio manager of the Fund and, as such, is responsible for providing, or arranging for the provision of, managerial, administrative, compliance, portfolio advisory and investment management services to the Fund and for providing or arranging for the required administrative services to the Fund including, without limitation: authorizing the payment of operating expenses incurred on behalf of the Fund; preparing financial statements and financial and accounting information as required by the Fund; ensuring that Unitholders are provided with financial statements (including interim and annual

financial statements) and other reports as are required by applicable law from time to time; ensuring that the Fund complies with regulatory requirements and applicable stock exchange listing requirements; preparing the Fund's reports to Unitholders and the Canadian securities regulatory authorities; determining the amount of any distributions to be made by the Fund; negotiating contractual agreements with third party providers of services, including custodians, registrars, transfer agent, fund accountants, auditor and printers; and arranging for any payment required on or about the date of termination of the Fund. In addition, pursuant to the Management Agreement, CIM is also responsible for providing or arranging for the provision of all necessary investment advisory and portfolio management services in respect of the Portfolio and for ensuring that the trading and investment activities of the Portfolio are in compliance with the Fund's investment objectives, investment strategies and investment restrictions.

CIM is required to exercise its powers and discharge its duties as manager of the Fund honestly, in good faith and in the best interests of the Fund and Unitholders of the Fund, and in connection therewith, to exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in similar circumstances.

CIM may resign as manager of the Fund upon no less than 60 days' notice to the Unitholders. The Manager will be deemed to have resigned (i) if it ceases to be resident in Canada for purposes of the Tax Act; (ii) if the Manager has lost any registration, licence or other authorization or cannot rely on an exemption therefrom required by the Manager to perform its services under the Management Agreement; or (iii) if it ceases to carry out its functions of managing the Fund in Canada. If the Manager resigns it may appoint its successor but, unless its successor is an affiliate of the Manager, its successor must be approved by the Unitholders. If the Manager is in material default of its obligations under the Management Agreement and such default has not been cured within 30 days after notice of same has been given to the Manager, the Unitholders may remove the Manager and appoint a successor manager.

CIM is entitled to fees for its services as Manager under the Management Agreement and will be reimbursed for all reasonable costs and expenses incurred by CIM on behalf of the Fund. In addition, CIM and each of its directors, officers, employees and agents will be indemnified by the Fund for all liabilities, costs and expenses incurred in connection with any action, suit or proceeding that is proposed or commenced or other claim that is made against CIM or any of its officers, directors, employees or agents in the exercise of its duties as manager of the Fund, if they do not result from CIM's wilful misconduct, bad faith, negligence or breach of its obligations under the Management Agreement or its duties or standard of care described above. To compensate for the fees and expenses paid by the Manager in connection with the Initial Public Offering (which resulted in the initial NAV per Unit being equal to \$10.00), if the Manager is removed from its position by Unitholders as described above prior to the first Annual Redemption Date, the Fund will be required to pay the Manager a fee equal to the aggregate amount of all redemption fees that would be payable to the Manager, calculated as if all outstanding Units were redeemed on the Monthly Redemption Date prior to the month in which the Manager is removed. No such fee will be paid to the Manager to the extent that: (i) a court of competent jurisdiction in a final judgment that has become non-appealable has determined that the Manager acted with willful misconduct, bad faith, negligence or breached the Manager's obligations under the Management Agreement or its standard of care; or (ii) the Manager has received, together with any Redemption Fees and fees in respect of market purchases, an aggregate amount equal to the fees and expenses paid by it in relation to the Offering or any future offering.

The administration, management, portfolio advisory and investment management services of CIM under the Management Agreement are not exclusive and nothing in the Management Agreement prevents CIM from providing similar administrative and investment management services to other investment funds and other clients (whether or not their investment objectives and policies are similar to those of the Fund) or from engaging in other activities.

Independent Review Committee

In accordance with National Instrument 81-107 – *Independent Review Committee for Investment Funds* ("NI 81-107"), the Manager appointed an independent review committee ("IRC") for the Fund on May 28, 2015. The IRC also became operational on May 28, 2015. The mandate of the IRC is to review conflict of interest matters identified and referred to the IRC by the Manager and the Manager's written policies and procedures, which it has in place to manage those conflict of interest matters, and to give an approval or a recommendation, depending on the nature of the conflict of interest matter. In certain cases, the IRC may also issue a standing instruction to the Manager in conjunction with an approval or a recommendation, which, in effect, enables the Manager to act in a

particular conflict of interest matter on a continuing basis. In each case where a conflict of interest matter is identified and referred to the IRC by the Manager, the focus of the IRC is to determine whether the Manager's proposed action regarding the conflict of interest matter achieves a fair and reasonable result for the Fund.

Where a standing instruction has been issued in regards to a conflict of interest matter, the Manager must present the standing instruction to the IRC for its review and re-approval on an annual basis. In addition, at least annually, the IRC will review and assess the adequacy and effectiveness of the Manager's written policies and procedures, which it has in place to manage conflict of interest matters in respect of the Fund.

The current members of the IRC are Sharon Kent (chair), Robert Guilday and F. Michael Walsh. In performing their duties, each member of the IRC is required to act honestly, in good faith and in the best interests of the Fund and to exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. In addition, each member of the IRC is required to be independent of the Fund, the Manager and any person or company related to the Manager. At least annually, the IRC will conduct a self-assessment of the IRC's independence, compensation and effectiveness.

Each member of the IRC is entitled to be compensated by the Fund and to be indemnified by the Fund in appropriate circumstances. For the Fund's most recently completed financial year ended December 31, 2016, the aggregate compensation, including expenses, paid by the Fund to the IRC was \$7,825.

A further description of the IRC and its activities for the Fund's most recently completed financial year ended December 31, 2016 is provided in the IRC's 2016 annual report to Unitholders, which can be found on the Fund's website at www.caldwellinvestment.ca/investment-solutions/closed-end-funds/us-dividend-advantage-fund/ or on SEDAR at www.sedar.com.

CONFLICTS OF INTEREST

Principal Holders of Securities

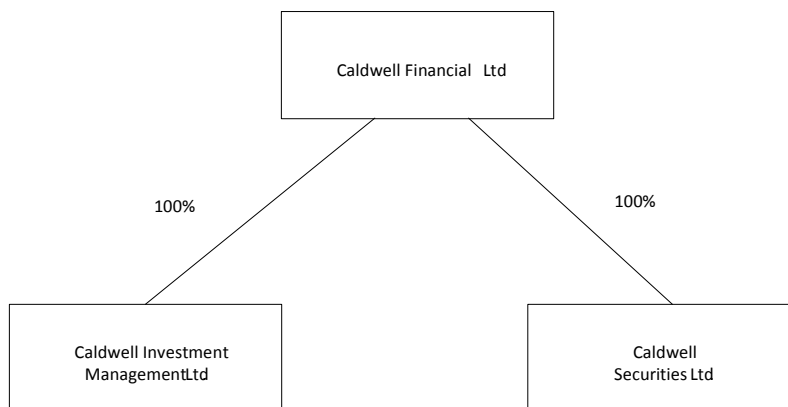
As at March 16, 2017, to the knowledge of the Manager, no person or company beneficially owned, directly or indirectly, more than 10% of the outstanding Units of the Fund.

As at March 16, 2017, to the knowledge of the Manager, the Trustee, and the directors and senior officers of the Manager beneficially owned, in aggregate, less than 10% of the outstanding Units of the Fund and the members of the IRC beneficially owned, in aggregate, less than 10% of the outstanding Units of the Fund.

Caldwell Financial Ltd. owns 100% of the outstanding shares of the Manager. The directors and officers of Caldwell Financial Ltd., in aggregate, beneficially own or control, directly or indirectly, 100% of the voting shares of Caldwell Financial Ltd.

Affiliated Entities

Caldwell Securities Ltd. provides services to the Fund or CIM in relation to the Fund and is affiliated with CIM.



The fees received from the Fund by the companies listed above are contained in the audited financial statements of the Fund. Please refer to the preceding section entitled *Responsibility for Operations* for information on directors and officers of CIM and the above-noted affiliated entities.

FUND GOVERNANCE

The Fund is governed in accordance with the provisions of the Declaration of Trust. CIM is responsible for fund governance and for the day-to-day administration of the Fund. CIM has established a Standard of Fairness Policy which consists of appropriate policies, procedures and guidelines to ensure the proper management of the Fund. The systems implemented monitor and manage the business and sales practices, risk, and internal conflicts of interest relating to the Fund, while ensuring compliance with regulatory and corporate requirements. CIM has developed policies and guidelines to manage the principal risks of the Fund and ensures that these are communicated to the persons responsible for these matters and monitors their effectiveness.

Derivatives

The Fund may invest in or use derivative instruments for purposes consistent with the investment objectives, investment strategies and investment restrictions of the Fund.

The Manager is responsible for the Fund's use of derivatives.

The Manager maintains written policies and procedures setting out the objectives and goals for derivatives use and risk management procedures including trading limits. These procedures are reviewed at least annually.

Derivative transactions may only be initiated by authorized investment personnel of the Manager who have the necessary proficiency, experience, and regulatory registration to use or trade derivatives. All derivative transactions must be recorded on a real time basis and reflected the next business day in the portfolio management accounting records maintained for the Fund, including communications to the appropriate counterparties and custodians. The Fund will only enter transactions with internally approved counterparties. Derivative positions are monitored daily to ensure compliance with all regulatory and prospectus requirements including cash to cover counterparty requirements. Investment in derivatives will be in accordance with the investment objectives, investment strategies and investment restrictions of the Fund. In addition, the Manager's compliance department independently reviews such trading activities and investment guidelines.

Securities Lending, Repurchase and Reverse Repurchase Transactions

In accordance with NI 81-102, the Manager will appoint the Custodian or a sub-custodian of the Fund to act as agent or agents on behalf of the Fund to administer the securities lending and repurchase transactions entered into by the Fund. The Manager may enter into written securities lending, repurchase or reverse repurchase transaction agreements (a "Securities Lending Agreement" or "Repurchase Agreement", as applicable) on behalf of the Fund with an agent for the Fund, to administer any securities lending, repurchase and reverse repurchase transactions for the Fund.

Any Securities Lending Agreement or Repurchase Agreement will comply with the applicable provisions of NI 81-102. The Manager manages the risks associated with securities lending, repurchase and reverse repurchase transactions by requiring any securities lending agent appointed for the Fund to:

- enter into securities lending, repurchase or reverse repurchase transactions with reputable and well-established Canadian and foreign brokers, dealers and institutions ("counterparties");
- maintain internal controls, procedures and records including a list of approved counterparties based on generally accepted creditworthiness standards, transaction and credit limits for each counterparty and collateral diversification standards;

- establish daily the market value of both the securities loaned by the Fund under a securities lending transaction or sold by the Fund under a repurchase transaction and the cash or collateral held by the Fund. If on any day the market value of the cash or collateral is less than 102% of the market value of the borrowed or sold securities, the securities lending agent appointed for the Fund will request that the counterparty provide additional cash or collateral to the Fund to make up the shortfall; and
- ensure that the collateral to be delivered to the Fund is one or more of cash, qualified securities or securities immediately convertible into, or exchangeable for, securities of the same issuer, class or type, and same term, if applicable, as the securities being loaned by the Fund.

A transaction may be terminated by the Fund at any time and the loaned securities recalled within the normal and customary settlement period for such transactions.

The Manager will review its written policies and procedures at least annually to ensure that the risks associated with securities lending, repurchase and reverse repurchase transactions are being properly managed. Any securities lending agent appointed for the Fund will use risk measurement procedures or simulations to test the Portfolio under stress, where applicable.

Short-Term Trading

Because Unitholders may only redeem their Units on notice for payment not more frequently than monthly, they cannot engage in short-term trading of the Fund's securities with the Fund and the Fund has no policies and procedures in relation to such activities.

Proxy Voting Policy

The Manager has adopted written policies relating to how securities held in the Portfolio will be voted. In general, these policies require that all proxies will be voted on behalf of the Fund in a manner that is consistent with the best interests of the Fund.

The Manager will review and analyze on a case-by-case basis, non-routine proposals that are more likely to affect the structure or operation of the issuer or have a material economic effect on the issuer.

In certain circumstances the Manager may have a conflict of interest in voting proxies on behalf of the Fund. If it is determined that there is a conflict, the Manager shall vote such proxy question in a manner consistent with and uninfluenced by considerations other than, the best interests of the Fund.

A copy of the proxy voting policies and procedures with respect to the Fund are available to Unitholders on request, at no cost, by calling toll-free at 1-800-256-2441 or by writing to funds@caldwellinvestment.com or Caldwell Investment Management Ltd., Suite 1702, P.O. Box 47, 150 King Street West, Toronto, Ontario, M5H 1J9, to the attention of Caldwell U.S. Dividend Advantage Fund.

The Manager maintains annual proxy voting records for each year. The Fund's proxy voting record for the most recent period ended June 30 of each year will be available at no cost to Unitholders at any time after August 31 of the relevant year by calling toll-free at 1-800-256-2441. The proxy voting record will also be available on the Fund's website at www.caldwellinvestment.ca/investment-solutions/closed-end-funds/us-dividend-advantage-fund/.

BROKERAGE ARRANGEMENTS

The purchase and sale of portfolio securities is arranged through registered brokers or dealers selected on the basis of the Manager's assessment of the ability of the broker or dealer to execute transactions promptly and on favourable terms, and the quality and value of services provided to the Fund by the broker or dealer, such as research, statistical and other services used in assessing potential investments (collectively, the "Brokerage Services"). The Manager makes a good faith determination that the Fund receives a reasonable benefit from the use of the Brokerage Services received, if any, relative to the amount of brokerage commissions paid.

Brokerage fees will be paid at the most favourable rates available to the Fund as permitted by all statutory and regulatory requirements.

The Manager may choose to execute a portion of the Funds' portfolio transactions with Caldwell Securities Ltd. (an affiliate of the Manager) on terms as favourable or more favourable to the Fund as those executed through other brokers or dealers. No person or company has provided investment decision-making services to the Manager in connection with the Fund since the closing of the Initial Public Offering.

Further, for the period from the closing of the Initial Public Offering to December 31, 2016, the Fund did not obtain any research services, including market data services, pursuant to "soft dollar" arrangements. To the extent any broker-dealers provide such services to the Manager in connection with the Fund in the future, a list of such broker-dealers will be made available to Unitholders on request, at no cost, by calling the Manager toll-free at 1-800-256-2441 or by writing to funds@caldwellinvestment.com.

THE TRUSTEE

CST Trust Company, located in Toronto, Ontario, is the trustee of the Fund under the Declaration of Trust.

The Trustee or any successor trustee may resign as trustee of the Fund upon 90 days written notice to the Manager or may be removed by a simple majority vote passed at a meeting of Unitholders called for such purpose or by the Manager. Pursuant to the Declaration of Trust, the Trustee shall be deemed to have resigned if it ceases to (i) be resident in Canada for purposes of the Tax Act; (ii) carry out its functions of managing the Fund in Canada; or (iii) exercise the main powers and discretions of the trustee of the Fund in Canada. If the Trustee has resigned or has been removed, the Manager may appoint a replacement to act as Trustee and such appointment need not be approved by Unitholders unless the Trustee has been removed by Unitholders in which case the Manager will call a meeting of Unitholders for such purpose. Any such resignation or removal shall become effective only on the appointment of a successor trustee. If, after notice of resignation has been received from the Trustee, no successor has been appointed within 90 days of such notice, the Trustee, the Manager or any Unitholder may apply to a court of competent jurisdiction for the appointment of a successor trustee.

The Declaration of Trust provides that the Trustee will not be liable in carrying out its duties under the Declaration of Trust unless the Trustee fails to act honestly and in good faith with a view to the best interests of the Unitholders or to exercise the degree of care, diligence and skill that a reasonably prudent trustee would exercise in comparable circumstances. The Declaration of Trust contains other customary provisions limiting the liability of the Trustee and indemnifying the Trustee in respect of certain liabilities incurred by it in carrying out its duties.

The address of the Trustee is 3rd Floor, 320 Bay Street, Toronto, Ontario, M5H 4A6.

The Trustee is entitled to receive fees from the Fund and to be reimbursed by the Fund for all expenses reasonably incurred by the Trustee in connection with the activities of the Fund. In 2016, the Trustee received \$15,000 plus applicable taxes in fees and expenses from the Fund.

THE CUSTODIAN

CIBC Mellon Trust Company, at its office in Toronto, Ontario, acts as custodian (the "Custodian") of the assets of the Fund pursuant to a custodial services agreement dated as of May 28, 2015 between the Fund, the Manager, the Custodian, CIBC Mellon Global Securities Services Company, Canadian Imperial Bank of Commerce and The Bank of New York Mellon (the "Custodian Agreement"). The Custodian has the power to appoint sub-custodians. The Manager on behalf of the Fund, the Custodian or CIBC Mellon Global Securities Services Company may terminate the Custodian Agreement upon at least ninety days' written notice or immediately in the event of a bankruptcy event in respect of a party thereto that is not cured within thirty days. The Custodian is entitled to receive fees from the Fund and to be reimbursed by the Fund for all expenses that are reasonably incurred by the Custodian in connection with the activities of the Fund.

FUND ADMINISTRATION SERVICES

SGGG Fund Services Inc. (the “Valuation Agent”) is the Fund’s valuation agent and provides certain services to the Fund from the Valuation Agent’s principal offices in Toronto, Ontario, including and among others, fund accounting and valuation services.

AUDITOR

The auditor of the Fund is Deloitte LLP, Chartered Professional Accountants, Chartered Accountants, Toronto, Ontario.

TRANSFER AGENT AND REGISTRAR

CST Trust Company, at its principal offices in Toronto, Ontario, is the registrar, transfer agent and distribution agent for the Units.

TERMINATION OF THE FUND

The Fund does not have a fixed termination date and may be terminated by Extraordinary Resolution of Unitholders. However, 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 as a result of redemptions of Units or otherwise so that it is no longer economically feasible to continue the Fund and/or it would be in the best interests of the Unitholders to terminate the Fund or the Manager determines to terminate the Fund in connection with a Permitted Merger. Upon termination, following the conversion of the assets of the Fund to cash (except in the case of a Permitted Merger), and the satisfaction of, or provision for, all liabilities of the Fund, the net assets of the Fund will be distributed to Unitholders on a *pro rata* basis. Following such distribution, the Fund will terminate. The Manager may, in its discretion and upon not less than 30 days’ notice to the Unitholders, extend any date set for termination of the Fund (a “Termination Date”) by a period of up to 180 days if the Manager would be unable to convert all of the property of the Fund to cash prior to the original Termination Date and the Manager determines that it would be in the best interests of the Unitholders to do so.

The Fund will provide Unitholders notice in writing through CDS no less than 30 days and no more than 60 days prior to the Termination Date and will issue a press release in respect thereof at least 15 days in advance of the Termination Date. The Fund will include a description of the entitlement of the Unitholders, which will be based on the NAV of the Fund, in such notice and press release.

The Fund will also be terminated in the event of the resignation of the Manager if a replacement Manager has not been appointed within 60 days of the date upon which the Manager gives notice to the Trustee of its resignation. Such termination shall occur on the date which is 60 days following the last day of the aforementioned 60 day period.

No Redemption Fee will be payable by a Unitholder, nor will any fee be payable by the Fund, upon a termination of the Fund by the Manager as described above. However, if the Fund is terminated pursuant to an Extraordinary Resolution considered at a meeting convened at the request of a Unitholder prior to the first Annual Redemption Date, the Fund will be required to pay the Manager on the Termination Date a fee equal to the aggregate amount of all redemption fees that would be payable to the Manager, calculated as if all outstanding Units were redeemed on the Monthly Redemption Date prior to the month in which the Fund is terminated. No such fee will be paid to the Manager to the extent that: (i) a court of competent jurisdiction in a final judgment that has become non-appealable has determined that the Manager acted with willful misconduct, bad faith, negligence or breached the Manager’s obligations under the Management Agreement or its standard of care; or (ii) the Manager has received, together with any Redemption Fees and fees in respect of market purchases, an aggregate amount equal to the fees and expenses paid by it in relation to the Offering or any future offering.

INCOME TAX CONSIDERATIONS

The following is, as of the date hereof, a summary of the principal Canadian federal income tax considerations generally relevant to investors who acquire, hold or dispose of Units. This summary is applicable to a Unitholder who is an individual (other than a trust) and who, for the purposes of the Tax Act, is resident or deemed to be resident in Canada, deals at arm's length and is not affiliated with the Fund and holds Units as capital property. Generally, Units will be considered to be capital property to a Unitholder provided the Unitholder does not hold the Units in the course of carrying on a business of trading or dealing in securities and has not acquired them in one or more transactions considered to be an adventure in the nature of trade. Certain Unitholders who might not otherwise be considered to hold their Units as capital property may, in certain circumstances, be entitled to have their Units, and all other "Canadian securities" owned or subsequently owned by such Unitholders, treated as capital property by making an irrevocable election in accordance with the Tax Act.

This summary is based on the assumptions that (i) none of the issuers of the Portfolio securities will be a foreign affiliate of the Fund or of any Unitholder; (ii) none of the Portfolio securities will be a "tax shelter investment" within the meaning of section 143.2 of the Tax Act; (iii) the Fund will not enter into any arrangement that would result in a dividend rental arrangement within the meaning of the Tax Act; (iv) the Fund will not acquire any investment that would cause the Fund to become a SIFT trust within the meaning of subsection 122.1(1) of the Tax Act; (v) none of the Portfolio securities will be property that would be "taxable Canadian property" within the meaning of the Tax Act (without reference to paragraph (b) thereof); and (vi) none of the Portfolio securities will be an interest in an "offshore investment fund property" that would require the Fund to include significant amounts in income in respect of such interest pursuant to section 94.1 of the Tax Act, or an interest in a trust (or a partnership which holds such an interest) that would require the Fund (or the partnership) to include significant amounts in income in connection with such interest pursuant to the rules in section 94.2 of the Tax Act, or an interest in a non-resident trust (or a partnership that holds such an interest) other than an "exempt foreign trust" as defined in section 94 of the Tax Act.

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

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 consequences relating to the deductibility of interest on money borrowed to acquire Units. Moreover, the income and other tax consequences of acquiring, holding or disposing of Units will vary depending on an investor's particular circumstances including the province or territory in which the investor resides or carries on business. Accordingly, this summary is of a general nature only and is not intended to be legal or tax advice to any investor. Investors should consult their own tax advisors for advice with respect to the income tax consequences of an investment in Units, based on their particular circumstances.

Status of the Fund

This summary is based on the assumptions that the Fund will qualify at all times as a "mutual fund trust" within the meaning of the Tax Act. To qualify as a mutual fund trust, (i) the Fund must be a Canadian resident "unit trust" for purposes of the Tax Act; (ii) the only undertaking of the Fund must be the investing of its funds in property (other than real property or interests in real property or an immovable or a real right in an immovable); and (iii) the Fund must comply with certain minimum requirements respecting the ownership and dispersal of Units.

If the Fund were not to qualify as a mutual fund trust at all times, the income tax considerations as described below would in some respects be materially and adversely different.

Taxation of the Fund

The Fund has elected that its taxation year be deemed to end on December 15 of a calendar year. The Fund will be subject to tax in each taxation year under Part I of the Tax Act on the amount of its income for the year, including net realized taxable capital gains, less the portion thereof that it claims in respect of the amount paid or payable to Unitholders in the calendar year in which the taxation year ends. 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. It is intended that the Fund will deduct, in computing its income for each taxation year, an amount in respect of distributions to Unitholders sufficient to ensure that the Fund will generally not be liable for income tax under Part I of the Tax Act (after taking into account all other available deductions and all available credits and refunds). 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 (the "Capital Gains Refund"). The Capital Gains Refund in a particular taxation year may not completely offset the tax liability of the Fund, if any, for such taxation year which may arise upon the sale or other disposition of a security in the Portfolio in connection with the redemption of Units.

The Fund will be required to include in its income for a taxation year all dividends received or considered to be received in the year on shares of corporations.

With respect to indebtedness, the Fund will be required to include in its income for a taxation year all interest thereon that accrues (or is deemed to accrue) to it to the end of that year (or until the disposition of the indebtedness in the year) or that has become receivable or is received by the Fund before the end of that year, including on a conversion, redemption or repayment on maturity, except to the extent that such interest was included in computing the Fund's income for a preceding year and excluding any interest that accrued prior to the time of the acquisition of the indebtedness by the Fund. Upon the actual or deemed disposition of indebtedness, the Fund will be required to include in computing its income for the year of disposition all interest that accrued on such indebtedness from the last interest payment date to the date of disposition except to the extent such interest was included in computing the Fund's income for that or another taxation year and such interest will not be included in the proceeds of disposition for purposes of computing any capital gain or loss.

In determining the income of the Fund, gains or losses realized upon dispositions of Portfolio securities will constitute capital gains or capital losses of the Fund in the taxation year realized unless the Fund is considered to be trading or dealing in securities or otherwise carrying on a business of buying and selling securities or the Fund has acquired the securities in a transaction or transactions considered to be an adventure in the nature of trade. The Fund will purchase Portfolio securities with the objective of earning income thereon and participating in the long term capital appreciation of the Portfolio securities, and will take the position that gains and losses realized on the disposition of Portfolio securities are capital gains and capital losses.

Generally, the Fund will include gains and deduct losses on income account in connection with investments made through certain derivatives, as well as certain short sales of securities, except where such derivatives are used to hedge Portfolio securities held on capital account provided there is sufficient linkage, subject to the DFA Rules discussed below, and will recognize such gains or losses for tax purposes at the time they are realized by the Fund.

The Fund may write covered call options and put options in respect of Portfolio securities. The Fund's objectives in writing covered call options will be (i) to lower the overall volatility of the return on the Portfolio and (ii) to increase the yield on Portfolio securities beyond that attributable to distributions received by the Fund on the Portfolio securities. In addition, the Fund's objectives in writing cash covered put options will be (i) to increase overall returns on the Portfolio and (ii) to reduce the net cost of purchasing Portfolio securities. Based on the foregoing, in accordance with the CRA's published administrative practice, subject to the discussion below relating to the DFA Rules, transactions undertaken by the Fund in respect of such options will be treated and reported for purposes of the Tax Act on capital account. Premiums received on covered call options and cash covered put options written by the Fund will be treated as capital gains realized by the Fund in the year received; however, where such option is exercised, the premium received by the Fund on the writing of a covered call option (or on the writing of a cash covered put option) will be included in the proceeds of disposition (or deducted in computing the adjusted cost base)

to the Fund of the securities sold (or acquired) under the option rather than the premium being treated as a capital gain realized at the time the option is written.

The Fund may be subject to the suspended loss rules contained in the Tax Act. A loss realized on a disposition of capital property is considered to be a suspended loss when the Fund acquires a property (a “substituted property”) that is the same or identical to the property disposed of, within 30 days before and 30 days after the disposition and the Fund owns the substituted property 30 days after the original disposition. If a loss is suspended, the Fund cannot deduct the loss from the Fund’s capital gains until the substituted property is sold and is not reacquired within 30 days before and after the sale.

The Portfolio consists principally of securities that are not denominated in Canadian dollars. Proceeds of disposition of securities, dividends, interest, distributions and all other amounts will be determined for the purposes of the Tax Act in Canadian dollars using the appropriate exchange rates determined in accordance with the detailed rules in the Tax Act in that regard. The Fund may realize gains or losses by virtue of the fluctuation in the value of foreign currencies relative to Canadian dollars. Subject to the discussion in the following paragraph, where currency hedging transactions are sufficiently linked, gains and losses on such transactions will be treated as capital gains and capital losses.

The DFA Rules treat what would otherwise be capital gains and capital losses realized on certain derivative contracts as being on income account. The DFA Rules are broadly worded and might be interpreted to apply to other agreements or transactions. See “Risk Factors – Tax Matters Affecting the Fund”.

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

In computing its income for tax purposes, the Fund may deduct reasonable administrative and other expenses incurred to earn income, including interest payable by it on money borrowed to purchase Portfolio securities. Any losses of the Fund may not be allocated to Unitholders but may be carried forward and deducted in computing the taxable income of the Fund in accordance with the detailed rules of the Tax Act.

Taxation of Unitholders

A Unitholder will generally be required to include in computing income for a particular taxation year the amount of the Fund’s net income, including net realized taxable capital gains, paid or payable to the Unitholder (whether in cash or in Units or reinvested in additional Units including pursuant to the Reinvestment Plan) in that year including the taxable portion of any amounts paid on a redemption of Units treated as an allocation of net realized capital gains and income by the Fund. The non-taxable portion of the Fund’s net realized capital gains for a taxation year, the taxable portion of which was designated in respect of a Unitholder, will not be included in the Unitholder’s income for the year. Any other amount in excess of the Fund’s net income for a taxation year paid or payable to the Unitholder, such as a return of capital of the Fund, will generally not be included in the Unitholder’s income. Such an amount, however, will generally reduce the adjusted cost base of the Unitholder’s Units. To the extent that the adjusted cost base of a Unit would otherwise be less than zero, the negative amount will be deemed to be a capital gain realized by the Unitholder from the disposition of the Unit and the Unitholder’s adjusted cost base of the Unit will then be zero.

Provided that appropriate designations are made by the Fund, such portion of the net realized taxable capital gains of the Fund and the income of the Fund from foreign sources as is paid or payable to a Unitholder will effectively retain its character and be treated as such in the hands of the Unitholder for purposes of the Tax Act. A Unitholder

will generally be entitled to foreign tax credits in respect of foreign taxes under and subject to detailed foreign tax credit rules under the Tax Act.

A Unitholder who acquires additional Units, including on the reinvestment of distributions pursuant to the Reinvestment Plan, may become taxable on the Unitholder's share of any income and gains of the Fund that have accrued or been realized but have not been made payable at the time the additional Units are acquired.

Under the Tax Act, the Fund is permitted to deduct in computing its income for a taxation year an amount that is less than the amount of its distributions for the calendar year in which such taxation year ends. This will enable the Fund to utilize, in a taxation year, losses from prior years. The amount distributed to a Unitholder but not deducted by the Fund will not be included in the Unitholder's income. However, the adjusted cost base of the Unitholder's Units will be reduced by such amount. To the extent that the adjusted cost base of a Unit would otherwise be less than zero, the negative amount will be deemed to be a capital gain realized by the Unitholder from the disposition of the Unit and the Unitholder's adjusted cost base of the Unit will then be zero.

On the disposition or deemed disposition of a Unit, including a redemption, the Unitholder will generally realize a capital gain (or capital loss) to the extent that the Unitholder's proceeds of disposition, excluding any portion of amounts paid on redemption treated as an allocation of capital gains and income by the Fund, exceed (or are less than) the aggregate of the adjusted cost base of the Unit and any reasonable costs of disposition (including any Redemption Fees paid by the Unitholder). Any additional Units acquired by a Unitholder on the reinvestment of distributions or on the investment of an Optional Cash Payment will generally have a cost equal to the amount reinvested or invested, as the case may be. If a Unitholder participates in the Reinvestment Plan and, because the Plan Agent is unable to purchase sufficient Units in the market to fully reinvest a distribution or invest an Optional Cash Payment, the Unitholder acquires a Unit from the Fund at a price that is less than the then fair market value of the Unit, it is the administrative position of the CRA that the Unitholder must include the difference in income and that the cost of the Unit will be correspondingly increased. For the purpose of determining the adjusted cost base of Units to a Unitholder, if additional Units are acquired, the cost of the newly acquired Units will be averaged with the adjusted cost base of all Units owned by the Unitholder as capital property immediately before that time. The cost of Units acquired as a distribution by the Fund to a Unitholder 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 and will not affect the aggregate adjusted cost base to a Unitholder of Units.

One-half of any capital gain realized on the disposition of Units, or paid to the Unitholder out of the Fund's net realized capital gains and so designated by the Fund, will be included in the Unitholder's income and one-half of any capital loss realized by a Unitholder will be deducted from taxable capital gains subject to and in accordance with the provisions of the Tax Act.

In general terms, distributions by the Fund paid or payable to a Unitholder that are designated as net realized taxable capital gains, and taxable capital gains realized by the Unitholder on the disposition of Units, may increase the Unitholder's liability, if any, for alternative minimum tax.

Tax Implications of the Fund's Distribution Policy

When a Unitholder purchases Units, a portion of the price paid may reflect income or capital gains accrued or realized in the Fund but not yet paid or made payable before such purchase. If these amounts are paid or payable by the Fund to such Unitholder as distributions, they must be included in the Unitholder's income for tax purposes subject to the provisions of the Tax Act, even though such amounts may have been earned or accrued before the purchase and reflected in the purchase price. This may be the case if Units are purchased near year-end before a final year-end distribution, if any, is made by the Fund and, in particular, where a Unitholder acquires Units in a calendar year after December 15 of such year, such Unitholder may become taxable on income earned or capital gains realized in the taxation year ending on December 15 of such calendar year but that had not been made payable before the Units were purchased.

Taxation of Registered Plans

Provided that the Fund qualifies as a mutual fund trust within the meaning of the Tax Act or the Units are listed on a designated stock exchange (which includes the TSX), Units will be qualified investments under the Tax Act for a trust governed by a registered retirement savings plan (“RRSP”), a registered retirement income fund (“RRIF”), a deferred profit sharing plan, a registered disability savings plan (“RDSP”), a registered education savings plan (“RESP”), or a tax-free savings account (“TFSA”).

Notwithstanding the foregoing, if Units are a “prohibited investment” for a RRSP, a RRIF or a TFSA that acquires Units, the annuitant or holder thereof will be subject to a penalty tax as set out in the Tax Act. A “prohibited investment” includes a unit of a trust (i) that does not deal at arm’s length with the annuitant or holder; or (ii) in which the annuitant or holder has a significant interest, which in general terms means the ownership of 10% or more of the fair market value of the trust’s outstanding units by the annuitant or holder, either alone or together with persons and partnerships with whom the annuitant or holder does not deal at arm’s length, but does not include units that are “excluded property” as defined in the Tax Act. The March 22, 2017 federal budget proposes to extend the application of the prohibited investment rules to RDSPs and RESPs. Annuitants of RRSPs and RRIFs, holders of TFSAAs and RDSPs and subscribers of RESPs should consult with their own tax advisors in this regard.

Exchange of Tax Information

There are new due diligence and reporting obligations in the Tax Act which were enacted to implement the Canada-United States Enhanced Tax Information Exchange Agreement. As long as Units continue to be registered in the name of CDS, the Fund should not have any U.S. reportable accounts and, as a result, it should not be required to provide information to the CRA in respect of its Unitholders. However, dealers through which Unitholders hold their Units are subject to due diligence and reporting obligations with respect to financial accounts they maintain for their clients. Unitholders may be requested to provide information to their dealer to identify U.S. persons holding Units. If a Unitholder is a U.S. person (including a U.S. citizen) or if a Unitholder does not provide the requested information, Part XVIII of the Tax Act will generally require information about the Unitholder’s investments held in the financial account maintained by the dealer to be reported to the CRA, unless the investments are held within a registered plan. The CRA is expected to provide that information to the U.S. Internal Revenue Service.

Canada has signed the OECD Multilateral Competent Authority Agreement and Common Reporting Standard (“CRS”), which provides for the implementation of the automatic exchange of tax information applicable to residents other than of Canada or the United States. The CRS will be effective in Canada as of July 1, 2017 with the first exchanges of financial account information beginning in 2018. Under the CRS, Unitholders will be required to provide certain information, including their tax identification numbers, to their dealers for the purpose of such information exchange unless their investment is held within a registered plan. The CRA is expected to provide that information to countries that are party to the CRS.

RISK FACTORS

An investment in the Fund involves risks. Certain risk factors relating to the Fund and the Units are described below. Additional risks and uncertainties not currently known to the Manager, or that are currently considered immaterial, may also impair the operations of the Fund. In addition to the conditions set out elsewhere in this Annual Information Form, the following are certain risk factors and considerations related to the Fund which prospective investors should consider before purchasing Units.

No Assurance of Achieving Investment Objectives

There is no assurance that the Fund will be able to achieve its investment objectives. The funds available for distribution to Unitholders will vary according to, among other things, the levels of dividends, distributions or interest paid on the Portfolio securities, applicable withholding taxes and the value of the Portfolio securities. There is no assurance that the Portfolio will earn any return. No assurance can be given as to the amount of distributions currently and in future years. No assurance can be given that the NAV per Unit will be preserved or appreciate.

It is possible that, due to declines in dividends, distributions or interest paid on, and the market value of, the Portfolio securities, the Fund will have insufficient assets to achieve in full its investment objectives. If the return on the Portfolio and the increase in the value of the Portfolio is less than the amount necessary to fund the monthly distributions and all expenses of the Fund and if the Manager chooses nevertheless to ensure that the monthly distributions are paid to Unitholders, this will result in a portion of the capital of the Fund being returned to Unitholders and, accordingly, the Net Asset Value per Unit would be reduced.

Risks Relating to Fluctuations in Value of Portfolio Securities and Performance of the Portfolio

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

Risks of Investing in Equity Securities

Equities such as common shares give the holder part ownership in an issuer. The value of an equity security changes with the fortunes of the issuer that issued it. General market conditions and the health of the economy as a whole can also affect equity prices. Equity related securities that provide indirect exposure to the equity securities of an issuer can also be affected by equity risk. 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.

Portfolio Concentration Risk

The assets of the Fund consist primarily of dividend-paying equity securities of U.S. domiciled issuers or issuers that derive a significant portion of their revenue or earnings from the U.S. Accordingly, diversification of the Fund's investments will be limited by geography, and the securities of such issuers are likely to be adversely impacted by any downturns in the global or local economy that impacts issuers organized in or deriving their revenues from the U.S. Accordingly, this Portfolio concentration may have a negative impact on the value of the equity securities and the general risk of the Portfolio may be increased as a result of such geographic concentration.

Use of Leverage

One element of the Fund's investment strategy is the utilization of leverage. By adding leverage, the Fund has the potential to enhance returns but this also involves additional risks. There can be no assurance that the leveraging strategy employed for the Fund will enhance returns. The use of leverage may also reduce returns (both distributions and capital) to holders of Units. If the securities in the Portfolio suffer a substantial decrease in value, the leverage component will magnify the decrease in the value of the Units. If a loan or prime brokerage facility is called by a lender, or if assets of the Fund have to be liquidated in order to comply with the terms of the borrowings, the Fund may have to liquidate its assets at a time when market conditions are not favourable, resulting in a loss.

The expenses and fees incurred in respect of the leverage may exceed the incremental net capital gains and income generated by the incremental investment for the Portfolio.

Foreign Currency Exposure

The Portfolio consists primarily of securities denominated and paying distributions in foreign currencies, including the U.S. dollar. As the NAV will be calculated in Canadian dollars, to the extent the Fund's exposure to foreign currencies has not been hedged back to the Canadian dollar, the NAV will be affected by changes in the value of

those foreign currencies against the Canadian dollar. From time to time, between 0% and 100% of the value of the Portfolio's foreign currency exposure may be hedged back to the Canadian dollar. The Manager does not currently hedge the Portfolio's foreign currency exposure back to the Canadian dollar. Distributions received on Portfolio securities will not be hedged and any hedging strategy of the Fund may not be successful. Accordingly, no assurance can be given that the Fund will not be adversely impacted by changes in foreign exchange rates or other factors.

The use of hedges involves special risks, including the possible default by the other party to the transaction, illiquidity and, to the extent the Manager's assessment of certain market movements is incorrect, the risk that the use of hedges could result in diminished returns or losses greater than if the hedging had not been used. Hedging arrangements may have the effect of limiting or reducing the total returns to the Fund if the Manager's expectations concerning future events or market conditions prove to be incorrect. In addition, the costs associated with a hedging program may outweigh the benefits of the arrangements in such circumstances.

Illiquid Securities

Up to 10% of the Total Assets may be invested in illiquid securities. As such, there is no assurance that an adequate market will exist for the securities included in the Portfolio and it cannot be predicted whether the securities included in the Portfolio will trade at a discount to, a premium to, or at their respective par or net asset values. There can be no assurance that the Fund will be able to dispose of its investments in order to honour requests to redeem Units.

Use of Derivatives

The Fund may utilize derivatives for hedging purposes and, to a limited extent, non-hedging purposes. The use of derivative instruments involves risks different from and possibly greater than, the risks associated with investing directly in securities and other traditional investments. Risks associated with the use of derivatives include: (i) hedging to reduce risk does not guarantee that there will not be a loss or that there will be a gain; (ii) there is no guarantee that a market will exist when the Fund wants to complete the derivative contract, which could prevent the Fund from reducing a loss or making a profit; (iii) securities exchanges may impose trading limits on options and futures contracts, and these limits may prevent the Fund from completing the derivative contract; (iv) the Fund could experience a loss if the other party to the derivative contract is unable to fulfill its obligations; and (v) if the Fund has an open position in an option, a futures contract or a forward contract with a dealer who goes bankrupt, the Fund could experience a loss and, for an open futures or forward contract, a loss of margin deposits with that dealer.

In addition, to the extent that derivatives are used by the Fund for non-hedging purposes, there is a risk that the non-hedging purposes for which such derivatives have been utilized by the Fund result in losses, which in turn could have an adverse effect on the performance of the Fund and its ability to meet its objectives.

Short Selling and Margin Purchases

The Fund may engage in short selling securities or maintain short positions to a maximum of 10% of the NAV, provided that such 10% limit does not apply to short sales of securities or short positions maintained for purposes of hedging (as defined in NI 81-102) the Portfolio's exposure to the equity securities to be received by the Fund in connection with the exercise of the right to acquire such securities pursuant to a conversion or in connection with the exercise by the issuer of the right to issue such securities at maturity. A short sale of a security may expose the Fund to losses if the price of the security sold short increases because the Fund may be required to purchase such securities in order to cover its short position at a higher price than the price at which such securities were sold short. The potential loss on the short sale of securities is unlimited, since there is no limit on how much the price of a security will appreciate before the short position is closed out. In addition, a short sale entails the borrowing of the security in order that the short sale may be transacted. There is no assurance that the lender of the security will not require the security to be repaid before the Fund wishes to do so, thereby requiring the Fund to borrow the security elsewhere or purchase the security in the market at an unattractive price. In the event that numerous lenders of the security in the market simultaneously recall the same security, a "short-squeeze" may occur, whereby the market price of the borrowed security may increase significantly. In addition, the borrowing of securities entails the payment of a borrowing fee. There is no assurance that a borrowing fee will not increase during the borrowing

period, adding to the expense of the short sale strategy. In addition, there is no assurance that the security sold short can be repurchased due to supply and demand constraints in the marketplace.

Purchasing securities on margin exposes the Fund to the risk of increased losses if the value of the securities purchased on margin decreases sufficiently, as the Fund will be required to repay its securities dealer for the margin used to purchase securities and may therefore be required to sell assets in order to maintain the margin requirements of its trading account. In addition, if the value of securities purchased on margin exceeds 10% of the NAV, the Fund may sell assets in order to comply with its investment restrictions. In either case, such sales may be required to be done at prices which may adversely affect the value of the Portfolio and the returns to the Fund.

Foreign Market Exposure

Investments made by the Fund may include securities of issuers established in jurisdictions outside Canada and the U.S. even though they derive a significant portion of their revenue or earnings from the U.S. Although some of such issuers will be subject to uniform accounting, auditing and financial reporting standards comparable to those applicable to Canadian and U.S. issuers, some issuers may not be subject to such standards and, as a result, there may be less publicly available information about such issuers than a Canadian or U.S. issuer. Volume and liquidity in some foreign markets may be less than in Canada and the U.S. and, at times, volatility of price may be greater than in Canada or the U.S. As a result, the price of such securities may be affected by conditions in the market of the jurisdiction in which the issuer is located or its securities are traded. Other risks include the application of foreign tax law, changes in governmental administration or economic or monetary policy and the effect of local market conditions on the availability of public information. Investments in foreign markets carry potential exposure to the risk of political upheaval, acts of terrorism and war, all of which may have an adverse impact on the value of such securities.

Volatility in 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. In addition, Units may trade at a discount to the NAV per Unit less the current Redemption Fee having regard to the effect that this fee will have on the proceeds realized by a Unitholder in connection with a monthly redemption of Units.

If the Units are thinly traded, purchases made in the market under the Reinvestment Plan may significantly affect the market price of the Units. Depending on market conditions, a direct reinvestment of cash distributions by Unitholders in the market may be more, or less, advantageous than the reinvestment arrangements under the Reinvestment Plan.

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.

Risks Relating to Redemptions

The purpose of the annual redemption right, which can be exercised beginning in 2018, is to prevent Units from trading at a substantial discount and to provide investors with the right to eliminate entirely any trading discount once per year. While the annual redemption right will provide investors an alternative option of annual liquidity beginning in 2018, there can be no assurance that it will reduce trading discounts. There is a risk that the Fund may incur significant redemptions if Units trade at a significant discount to their Net Asset Value per Unit, thereby providing arbitrage traders an opportunity to profit from the difference between the applicable Net Asset Value per Unit that would be received on exercise of the annual redemption right and the discounted market price at which they purchased their Units.

If a significant number of Units are redeemed, the trading liquidity of the Units could be significantly reduced. In addition, the expenses of the Fund would be spread among fewer Units resulting in a potentially lower distribution per Unit. The Manager has the ability to terminate the Fund if, in its opinion, it is no longer economically feasible to continue the Fund and/or it would be in the best interests of the Unitholders to do so. If the Fund were terminated as a result of redemptions, it may be terminated before the Manager would otherwise have chosen to do so and the return to Unitholders may be less than anticipated. The Manager may also suspend the redemption of Units in the circumstances described under “The Units - Redemption of Units - Suspension of Redemptions”.

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.

Risks of Investing in Debt Securities

Generally, debt instruments will decrease in value when interest rates rise and increase in value when interest rates decline. The NAV will fluctuate with interest rate changes and the corresponding changes in the value of the securities in the Portfolio. The value of debt instruments also is affected by the risk of default in the payment of interest and principal and price changes due to such factors as general economic conditions and an issuer's creditworthiness. Debt instruments may not pay interest or their issuers may default on their obligations to pay interest and/or principal amounts. Certain of the debt instruments that may be included in the Portfolio from time to time may be unsecured, which will increase the risk of loss in case of default or insolvency of the issuer. Global financial markets have experienced significant volatility in the last few years that has generally contributed to a reduction in liquidity and the availability of credit, enhancing the likelihood of default by some issuers due to diminishing profitability or an inability to refinance existing debt.

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.

Global Financial Developments

Global financial markets have experienced a sharp increase in volatility in the last several years. This has been, in part, the result of the revaluation of assets on the balance sheets of international financial institutions and related securities. This has contributed to a reduction in liquidity among financial institutions and has reduced the availability of credit to those institutions and to the issuers who borrow from them. While central banks as well as global governments have worked to restore much needed liquidity to the global economies, no assurance can be given that the combined impact of the significant revaluations and constraints on the availability of credit will not continue to materially and adversely affect economies around the world. No assurance can be given that this stimulus will continue or that, if it continues, it will be successful or these economies will not be adversely affected by the inflationary pressures resulting from such stimulus or central banks' efforts to slow inflation. Some of these economies have experienced significantly diminished growth and some are experiencing or have experienced a recession. These market conditions and further volatility or illiquidity in capital markets may also adversely affect the prospects of the Fund and the value of the Portfolio securities.

Tax Matters Affecting the Fund

The Fund is subject to certain tax risks generally applicable to investment funds that hold non-Canadian securities, including the following:

As the Fund is primarily invested in securities of foreign issuers, dividends, distributions and certain interest received by the Fund will be subject to foreign withholding tax and the Fund may be subject to other foreign taxes. See “Income Tax Considerations – Taxation of the Fund” for a discussion of certain considerations relevant to a Canadian resident Unitholder relating to foreign taxes withheld from dividends, distributions and certain interest paid to the Fund.

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

In determining its income for tax purposes, the Fund will treat gains or losses on the disposition of Portfolio securities as capital gains and losses. The Fund may use derivative instruments for hedging purposes. Subject to the discussion below regarding the DFA Rules, gains or losses realized on such derivatives will be treated and reported for purposes of the Tax Act on capital account provided there is sufficient linkage. Designations with respect to the Fund’s income and capital gains will be made and reported to Unitholders on this basis. The CRA’s practice is not to grant advance income tax rulings on the characterization of items as capital gains or income and no advance income tax ruling has been requested or obtained. If the foregoing dispositions or transactions of the Fund are not on capital account, the net income of the Fund for tax purposes and the taxable component of distributions to Unitholders could increase.

The Tax Act contains rules (the “DFA Rules”) that target certain financial arrangements (referred to as “derivative forward agreements”) that seek to reduce tax by converting, through the use of derivative contracts, the return on an investment that would otherwise have the character of ordinary income to a capital gain. The DFA Rules are broadly drafted, and could apply to other agreements or transactions. If the DFA Rules were to apply to certain derivatives to be utilized by the Fund, gains realized in respect of such derivatives could be treated as ordinary income rather than capital gains.

If the Fund experiences a “loss restriction event”, the Fund (i) will be deemed to have a year-end for tax purposes (which would result in an unscheduled distribution of the Fund’s net income and net realized capital gains, if any, at such time to Unitholders so that the Fund would not be liable for income tax on such amounts under Part I of the Tax Act), and (ii) will become subject to the loss restriction rules generally applicable to a corporation that experiences an acquisition of control, including a deemed realization of any unrealized capital losses and restrictions on its ability to carry forward losses. The Fund would generally be subject to a loss restriction event if a person becomes a “majority-interest beneficiary”, or a group of persons becomes a “majority-interest group of beneficiaries”, of the Fund, as those terms are defined in the Tax Act. Generally, a person would be a majority-interest beneficiary of the Fund if it, together with persons and partnerships with whom it is affiliated, owns Units representing more than 50% of the fair market value of all Units of the Fund. However, it is expected that the Fund will qualify for relief from the application of the loss restriction event rules.

The Fund is formed to provide investors with exposure to portfolio investments and is subject to investment restrictions intended to ensure that it will not be a SIFT trust (as defined in the Tax Act). If the Fund were considered to be a SIFT trust within the meaning of the Tax Act, the income tax considerations described under the heading “Income Tax Considerations” would be materially and adversely different in certain respects

No Ownership Interest Risk

An investment in Units does not constitute an investment by Unitholders in the assets included in the Portfolio. Unitholders will not own the assets held by the Fund. It is possible that the proceeds from the sale of Portfolio securities will be used to satisfy other liabilities of the Fund, which liabilities could include obligations to third party creditors in the event the Fund has insufficient assets, excluding the proceeds from the sale of such Portfolio securities, to pay its liabilities.

Loss of Investment Risk

An investment in the Fund is appropriate only for investors who have the capacity to absorb a loss.

Changes in Legislation and Regulatory Risk

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

Status of the Fund

The Fund is a non-redeemable investment fund and is not considered to be a mutual fund under the securities legislation of the provinces and territories of Canada. While the Fund is subject to NI 81-102, it is not subject to all of the investment restrictions and operating policies that apply to mutual funds under such legislation. However, the Fund is a mutual fund trust for purposes of the Tax Act.

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 may 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 their duties, the staff of the Manager may allocate their time and services among the Fund and the other funds managed by the Manager.

Risks Relating to the Nature of the Units

The Units represent a fractional interest in the net assets of the Fund. Units are dissimilar to hybrid instruments in that there is no principal amount owing to Unitholders. Unitholders will not have the statutory rights normally associated with ownership of shares of a corporation including, for example, the right to bring “oppression” or “derivative” actions.

MATERIAL CONTRACTS

The following contracts can reasonably be regarded as material to holders of Units of the Fund:

- (a) the Declaration of Trust described under “Name, Formation and History of the Fund”;
- (b) the Management Agreement described under “Responsibility for Operations – The Manager – Management Agreement”; and
- (c) the Custodian Agreement described under “The Custodian”.

Copies of the foregoing agreements may be inspected during business hours at the principal office of the Fund.

LEGAL PROCEEDINGS

As of the date hereof, there are no material legal proceedings pending to which the Fund is a party or which involve its assets.

In a settlement agreement with the Ontario Securities Commission in May, 2011, the Manager agreed that it had acted contrary to the public interest by failing to keep records and monitor portfolio management accounts for two

public investment funds promoted by the *FrontierAlt* financial organization. The Manager provided portfolio management advice to the investment funds.

During the Manager's engagement, *FrontierAlt* entities controlled and managed the business and assets of the funds and retained control over the portfolio assets of the funds. The Manager primarily received information about the portfolio assets of the investment funds from a *FrontierAlt* entity. The Manager agreed to make a voluntary payment of \$75,000, a payment of \$25,000 in respect of the costs of the Ontario Securities Commission and to submit to a review by an independent party of its compliance practices and procedures for engagements where it does not have direct control of assets.

CALDWELL



Additional information about the Fund is available in the Fund's management reports of fund performance and financial statements.

You can get a copy of these documents at no cost by calling toll-free at 1-800-256-2441, on the Fund's Internet site at www.caldwellinvestment.ca/investment-solutions/closed-end-funds/us-dividend-advantage-fund/ or by e-mail at funds@caldwellinvestment.com.

These documents and other information about the Fund, such as material contracts, are also available at www.sedar.com.

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