PROSPECTUS

Initial Public Offering

February 24, 2011

AUSTRALIAN BANC INCOME FUND

Maximum $150,000,000 Class A Units and/or Class F Units
(Maximum 15,000,000 Class A Units and/or Class F Units)

Australian Banc Income Fund is a non-redeemable investment fund established under the laws of the Province of Ontario. The Fund proposes to offer Class A Units and Class F Units, each at a price of $10.00 per Unit. Class F Units are designed for fee-based accounts and will not be listed on a stock exchange but may be converted into Class A Units on a weekly basis.

The Fund was created to invest in a Portfolio of common shares of the five largest Australian banks: Australia and New Zealand Banking Group, Commonwealth Bank of Australia, Macquarie Group Limited, National Australia Bank and Westpac Banking Corporation. The Manager of the Fund, Connor, Clark & Lunn Capital Markets Inc., believes that the common shares of these Banks are attractive long-term investments and have attractive dividend yields, but that they may exhibit price volatility for the foreseeable future. The Manager therefore believes that an investment strategy that incorporates selling call options to capitalize on this volatility, while retaining all the upside on a significant portion of the Portfolio, will improve the risk-adjusted return to be provided by a portfolio of common shares of such Banks.

The net proceeds of the Offering will initially be invested on an approximately equally weighted basis in common shares of the Banks. Each month the Manager may sell call options on approximately, and not more than, 25% of the common shares of each Bank held in the Portfolio. Call options sold by the Fund may be either options traded on an Australian stock exchange or "over-the-counter" options sold pursuant to an agreement with an acceptable counterparty, and the Manager intends that such options will be sold at a strike price that is "at-the-money" (that is at or close to the current market price of the Portfolio Shares). The Manager may decide, in its discretion, not to sell call options in any month if it determines that market conditions render it impracticable to do so. In order to facilitate distributions and/or pay expenses of the Fund, the Manager may sell Portfolio Shares at its discretion in which case the weighting of the Portfolio will be affected. No leverage will be used by the Fund.

Investment Objectives

The Fund will invest in a Portfolio of common shares of the five largest Australian banks: Australia and New Zealand Banking Group, Commonwealth Bank of Australia, Macquarie Group Limited, National Australia Bank and Westpac Banking Corporation. The Fund's investment objectives are to (i) provide Unitholders with quarterly distributions; (ii) provide the opportunity for capital appreciation; and (iii) lower overall volatility of Portfolio returns than would be experienced by owning common shares of the Banks directly. The Manager may sell call options on approximately, and not more than, 25% of the common shares of each Bank held in the Portfolio. The Manager may decide, in its discretion, not to sell call options from time to time if it determines that market conditions render it impracticable to do so. See "Investment Objectives" and "Risk Factors".

Based on the Manager's current estimates, the initial distribution target for the Fund is expected to be $0.1875 per quarter ($0.75 per annum to yield 7.5% on the subscription price of $10.00 per Unit). See "Investment Objectives", "Risk Factors" and "Distribution Policy".

Price: $10.00 per Class A Unit and Class F Unit
Minimum purchase: 100 Class A Units or Class F Units

	Price to the public[1]	Agents' fee	Net proceeds to the Fund[2]
Per Class A Unit	$10.00	$0.525	$9.475
Per Class F Unit	$10.00	$0.225	$9.775
Minimum total Offering[3][4]	$25,000,000	$1,312,500	$23,687,500
Maximum total Offering[4]	$150,000,000	$7,875,000	$142,125,000

Notes:

(1) The terms of the Offering were established through negotiation between the Agents and the Manager on behalf of the Fund.

(2) Before deducting the expenses of the Offering, estimated to be $650,000 (but not to exceed 1.5% of the gross proceeds of the Offering) which, together with the Agents' fee, will be paid by the Fund from the proceeds of the Offering.

(3) There will be no Closing unless a minimum of 2,500,000 Class A Units are sold. If subscriptions for such minimum have not been received within 90 days after a final receipt for this prospectus is issued, the Offering may not continue without the consent of the Canadian Securities Administrators and those who have subscribed for Units on or before such date.

(4) The Fund has granted to the Agents an Over-Allotment Option, exercisable for a period of 30 days from the Closing Date, to offer additional Class A Units in an amount up to 15% of the aggregate number of Class A Units sold on the Closing Date on the same terms as set forth above solely to cover over-allotments, if any. If the Over-Allotment Option is exercised in full under the maximum Offering, the price to the public, Agents' fee and net proceeds to the Fund are estimated to be $172,500,000, $9,056,250 and $163,443,750, respectively. This prospectus also qualifies the grant of the Over-Allotment Option and the distribution of the Class A Units issuable on the exercise of the Over-Allotment Option. A purchaser who acquires Class A Units forming part of the Agents' over-allocation position acquires such Class A Units under this prospectus, regardless of whether the over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases. See "Plan of Distribution".

Distributions

The Fund will not have a fixed distribution, but intends to set periodic distribution targets based on, among other things, the actual and expected dividends and distributions received and to be received on the Portfolio Shares, actual and expected net premiums from call options received and to be received and the Fund's estimated expenses.

Assuming the gross proceeds of the Offering are $100 million and fees and expenses are as described herein, the Portfolio would be required to generate an average total return of approximately 9.3% per annum, including from distributions and dividends, realized capital appreciation and option premiums, in order for the Fund to maintain its initial targeted distribution level and a stable NAV. Based on (i) the average current volatility of the Portfolio Shares, and (ii) the other assumptions set forth under "Investment Strategy", including that the Fund writes at-the-money covered call options on approximately, and not more than, 25% of the securities of each Bank, the Portfolio would be expected to generate net cash flow that exceeds the initial target distribution level by 1.7%. **The amount of quarterly cash distributions may fluctuate from quarter to quarter and there can be no assurance that the Fund will make any distributions in any particular quarter or quarters.** See "Distributions". The use of call options may have the effect of limiting or reducing the total returns of the Fund, particularly in a rising market since the premiums associated with writing covered call options may be outweighed by the cost of closing out outstanding options. However, the Manager believes that in a slightly rising, flat or downward trending market, a portfolio that is subject to covered call option writing will generally provide higher relative returns and lower volatility than one on which no options are written.

Foreign Currency Exposure

The Portfolio Shares are denominated in Australian dollars. The Manager will take currency exposure into account in managing the Portfolio and may hedge, from time to time, all or any portion of the value of the Portfolio Shares back to the Canadian dollar. Although the Manager does not expect to initially hedge any amounts in respect of Australian dollars, the Manager may utilize a hedging strategy from time to time in respect of Australian dollars when it considers it appropriate to do so. The Fund intends to use derivative instruments for currency hedging purposes only. See "Investment Strategy".

Redemptions

Class A Units and Class F Units may be redeemed on the second last Business Day of September of each year commencing in 2012, subject to certain conditions, at the Annual Redemption Price for such Units. To effect such a redemption, Units must be surrendered by the last Business Day of August in the year of redemption. The Annual Redemption Price will be dependent upon the performance of the Portfolio. Units are also redeemable on a monthly basis. See “Redemption of Securities” and “Risk Factors – Risks Relating to Redemptions”.

Term and Termination

The Fund will have a term of approximately ten years, terminating on or about March 31, 2021, and the Fund’s investments will be liquidated prior to such termination at the then prevailing market prices. See “Termination of the Fund” and “Risk Factors – Risks Relating to Redemptions”.

Connor, Clark & Lunn Capital Markets Inc.

Connor, Clark & Lunn Capital Markets Inc. will act as Manager of the Fund. The Manager will perform or will arrange for the performance of management services for the Fund, including portfolio management services, and will be responsible for the overall undertaking of the Fund. The Manager is a leading provider of investment products, having raised approximately $1.85 billion in assets. The Manager is part of the Connor, Clark & Lunn Financial Group. The Manager has managed option writing strategies since 2001, principally in respect of index strategies tracking the S&P 100 Index and the S&P Healthcare Index. The companies in these indices are all included in the S&P 500 Index and trade on major US exchanges. The Manager also acts in the same capacity for Faircourt Gold Income Corp. Since 2001, the Manager has managed option strategies for mandates that have raised over $600 million. See “Organization and Management Details of the Fund – The Manager”.

Risk Factors

There is no guarantee that an investment in the Fund will earn any positive return during the term of the Fund nor is there any guarantee that the Net Asset Value per Unit will appreciate or be preserved. An investment in the Fund is appropriate only for investors who have the capacity to absorb a loss. Prospective investors should read carefully the risk factors described in this prospectus. There is no market through which the Units may be sold and purchasers may not be able to resell securities purchased under this prospectus. This may affect the pricing of the securities in the secondary market, the transparency and availability of trading prices, the liquidity of the Units and the extent of issuer regulation. See “Risk Factors”.

General

The Toronto Stock Exchange has conditionally approved the listing of the Class A Units. Listing is subject to the Fund fulfilling all of the requirements of the Toronto Stock Exchange on or before May 25, 2011.

BMO Nesbitt Burns Inc., HSBC Securities (Canada) Inc., CIBC World Markets Inc., RBC Dominion Securities Inc., National Bank Financial Inc., Scotia Capital Inc., TD Securities Inc., GMP Securities L.P., Canaccord Genuity Corp., Raymond James Ltd., Macquarie Private Wealth Inc., Dundee Securities Corporation, Mackie Research Capital Corporation and Wellington West Capital Markets Inc., as agents, conditionally offer the Units for sale, subject to prior sale, on a best efforts basis, if, as and when issued by the Fund in accordance with the conditions contained in the Agency Agreement referred to under “Plan of Distribution” and subject to the approval of certain legal matters on behalf of the Fund by McCarthy Tétrault LLP and on behalf of the Agents by Osler, Hoskin & Harcourt LLP. See “Plan of Distribution”.

Subscriptions for Units will be received subject to rejection or allotment in whole or in part and the Fund reserves the right to close the subscription books at any time without notice. The Agents may over-allot or effect transactions as described under “Plan of Distribution”. Registrations of interests in and transfers of Units will be made only through the book-entry only system administered by CDS Clearing and Depository Services Inc. Book-entry only certificates representing the Class A Units and Class F Units will be issued in registered form only to CDS or its nominee and will be deposited with CDS on the date of Closing, which is expected to occur on or about March 18, 2011, or such later date as the Fund and the Agents may agree, but in any event not later than 90 days after the final receipt for this prospectus is issued. A purchaser of Units will receive a customer confirmation from the registered dealer from or through which the Units are purchased and will not have the right to receive physical certificates evidencing ownership in the Units.

Certain capitalized terms used, but not defined, in the foregoing are defined in the "Glossary of Terms".

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PROSPECTUS SUMMARY

The following is a summary of the principal features of the Offering and should be read together with the more detailed information and financial data and statements contained elsewhere in this prospectus. Certain capitalized terms used, but not defined, in this summary are defined in the "Glossary of Terms".

Certain information contained in this prospectus, including with respect to the Australian economy, the Australian banking system and the Portfolio Shares, is taken from and based solely upon publicly available information. Neither the Manager, the Fund nor the Agents have independently verified the accuracy or completeness of any such information or assume any responsibility for the completeness or accuracy of such information.

Unless otherwise stated, all references in this prospectus to currency or "$" are to Canadian dollars. References in this prospectus to "AUD $" are to Australian dollars.

THE FUND

Australian Banc Income Fund is a non-redeemable investment fund established under the laws of the Province of Ontario and governed by the Trust Agreement. See "Overview of the Structure of the Fund". The Fund proposes to offer Class A Units and Class F Units, each at a price of $10.00 per Unit. Class F Units are designed for fee-based accounts and will not be listed on a stock exchange but may be converted into Class A Units on a weekly basis. See "Purchases of Securities" and "Plan of Distribution".

INVESTMENT OBJECTIVES

The Fund was created to invest in a Portfolio of common shares of the five largest Australian banks: Australia and New Zealand Banking Group, Commonwealth Bank of Australia, Macquarie Group Limited, National Australia Bank and Westpac Banking Corporation. The Fund's investment objectives are to (i) provide Unitholders with quarterly distributions; (ii) provide the opportunity for capital appreciation; and (iii) lower overall volatility of Portfolio returns than would be experienced by owning common shares of the Banks directly. The Manager may sell call options on approximately, and not more than, 25% of the common shares of each Bank held in the Portfolio. The Manager may decide, in its discretion, not to sell call options from time to time if it determines that market conditions render it impracticable to do so. See "Investment Objectives" and "Risk Factors".

INVESTMENT STRATEGY

The net proceeds of the Offering will initially be invested on an approximately equally weighted basis in the Portfolio which will consist of common shares of the Banks, being Australia and New Zealand Banking Group, Commonwealth Bank of Australia, Macquarie Group Limited, National Australia Bank and Westpac Banking Corporation.

Each month the Manager may sell call options on approximately, and not more than, 25% of the common shares of each Bank held in the Portfolio. Call options sold by the Fund may be either options traded on an Australian stock exchange or "over-the-counter" options sold pursuant to an agreement with an acceptable counterparty, and the Manager intends that such options will be sold at a strike price that is "at-the-money" (that is at or close to the current market price of the Portfolio Shares). The Manager may decide, in its discretion, not to sell call options in any month if it determines that market conditions render it impracticable to do so.

In order to facilitate distributions and/or pay expenses of the Fund, the Manager may sell Portfolio Shares at its discretion in which case the weighting of the Portfolio will be affected. The Fund does not intend to borrow money or employ other forms of leverage. See "Investment Strategy".

The common shares of the Banks are expected to be attractive long-term investments with attractive dividend yields (average of 5.76% on December 31, 2010); however, they may exhibit price volatility for the foreseeable future. Therefore, an investment strategy that incorporates selling call options to capitalize on this volatility, while retaining all the upside on a significant portion of the Portfolio, should improve the risk-adjusted return to be provided by a portfolio of common shares of such Banks. This strategy does not involve managing the Portfolio to achieve a specific distribution target, but is intended to generate attractive option premiums to provide downside protection, lower overall volatility of returns and increase cashflow available for distribution. This balanced approach should provide attractive risk-adjusted returns in a variety of different market environments. The Portfolio will initially be approximately equal weighted, and each month the Manager may write covered call options on approximately, and not more than, 25% of the common shares of each Bank held in the Portfolio, in order to seek to earn income from dividends and call option premiums, lower the overall volatility of returns associated with owning a portfolio of common shares of the Banks, and to generate capital appreciation for holders of Units of the Fund. See "Risk Factors".

The following table sets forth the market capitalization, dividend yield, dividend growth and annualized total return for each of the Banks:

Market Capitalization, Dividend Yield, Dividend Growth and Total Return

	Market Capitalization (AUD$ millions)	Dividend Yield(2) (%)	Annualized Dividend Growth(3) (%)	Annualized Total Return(4) (%)	Annualized Total Return(4) Canadian Dollars (%)
Australia and New Zealand Banking Group	60,616	5.40	6.78	10.95	13.14
Commonwealth Bank of Australia	78,637	5.71	8.45	10.92	13.11
Macquarie Group Limited	12,832	5.03	4.90	6.97	9.08
National Australia Bank	51,425	6.41	1.33	3.34	5.38
Westpac Banking Corporation	66,745	6.26	9.38	10.73	12.92
Average	54,051	5.76	6.17	8.58	10.73

Source: Bloomberg.

Notes:
(1) Market capitalization is based on the closing market price at December 31, 2010 multiplied by the number of shares outstanding at that date.
(2) Dividend yield is based on the dividends paid in the last fiscal year, divided by the closing market price at December 31, 2010.
(3) Annualized dividend growth is based on the 10-year period from December 31, 2000 to December 31, 2010.
(4) Annualized total return is based on the 10-year period from December 31, 2000 to December 31, 2010.

OVERVIEW OF THE SECTOR THAT THE FUND INVESTS IN

Australian Economy

The economy of Australia is a developed, modern market economy with a GDP of approximately U.S. $1.0 trillion, which is similar in size to Canada's economy. According to the World Bank, Australia had the 13th largest national economy measured by nominal GDP. Australia's abundant and diverse natural resources attract high levels of foreign investment and include extensive reserves of coal, iron ore, copper, gold, natural gas, uranium, and renewable energy sources. The Reserve Bank of Australia predicts that a series of major investments, such as the AUD $43 billion Gorgon liquid natural gas project, is expected to significantly expand the resources sector. Australia also has a large services sector and is a significant exporter of natural resources, energy, and food. The Australian economy is dominated by its services sector, representing approximately 70% of Australian GDP. Rich in natural resources, Australia is a major exporter of agricultural products, particularly wheat and beef, minerals such as iron-ore and gold, and energy in the forms of liquefied natural gas and coal. Although agriculture and natural resources constitute only approximately 3% and 7% of GDP, respectively, they contribute approximately 10% and 47%, respectively of the value of Australia's exports. Australia's largest export markets are China (approximately 23%), Japan (approximately 19%), South Korea (approximately 8%), India (approximately 8%) and the United States (approximately 5%).

Australian Banking System

Similarities with the Canadian Banking System

The Australian banking system has many attributes in common with Canada's banking system. Similar to Canada, the domestic banking market in Australia is effectively an oligopoly dominated by four major Australian banks: Australia and New Zealand Banking Group, Commonwealth Bank of Australia, National Australia Bank, and Westpac Banking Corporation. According to S&P, these four major banks control approximately three-quarters of Australia's domestic lending market. Australia's four major banks are large institutions that are similar in size (by market capitalization) to Canada's largest banks. In fact, S&P considers the closest international peers of the four major Australian banks to be the five major Canadian banks, which share important characteristics in terms of their balance sheet size, dominant positions in their respective domestic banking markets, and low credit loss levels. Like their Canadian peers, Australian banks are highly regulated, strongly capitalized, and recognized for their conservative banking practices. In the recently published *World Economic Forum Global Competitiveness Report 2010-2011*, Canada, New Zealand and Australia were ranked as the top three countries in the "Soundness of Banks" category.

Strong Credit Quality and Strong Capital Position

The Banks (with the exception of Macquarie) are each rated "AA" by S&P, with a stable outlook based on expectations of sound macroeconomic conditions, strong earnings and conservative lending standards. The Banks (with the exception of Macquarie) are rated higher by S&P than the five major Canadian peers and, in October 2010, based in part on the strength of these ratings, *Global Finance* magazine ranked the four largest Australian banks in the top 20 of the world's safest banks, ahead of the majority of Canadian banks. Macquarie Group Limited is rated A- by S&P. The Australian banking system maintains a strong capital position and the Banks have each increased dividends to shareholders during 2010. The quality of capital held by Australian banks appears to compare favourably with banks in other countries, with an emphasis on common equity and retained earnings which have greater loss absorption characteristics from a regulatory capital perspective. The Australian Prudential Regulation Authority, which regulates banks in Australia, recently subjected Australia's 20 largest financial institutions to a three-year macroeconomic stress test. Based on such tests, the APRA found the adequacy of capital to be resilient, with no institution failing or breaching the current minimum 4% floor in Tier 1 Capital ratios. APRA has generally taken a more conservative approach, as compared with other regulatory authorities, to the proportion of regulatory Tier 1 Capital that should be common equity.

The Banks

The Manager believes that Australian banks are conservative, well capitalized banks that provide an attractive investment opportunity for the following reasons:

- **Australia's banking system is similar to Canada's banking system** – Australia's banking system is dominated by four major banks (Australia and New Zealand Banking Group, Commonwealth Bank of Australia, National Australia Bank, and Westpac Banking Corporation), which together control approximately 75% of the Australian domestic banking market. S&P considers the closest international peers of the largest four Australian banks to be the five major Canadian banks, which share important characteristics in terms of their balance sheet size, dominant positions in their respective domestic banking markets and low credit loss levels. Similar to Canadian banks, Australian banks are highly regulated, strongly capitalized, and recognized for their conservative banking practices. In the World Economic Forum's *Global Competitiveness Report 2010-2011*, Canada, New Zealand and Australia were ranked as the top three countries in the "Soundness of Banks" category.

- **Strength of the Australian economy** – The Australian economy continues to enjoy strong growth and only experienced a relatively mild downturn during the recent global financial crisis, benefitting from its significant exposure to higher growth Asian regions and Australia's abundance of natural resources. Australia's unemployment rate of approximately 5.0% is among the lowest in the developed world. Australia has also led the G20 nations in increasing interest rates to ensure that inflation remains within its target range. As a result, the Australian dollar has appreciated versus other major currencies where economic and employment growth lag behind Australia and inflationary pressures are more subdued.

- **Consistently profitable –** The Banks remained profitable during the recent global financial crisis and profits have shown strong growth in 2010. Net interest income has continued to underpin the profitability of the Banks, whereas many of the largest global banks rely more heavily on trading and investment income.

- **Track record of increasing dividends** – The Banks have each increased dividends to shareholders in the past year and have a strong track record of dividend growth. Over the ten-year period ending December 31, 2010, the average annualized dividend growth rate was 6.2%. The Banks are well positioned to continue to increase dividends based on their stable earnings profile and strong capital positions.

- **Attractive valuations** – The Banks are trading at attractive valuations based on their price to earnings multiples, price to book multiples and the net dividend yield relative to the ten year Australian government bond yield (when compared to both short- and long-term historical averages).

- **Strong Australian dollar** – Exposure to the Australian dollar offers diversification benefits and is attractive because of the comparatively high interest rates in Australia, the general stability of the economy and political system, and Australia's greater exposure to both high-growth Asian economies and commodities. Given the strength of the economy and the potential for higher inflation, the Manager believes that interest rates are likely to continue to rise at a faster pace in Australia, resulting in continued strong performance of the Australian dollar versus other major currencies.

See "Distribution Policy" and "Risk Factors".

DESCRIPTION OF THE OFFERING

The Offering: The Fund is offering Class A Units and Class F Units, each at a price of $10.00 per Unit. The Class F Units are designed for fee-based accounts and differ from the Class A Units in the following ways: (i) Class F Units will not be listed on a stock exchange; (ii) the Agents' fees payable on the issuance of the Class F Units are lower than the Class A Units; and (iii) the Servicing Fee is payable only in respect of the Class A Units. Accordingly, the Net Asset Value per Unit of each class will not be the same as a result of the different fees allocable to each class of Units. See "Purchases of Securities" and "Plan of Distribution" and "Fees and Expenses".

Distributions: Based on the Manager's current estimates, the initial distribution target for the Fund is expected to be $0.1875 per quarter ($0.75 per annum to yield 7.5% on the subscription price of $10.00 per Unit). The Fund will not have a fixed distribution, but intends to set periodic distribution targets based on, among other things, the actual and expected dividends and distributions received and to be received on the Portfolio Shares, actual and expected net premiums from call options received and to be received and the Fund's estimated expenses.

Assuming the gross proceeds of the Offering are $100 million and fees and expenses are as described herein, the Portfolio would be required to generate an average total return of approximately 9.3% per annum, including from distributions and dividends, realized capital appreciation and option premiums, in order for the Fund to maintain its initial targeted distribution level and a stable NAV. Based on (i) the average current volatility of the Portfolio Shares, and (ii) the other assumptions set forth under "Investment Strategy", including that the Fund writes at-the-money covered call options on approximately, and not more than, 25% of the securities of each Bank, the Portfolio would be expected to generate net cash flow that exceeds the initial target distribution level by 1.7%. **The amount of quarterly cash distributions may fluctuate from quarter to quarter and there can be no assurance that the Fund will make any distributions in any particular quarter or quarters.** See "Distributions". The use of call options may have the effect of limiting or reducing the total returns of the Fund, particularly in a rising market since the premiums associated with writing covered call options may be outweighed by the cost of closing out outstanding options. However, the Manager believes that in a slightly rising, flat or downward trending market, a portfolio that is subject to covered call option writing will generally provide higher relative returns and lower volatility than one on which no options are written.

See "Investment Objectives", "Risk Factors" and "Distribution Policy".

Covered Call Option Writing and Volatility History:

Under the Black-Scholes Model (modified to include dividends and distributions), the price volatility of a security is one of the primary factors that affects the amount of option premium received by the seller of a call option on such security. For the 10-year period ending on December 31, 2010, the historical average, low, high and current values of the trailing 30-day volatility (expressed in percentages on an annualized basis) for the securities of each of the Banks is set out in the chart below:

Volatility History

	Average (%)	Low (%)	High (%)	Current (%)
Australia and New Zealand Banking Group	23.84	8.06	85.37	17.21
Commonwealth Bank of Australia	21.63	6.79	78.42	13.78
Macquarie Group Limited	34.23	10.13	168.75	14.09
National Australia Bank	24.16	6.46	97.34	16.80
Westpac Banking Corporation	23.01	8.23	81.48	18.92
			Average	16.16

Source: Bloomberg.
Note: Historical volatility data reflects the 10-year period from December 31, 2000 to December 31, 2010.

Foreign Currency Exposure:

The Fund will be invested in Portfolio Shares denominated in Australian dollars. The Manager will take currency exposure into account in managing the Portfolio and may hedge, from time to time, all or any portion of the value of the Portfolio Shares back to the Canadian dollar. Although the Manager does not expect to initially hedge any amounts in respect of Australian dollars, the Manager may utilize a hedging strategy from time to time in respect of Australian dollars when it considers it appropriate to do so. The Fund intends to use derivative instruments for currency hedging purposes only. See "Investment Strategy".

Redemption:

Class A Units and Class F Units may be redeemed on the second last Business Day of September of each year commencing in 2012, subject to certain conditions, at the Annual Redemption Price for such Units. To effect such a redemption, Units must be surrendered by the last Business Day of August in the year of redemption. Payment of the Annual Redemption Price will be made on or before the Redemption Payment Date, subject to the Manager's right to suspend redemptions in certain circumstances. Units are also redeemable on a monthly basis. The Annual Redemption Price will vary depending on a number of factors. See "Calculation of Net Asset Value", "Redemption of Securities" and "Risk Factors – Risks Relating to Redemptions".

Termination of the Fund: The Fund will have a term of approximately ten years, terminating on or about March 31, 2021, and the Fund's investments will be liquidated prior to such termination at the then prevailing market prices. The Manager may, in its discretion, terminate the Fund at an earlier date without the approval of the Unitholders if, in its opinion, it would be in the best interests of the Unitholders to terminate the Fund. Upon termination, the Fund will distribute to Unitholders their *pro rata* portions of the remaining assets of the Fund after all liabilities of the Fund have been satisfied or appropriately provided for. Prior to the Termination Date, the Manager may present a proposal to extend the term of the Fund, subject to approval of Unitholders at a meeting called for such purpose, provided that all Unitholders will be given a right to cause their Units to be redeemed on the Termination Date, regardless of whether they voted in favour of the term extension. See "Termination of the Fund" and "Risk Factors – Risks Relating to Redemptions".

Repurchase of Class A Units: The Fund may purchase (in the open market or by invitation for tenders) Class A Units for cancellation subject to applicable law and stock exchange requirements, based on the Manager's assessment that such purchases are accretive to Unitholders. See "Description of the Units – Purchase for Cancellation".

Use of Proceeds: The net proceeds from the issue of the maximum number of Units offered hereby (after payment of the Agents' fee and the expenses of the Offering) are estimated to be $141,475,000 assuming that the Over-Allotment Option is not exercised. See "Use of Proceeds".

Conversion of Class F Units into Class A Units: Class F Units may be converted into Class A Units on a weekly basis. A holder of Class F Units may convert such Class F Units into Class A Units from time to time and it is expected that liquidity for the Class F Units will be obtained primarily by means of conversion into Class A Units. Class F Units may be converted in any week on the first Business Day of such week by delivering a notice and surrendering such Class F Units by 3:00 p.m. (Toronto time) at least five Business Days prior to the applicable Conversion Date. For each Class F Unit so converted, a holder will receive that number of Class A Units equal to the Net Asset Value per Class F Unit as of the close of trading on the Business Day immediately preceding the Conversion Date divided by the Net Asset Value per Class A Unit as of the close of trading on the Business Day immediately preceding the Conversion Date. No fraction of a Class A Unit will be issued upon any conversion of Class F Units.

See "Description of the Units – Conversion of Class F Units" and "Canadian Federal Income Tax Considerations – Taxation of Unitholders"

Risk Factors: An investment in Units is subject to certain risk factors, including:

- No assurance of achieving investment objectives and no guaranteed rate of return.
- Risks relating to the performance of the Banks.
- Risks relating to the performance of the Portfolio.
- Concentration and accumulation risks.

- Risks relating to the use of options and other derivative instruments.
- Foreign jurisdiction risks.
- Foreign exchange rate fluctuations risks.
- Recent global financial developments risks.
- Use of derivatives risks.
- Risks relating to reliance on the Manager.
- Risks relating to the trading price of Units.
- No market for Class F Units.
- Risks relating to the taxation of the Fund.
- No ownership interest risks.
- Changes in legislation and regulatory risks.
- Loss of investment risks.
- Conflicts of interest risks.
- Risks relating to the status of the Fund.
- Risks relating to redemptions.
- Securities lending risks.
- Operating history risks.
- Risks relating to the Fund not being a trust company.
- Risks relating to the nature of the Units.

See "Risk Factors".

Eligibility for Investment: In the opinion of McCarthy Tétrault LLP, counsel for the Fund, and Osler, Hoskin & Harcourt LLP, counsel for the Agents, provided that the Fund qualifies as a mutual fund trust within the meaning of the Tax Act or, in the case of Class A Units, such Units are listed on a designated stock exchange (which includes the TSX), the Units will be qualified investments under the Tax Act for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans, registered education savings plans, registered disability savings plans and tax-free savings accounts. Holders of tax-free savings accounts should consult with their tax advisors as to whether Units would be a prohibited investment in their particular circumstances. See "Canadian Federal Income Tax Considerations".

Canadian Federal Income Tax Considerations: The Fund intends to distribute the amount of its income for each taxation year so that it will generally not be liable for income tax under the Tax Act. A Unitholder will generally be required to include, in computing income for a taxation year, the amount of the Fund's net income for the taxation year, including net realized taxable capital gains, paid or payable to the Unitholder in the taxation year. The Fund intends to make designations so that the portion of net realized taxable capital gains and foreign source income of the Fund that are distributed to Unitholders will be treated as taxable capital gains and foreign source income to Unitholders. Distributions by the Fund to a Unitholder in excess of the Unitholder's share of net income and the full amount of the Fund's net realized capital gains will reduce the adjusted cost base of the Unitholder's Units. Upon the disposition of Units held as capital property, Unitholders will realize capital gains or capital losses. Prospective investors should consult their own tax advisors with respect to the income tax consequences of investing in Units, based upon their own particular circumstances. See "Canadian Federal Income Tax Considerations".

Organization and Management of the Fund:

***Manager and Promoter*:**

Connor, Clark & Lunn Capital Markets Inc. will act as Manager of the Fund. The Manager will perform or will arrange for the performance of management services, including portfolio management services, for the Fund and will be responsible for the overall undertaking of the Fund. The Manager is a leading provider of investment products, having raised approximately $1.85 billion in assets. The Manager is part of the Connor, Clark & Lunn Financial Group. The Manager has managed option writing strategies since 2001, principally in respect of index strategies tracking the S&P 100 Index and the S&P Healthcare Index. The companies in these indices are all included in the S&P 500 Index and trade on major US exchanges. The Manager also acts in the same capacity for Faircourt Gold Income Corp. Since 2001, the Manager has managed option strategies for mandates that have raised over $600 million. See "Organization and Management Details of the Fund – The Manager".

***Portfolio Manager*:**

The Manager, Connor, Clark & Lunn Capital Markets Inc., will provide portfolio management services for the Fund, or may appoint a sub-advisor pursuant to the Trust Agreement.

***Trustee*:**

RBC Dexia Investor Services Trust will act as Trustee of the Fund. The Trustee's office is located in Toronto, Ontario.

***Auditors*:**

PricewaterhouseCoopers LLP, Chartered Accountants, at its offices in Toronto, Ontario, are the auditors of the Fund.

***Custodian*:**

RBC Dexia Investor Services Trust will act as custodian of the assets of the Fund. The Custodian is located in Toronto, Ontario.

***Registrar and Transfer Agent*:**

Computershare Investor Services Trust, at its office in Toronto, Ontario, will maintain the securities registers of the Units and register transfers of the Units.

Agents:

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

The Fund has granted to the Agents an Over-Allotment Option, exercisable for a period of 30 days from the Closing Date, to offer additional Class A Units in an amount up to 15% of the Class A Units sold on the Closing Date on the same terms as set forth above solely to cover over-allotments, if any. If the Over-Allotment Option is exercised in full under the maximum Offering, the price to the public, Agents' fee and net proceeds to the Fund are estimated to be $172,500,000, $9,056,250 and $163,443,750, respectively. This prospectus also qualifies the grant of the Over-Allotment Option and the distribution of the Class A Units issuable on the exercise of the Over-Allotment Option. A purchaser who acquires Class A Units forming part of the Agents' over-allocation position acquires such Class A Units under this prospectus, regardless of whether the over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases. See "Plan of Distribution".

Agents' position	Maximum size	Exercise period	Exercise price
Over-Allotment Option	2,250,000 Class A Units	Within 30 days following the Closing Date	$10.00 per Class A Unit

SUMMARY OF FEES AND EXPENSES

The following table contains a summary of the fees and expenses payable by the Fund, which will therefore reduce the value of a Unitholder's investment in the Fund. See "Fees and Expenses".

Type of fee	Amount and description
Agents' Fee:	$0.525 per Class A Unit (5.25%) and $0.225 per Class F Unit (2.25%). The Agents' Fee will be paid out of the proceeds of the Offering.
Expenses of the Offering:	The expenses of the Offering are estimated to be $650,000 (but not to exceed 1.5% of the gross proceeds of the Offering) which, together with the Agents' fee, will be paid by the Fund.
Management Fee:	The Manager will receive a Management Fee from the Fund equal in the aggregate to 0.65% per annum of the Net Asset Value, calculated and payable monthly in arrears, plus an amount calculated quarterly and paid as soon as practicable after the end of each calendar quarter equal to the Servicing Fee, plus applicable taxes.
Servicing Fee:	From the amounts received by the Manager from the Fund, a servicing fee (the "Servicing Fee") will be payable by the Manager to each registered dealer whose clients hold Class A Units at the end of a calendar quarter. The Servicing Fee will be equal to 0.40% annually of the NAV for each Class A Unit held by clients of the registered dealers, calculated and paid at the end of each calendar quarter commencing on June 30, 2011, plus applicable taxes.
Ongoing expenses of the Fund:	The Fund will pay for all of its expenses incurred in connection with its operation and administration, estimated to be $150,000 per annum (assuming an aggregate size of the Offering of approximately $100 million). The Fund will also be responsible for its costs of portfolio transactions, interest expense and any extraordinary expenses which may be incurred from time to time.

FORWARD LOOKING INFORMATION

Information in this prospectus that is not current or historical factual information may constitute forward looking information within the meaning of securities laws, and actual results may vary from the forward looking information. Implicit in this information are assumptions regarding future operations, plans, expectations, anticipations, estimates and intentions. These assumptions, although considered reasonable by the Fund at the time of preparation, may prove to be incorrect. Readers are cautioned that actual future operating results and economic performance of the Fund are subject to a number of risks and uncertainties. See "Risk Factors" for a list of material risk factors. Forward looking information contained in this prospectus is based on current estimates, expectations and projections, which the Fund believes are reasonable as of the date of this prospectus. The Fund uses forward looking statements because it believes such statements provide useful information with respect to the future operation and financial performance of the Fund, and cautions readers that the information may not be appropriate for other purposes. Readers should not place undue importance on forward looking information and should not rely upon this information as of any other date. While the Fund may elect to, it does not undertake to update this information at any particular time.

DISCLOSURE BASED ON PUBLICALLY AVAILABLE INFORMATION

Certain information contained in this prospectus, including with respect to, among other things, the Australian economy, the Australian banking system and the Portfolio Shares, is taken from and based solely upon publicly available information. Neither the Manager, the Fund nor the Agents have independently verified the accuracy or completeness of any such information or assume any responsibility for the completeness or accuracy of such information.

GLOSSARY OF TERMS

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

“**Additional Distribution**” means a distribution that, if necessary, will be made in each year to Unitholders of record on December 31 in order that the Fund will generally not be liable to pay income tax, as described under “Distributions”.

“**Agency Agreement**” means the agency agreement dated as of the date hereof among the Fund, the Manager and the Agents.

“**Agents**” means, collectively, BMO Nesbitt Burns Inc., HSBC Securities (Canada) Inc., CIBC World Markets Inc., RBC Dominion Securities Inc., National Bank Financial Inc., Scotia Capital Inc., TD Securities Inc., GMP Securities L.P., Canaccord Genuity Corp., Raymond James Ltd., Macquarie Private Wealth Inc., Dundee Securities Corporation, Mackie Research Capital Corporation and Wellington West Capital Markets Inc.

“**Annual Redemption Date**” means the second last Business Day of September of each year, commencing in 2012.

“**Annual Redemption Price**” means a redemption price per Unit equal to 100% of the Net Asset Value per Unit of the relevant class on an Annual Redemption Date (less any costs associated with the redemption, including brokerage costs and any net realized capital gains or income to the Fund that are distributed to a Unitholder concurrently with the proceeds of disposition on redemption).

“**APRA**” means the Australian Prudential Regulation Authority, the prudential regulator in Australia of authorized deposit taking institutions (which includes banks, credit unions and building societies) and insurance companies and certain superannuation funds, or any successor or successors thereof.

“**ASX**” means the Australian Stock Exchange.

“**Banks**” means Australia and New Zealand Banking Group, Commonwealth Bank of Australia, Macquarie Group Limited, National Australia Bank and Westpac Banking Corporation.

“**Book-Entry Only System**” means the book-entry only system administered by CDS.

“**Bonds**” means debt securities with a term to maturity greater than one year.

“**Business Day**”, in the context of the Portfolio Shares, means a day, other than a Saturday or Sunday, a statutory holiday in Toronto, Ontario or any other day on which the ASX is not open for trading that is neither a legal holiday nor a day on which commercial banks or foreign exchange markets are authorized or required by law, regulation or executive order to close in Australia and, in the context of the Fund, means any day except Saturday, Sunday, a statutory holiday in Toronto, Ontario or any other day on which the TSX is not open for trading.

“**CDS**” means CDS Clearing and Depository Services Inc. and includes any successor corporation or any other depository subsequently appointed by the Fund as the depository in respect of the Units.

“**CDS Participant**” means a broker, dealer, bank or other financial institution or other person for whom, from time to time, CDS effects book entries for the Units deposited with CDS.

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

“**Class A Units**” means the transferable, redeemable units of the Fund designated as “Class A Units”.

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

“**Class F Units**” means the transferable, redeemable units of the Fund designated as “Class F Units”.

“**Closing**” means the issuance of Units pursuant to this prospectus on the Closing Date.

“**Closing Date**” means the date of the Closing, which is expected to be on or about March 18, 2011 or such later date as the Fund and the Agents may agree, but in any event not later than 90 days after the final receipt for this prospectus is issued.

“**Closing Market Price**” in respect of a security on a Monthly Redemption Date means the closing price of such security on the TSX on such Monthly Redemption Date (or such other stock exchange on which such security is listed) or, if there was no trade on the relevant Monthly Redemption Date, the average of the last bid and the last asking prices of the security on the TSX on such Monthly Redemption Date (or such other stock exchange on which the security is listed).

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

“**Custodian**” means RBC Dexia Investor Services Trust, in its capacity as custodian under the Trust Agreement.

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

“**Fitch**” means Fitch, Inc.

“**Fund**” means Australian Banc Income Fund, a non-redeemable investment fund established under the laws of the Province of Ontario and governed by the Trust Agreement.

“**GDP**” or gross domestic product is a measure of a country’s overall economic output, generally reflecting the market value of all final goods and services made within the borders of a country in a specified period.

“**Independent Review Committee**” has the meaning given under “Organization and Management Details of the Fund – Independent Review Committee”.

“**Manager**” means the manager of the Fund, namely Connor, Clark & Lunn Capital Markets Inc., and if applicable, its successor.

“**Management Fee**” means the management fee payable to the Manager by the Fund as more fully described under “Fees and Expenses – Management Fee”.

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

“**Monthly Redemption Amount**” means the redemption price per Class A Unit equal to the lesser of (i) 95% of the Market Price of a Class A Unit, and (ii) 100% of the Closing Market Price of a Class A Unit on the applicable Monthly Redemption Date less, in each case, any costs associated with the redemption, including brokerage costs, and less any net realized capital gains or income of the Fund that are distributed to a Unitholder concurrently with the proceeds of disposition on redemption.

“**Monthly Redemption Date**” means the second last Business Day of each month other than, commencing in 2012, the month of September.

“**Moody’s**” means Moody’s Investors Service, Inc.

“**Net Asset Value**” or “**NAV**” means the net asset value of the Fund, as determined by subtracting the aggregate liabilities of the Fund from the Total Assets of the Fund on the date on which the calculation is being made, as more fully described under “Calculation of Net Asset Value”.

“**Net Asset Value per Unit**” means the Net Asset Value of the Fund attributable to the Class A Units or Class F Units, as applicable, divided by the total number of Class A Units or Class F Units, as applicable, outstanding on the date on which the calculation is being made.

“**NI 81-102**” means National Instrument 81-102 – *Mutual Funds* of the Canadian Securities Administrators, as amended from time to time.

“**NI 81-107**” means National Instrument 81-107 – *Independent Review Committee for Investment Funds* of the Canadian Securities Administrators, as amended from time to time.

“**Non-Resident Unitholder**” means a Unitholder who, for the purposes of the Tax Act, and at the relevant time, is not resident in Canada and is not deemed to be resident in Canada, does not use or hold, and is not deemed to use or hold, Units in, or in the course of carrying on, a business in Canada, and is not an insurer who carries on an insurance business in Canada and elsewhere.

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

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

“**Over-Allotment Option**” means the option granted by the Fund to the Agents, exercisable for a period of 30 days from the Closing Date, to offer additional Class A Units in an amount up to 15% of the aggregate number of Class A Units sold on the Closing Date at a price of $10.00 per Class A Unit, solely to cover over-allotments, if any.

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

“**Portfolio Shares**” means common shares issued by the Banks.

“**Redemption Payment Date**” means the 10th Business Day of the month immediately following an Annual Redemption Date or a Monthly Redemption Date, as applicable.

“**Registered Plan**” means a registered retirement savings plan, a registered retirement income fund, a deferred profit sharing plan, a registered education savings plan, a registered disability savings plan and a tax-free savings account.

“**Registrar, Transfer Agency and Distribution Agency Agreement**” means the registrar, transfer agency and distribution agency agreement to be dated on or about the Closing Date between the Fund and Computershare Investor Services Inc., as it may be amended from time to time.

“**Servicing Fee**” has the meaning given under “Fees and Expenses – Servicing Fee”.

“**S&P**” means Standard & Poor’s, a division of The McGraw Hill Companies, Inc.

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

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

"**Tax Act**" means the *Income Tax Act* (Canada), as now or hereafter amended, or successor statutes, and includes regulations promulgated thereunder.

"**Tax Proposals**" means 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.

"**Termination Date**" means March 31, 2021.

"**Tier 1 Capital**" has the meaning given to it by the APRA (or such other successor governmental authority in Australia) from time to time.

"**Total Assets**" means the aggregate value of the assets of the Fund.

"**Trust Agreement**" means the trust agreement governing the Fund dated as of February 23, 2011, as it may be amended from time to time.

"**Trustee**" means RBC Dexia Investor Services Trust, in its capacity as trustee under the Trust Agreement.

"**TSX**" means the Toronto Stock Exchange.

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

"**Units**" means the Class A Units and/or the Class F Units issued by the Fund, as applicable.

"**Unitholders**" means the owners of the beneficial interest in the Units.

"**Valuation Agent**" means the valuation agent and, until its replacement is appointed by the Manager, means the Trustee.

"**Valuation Date**" means each Business Day.

OVERVIEW OF THE STRUCTURE OF THE FUND

Australian Banc Income Fund is a non-redeemable investment fund established under the laws of the Province of Ontario and governed by the Trust Agreement. Connor, Clark & Lunn Capital Markets Inc. will act as Manager of the Fund and will perform or will arrange for the performance of management services, including portfolio management services, for the Fund and will be responsible for the overall undertaking of the Fund. The Fund's registered and head office is at 181 University Avenue, Suite 300, Toronto, Ontario M5H 3M7. The fiscal year-end of the Fund will be February 28. The beneficial interest in the net assets and net income of the Fund is divided into units of two classes, Class A Units and Class F Units. The Fund is authorized to issue an unlimited number of Units of each class. The Class F Units are designed for fee-based accounts and differ from the Class A Units in the following ways: (i) Class F Units will not be listed on a stock exchange; (ii) the Agents' fees payable on the issuance of Class F Units are lower than the Class A Units; and (iii) the Servicing Fee is payable only in respect of the Class A Units. Accordingly, the Net Asset Value per Unit of each class of Units will not be the same as a result of different fees allocable to each class of Units. See "Fees and Expenses". The Fund is not considered to be a mutual fund under the securities legislation of the provinces and territories of Canada. Consequently, the Fund is not subject to the various policies and regulations that apply to mutual funds under such legislation.

INVESTMENT OBJECTIVES

The Fund was created to invest in a Portfolio of common shares of the five largest Australian banks: Australia and New Zealand Banking Group, Commonwealth Bank of Australia, Macquarie Group Limited, National Australia Bank and Westpac Banking Corporation. The Fund's investment objectives are to (i) provide Unitholders with quarterly distributions; (ii) provide the opportunity for capital appreciation; and (iii) lower overall volatility of Portfolio returns than would be experienced by owning common shares of the Banks directly. The Manager may sell call options on approximately, and not more than, 25% of the common shares of each Bank held in the Portfolio. The Manager may decide, in its discretion, not to sell call options from time to time if it determines that market conditions render it impracticable to do so.

INVESTMENT STRATEGY

The net proceeds of the Offering will initially be invested on an approximately equally weighted basis in the Portfolio which will consist of common shares of the Banks.

Each month the Manager may sell call options on approximately, and not more than, 25% of the common shares of each Bank held in the Portfolio. Call options sold by the Fund may be either options traded on an Australian stock exchange or "over-the-counter" options sold pursuant to an agreement with an acceptable counterparty, and the Manager intends that such options will be sold at a strike price that is "at-the-money" (that is at or close to the current market price of the Portfolio Shares). The Manager may decide, in its discretion, not to sell call options in any month if it determines that market conditions render it impracticable to do so.

The Fund may also close out options in advance of year-end to reduce the likelihood that gains distributed by way of an Additional Distribution in any year are reversed in a subsequent year. The Fund may also sell Portfolio Shares that are in a loss position to reduce the capital gain that would otherwise be payable by the Fund by way of an Additional Distribution in a particular year where the Manager determines that it is in the best interest of the Fund to do so. The Fund does not intend to borrow money or employ other forms of leverage.

The common shares of the Banks are expected to be attractive long-term investments with attractive dividend yields (average of 5.76% on December 31, 2010); however, they may exhibit price volatility for the foreseeable future. Therefore, an investment strategy that incorporates selling call options to capitalize on this volatility, while retaining all the upside on a significant portion of the Portfolio, should improve the risk-adjusted return to be provided by a portfolio of common shares of such Banks. This strategy does not involve managing the Portfolio to achieve a specific distribution target, but is intended to generate attractive option premiums to provide downside protection, lower overall volatility of returns and increase cashflow available for distribution.

This balanced approach should provide attractive risk-adjusted returns in a variety of different market environments. The Portfolio will initially be approximately equal weighted, and each month the Manager may write covered call options on approximately, and not more than, 25% of the common shares of each Bank held in the Portfolio, in order to seek to earn income from dividends and call option premiums, lower the overall volatility of returns associated with owning a portfolio of common shares of the Banks, and to generate capital appreciation for holders of Units of the Fund. See "Risk Factors".

Covered Option Writing

General

The writing of call options by the Fund may involve the selling of call options in respect of approximately, and not more than, 25% of the securities of each Bank depending on market conditions. Such call options may be either exchange-traded options or over-the-counter options. Because call options will be written only in respect of securities that are in the Portfolio and because the investment criteria of the Fund prohibit the sale of securities subject to an outstanding option, the call options will be covered at all times.

The holder of a call option purchased from the Fund will have the option, exercisable during a specific time period or at expiry, to purchase the securities underlying the option from the Fund at the strike price per security. By selling call options, the Fund will receive option premiums, which are generally paid within one business day of the writing of the option. If at any time during the term of a call option or at expiry, the market price of the underlying securities is above the strike price, depending on the terms of the option the holder of the option may exercise the option and the Fund would be obligated to sell the securities to the holder at the strike price per security. If, however, the option is out-of-the-money at expiration of the call option, the holder of the option will likely not exercise the option and the option will expire. In each case, the Fund will retain the option premium. See "Call Option Pricing".

The amount of option premium depends upon, among other factors, the expected volatility of the price of the underlying security. The higher the volatility, the higher the option premium. In addition, the amount of the option premium will depend upon the difference between the strike price of the option and the market price of the underlying security at the time the option is written. The smaller the positive difference (or the larger the negative difference), the more likely it is that the option will become in-the-money during the term and, accordingly, the greater the option premium. The Manager intends that the options sold by the Fund will be sold at a strike price that is "at-the-money" (that is at or close to the current market price of the Portfolio Shares). See "Call Option Pricing".

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

Call Option Pricing

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

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

(a) *The volatility of the price of the underlying security* – the volatility of the price of a security measures the tendency of the price of the security to vary during a specified period. The higher the price volatility, the more likely that the price of that security will fluctuate (either positively or negatively) and the greater the option premium. Price volatility is generally measured in percentage terms on an annualized basis, based on price changes during a period of time immediately prior to or "trailing" the date of calculation;

(b) *The difference between the strike price and the market price of the underlying security at the time the option is written* – the smaller the positive difference (or the larger the negative difference), the greater the option premium;

(c) *The term of the option* – the longer the term, the greater the call option premium;

(d) *The "risk-free" or benchmark interest rate in the market in which the option is issued* – the higher the risk-free interest rate, the greater the call option premium; and

(e) *The dividends and distributions expected to be paid on the underlying security during the relevant term* – the greater the dividends and distributions, the lower the call option premium.

Volatility History

The historical average, low, high and current values of the trailing 30-day volatility (expressed in percentages on an annualized basis) for the securities of the Banks for the period from December 31, 2000 to December 31, 2010 are set out in the chart below:

	Average (%)	**Low (%)**	**High (%)**	**Current (%)**
Australia and New Zealand Banking Group	23.84	8.06	85.37	17.21
Commonwealth Bank of Australia	21.63	6.79	78.42	13.78
Macquarie Group Limited	34.23	10.13	168.75	14.09
National Australia Bank	24.16	6.46	97.34	16.80
Westpac Banking Corporation	23.01	8.23	81.48	18.92
			Average	16.16

Source: Bloomberg.

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

Income From Covered Call Option Writing

The following table sets forth income, expressed as a percentage of the NAV and net of Fund expenses (excluding any gains or losses on portfolio investments, distribution increases or decreases and any amounts paid to close out in-the-money options), generated by writing at-the-money covered call options on 25% of the securities of each Bank at various volatility levels.

The income numbers shown below do not take into account the potential price impact on portfolio value resulting from writing covered call options. Securities on which the Fund has written covered calls have the full downside risk associated with a regular security holding but are limited in upside return to the amount out-of-the-money at which the call is written. In the case of covered calls written at-the-money, the investor forgoes any upside return but the investor receives the premium payment. In an upward trending market, a portfolio that is subject to covered call option writing will generally provide lower total returns and a commensurately lower volatility. In a flat or downward trending market, such a portfolio will generally provide higher relative returns as well as lower volatility.

Net Cash Flow Generated by the Fund (as a Percentage of NAV) - From Call Premiums Only

Volatility	10%	16.16%	20%	30%	40%	50%	60%	70%	80%	90%	100%
At-the-Money	1.95%	4.04%	5.34%	8.73%	12.12%	15.50%	18.88%	22.26%	25.64%	29.00%	32.36%

Note: Assumptions are based on data as at December 31, 2010.

Net Cash Flow Generated by the Fund (as a Percentage of NAV) - From Call Premiums and Dividend Yield

Volatility	10%	16.16%	20%	30%	40%	50%	60%	70%	80%	90%	100%
At-the-Money	7.71%	9.80%	11.10%	14.49%	17.88%	21.26%	24.64%	28.02%	31.40%	34.76%	38.12%

Note: Assumptions are based on data as at December 31, 2010.

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

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

(a) the gross proceeds of the Offering are $100 million and the net proceeds are fully invested in the securities of the Banks on an initially approximately equal weighted basis;

(b) the range of volatility shown in the table approximates the range of the historical average volatility of Portfolio Shares;

(c) all call options are exercisable only at maturity and are written at-the-money;

(d) 25% of the securities of each Bank are subject to 30-day call options throughout the relevant period;

(e) the Australian risk-free or benchmark interest rate equals 4.835% per annum;

(f) the average net return from dividends and distributions paid on the Portfolio Shares is 5.76% per annum, assuming an equal weighting among the Portfolio Shares included in the Portfolio;

(g) there are no realized capital gains or losses on the Portfolio Shares for the period during which the call options are outstanding (for illustrative purposes only – the Fund expects that there will be capital gains and losses that may have a positive or negative effect on the value of the Fund); and

(h) annual expenses (ordinary and extraordinary) of the Fund are $150,000 and fees payable to the Manager of 0.65% of the NAV, plus an amount equal to the Servicing Fee.

Securities Lending

In order to generate additional returns, the Fund may lend Portfolio Shares. Any securities lending by the Fund must be pursuant to a securities lending agreement (a "Securities Lending Agreement") to be entered into between the Fund and a securities borrower acceptable to the Fund pursuant to which the Fund will loan Portfolio Shares to the securities borrower on the terms therein, including that: (i) the borrower will pay to the Fund a negotiated securities lending fee and will make compensation payments to the Fund equal to any distributions received by the borrower on the securities borrowed; (ii) the securities loans must qualify as "securities lending arrangements" for the purposes of the Tax Act; and (iii) the Fund will receive collateral security. The Manager will be responsible for setting and reviewing any securities lending agreements. If a securities lending agent is appointed for the Fund, such agent will be responsible for the ongoing administration of the securities loans, including the obligation to mark-to-market the collateral on a daily basis.

OVERVIEW OF THE SECTOR THAT THE FUND INVESTS IN

The following information is taken from and based solely upon publicly available information. Neither the Manager, the Fund nor the Agents have independently verified the accuracy or completeness of any such information or assume any responsibility for the completeness or accuracy of such information.

The Fund will invest in common shares of the Banks. The following describes some of the attributes of the Banks' shares and the Australian economy.

The Banks

The Manager believes that Australian banks are conservative, well capitalized banks that provide an attractive investment opportunity for the following reasons:

- **Australia's banking system is similar to Canada's banking system** – Australia's banking system is dominated by four major banks (Australia and New Zealand Banking Group, Commonwealth Bank of Australia, National Australia Bank, and Westpac Banking Corporation), which together control approximately 75% of the Australian domestic banking market. S&P considers the closest international peers of the largest four Australian banks to be the five major Canadian banks, which share important characteristics in terms of their balance sheet size, dominant positions in their respective domestic banking markets and low credit loss levels. Similar to Canadian banks, Australian banks are highly regulated, strongly capitalized, and recognized for their conservative banking practices. In the World Economic Forum's *Global Competitiveness Report 2010-2011*, Canada, New Zealand and Australia were ranked as the top three countries in the "Soundness of Banks" category.

- **Strength of the Australian economy** – The Australian economy continues to enjoy strong growth and only experienced a relatively mild downturn during the recent global financial crisis, benefitting from its significant exposure to higher growth Asian regions and Australia's abundance of natural resources. Australia's unemployment rate of approximately 5.0% is among the lowest in the developed world. Australia has also led the G20 nations in increasing interest rates to ensure that inflation remains within its target range. As a result, the Australian dollar has appreciated versus other major currencies where economic and employment growth lag behind Australia and inflationary pressures are more subdued.

- **Consistently profitable –** The Banks remained profitable during the recent global financial crisis and profits have shown strong growth in 2010. Net interest income has continued to underpin the profitability of the Banks, whereas many of the largest global banks rely more heavily on trading and investment income.

- **Track record of increasing dividends** – The Banks have each increased dividends to shareholders in the past year and have a strong track record of dividend growth. Over the ten-year period ending December 31, 2010, the average annualized dividend growth rate was 6.2%. The Banks are well positioned to continue to increase dividends based on their stable earnings profile and strong capital positions.

- **Attractive valuations** – The Banks are trading at attractive valuations based on their price to earnings multiples, price to book multiples and the net dividend yield relative to the ten year Australian government bond yield (when compared to both short- and long-term historical averages).

- **Strong Australian Dollar** – Exposure to the Australian dollar offers diversification benefits and is attractive because of the comparatively high interest rates in Australia, the general stability of the economy and political system, and Australia's greater exposure to both high-growth Asian economies and commodities. Given the strength of the economy and the potential for higher inflation, the Manager believes that interest rates are likely to continue to rise at a faster pace in Australia, resulting in continued strong performance of the Australian dollar versus other major currencies.

Market Capitalization, Dividend Yield, Dividend Growth and Total Return

The following table sets forth the market capitalization, dividend yield, dividend growth and annualized total return for each of the Banks:

	Market Capitalization (AUD$ millions)	Dividend Yield[2] (%)	Annualized Dividend Growth[3] (%)	Annualized Total Return[4] (%)	Annualized Total Return[4] Canadian Dollars (%)
Australia and New Zealand Banking Group	60,616	5.40	6.78	10.95	13.14
Commonwealth Bank of Australia	78,637	5.71	8.45	10.92	13.11
Macquarie Group Limited	12,832	5.03	4.90	6.97	9.08
National Australia Bank	51,425	6.41	1.33	3.34	5.38
Westpac Banking Corporation	66,745	6.26	9.38	10.73	12.92
Average	54,051	5.76	6.17	8.58	10.73

Source: Bloomberg.

Notes:

(1) Market capitalization is based on the closing market price at December 31, 2010 multiplied by the number of shares outstanding at that date.
(2) Dividend yield is based on the dividends paid in the last fiscal year, divided by the closing market price at December 31, 2010.
(3) Annualized dividend growth is based on the 10-year period from December 31, 2000 to December 31, 2010.
(4) Annualized total return is based on the 10-year period from December 31, 2000 to December 31, 2010.

Trading History of the Common Shares of the Banks

The following table sets forth the closing market price of the common shares of each of the Banks on the ASX on the dates indicated:

	Closing Price as at December 31 (AUD$)				
	2010	2009	2008	2007	2006
Australia and New Zealand Banking Group	23.35	22.88	15.29	27.46	28.21
Commonwealth Bank of Australia	50.77	54.85	28.90	59.10	49.48
Macquarie Group Limited	37.01	48.40	28.81	76.20	78.93
National Australia Bank	23.70	27.40	20.87	37.79	40.40
Westpac Banking Corporation	22.21	25.30	16.97	27.92	24.24

Source: Bloomberg.
Note: Share prices are adjusted for stock splits.

Dividend History of the Common Shares of the Banks

The following table sets forth the dividends paid on common shares of the issuers to be included in the Portfolio for the calendar years indicated:

	Dividends for the 12-month period ended December 31[1] (AUD$)				
	2010	2009	2008	2007	2006
Australia and New Zealand Banking Group	1.26	1.02	1.36	1.36	1.25
Commonwealth Bank of Australia	2.90	2.28	2.66	2.56	2.24
Macquarie Group Limited	1.86	1.26	4.90	1.90	2.50
National Australia Bank	1.52	1.46	1.94	1.82	1.67
Westpac Banking Corporation	1.39	1.16	1.42	1.31	1.16

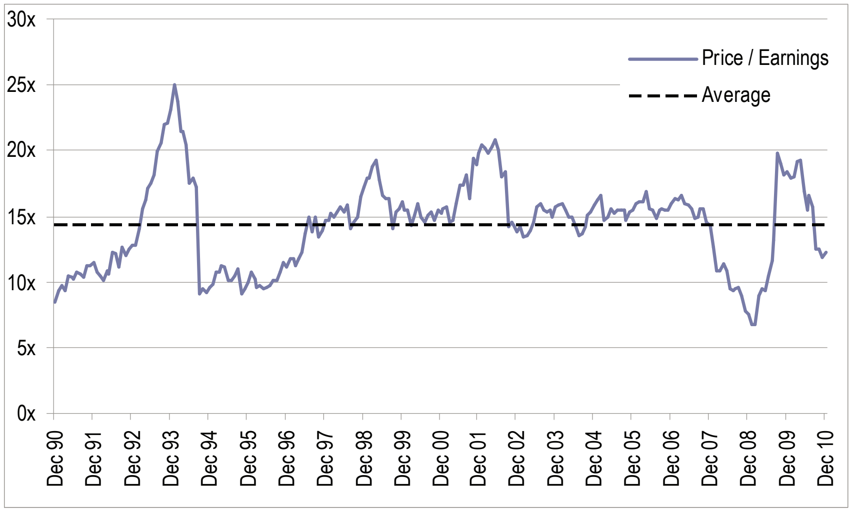
Source: Bloomberg.

Notes:
(1) Dividends are adjusted for stock splits.
(2) Dividends paid up to December 31, 2010.

Selected Industry Data

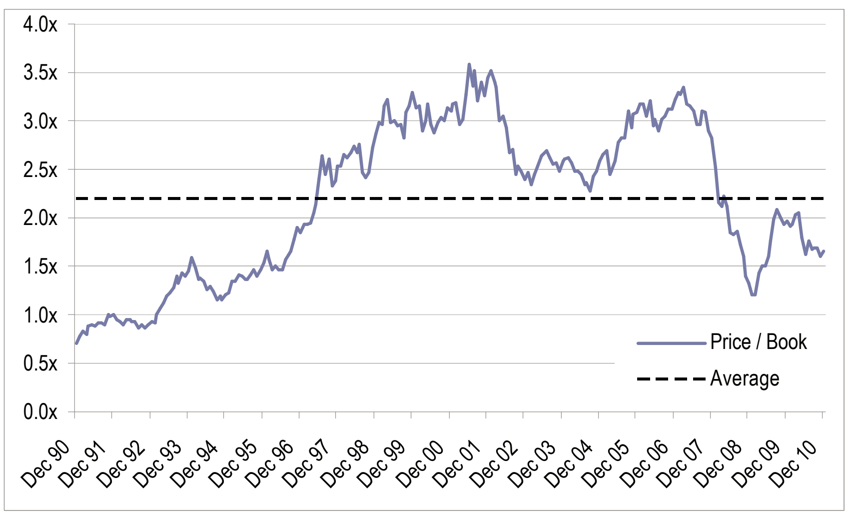
As shown in the following charts, the Banks are trading at attractive valuations based on their price to earnings multiples, price to book multiples and the net dividend yield relative to the ten-year Australian government bond yield (when compared to historical averages). The Banks have also paid attractive dividends over time.

Valuation of the Banks (Price/Earnings Multiples)



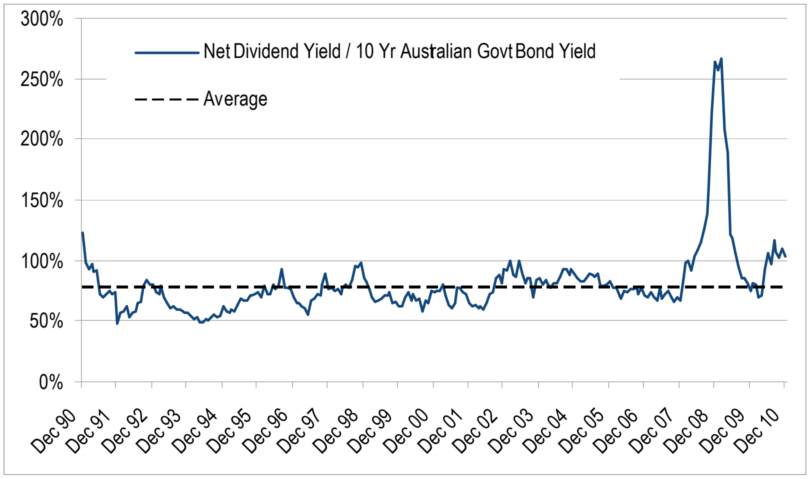
Source: Bloomberg.

Valuation of the Banks (Price/Book Multiples)



Source: Bloomberg.

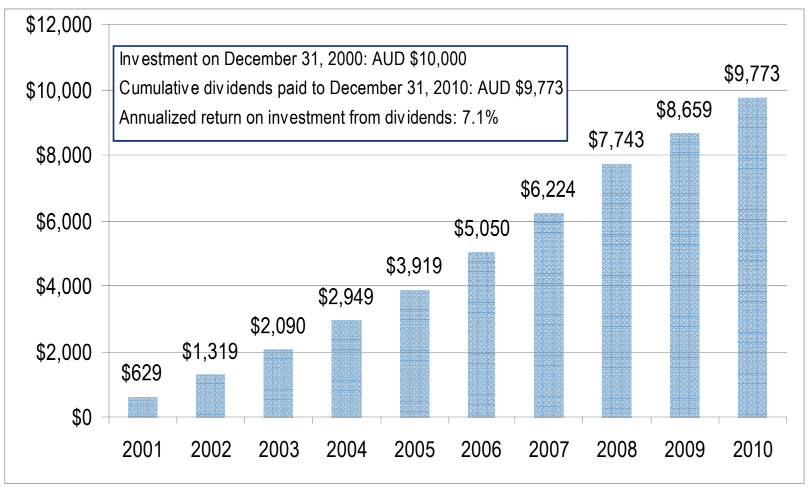
Net Dividend Yield of the Banks Relative to the 10-Year Australian Government Bond Yield



Source: Bloomberg.

The following graph shows the cumulative dividends that would have been paid on an investment of AUD $10,000 made on December 31, 2000 in each of the Banks on an equal weight basis ($2,000 in each Bank) over the ensuing ten-year period. As at December 31, 2010, the cumulative amount of dividends paid is equal to AUD $9,773, representing an annualized return on investment from dividends of 7.1%.

Cumulative Dividends Paid by the Banks (AUD$)



Source: Bloomberg.

Australian Economy

Background

The economy of Australia is a developed, modern market economy with a GDP of approximately U.S. $1.0 trillion, which is similar in size to Canada's economy. According to the World Bank, Australia had the 13th largest national economy measured by nominal GDP. Australia's abundant and diverse natural resources attract high levels of foreign investment and include extensive reserves of coal, iron ore, copper, gold, natural gas, uranium, and renewable energy sources. The Reserve Bank of Australia predicts that a series of major investments, such as the AUD $43 billion Gorgon liquid natural gas project, is expected to significantly expand the resources sector. Australia also has a large services sector and is a significant exporter of natural resources, energy, and food.

The Australian economy is dominated by its services sector, representing approximately 70% of Australian GDP. Rich in natural resources, Australia is a major exporter of agricultural products, particularly wheat and beef, minerals such as iron-ore and gold, and energy in the forms of liquefied natural gas and coal. Although agriculture and natural resources constitute only approximately 3% and 7% of GDP, respectively, they contribute approximately 10% and 47%, respectively of the value of Australia's exports. Australia's largest export markets are China (approximately 23%), Japan (approximately 19%), South Korea (approximately 8%), India (approximately 8%) and the United States (approximately 5%).

Economic Growth

According to the Reserve Bank of Australia, the Australian economy has experienced 19 consecutive years of growth, which is unprecedented among other developed economies over the same period. The recent global financial crisis had a relatively mild impact in Australia in comparison to other developed countries. During the recent global financial crisis, the Australian government introduced a significant fiscal stimulus package to offset the effect of the slowing world economy, while the Reserve Bank of Australia cut interest rates to historic lows. According to the International Monetary Fund, these policies, and continued demand for commodities, especially from China, helped the Australian economy rebound from only one quarter of negative growth. In 2009, GDP increased by approximately 1.2% in Australia, whereas most other advanced economies contracted during the same period.

The Australian economy continued to expand at a solid pace in 2010 with real GDP increasing by 2.7% year-over-year in the third quarter. According to the Reserve Bank of Australia, the Australian economy is benefiting from elevated commodity prices and high levels of investment. Employment growth has been strong and business and consumer confidence indices remain positive. The International Monetary Fund forecasts Australian GDP growth of 3.0% in 2010 and 3.5% in 2011, significantly outpacing the forecasted growth in most major advanced economies.

World Economic Outlook Projected Real GDP Growth (October 2010)

	2009 Actual	2010 Projected	2011 Projected	2015 Projected
Australia	1.2%	3.0%	3.5%	3.2%
Canada	-2.5%	3.1%	2.7%	2.0%
United States	-2.6%	2.6%	2.3%	2.6%
United Kingdom	-4.9%	1.7%	2.0%	2.6%
Euro area	-4.1%	1.7%	1.5%	1.7%
Major advanced economies	-3.5%	2.5%	2.0%	2.2%

Source: International Monetary Fund.

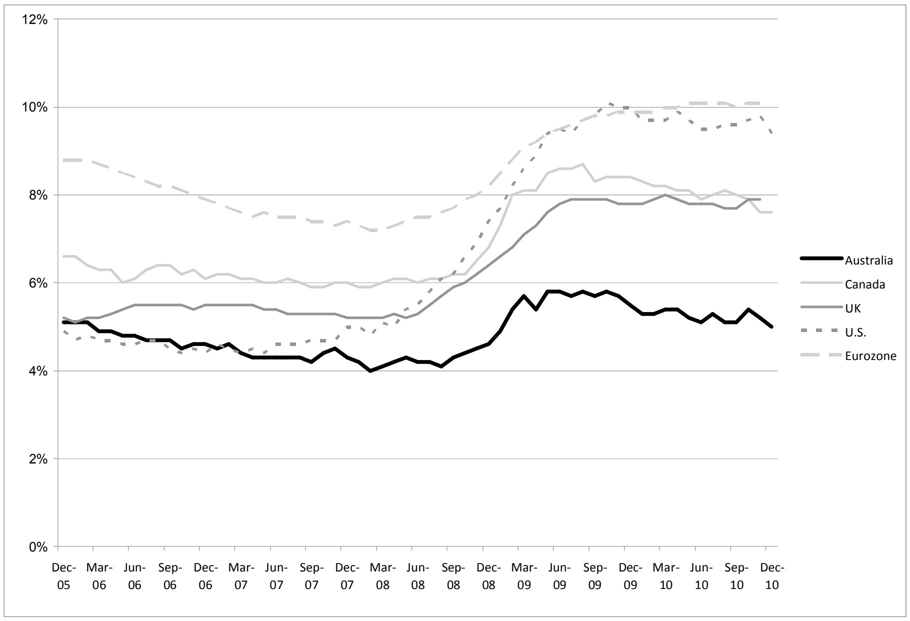
Business Sector

The financial position of the business sector in Australia remains sound. In the business sector, there has been considerable deleveraging in the period following the recent global financial crisis, bringing average debt-to-equity and interest-payment ratios to levels close to their lowest in three decades. Capacity utilization has remained at, or above, average levels. Measures of investment intentions are positive, particularly for the resources sector. Capital expenditure surveys in 2010/2011 point to a significant rise in buildings and structures investment, led by the mining sector. In particular, with work on the AUD $43 billion Gorgon liquid natural gas project having commenced in late 2009, the Reserve Bank of Australian has predicted that there is a significant pipeline of engineering work yet to be done. Further out, there are a number of significant projects in the advanced stages of planning, including additional liquid natural gas projects on the North-West Shelf off the coast of Western Australia and coal-seam methane projects in Queensland. More generally, the Manager believes that the positive medium-term outlook for China and other trading partners in Asia suggests that strong demand for a number of Australia's commodities will continue to support a high level of investment activity in the period ahead.

Employment

In contrast with other developed economies, employment creation has been strong in Australia. The unemployment rate has steadily declined to 5.0% in December 2010 and is significantly lower than many major developed economies. According to the Reserve Bank of Australia, employment growth has become more broad-based across industries, with solid employment gains in services industries, as well as in mining and construction.

Unemployment Rates (seasonally adjusted)



Source: Bloomberg.

Inflation

The Reserve Bank of Australia's target for monetary policy in Australia is to achieve an inflation rate of between 2% and 3%, on average, over the cycle. In December 2010, inflation was 2.7%. Inflationary pressures are evident with broad economic growth and employment growth shifting the economy closer to full employment. As a result, the Reserve Bank of Australia has led the G20 nations increasing its base interest rate. Since April 2009, the Reserve Bank of Australia has raised the overnight cash rate by 25 basis points on seven occasions, rising from 3.0% to 4.75% currently.

Australian Dollar

The Australian dollar is an independent, free-floating currency and, according to the Bank for International Settlements, is the fifth most traded currency in the world foreign exchange markets behind the U.S. dollar, the Euro, the yen and the pound sterling. Similar to the Canadian dollar, the Australian dollar has appreciated significantly against the U.S. dollar and other major currencies in recent months. As at January 25, 2011, one Australian dollar was equivalent to U.S. \$0.99 and \$0.99 Canadian dollars, respectively. The Manager believes that the Australian dollar offers diversification benefits and is attractive to currency investors because of the comparatively high interest rates in Australia, the general stability of Australia's economy and political system, and Australia's greater exposure to both high-growth Asian economies and commodities. Given the strength of the economy, employment nearing full capacity and the potential for higher inflation, the Manager believes that Australia's interest rates will continue to rise faster than in other developed countries, including Canada, where inflationary pressures are lower, resulting in continued strong performance of the Australian dollar versus other major currencies.

Over the ten-year period ending December 31, 2010, the one month change in Canadian and Australian dollar spot rates exhibited a positive correlation of 0.70. More recently, the correlation between the two currencies has become more significant, increasing to 0.74 and 0.84 in the three- and one-year periods ending December 31, 2010, respectively. The correlation between the one month change in Canadian and Australian dollar spot rates is more significant than the correlation between the one month change in the Canadian dollar spot rate and the spot price for crude oil.

Australian Banking System

Similarities with the Canadian Banking System

The Australian banking system has many attributes in common with Canada's banking system. Similar to Canada, the domestic banking market in Australia is effectively an oligopoly dominated by four major Australian banks: Australia and New Zealand Banking Group, Commonwealth Bank of Australia, National Australia Bank, and Westpac Banking Corporation. According to S&P, these four major banks control approximately three-quarters of Australia's domestic lending market. Australia's four major banks are large institutions that are similar in size (by market capitalization) to Canada's largest banks. In fact, S&P considers the closest international peers of the four major Australian banks to be the five major Canadian banks, which share important characteristics in terms of their balance sheet size, dominant positions in their respective domestic banking markets, and low credit loss levels. Like their Canadian peers, Australian banks are highly regulated, strongly capitalized, and recognized for their conservative banking practices. In the recently published *World Economic Forum Global Competitiveness Report 2010-2011*, Canada, New Zealand and Australia were ranked as the top three countries in the "Soundness of Banks" category.

Strong Credit Quality

The Banks (with the exception of Macquarie) are each rated "AA" by S&P, with a stable outlook based on expectations of sound macroeconomic conditions, strong earnings and conservative lending standards. The Banks (with the exception of Macquarie) are rated higher by S&P than the five major Canadian peers and, in October 2010, based in part on the strength of these ratings, *Global Finance* magazine ranked the four largest Australian banks in the top 20 of the world's safest banks, ahead of the majority of Canadian banks. Macquarie Group Limited is rated A- by S&P. Among the world's largest 100 banks by assets, nine banks are rated "AA" or above by S&P, four of which are banks that will be included in the Portfolio.

World's Safest Bank Ranking

The following table shows the ranking of certain Australian and Canadian banks from a report published by *Global Finance* magazine in October, 2010:

World's safest bank ranking	Bank	Country	S&P	Moody's	Fitch	Market capitalization (billions)	Total assets (billions)
10	Royal Bank of Canada	Canada	AA-	Aaa	AA	C$74.4	C$726.2
11	National Australia Bank	Australia	AA	Aa1	AA	C$52.5	C$700.5
12	Westpac Banking Corporation	Australia	AA	Aa1	AA	C$68.2	C$631.4
13	Commonwealth Bank of Australia	Australia	AA	Aa1	AA	C$80.3	C$660.0
15	Toronto-Dominion Bank	Canada	AA-	Aaa	AA-	C$65.3	C$619.5
16	Australia and New Zealand Banking Group	Australia	AA	Aa1	AA-	C$61.9	C$543.0
22	Bank of Nova Scotia	Canada	AA-	Aa1	AA-	C$59.6	C$526.7
36	Bank of Montreal	Canada	A+	Aa2	AA-	C$32.6	C$411.6
37	Canadian Imperial Bank of Commerce	Canada	A+	Aa2	AA-	C$30.8	C$352.0

Note: Market capitalization as at December 31, 2010 and total assets as indicated in most recent financial reports. Canadian dollar and Australian dollar amounts are based on the reported fixing rate on December 31, 2010, at which time one Australian dollar was equivalent to $1.0212 Canadian dollars.

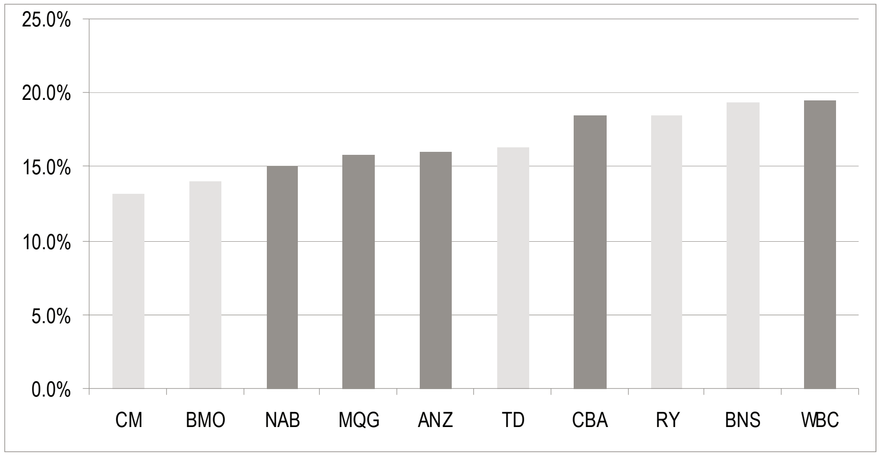
Business and Geographic Mix

The Australian domestic market accounts for the vast majority of revenues and total assets of the Banks. The key overseas markets are New Zealand and the United Kingdom which, according to the Reserve Bank of Australia, together make up approximately 15% of Australian banks' total asset exposures. The business mix of the Banks (with the exception of Macquarie) is primarily retail, small business lending and corporate/institutional lending. The business mix of Macquarie Group Limited is a combination of traditional banking activities, asset management and investment banking. Macquarie Group Limited has a significant presence outside of Australia with international operations accounting for approximately 56% of operating income. The Americas and Asia are Macquarie Group Limited's largest international markets, accounting for 27% and 16% of operating income, respectively.

Consistent Profitability

The Banks have a long track record of profitability and remained profitable during the recent global financial crisis. Australia's banking system experienced only a mild downturn as compared with the overall international experience over the past few years, and most credit losses were small enough to be off-set by revenue. The profitability of the Banks has risen over the first half of 2010, reflecting further growth in net interest income and a significant decline in bad and doubtful debt charges. The Banks reported aggregate net profits of almost AUD $22.4 billion in their latest available annual results. This result was approximately AUD $7.7 billion higher than in the same period a year earlier, and, according to the Reserve Bank of Australia, may signal a recovery to the profitability levels experienced immediately prior to the recent global financial crisis, following a relatively shallow downturn over the preceding 18 months. Interest receipts, which stem from the core lending business of the Banks and represent their main source of revenue, have been sufficient over the past two years to fully recoup higher funding costs and partly offset the rise in loan losses. The return on equity reported by the Banks has also recovered after a relatively shallow dip from approximately 11.6% in 2009 to approximately 13.8% in 2010.

Five Year Average Return on Equity for Australian and Canadian Banks



Source: Bloomberg.

The Manager believes that the strong performance of Australian banks reflects several factors, including the resilience of the Australian economy, comparatively strong balance sheets in the period leading into the recent global financial crisis, sound banking practices, and net interest income, which, as their main source of revenue, has continued to underpin profitability and distinguishes the Banks from many of the largest global banks that rely more heavily on trading and investment income.

Strong Capital Position

The Australian banking system maintains a strong capital position and the Banks have each increased dividends to shareholders in 2010. The quality of capital held by Australian banks appears to compare favourably with banks in other countries, with an emphasis on common equity and retained earnings which have greater loss absorption characteristics from a regulatory capital perspective. The Australian Prudential Regulation Authority, which regulates banks in Australia, recently subjected Australia's 20 largest financial institutions to a three-year macroeconomic stress test. Based on such tests, the APRA found the adequacy of capital to be resilient, with no institution failing or breaching the current minimum 4% floor in Tier 1 Capital ratios. APRA has generally taken a more conservative approach, as compared with other regulatory authorities, to the proportion of regulatory Tier 1 Capital that should be common equity. Australian banks raised considerable common equity from late 2008 to the middle of 2009. In addition, APRA's definition of Tier 1 Capital does not ascribe any value to lower quality items (such as deferred tax assets) that Basel II allows but will no longer fully qualify as Tier 1 Capital under Basel III. The chairman of APRA commented in October 2010 that, while the Basel III measures represent a substantial toughening of global bank capital regulation, they will not pose challenges for Australian banks which are used to demanding capital requirements. Furthermore, based on data provided by Australian banks, the Reserve Bank of Australia has indicated that they appear to be well positioned to meet the new Basel III capital requirements.

Regulation

Since July 1, 1998, the Australian Prudential Regulation Authority (APRA) has been responsible for the prudential and regulatory supervision of Australian authorised deposit-taking institutions (which includes banks, credit unions, and building societies), insurance companies and certain superannuation funds. Prior to this, the Australian banking industry was regulated by the Reserve Bank of Australia. The Reserve Bank of Australia has retained overall responsibility for monetary policy, financial system stability and payments system regulation. APRA requires Australian banks to meet certain prudential standards that are covered in a range of APRA prudential standards. APRA discharges its responsibilities in part by requiring Australian banks and other entities subject to its supervision to regularly provide it with reports that set forth a broad range of information, including financial and statistical data relating to their financial position and information in respect of prudential and other matters. In carrying out its supervisory role, APRA supplements its analysis of statistical data collected from each

Australian bank and other entity subject to its supervision with selective on-site visits and formal meetings with the senior management and external auditors of such banks and other entities. Such Australian banks and other entities are also subject to regulation other than on prudential matters by the Australian Securities and Investments Commission and the Australian Competition and Consumer Commission.

The Banks

Australia and New Zealand Banking Group

Australia and New Zealand Banking Group has strong market positions in Australian corporate and institutional banking as well as the leading market position in New Zealand. Australia and New Zealand Banking Group's strategy is to create a leading super-regional bank in the Asia Pacific region. The bank is expanding its presence in countries such as Indonesia, Korea, China and Vietnam through a combination of acquisitions and organic growth. Australia and New Zealand Banking Group also has a significant presence in the life insurance and funds management sectors in Australia, including through its recent acquisition of the remainder of its joint venture with ING Australian and ING New Zealand. Resources and agriculture are priority segments for Australia and New Zealand Banking Group, which has the largest market share of the resources sector with revenues exceeding that of the other three major domestic banks combined. The following table shows selected financial information of Australia and New Zealand Banking Group:

	2010	**2009**	**2008**	**2007**	**2006**
Total assets	$531,739	$476,987	$470,293	$392,773	$334,640
Revenue	$15,782	$11,187	$9,680	$11,085	$10,183
Net profit	$5,025	$2,943	$3,319	$4,180	$3,688
Return on common equity	15.5%	10.2%	14.0%	20.6%	20.0%

Note: All dollar amounts are in millions of Australian dollars. The financial year end of Australia and New Zealand Banking Group is September 30.

Commonwealth Bank of Australia

Commonwealth Bank of Australia (CBA) has leading market shares in most segments of retail banking in Australia. Commonwealth Bank of Australia is the largest Australian bank by market capitalization and the third largest publicly listed company in Australia. The bank's strategic goal is to be Australia's finest financial services organization through excelling in customer service. Commonwealth Bank of Australia was wholly owned by the Australian government until a series of share offerings from 1990-1996. The bank recently acquired Bank of Western Australian Ltd. (Bankwest), an Australian regional bank, which enabled Commonwealth Bank of Australia to increase its market share in many categories. Commonwealth Bank of Australia is also the largest life insurer in Australia and has a significant wealth management unit. The following table shows selected financial information of Commonwealth Bank of Australia:

	2010	**2009**	**2008**	**2007**	**2006**
Total assets	$646,330	$620,372	$487,572	$440,157	$369,103
Revenue	$21,558	$16,485	$14,584	$13,406	$12,282
Net profit	$5,664	$4,723	$4,791	$4,470	$3,928
Return on common equity	17.2%	16.7%	19.3%	20.0%	19.2%

Note: All dollar amounts are in millions of Australian dollars. The financial year end of Commonwealth Bank of Australia is June 30.

Macquarie Group Limited

Macquarie Group Limited is the non-operating holding company of the Macquarie Group. The Macquarie Group is a global provider of banking, financial advisory, investment and funds management services. It operates six broad business groups. The primary businesses include Macquarie Securities, a global institutional securities broker; Macquarie Capital, an investment bank with key specialties in areas such as infrastructure and natural resources; Macquarie Funds, a top 40 global asset manager with over AUD $308 billion of assets under management; and the Banking and Financial Services Group which provides retail financial services and private banking. The Macquarie Group has leading market positions in its main businesses in Australia, which accounts for about half of its earnings. The Macquarie Group is known for its entrepreneurial drive and has made use of the recent global turmoil to make a number of acquisitions. The Macquarie Group maintains strong capital and liquidity positions as well as a strong risk management culture. The following table shows selected financial information of Macquarie Group Limited:

	H1/2010	**2009**	**2008**	**2007**	**2006**
Total assets	158,060	145,940	149,144	167,250	136,389
Revenue	3,661	6,638	5,526	8,248	7,181
Net profit	411	1,093	974	1,888	1,551
Return on common equity	7.1%	10.0%	9.9%	23.7%	28.1

Note: All dollar amounts are in millions of Australian dollars. The financial year end of Macquarie Group Limited is March 31.

National Australia Bank

National Australia Bank is unique among the Banks in that it has a large business unit outside of Asia. National Australia Bank has a unit in the United Kingdom which represents approximately 12% of its revenue; however, National Australia Bank's strategic focus emphasizes Australia rather than international operations. National Australia Bank is the leader in small business banking in Australia and a leader in the life insurance and funds management businesses. National Australia Bank recently attempted to buy the Australian business of AXA Asia Pacific, a large global insurance company; however, the necessary regulatory approval was not obtained. The following table shows selected financial information of National Australia Bank:

	2010	**2009**	**2008**	**2007**	**2006**
Total Assets	$685,952	$654,120	$656,799	$574,220	$484,785
Revenue	$16,638	$18,369	$14,493	$17,181	$20,805
Net Profit	$4,224	$2,589	$4,536	$4,578	$4,392
Return on common equity	13.2%	7.8%	17.0%	18.8%	18.5%

Note: All dollar amounts are in millions of Australian dollars. The financial year end of National Australia Bank is September 30.

Westpac Banking Corporation

Westpac Banking Corporation has been an active consolidator of Australian regional banks, including through its recent acquisition of St. George Bank, which was Australia's fifth largest bank. Westpac Banking Corporation's strength is in the retail and small business markets, and it has chosen to follow a multi-branding strategy. Westpac Banking Corporation is the second largest bank in Australia by a variety of measures in the retail and business sectors. The chief executive officer of Westpac Banking Corporation has described the recent merger with St. George Bank as being strategically important and transformational, as the merger provides the bank with an enhanced growth platform, an expanded customer base and an improved efficiency profile. The following table shows selected financial information of Westpac Banking Corporation:

	2010	**2009**	**2008**	**2007**	**2006**
Total assets	$618,277	$589,587	$439,676	$377,653	$299,578
Revenue	$16,910	$16,513	$11,148	$10,171	$10,847
Net profit	$6,346	$3,446	$3,859	$3,451	$3,071
Return on common equity	16.1%	13.2%	23.1%	22.9%	22.1%

Note: All dollar amounts are in millions of Australian dollars. The financial year end of Westpac Banking Corporation is September 30.

INVESTMENT RESTRICTIONS

Investment Restrictions of the Fund

The investment restrictions of the Fund, which are set forth in the Trust Agreement, provide that the Fund will not:

(a) invest at the time of purchase less than substantially all of the Total Assets of the Fund in Portfolio Shares; except within 60 days of the Closing Date and within 60 days of the Fund's termination;

(b) purchase equity securities of an issuer unless such securities are common shares of a Bank. The Fund will invest in Portfolio Shares initially on an approximately equal weighted basis; however, the Manager may determine, in its sole discretion, the appropriate composition of the Portfolio in the event of mergers or other transactions involving the Banks and in connection with the payment of distributions or expenses may sell Portfolio Shares and, in each case, the weighting of the Portfolio will be effected;

(c) purchase debt securities unless such securities are cash equivalents as defined in NI 81-102;

(d) write call options in respect of more than 25% of the securities of each Bank;

(e) write call options unless the security underlying the option is held by the Fund;

(f) dispose of any security that is subject to a call option written by the Fund unless such option has either terminated or expired;

(g) buy currency forwards or futures other than for purposes of hedging as defined in NI 81-102;

(h) make or hold any investment, undertake any activity, take any action or omit to take any action that would result in the Fund failing to qualify as a "unit trust" or a "mutual fund trust", as defined in the Tax Act;

(i) make or hold any investments in entities that would be "foreign affiliates" of the Fund for purposes of the Tax Act;

(j) invest in any security that is a "tax shelter investment" within the meaning of section 143.2 of the Tax Act;

(k) make or hold any investments in securities of a non-resident trust (or a partnership which holds such an interest) other than "exempt foreign trusts" as defined in proposed section 94 of the Tax Act set forth in proposed amendments to the Tax Act released August 27, 2010 (or pursuant to any amendments to such proposals, subsequent provisions enacted into law, or successor provisions thereto);

(l) at any time, hold any property that is a "non-portfolio property" for the purposes of the SIFT Rules;

(m) make or hold any investments that could require the Fund to include any material amount in its income pursuant to the offshore investment fund property rules in section 94.1 of the Tax Act released August 27, 2010 (or pursuant to any subsequent provisions as enacted into law, or successor provisions thereto);

(n) acquire any interest in a trust (or a partnership which holds such an interest) which would require the Fund (or the partnership) to report income in connection with such interest pursuant to the rules in proposed section 94.2 of the Tax Act, as set forth in the proposed amendments to the Tax Act dated August 27, 2010 (or amendments to such proposals, provisions as enacted into law or successor provisions thereto);

(o) pledge any of its assets or employ leverage, except in connection with foreign exchange rate hedging; or

(p) purchase the securities of an issuer for the purposes of exercising control or direction, whether alone or in concert, over management of that issuer.

The Fund is not considered to be a mutual fund under the securities legislation of the provinces and territories of Canada. Consequently, the Fund is not subject to the various policies and regulations that apply to conventional mutual funds under such legislation. However, the Fund is subject to certain other requirements and restrictions contained in securities legislation, including National Instrument 81-106 – *Investment Fund Continuous Disclosure* of the Canadian Securities Administrators, which governs the continuous disclosure obligations of investment funds, including the Fund.

Any change in the investment objectives or investment restrictions of the Fund, unless such changes are necessary to ensure compliance with applicable laws, regulations or other requirements imposed by applicable regulatory authorities from time to time, may only be undertaken with the approval of Unitholders by an Extraordinary Resolution. See "Unitholder Matters – Matters Requiring Unitholder Approval".

FEES AND EXPENSES

Initial Fees and Expenses

The expenses of the Offering (including the costs of creating and organizing the Fund, the costs of printing and preparing this prospectus, legal expenses, marketing expenses and other reasonable out-of-pocket expenses incurred by the Agents and other incidental expenses), which are estimated to be $650,000 (but not to exceed 1.5% of the gross proceeds of the Offering), will be paid out of the gross proceeds of the Offering by the Fund. In addition, the Agents' fee will be paid to the Agents from the gross proceeds as described under "Plan of Distribution".

Management Fee

The Manager will receive a Management Fee from the Fund equal in the aggregate to 0.65% per annum of the Net Asset Value, calculated and payable monthly in arrears, plus an amount calculated quarterly and paid as soon as practicable after the end of each calendar quarter equal to the Servicing Fee, plus applicable taxes. The Management Fee payable to the Manager in respect of the month in which Closing occurs will be pro-rated based on the fraction that the number of days from and including the Closing Date to and including the last day of the month is of the number of days in such month.

Servicing Fee

From the amounts received by the Manager from the Fund, a servicing fee (the "Servicing Fee") will be payable by the Manager to each registered dealer whose clients hold Class A Units at the end of a calendar quarter. The Servicing Fee will be equal to 0.40% annually of the NAV for each Class A Unit held by clients of the registered dealers, calculated and paid at the end of each calendar quarter commencing on June 30, 2011, plus applicable taxes.

Ongoing Expenses

The Fund will pay for all expenses incurred in connection with its operation and administration which, in the case of the Fund will generally be allocated to the Units *pro rata* based on the Net Asset Value applicable to each class of Units, including, fees payable to the Trustee, custodial fees, legal, audit, valuation fees and expenses, any additional fees payable to third party service providers, expenses of the directors of the Manager, fees and expenses of the members of the Independent Review Committee appointed under NI 81-107 and expenses related to compliance with NI 81-107, costs of reporting to Unitholders, registrar, transfer and distribution agency costs, printing and mailing costs, listing fees and expenses and other administrative expenses and costs incurred in connection with the continuous public filing requirements of the Fund and investor relations, fees and expenses relating to the voting of proxies by a third party, taxes, brokerage commissions, costs and expenses relating to the issue of Units, costs and expenses of preparing financial and other reports, costs and expenses arising as a result of complying with all applicable laws, regulations and policies, extraordinary expenses that the Fund may incur, but excluding the fees payable to the Manager. Such expenses will also include expenses of any action, suit or other proceedings in which or in relation to which the Manager, any sub-advisor, the Custodian or the Trustee and/or any of their respective officers, directors, employees, consultants or agents is entitled to indemnity by the Fund.

The Manager estimates that ongoing expenses, exclusive of the Management Fee, brokerage expenses related to portfolio transactions and interest expense will be approximately $150,000 per year for the Fund (assuming an aggregate size of the Offering of approximately $100 million).

Additional Services

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

RISK FACTORS

Certain risk factors relating to the Fund, the Units and the Portfolio Shares are described below. Additional risks and uncertainties not currently known to the Manager or that are currently considered immaterial, may also impair the operations of the Fund. If any such risk actually occurs, the undertaking, financial condition, liquidity or results of operations of the Fund, and the ability to the Fund to make distributions on the Units, could be materially adversely affected.

No Assurance of Achieving Investment Objectives and No Guaranteed Rate of Return

There is no assurance that the Fund will be able to achieve its investment objectives. There is no assurance that the Fund will pay distributions. The funds available for distribution to Unitholders will vary according to, among other things, the levels of dividends or distributions paid on the securities in the Portfolio, the level of option premiums received and the value of the securities in the Portfolio. As the dividends and distributions received by the Fund may not be sufficient to meet the Fund's objectives in respect of the payment of distributions, the Fund may depend on the receipt of option premiums and the realization of capital gains to meet those objectives. Although many investors and financial market professionals price options based on the Black-Scholes Model, in practice actual option premiums are determined in the marketplace and there is no assurance that the premiums predicted by such pricing model will be attained. There is no assurance that the Portfolio will earn any return. It is possible that, due to declines in the market value of the securities in the Portfolio, the Fund will have insufficient assets to achieve in full its distribution and capital appreciation investment objectives, including that of long-term total returns.

Performance of the Banks

The Portfolio will comprise common shares issued by the Banks. Accordingly, the performance of the Fund will be largely impacted by the performance of such banks and the prices at which the Portfolio Shares trade in the market, all of which are in turn impacted by the Australian banking sector and the Australian economy generally. Factors unique to each Bank, such as changes in their management, strategic direction, achievement of goals, mergers, acquisitions and divestitures, changes in distribution policies and other events, may affect the value of the common shares and other securities in the Portfolio. Any adverse changes to the Australian banking sector or economy will have a material adverse impact on the Portfolio Shares and the return to Unitholders.

Performance of the Portfolio

The Net Asset Value of the Fund will vary as the fair value of the securities in the Portfolio varies. The Fund also has no control over the factors that affect the fair value of the securities in the Portfolio, including factors that affect the equity markets generally, such as general economic and market conditions, political conditions and fluctuations in interest rates, and factors unique to each Bank and their business, such as liquidity and funding conditions, legal and compliance risks, operational risks, tax-related risks, changes in management, changes in strategic direction, achievement of strategic goals, mergers, acquisitions and divestitures, changes in distribution policies and other events that may affect the value of its securities. The Fund may enter into commitments to purchase securities prior to the Closing Date. Accordingly, the Portfolio may have exposure to changes in the market value of such securities prior to the Closing Date. As a result, the initial value of the Portfolio may be greater than or less than the net proceeds of the Offering. See “Distribution Policy”.

Concentration and Accumulation Risk

The Portfolio will be concentrated in Portfolio Shares. As a result, the Net Asset Value of the Fund may be more volatile than the value of a more broadly diversified portfolio and may fluctuate substantially over short periods of time. This may have a negative impact on the value of the Units. In addition, a significant acquisition by the Fund of Portfolio Shares during the accumulation of the Portfolio may put upward pressure on the market prices at which such securities are purchased which may adversely affect the return to investors.

Use of Options and Other Derivative Instruments

The Fund is subject to the full risk of its investment position in the securities comprising the Portfolio Shares, including those that are subject to outstanding call options written by the Fund, should the market price of such securities decline. In addition, the Fund will not participate in any gain on securities that are subject to outstanding call options above the strike price of the options unless the Fund pays to repurchase the option at the then current market price of the option. The use of call options may have the effect of limiting or reducing the total returns of the Fund, particularly in a rising market since the premiums associated with writing covered call options may be outweighed by the cost of closing out outstanding options.

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

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

Foreign Jurisdiction Risk

There are risks associated with investments in foreign jurisdictions that could adversely affect the value of the Portfolio Shares and the Units. The prices of foreign securities, including the Portfolio Shares, may be more volatile because of economic conditions in such foreign jurisdictions, political developments, and changes in the business and regulatory environment. Foreign economies may differ favourably or unfavourably from the domestic economy in such respects as growth of gross domestic product, rate of inflation, capital reinvestment, resource self-sufficiency and balance of payment positions. The imposition of Australian withholding tax could adversely affect the value of the Portfolio Shares and the Units.

Foreign Exchange Rate Fluctuations Risk

As the Portfolio will be invested in securities denominated in Australian dollars, the Net Asset Value of the Fund and the market price of the Units, when measured in Canadian dollars, will, to the extent this has not been hedged against, be affected by changes in the value of the Australian dollar relative to the Canadian dollar. Although the Manager of the Fund may decide to hedge, from time to time, all or some portion of the value of the Portfolio Shares back to the Canadian dollar, the Fund may not be hedged at all times and there is no intention to initially hedge any amounts in respect of Australian dollars. Accordingly, the Fund may be adversely impacted by changes in foreign exchange rates or other factors. The use of hedges, if used, involves special risks, including the possible default by the other party to the transaction, illiquidity and, to the extent the Manager's assessment of certain market movements is incorrect, the risk that the use of hedges could reduce total returns or result in losses greater than if the hedging had not been used. In addition, the costs associated with a hedging program may outweigh the benefits of the arrangements in such circumstances.

Recent Global Financial Developments Risk

Global financial markets have experienced a sharp increase in volatility during 2008 and 2009. 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 are attempting to restore 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 materially and adversely affect economies around the world in the near to medium term. Some of these economies may experience significantly diminished growth or a recession. These market conditions and unexpected volatility or illiquidity in financial markets may also adversely affect the prospects of the Fund and the value of the securities included in the Portfolio.

Use of Derivatives Risk

The Fund may invest in and use derivative instruments for hedging purposes to the extent considered appropriate by the Manager taking into account factors including transaction costs. There can be no assurance that the Fund's hedging strategies will be effective. There is a risk of loss by the Fund of margin deposits in the event of the bankruptcy of the dealer with whom the Fund has an open position in an option or futures or forward contract. Derivative instruments traded in foreign markets may offer less liquidity and greater credit risk than comparable instruments traded in North American markets. The ability of the Fund to close out its positions may also be affected by exchange imposed daily trading limits on options and futures contracts. If the Fund is unable to close out a position, it will be unable to realize its profit or limit its losses until such time as the option becomes exercisable or expires or the futures or forward contract terminates, as the case may be. The inability to close out options, futures and forward positions could also have an adverse impact on the Fund's ability to use derivative instruments to write call options and effectively hedge the currency exposure of the Portfolio.

Risks Relating to Reliance on the Manager

The Manager will manage and advise the Fund in a manner consistent with the investment objectives and the investment restrictions of the Fund. The officers of the Manager who will be primarily responsible for the management of the Portfolio have extensive experience in managing investment portfolios, however there is no certainty that such individuals will continue to be employees of the Manager.

Risks Relating to the Trading Price of Units

The Class A Units may trade in the market at a discount to the Net Asset Value per Class A Unit and there can be no assurance that the Class A Units will trade at a price equal to the Net Asset Value per Class A Unit. Units will be redeemable at 100% of the Net Asset Value per Unit on an Annual Redemption Date less any costs associated with the redemption, including brokerage costs. While the redemption right provides Unitholders the option of annual liquidity at the Net Asset Value per Unit, there can be no assurance that it will reduce trading discounts of the Class A Units.

No Market for Class F Units

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

Risks Relating to the Taxation of the Fund

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

In determining its income for tax purposes, the Fund will treat option premiums received on the writing of covered call options and any gains or losses sustained on closing out options as capital gains and capital losses in accordance with CRA's published administrative practice. CRA's practice is not to grant advance income tax rulings on the characterization of items as capital or income and no advance income tax ruling has been applied for or received from CRA.

If some or all of the transactions undertaken by the Fund in respect of covered options and securities in the Fund's portfolio were treated on income rather than capital account, the net income of the Fund for tax purposes and the taxable component of distributions to Unitholders could increase. Any such redetermination by the CRA may result in the Fund being liable for unremitted withholding taxes on prior distributions made to Unitholders who were not resident in Canada for the purposes of the Tax Act at the time of the distribution. Such potential liability may reduce NAV, NAV per Unit and/or the trading prices of the Units.

The Fund will use derivative instruments for hedging non-Canadian currency exposure back to the Canadian dollar. In accordance with the published administrative practice of the CRA, gains or losses realized on derivatives by virtue of the fluctuation of foreign currencies against the Canadian dollar will, where such derivatives are sufficiently linked with and hedge currency exposure in respect of, underlying securities, be treated and reported for purposes of the Tax Act on capital or income account depending on the nature of the securities to which the hedge is linked and designations with respect to the Fund's income and capital gains will be made and reported to Unitholders on this basis. If any dispositions or transactions of the Fund in respect of derivatives are reported on capital account but are subsequently determined to be on income account, the net income of the Fund for tax purposes and the taxable component of distributions to Unitholders could increase.

Under the SIFT Rules, trusts or partnerships (defined as "SIFT trusts" and "SIFT partnerships", respectively, in the Tax Act) the securities of which are listed or traded on a stock exchange or other public market and that hold one or more “non-portfolio properties” (as defined in the Tax Act) are effectively taxed on income and capital gains in respect of such non-portfolio properties at combined rates comparable to the rates that apply to income earned and distributed by Canadian corporations. The 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. If the Fund were to qualify as a SIFT Trust within the meaning of the Tax Act, the income tax considerations described under the heading “Canadian Federal 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 securities included in the Portfolio. Unitholders will not own the securities held by the Fund.

Changes in Legislation and Regulatory Risk

There can be no assurance that certain laws applicable to the Fund, including income tax laws, 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 Portfolio.

Loss of Investment Risk

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

Conflicts of Interest Risk

The Manager and its directors and officers engage in the promotion, management or investment management of one or more funds or trusts with similar investment objectives to those of the Fund. Although none of the directors or officers of the Manager will devote his or her full time to the undertaking and affairs of the Fund, each director and officer of the Manager will devote as much time as is necessary to supervise the management of (in the case of the directors) or to manage the undertaking and affairs of (in the case of officers) the Fund and the Manager, as applicable.

Risks Relating to the Status of the Fund

As the Fund is not a mutual fund as defined under Canadian securities laws, the Fund is not subject to the Canadian policies and regulations that apply to open-end mutual funds. It is intended that the Fund will be a mutual fund trust for purposes of the Tax Act. If the Fund ceases or fails to qualify as a mutual fund trust for purposes of the Tax Act, certain tax considerations described in this prospectus would be materially and adversely different.

Risks Relating to Redemptions

The purpose of the annual redemption right is to prevent Units from trading at a substantial discount and to provide investors with the right to eliminate entirely any trading discount once per year. While the redemption right provides investors the option of annual liquidity, there can be no assurance that it will reduce trading discounts. There is a risk that the Fund may incur significant redemptions if Units trade at a significant discount to their Net Asset Value per Unit, thereby providing arbitrage traders an opportunity to profit from the difference between the applicable Net Asset Value per Unit 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 would be in the best interests of Unitholders to do so. The Manager may also suspend the redemption of Units in the circumstances described under "Redemption of Securities – 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.

Operating History Risk

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

Not a Trust Company

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

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 debt instruments in that there is no principal amount owing to Unitholders. Unitholders will not have the statutory rights normally associated with ownership of shares of a corporation including, for example, the right to bring "oppression" or "derivative" actions.

DISTRIBUTION POLICY

Based on the Manager's current estimates, the initial distribution target for the Fund is expected to be \$0.1875 per quarter (\$0.75 per annum to yield 7.5% on the subscription price of \$10.00 per Unit). The Fund intends to make quarterly cash distributions to Unitholders of record on the last Business Day of each quarter, commencing in the first full calendar quarter after Closing. Distributions will be paid no later than the 15th Business Day following the end of the quarter for which the distribution is payable. The Fund will not have a fixed distribution, but intends to set periodic distribution targets based on, among other things, the actual and expected dividends and distributions received and to be received on the Portfolio Shares, actual and expected net premiums from call options received and to be received and the Fund's estimated expenses.

Based on the initial expected composition of the Portfolio and assuming the gross proceeds of the Offering are \$100 million and fees and expenses are as described herein, the Fund is expected to generate dividend and distribution income of approximately 5.76% per annum. The Portfolio would be required to generate an additional return of approximately 3.56% per annum, including from distribution and dividend growth, realized capital appreciation and option premiums, in order for the Fund to maintain its initial targeted distribution level and a stable NAV. Based on (i) the average current volatility of the Portfolio Shares, and (ii) the other assumptions set forth under "Investment Strategy", including that the Fund writes at-the-money covered call options on approximately, and not more than, 25% of the securities of each Bank, the Portfolio would be expected to generate net cash flow that exceeds the initial target distribution level by 1.7%. Under these assumptions, the Portfolio would also be expected to generate sufficient net cash flow equal to the initial target distribution level by writing at-the-money covered call options on approximately 16.5% of the securities of each Bank. The minimum required volatility to generate net cash flow equal to the initial target distribution level is 10.75%. The average volatility of the Banks has exceeded 10.75% in 98.7% of the trading days in the ten year period ending December 31, 2010.

The amount of quarterly cash distributions may fluctuate from quarter to quarter and there can be no assurance that the Fund will make any distributions in any particular quarter or quarters. See "Distributions". The use of call options may have the effect of limiting or reducing the total returns of the Fund, particularly in a rising market since the premiums associated with writing covered call options may be outweighed by the cost of closing out outstanding options. However, the Manager believes that in a slightly rising, flat or downward trending market, a portfolio that is subject to covered call option writing will generally provide higher relative returns and lower volatility than one on which no options are written.

The distributions are not guaranteed. The Manager will review such distribution policy from time to time and the distribution amount may change from time to time.

The Fund will be subject to tax under Part I of the Tax Act on the amount of its income for tax purposes for the year, including net realized taxable capital gains, less the portion thereof that it claims in respect of the amounts paid or payable to Unitholders in the year. To ensure that the Fund will generally not be liable for income tax under Part I of the Tax Act, the Trust Agreement provides that, if necessary, an Additional Distribution will be automatically payable in each year to Unitholders of record on December 31. The Additional Distribution may be necessary if the Fund realizes income for tax purposes which is in excess of the quarterly distributions paid or made payable to Unitholders during the taxation year. If the Fund must pay an Additional Distribution, such Additional Distribution may, at the option of the Manager, be satisfied by the issuance of Units and/or cash. Following such issue of additional Units, the outstanding Units may be automatically consolidated on a basis such that each Unitholder will hold after the consolidation the same number of Units as it held before the distribution of additional Units, except in the case of a Non-Resident Unitholder if tax was required to be withheld in respect of the distribution. See "Canadian Federal Income Tax Considerations".

PURCHASES OF SECURITIES

The Fund proposes to offer Class A Units and Class F Units at a price of $10.00 per Unit (with a minimum subscription of 100 Units for $1,000). Prospective purchasers may subscribe for Units through one of the Agents or any member of a sub-agency group that the Agents may form. Closing of the Offering will take place on or about March 18, 2011, or such later date as may be agreed upon by the Fund and the Agents, but in any event no later than 90 days after the final receipt for this prospectus is issued. The distribution price was determined by negotiation between the Agents and the Fund. See "Plan of Distribution". The Fund proposes to offer Class A Units and Class F Units, each at a price of $10.00 per Unit.

The Class F Units are designed for fee-based accounts and differ from the Class A Units in the following ways: (i) Class F Units will not be listed on a stock exchange; (ii) the Agents' fees payable on the issuance of the Class F Units are lower than the Class A Units; and (iii) the Servicing Fee is payable only in respect of the Class A Units. Accordingly, the Net Asset Value per Unit of each class will not be the same as a result of the different fees allocable to each class of Units. See "Fees and Expenses".

REDEMPTION OF SECURITIES

Annual Redemptions

Commencing in 2012, Class A Units and Class F Units may be redeemed on an Annual Redemption Date, subject to certain conditions and, in order to effect such a redemption, the Units must be surrendered by no later than 5:00 p.m. (Toronto time) on the last Business Day of August in the year of redemption. Unitholders whose Units are redeemed on an Annual Redemption Date will receive a redemption price in an amount equal to 100% of the Annual Redemption Price less any costs associated with the redemption, including brokerage costs, and less any net realized capital gains or income to the Fund that are distributed to a Unitholder concurrently with the proceeds of disposition on redemption. The Annual Redemption Price will be dependent upon the performance of the Portfolio. Payment of the Annual Redemption Price will be made on or before the Redemption Payment Date, subject to the Manager's right to suspend redemptions in certain circumstances. Concurrently with the payment of the redemption price, the Fund may pay to the redeeming Unitholder a cash distribution in the amount of the net realized capital gains or income of the Fund incurred by it to fund the payment of the redemption price. The Annual Redemption Price will vary depending on a number of factors. See "Risk Factors".

Monthly Redemptions

In addition to the annual redemption right, Class A Units and Class F Units may also be redeemed on a Monthly Redemption Date, subject to certain conditions and, 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 Monthly Redemption Date. Payment of the redemption price will be made on or before the Redemption Payment Date, subject to the Manager's right to suspend redemptions in certain circumstances. Concurrently with the payment of the redemption price, the Fund may pay to the redeeming Unitholder a cash distribution in the amount of the net realized capital gains or income of the Fund incurred by it to fund the payment of the redemption price. See "Risk Factors".

Unitholders surrendering a Class A Unit for redemption will receive a redemption price equal to the lesser of (i) 95% of the Market Price of a Class A Unit, and (ii) 100% of the Closing Market Price of a Class A Unit on the applicable Monthly Redemption Date less, in each case, any costs associated with the redemption, including brokerage costs, and less any net realized capital gains or income of the Fund that are distributed to a Unitholder concurrently with the proceeds of disposition on redemption, being the Monthly Redemption Amount.

Unitholders surrendering a Class F Unit for redemption will receive an amount equal to the product of (i) the Monthly Redemption Amount and (ii) a fraction, the numerator of which is the most recently calculated Net Asset Value per Unit of a Class F Unit and the denominator of which is the most recently calculated Net Asset Value per Unit of a Class A Unit.

Exercise of Redemption Right

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

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

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

Suspension of Redemptions

The Fund may suspend the redemption of Units or payment of redemption proceeds (i) for the whole or any part of a period during which normal trading is suspended on one or more exchanges on which more than 50% of the securities included in the Portfolio (by value) or the Portfolio are listed and traded, and if the securities are not traded on any other exchange that represents a reasonable, practical alternative for the Fund, or (ii) for any period not exceeding 120 days during which the Manager determines that conditions exist which render impractical the sale of assets of the Fund or which impair the ability of the Manager to determine the value of the assets of the Fund. The suspension may apply to all requests for redemption received prior to the suspension, but for which payment has not been made, as well as to all requests received while the suspension is in effect. In such circumstances all Unitholders will have, and will be advised that they have, the right to withdraw their requests for redemption. The suspension will terminate in any event on the first Business Day on which the condition giving rise to the suspension has ceased to exist, provided that no other condition under which a suspension is authorized then exists. To the extent not inconsistent with official rules and regulations promulgated by any government body having jurisdiction over the Fund, any declaration of suspension made by the Manager will be conclusive.

CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of McCarthy Tétrault LLP, counsel to the Fund, and Osler, Hoskin & Harcourt LLP, counsel to the Agents, the following is, as of the date hereof, a summary of the principal Canadian federal income tax considerations generally applicable to the acquisition, holding and disposition of Units by a Unitholder who acquires Units pursuant to this prospectus. This summary is applicable to a Unitholder who is an individual (other than a trust) and who, at all relevant times, for the purposes of the Tax Act, is resident in Canada, deals at arm's length with the Fund, is not affiliated with the Fund, and holds Units as capital property. 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 such Units and all other "Canadian securities" (as defined in the Tax Act) owned or subsequently acquired by them treated as capital property by making an irrevocable election in accordance with subsection 39(4) of the Tax Act.

This summary is based on the current provisions of the Tax Act, counsel's understanding of the current administrative policies and assessing practices of the CRA published in writing prior to the date hereof, the Tax Proposals and certificates from the Agents and the Manager regarding certain matters. Except for the Tax Proposals, this summary does not take into account or anticipate any changes in law, whether by legislative, governmental or judicial action, or any changes in the administrative policies and assessing practices of the CRA, nor does it take into account other federal or any provincial, territorial or foreign income tax legislation or considerations which may differ significantly from the tax considerations described herein. 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 tax considerations applicable to an investment in Units. Moreover, the income and other tax consequences of acquiring, holding or disposing of Units will vary depending on the investor's particular circumstances including the province or provinces in which the investor resides or carries on business. Counsel express no views herein with respect to the deductibility of interest on any funds borrowed by a Unitholder to purchase Units. This summary is of a general nature only and is not intended to be legal or tax advice to any investor. Investors should consult their own tax advisors for advice with respect to the income tax consequences of an investment in Units, based on their particular circumstances.

This summary assumes that the Fund will comply with its investment restrictions at all relevant times and that the Fund will at no time be a SIFT trust. Provided the Fund does not hold "non-portfolio property", it will not be a SIFT Trust.

Status of the Fund

This summary is based on the assumptions that the Fund will qualify at all times as a "unit trust" and a "mutual fund trust" within the meaning of the Tax Act, and that the Fund will elect under the Tax Act to be a mutual fund trust from the date it was established. To qualify as a mutual fund trust the Fund must, among other things, comply on a continuous basis with certain minimum requirements respecting the ownership and dispersal of Units. The Manager has advised counsel that the Fund intends to make an election so that it can qualify under the Tax Act as a mutual fund trust from the commencement of its first taxation year.

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

Taxation of the Fund

The Fund will be subject to tax in each taxation year under Part I of the Tax Act on the amount of its income for the year, including dividends and net realized taxable capital gains, less the portion thereof that it deducts in respect of the amount paid or payable to Unitholders in the year. Counsel have been advised that the Fund intends to deduct, in computing its income in each taxation year, the full amount available for deduction in each year and, therefore, provided the Fund makes distributions in each year of its net income and net realized capital gains as described under "Distributions", it will generally not be liable in such year for income tax under Part I of the Tax Act. The Fund will be entitled for each taxation year throughout which it is a mutual fund trust to reduce (or receive a refund in respect of) its liability, if any, for tax on its net realized capital gains by an amount determined under the Tax Act based on the redemptions of Units during the year (capital gains refund).

The Fund will derive income or gains from investments in countries other than Canada, and as a result, may be liable to pay income or profits tax to such countries. To the extent that such foreign tax paid by the Fund exceeds 15% of the amount included in the Fund's income from such investments, net of associated deductions, such excess may generally be deducted by the Fund in computing its net income for the purposes of the Tax Act. To the extent that such foreign tax paid does not exceed 15% of such amount and has not been deducted in computing the Fund's income, the Fund may designate in respect of a Unitholder a portion of its foreign source income which can reasonably be considered to be part of the Fund's income distributed to such Unitholder so that such income and a portion of the foreign tax paid by the Fund may be regarded as foreign source income of, and foreign tax paid by, the Unitholder for the purposes of the foreign tax credit provisions of the Tax Act. The Manager has been advised by Australian counsel that no Australian withholding tax is imposed on dividends paid on the Portfolio Shares, to the extent such dividends are fully franked under Australian laws.

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

To the extent that the Fund writes covered call options, it will do so with the objective of increasing the yield on the Portfolio beyond the dividends received on the common shares in the Portfolio. In accordance with CRA's published administrative practice, 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 call options written by the Fund (to the extent such call options relate to securities actually owned by the Fund at the time the option is written and such securities are held on capital account as discussed above) will constitute capital gains of the Fund in the year received, and gains or losses realized upon dispositions of securities owned by the Fund (whether upon the exercise of call options written by the Fund or otherwise) will constitute capital gains or capital losses of the Fund in the year realized. If a call option is exercised the proceeds received by the Fund for the option will be included in the proceeds of disposition of the securities sold pursuant to the option and the premium received for such option will not give rise to a capital gain at the time the option is written.

Generally, the Fund will include gains and deduct losses on income account in connection with investments made through derivative securities (except where such derivatives are used to hedge, and are sufficiently linked with, Portfolio securities held on capital account), and will recognize such gains or losses for tax purposes at the time they are realized by the Fund. In accordance with CRA's published administrative practice, gains or losses realized on such derivatives hedging Portfolio securities held on capital account will be treated and reported for tax purposes on capital account, where there is sufficient linkage between such derivatives and such Portfolio securities. The Fund expects to hedge only currency risk relating to Australian dollar investments in the Portfolio Shares.

In computing its income for tax purposes (and subject to the October 31 Proposal, described below), the Fund may deduct reasonable administrative and other expenses incurred to earn income. The Fund may deduct the costs and expenses of the Offering paid by the Fund and not reimbursed at a rate of 20% per year, pro-rated where the Fund's taxation year is less than 365 days.

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

The Fund will enter into transactions denominated in Australian dollars or other foreign currencies, including the acquisition of securities in the Portfolio. The cost and proceeds of disposition of securities, dividends and all other amounts will be determined for the purposes of the Tax Act in Canadian dollars using the appropriate exchange rates determined in accordance with the detailed rules in the Tax Act in that regard. The amount of income, gains and losses realized by the Fund may be affected by fluctuations in the value of foreign currencies relative to the Canadian dollar.

The Fund is 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.

Taxation of Unitholders

A Unitholder will generally be required to include, in computing income for a taxation year, the amount of the Fund's net income for the taxation year, including net realized taxable capital gains, paid or payable to the Unitholder in the taxation year. The non-taxable portion of the Fund's net realized capital gains paid or payable (whether in cash or in Units) to a Unitholder in a taxation year will not be included in the Unitholder's income for the year. Any other amount in excess of the Fund's net income for a taxation year paid or payable to the Unitholder in the year will generally not be included in the Unitholder's income. Such amount, however, will generally reduce the adjusted cost base of the Unitholder's Units. To the extent that the adjusted cost base of a Unit would otherwise be less than zero, the negative amount will be deemed to be a capital gain realized by the Unitholder from the disposition of the Unit and the Unitholder's adjusted cost base will be increased by the amount of such deemed gain. Provided that appropriate designations are made by the Fund, such portion of the net realized taxable capital gains of the Fund as is paid or payable to a Unitholder will effectively retain its character and be treated as such in the hands of the Unitholder for purposes of the Tax Act. Subject to the detailed rules in the Tax Act, allowable capital losses in excess of taxable capital gains in the year of disposition may be applied to reduce net taxable capital gains of the Unitholder in any of the three years preceding the year of disposition or in any year following the year of disposition in accordance with the Tax Act.

Provided that appropriate designations are made by the Fund, such portion of 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. To the extent that the Fund so designates its income from a foreign source in respect of a Unitholder, the Unitholder will, for the purposes of computing its foreign tax credits, be entitled to treat the Unitholder's proportionate share of foreign taxes paid by the Fund in respect of such income as foreign taxes paid by the Unitholder. The availability of foreign tax credits in respect of foreign source income designated to a Unitholder by the Fund is subject to the foreign tax credit rules under the Tax Act and the Unitholder's particular circumstances. Investors should consult their own tax advisors in this regard.

On the disposition or deemed disposition of a Unit (including a redemption), the Unitholder will realize a capital gain (or capital loss) to the extent that the Unitholder's proceeds of disposition (net of any reasonable costs of disposition) exceed (or are less than) the adjusted cost base of the Unit. Any capital gains or income distribution paid on the redemption of a Unit will reduce the redemption proceeds otherwise payable. For the purpose of determining the adjusted cost base to a Unitholder, when a Unit is acquired, the cost of the newly acquired Unit will be averaged with the adjusted cost base of all identical Units owned by the Unitholder as capital property before that time. For this purpose, the cost of Units that have been issued as an Additional Distribution will generally be equal to the amount of the net income or capital gain distributed to the Unitholder in Units.

One-half of any capital gain (a "taxable capital gain") realized on the disposition of Units will be included in the Unitholder's income and one-half of any capital loss (an "allowable capital loss") realized may be deducted from taxable capital gains in accordance with the provisions of the Tax Act.

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

A conversion of Class F Units into whole Class A Units will not constitute a disposition of such Class F Units for the purposes of the Tax Act. The redemption of any fraction of a Class F Unit will result in a capital gain (or capital loss) to the redeeming Unitholder.

Taxation of Registered Plans

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

Taxation Implications of the Fund's Distribution Policy

The Net Asset Value per Unit will reflect any income and gains of the Fund that have accrued or have been realized but have not been made payable at the time the Units are acquired. Accordingly, a Unitholder who acquires Units may become taxable on the Unitholder's share of income and gains of the Fund that accrued before the Units were acquired, notwithstanding that such amounts will have been reflected in the price paid by the Unitholder for the Units. Since the Fund makes quarterly distributions, as described under "Distributions", the consequences of acquiring Units late in a calendar year will generally depend on the amount of the quarterly distributions throughout the year and whether an Additional Distribution is necessary late in the calendar year to ensure that the Fund will not be liable for income tax on such amounts under the Tax Act.

Eligibility for Investment

Provided that the Fund qualifies as a mutual fund trust within the meaning of the Tax Act or, in the case of Class A Units, such Units are listed on a designated stock exchange (which includes the TSX), the Units will be qualified investments under the Tax Act for Registered Plans.

Notwithstanding the foregoing, if the Units are "prohibited investments" for a tax-free savings account ("TFSA"), the holder of the TFSA will be subject to a penalty tax as set out in the Tax Act. A "prohibited investment" includes a unit of a trust which does not deal at arm's length with the holder of the TFSA, or in which the holder has a significant interest, which in general terms means the ownership of 10% or more of the value of the trust's outstanding units by the holder, either alone or together with persons and partnerships with whom the holder does not deal at arm's length. Holders of TFSAs should consult with their tax advisors in this regard.

ORGANIZATION AND MANAGEMENT DETAILS OF THE FUND

The Manager

Connor, Clark & Lunn Capital Markets Inc. oversees, manages and implements the objectives of the Fund. The Manager has offices at 181 University Avenue, Suite 300, Toronto, Ontario M5H 3M7. The corporate secretary of the Manager is W. Neil Murdoch.

Duties and Services to be Provided by the Manager

Pursuant to the Trust Agreement, the Manager has exclusive authority to manage the operations and affairs of the Fund to make all decisions regarding the undertaking of the Fund and to bind the Fund. The Manager may delegate certain of its powers to third parties where, in the discretion of the Manager, it would be in the best interests of the Fund to do so.

The Manager's duties will include maintaining accounting records for the Fund; authorizing the payment of operating expenses incurred on behalf of the Fund; preparing financial statements, income tax returns and financial and accounting information as required by the Fund; ensuring that unitholders are provided with financial statements and other reports as are required from time to time by applicable law; ensuring that the Fund complies with regulatory requirements, including its continuous disclosure requirements under applicable securities laws; preparing the Fund's reports to unitholders and to the Canadian securities regulators; providing the Custodian with information and reports necessary for the Custodian to fulfil its fiduciary responsibilities; currency hedging; administering the redemption of Units; arranging for any payment required on the termination of the Fund; dealing and communicating with unitholders; and negotiating contracts with third party providers of services, including, but not limited to, custodians, transfer agents, legal counsel, auditors and printers.

The Manager will also implement the Fund's investment strategy to ensure compliance with the Fund's investment guidelines and that the net proceeds of the Offering are invested as described under "Use of Proceeds".

The Fund will enter into the Registrar, Transfer Agency and Distribution Agency Agreement, as referred to under "Organization and Management Details of the Fund – Transfer Agent and Registrar". The Fund may terminate the foregoing agreement upon notice.

Details of the Manager's Obligations under the Trust Agreement

Pursuant to the Trust Agreement, the Manager shall exercise the powers and discharge the duties of its office honestly, in good faith and in the best interests of the Fund and its unitholders and in connection therewith, shall exercise the degree of care, diligence and skill that a reasonably prudent manager would exercise in similar circumstances. The Trust Agreement provides that the Manager shall not be liable in any way for any default, failure or defect in the securities held by the Fund or for any loss or diminution in the value of such securities or other loss or damage suffered by any such person or for any errors of judgement, acts or omissions if it has satisfied the duties and standard of care, diligence and skill set forth above. The Manager will, however, incur liability in cases of wilful misconduct, bad faith or negligence or breach of its obligations under the Trust Agreement and is responsible for any investment advisory and portfolio management services provided to the Fund.

The Manager may resign as manager of the Fund upon 60 days' notice to the unitholders and to the Fund or upon such lesser notice period as the Fund may accept. 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 unitholders of the Fund. If the Manager is in material default of its obligations under the Trust Agreement and such default has not been cured within 20 business days after notice of same has been given to the Manager, the Fund shall give notice thereof to its unitholders, and such unitholders may remove the Manager and appoint a successor manager.

The Manager is entitled to fees for its services under the Trust Agreement as described under "Fees and Expenses" and will be reimbursed for all reasonable costs and expenses incurred by the Manager on behalf of the Fund.

The Manager 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 the Manager or any of its officers, directors, employees or agents in the exercise of its duties as manager, except those resulting from the Manager's wilful misconduct, bad faith or negligence or the Manager's failure to meet the standard of care set forth above.

Conflicts of Interest – Manager and Trustee

The management and administrative services provided by the Manager to the Fund pursuant to the Trust Agreement are not exclusive and nothing in the Trust Agreement prevents the Manager from providing similar management services to other investment funds and clients (whether or not their investment objectives and policies are similar to those of the Fund) or from engaging in other activities. Investment decisions for the Fund will be made independently of those made for other clients and independently of investments of the Manager. On occasion, however, the Manager may manage the same investment for the Fund and for one or more of its other clients. If the Fund and one or more of the other clients of the Manager are engaged in the purchase or sale of the same security, the transactions will be effected on an equitable basis.

The Trust Agreement acknowledges that the Trustee may provide services to the Fund in other capacities, provided that the terms of any such arrangements are no less favourable to the Fund than those which would be obtained from parties which are at arm's length for comparable services. The Trustee may act as trustee of, and provide services to, other investment funds or trusts.

Accounting and Reporting

The Fund's fiscal year-end will be February 28. The Manager will ensure that the Fund complies with all applicable reporting and administrative requirements.

The Manager will keep adequate books and records reflecting the activities of the Fund. A Unitholder or his or her duly authorized representative will have the right to examine the books and records of the Fund during normal business hours at the offices of the Manager. Notwithstanding the foregoing, subject to applicable law, a Unitholder shall not have access to any information which, in the opinion of the Manager, should be kept confidential in the interests of the Fund.

Officers and Directors 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	Principal occupation
W. Neil Murdoch................................. Oakville, Ontario	Director, President and Chief Executive Officer	Director, President and Chief Executive Officer, Connor, Clark & Lunn Capital Markets Inc.
Michael W. Freund............................... Toronto, Ontario	Director, Chairman and Chief Financial Officer	Managing Partner, Connor, Clark & Lunn Financial Group
Darren N. Cabral .... Toronto, Ontario	Director, Vice-President	Vice-President, Connor, Clark & Lunn Capital Markets Inc.

Each of the foregoing has held his current position or has held a similar position with the Manager during the five years preceding the date hereof, except for Darren N. Cabral who joined Connor, Clark & Lunn Capital Markets Inc. in May 2007 and was elected as a director on September 29, 2009.

W. Neil Murdoch: CFA; B.Comm, McGill University; LLB, University of Toronto; Master of Management, Kellogg Graduate School of Management, Northwestern University. Mr. Murdoch joined Connor, Clark & Lunn Capital Markets Inc. in December 2003. Prior thereto, Mr. Murdoch was Executive Vice-President and Portfolio Manager at AIC Group of Funds.

Michael W. Freund: B.Bus.Sci., University of Cape Town. Mr. Freund has held various management positions within the Connor, Clark & Lunn Financial Group of companies since 1997. Mr. Freund's current principal occupation is Managing Partner of the Connor, Clark & Lunn Financial Group.

Darren N. Cabral: CFA; BA (Hons.), York University; MBA, Schulich School of Business, York University. Mr. Cabral joined Connor, Clark & Lunn Capital Markets Inc. in May 2007. Prior thereto, Mr. Cabral held various positions with affiliates of Middlefield Group Limited from September 2001 to April 2007, including Executive Director of Research at Middlefield Capital Corporation and Managing Director of Middlefield International Limited.

Independent Review Committee

The Manager has appointed an independent review committee (the Independent Review Committee) in accordance with NI 81-107 comprised of three members, each of whom is independent of the Manager and entities related to the Manager. The Independent Review Committee intends to function in accordance with applicable securities law, including NI 81-107. The mandate of the Independent Review Committee is to review and provide its decisions to the Manager on conflict of interest matters that the Manager has referred to the Independent Review Committee for review. The Manager is required to identify conflict of interest matters inherent in its management of the Fund and request input from the Independent Review Committee in respect of how it manages those conflicts of interest, as well as its written policies and procedures outlining its management of those conflicts of interest. The Independent Review Committee has adopted a written charter which it follows when performing its functions and is subject to requirements to conduct regular assessments. In performing their duties, members of the Independent Review Committee are 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. The Independent Review Committee also serves in respect of other funds that are managed by the Manager. The Independent Review Committee will report annually to the Fund which report will be available free of charge upon request to the Manager and will also be posted on the Manager's website at www.cclgroup.com. Information contained on the Manager's website is not part of this prospectus and is not incorporated herein by reference.

The members of the Independent Review Committee are Fred Lazar, Frank Santangeli and Joseph Wright. The Independent Review Committee acts as a review committee for a number of investment funds managed by the Manager and by Connor, Clark & Lunn Managed Portfolios Inc., an affiliate of the Manager.

The fees and other reasonable expenses of members of the Independent Review Committee, as well as premiums for insurance coverage for such members, will be paid by the Fund and approximately 20 other applicable investment funds managed by the Manager and Connor, Clark & Lunn Managed Portfolios Inc. with each fund's share based on a complexity factor approved by the Independent Review Committee on a *pro rata* basis. It is expected that the annual retainer fees (but not including expenses) and insurance for the Independent Review Committee for all such funds collectively will be approximately $55,000. In addition, the Fund has agreed to indemnify the members of the Independent Review Committee against certain liabilities.

Portfolio Manager

The Manager will provide portfolio management services for the Fund, or may appoint a sub-advisor pursuant to the Trust Agreement.

Trustee

RBC Dexia Investor Services Trust is the trustee of the Fund under the Trust Agreement and, as such, is responsible for certain aspects of the day-to-day administration of the Fund as described in the Trust Agreement. The Trustee's office is located in Toronto, Ontario.

The Trustee may resign upon 60 days' notice to Unitholders and the Manager. The Trustee may be removed with the approval of a simple majority vote cast at a meeting of Unitholders called for such purpose or by the Manager, if the Trustee has committed certain events of bankruptcy or insolvency or is in material breach or default of its obligations under the Trust Agreement which breach has not been cured within 30 days after notice thereof has been given to the Trustee. Any such resignation or removal shall become effective only upon the acceptance of appointment by a successor. If the Trustee resigns, its successor may be appointed by the Manager. The successor must be approved by Unitholders if the Trustee is removed by Unitholders. If no successor has been appointed within 90 days, the Fund will be terminated.

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

The Trustee is entitled to receive fees from the Fund as described under "Fees and Expenses". The Trustee is entitled to be reimbursed for all expenses and liabilities which are properly incurred by the Trustee in connection with the activities of the Fund.

Custodian

RBC Dexia Investor Services Trust will act as Custodian of the assets of the Fund pursuant to the Trust Agreement. The Custodian, in its capacity as valuation services agent, will also carry out certain aspects of the day-to-day administration of the Fund, including calculating NAV, net income and net realized capital gains of the Fund and maintaining the books and records of the Fund. The Custodian's office is located in Toronto, Ontario.

Auditor

The auditor of the Fund is PricewaterhouseCoopers LLP, Chartered Accountants, at 77 King Street West, Suite 3000, Toronto, Ontario, M5K 1G8.

Transfer Agent and Registrar

Pursuant to the Registrar, Transfer Agency and Distribution Agency Agreement, Computershare Investor Services Inc., at its office in Toronto, Ontario, will maintain the securities registers of the Units and register transfers of the Units.

The Promoter

Connor, Clark & Lunn Capital Markets Inc. may be considered a promoter of the Fund by reason of its initiative in forming and establishing the Fund and taking the steps necessary for the public distribution of the Units. Connor, Clark & Lunn Capital Markets Inc. will not receive any benefits, directly or indirectly, from the issuance of Units offered hereunder other than amounts paid to it in its capacity as Manager of the Fund as described under "Fees and Expenses". Connor, Clark & Lunn Capital Markets Inc. has offices in Toronto, Ontario.

CALCULATION OF NET ASSET VALUE

Calculation of Net Asset Value

The Valuation Agent will calculate the Net Asset Value per Unit of each class of Units as at the close of business on each Valuation Date. The Fund will make available to the financial press for publication on a daily basis the Net Asset Value per Unit of each class. Such amount will also be available on the Manager's website at www.cclcapitalmarkets.com.

Valuation Policies and Procedures

For transactional reporting purposes, the Net Asset Value of the Fund on a particular date will be equal to (i) the Total Assets of the Fund less (ii) the aggregate value of the liabilities of the Fund. The Net Asset Value per Unit of a class on any day will be obtained by dividing the Net Asset Value of that class on such day by the number of Units of that class then outstanding.

For the purpose of calculating Net Asset Value (i.e., for purposes other than financial statements) of the Fund on a Valuation Date, the Total Assets of the Fund on such Valuation Date will be determined as follows:

(a) the value of any cash on hand or on deposit, bill, demand note, account receivable, prepaid expense, distribution, or other amount receivable (or declared to holders of record of securities owned on a date before the Valuation Date as of which the Total Assets are being determined, and to be receivable) and interest accrued and not yet received will be deemed to be the full amount thereof provided that if the Valuation Agent has determined that any such deposit, bill, demand note, account receivable, prepaid expense, distribution, or other amount receivable (or declared to holders of record of securities owned on a date before the Valuation Date as of which the Total Assets are being determined, and to be receivable) or interest accrued and not yet received is not otherwise worth the full amount thereof, the value thereof will be deemed to be such value as the Valuation Agent determines to be the fair market value thereof;

(b) the value of any bonds, debentures and other debt obligations will be valued by taking the average of the bid and ask prices quoted by a major dealer or recognized information provider in such securities on a Valuation Date at such times as the Valuation Agent, in its discretion, deems appropriate. Short-term investments including notes and money market instruments will be valued at cost plus accrued interest;

(c) the value of any security which is listed or traded upon a stock exchange (or if more than one, on the principal stock exchange for the security, as determined by the Valuation Agent) will be determined by taking the latest available sale price of recent date, or lacking any recent sales or any record thereof, the simple average of the latest available offer price and the latest available bid price (unless in the opinion of the Valuation Agent such value does not reflect the value thereof and in which case the latest offer price or bid price will be used), as at the Valuation Date on which the Total Assets are being determined, all as reported by any means in common use;

(d) the value of any security which is traded over-the-counter will be priced at the average of the last bid and asked prices quoted by a major dealer or recognized information provider in such securities;

(e) the value of any security or other asset for which a market quotation is not readily available will be its fair market value on the Valuation Date on which the Total Assets are being determined as determined by the Valuation Agent (generally the Valuation Agent will value such security at cost until there is a clear indication of an increase or decrease in value);

(f) any market price reported in currency other than Canadian dollars will be translated into Canadian currency at the rate of exchange available from the Valuation Agent on the Valuation Date on which the Total Assets are being determined;

(g) listed securities subject to a hold period will be valued as described above with an appropriate discount as determined by the Valuation Agent and investments in private companies and other assets for which no published market exists will be valued at the lesser of cost and the most recent value at which such securities have been exchanged in an arm's length transaction which approximates a trade effected in a published market, unless a different fair market value is determined to be appropriate by the Valuation Agent;

(h) the value of any forward contract or other derivatives, such as future contracts, swap contracts or options on financial futures, will be the value that would be realized by the Fund if, on the date on which the Total Assets are being determined, the forward contract or other derivatives were closed out in accordance with its terms; and

(i) the value of any security or property to which, in the opinion of the Valuation Agent, the application of the above principles cannot be applied (whether because no price or yield equivalent quotations are available as above provided, or for any other reason) will be the fair market value thereof determined in good faith in such manner as the Valuation Agent determines in consultation with the Manager from time to time.

The Net Asset Value per Unit of a class is calculated in Canadian dollars in accordance with the rules and policies of the Canadian Securities Administrators or in accordance with any exemption therefrom that the Fund may obtain. The Net Asset Value per Unit of a class determined in accordance with the principles set out above may differ from Net Asset Value per Unit determined under Canadian generally accepted accounting principles.

Reporting of Net Asset Value

The Net Asset Value per Unit will be provided daily to Unitholders at no cost on the Manager's website at www.cclcapitalmarkets.com, and will also be available to Unitholders upon request, at no cost, by calling 1-888-276-2258.

DESCRIPTION OF THE UNITS

The Units

The beneficial interest in the net assets and net income of the Fund is divided into two classes of units, Class A Units and Class F Units. The Fund is authorized to issue an unlimited number of Units of each class. The Class F Units are designed for fee-based accounts and differ from the Class A Units in the following ways: (i) Class F Units will not be listed on a stock exchange; (ii) the Agents' fee payable on the issuance of the Class F Units is lower than the Class A Units; and (iii) the Servicing Fee is payable only in respect of the Class A Units. Accordingly, the Net Asset Value per Unit of each class will not be the same as a result of the different fees allocable to each class of Units. Each Unit entitles the holder to the same rights and obligations as a Unitholder and no Unitholder is entitled to any privilege, priority or preference in relation to any other holder of Units, subject to Unitholders of each class being entitled to redemptions based on the Net Asset Value of the Units of a particular class. 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, designate payable to redeeming Unitholders, as part of the redemption price, any capital gains realized by, and income of, the Fund in the taxation year in which the redemption occurred. On termination or liquidation of the Fund, the Unitholders of record are entitled to receive on a *pro rata* basis with holders of Units of that class all of the assets of the Fund attributable to that class remaining after payment of all debts, liabilities and liquidation expenses of the Fund. Unitholders will have no voting rights in respect of securities held by the Fund. The Fund has delegated to the Manager the responsibility for voting on matters for which the Fund receives, in its capacity as a securityholder, proxy materials for a meeting of securityholders of an issuer included in the Portfolio. See "Proxy Voting Disclosure".

The Trust Agreement provides that the Fund may not issue additional Units of a class following completion of the Offering except (i) at a price that yields net proceeds of not less than 100% of the applicable Net Asset Value per Unit calculated as of the close of business on the Business Day immediately prior to the pricing of such offering; (ii) with the approval of Unitholders; or (iii) by way of Unit distributions.

See "Unitholder Matters – Amendment of Trust Agreement" with respect to the modification, amendment or variation of the rights attached to the Units.

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

Conversion of Class F Units

Class F Units may be converted into Class A Units on a weekly basis. A holder of Class F Units may convert such Class F Units into Class A Units from time to time and it is expected that liquidity for the Class F Units will be obtained primarily by means of conversion into Class A Units and a sale of the Class A Units. Class F Units may be converted in any week on the first Business Day of such week by delivering a notice and surrendering such Class F Units by 3:00 p.m. (Toronto time) at least five Business Days prior to the applicable Conversion Date. For each Class F Unit so converted, a holder will receive that number of Class A Units equal to the Net Asset Value per Class F Unit as of the close of trading on the Business Day immediately preceding the Conversion Date divided by the Net Asset Value per Class A Unit as of the close of trading on the Business Day immediately preceding the Conversion Date. No fraction of a Class A Unit will be issued upon any conversion of Class F Units. Any remaining fraction of a Class F Unit will be redeemed. Based on CRA's administrative practice, a conversion of Class F Units into whole Class A Units will not constitute a disposition of such Class F Units for the purposes of the Tax Act. The redemption of any fraction of a Class F Unit will result in a capital gain (or capital loss) to the redeeming Unitholder. See "Canadian Federal Income Tax Considerations – Taxation of Unitholders".

Purchase for Cancellation

The Trust Agreement provides that the Fund may, in its sole discretion, from time to time, purchase (in the open market or by invitation for tenders) Class A 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 Class A Unit not exceeding the most recently calculated Net Asset Value per Class A 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 Class A Units are then listed.

Take-over Bids

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

The Trust Agreement also provides that if, prior to the termination of the Fund, a formal bid (as defined in the *Securities Act* (Ontario)) is made for all of the Class F Units and such bid would constitute a formal bid for all Class A Units if the Class F Units had been converted to Class A Units immediately prior to such bid and the other offer does not include a concurrent identical take-over bid, including in terms of price (relative to the Net Asset Value per Unit of the class), for the Class A Units then the Fund shall provide the holders of Class A Units the right to convert all or a part of their Class A Units into Units of the applicable class and to tender such units to the other offer, as applicable. In the circumstances described above, the Fund shall by press release provide written notice to the holders of the Class A Units that such an offer has been made and of the right of such holders to convert all or a part of their Class A Units into Units of the applicable class and to tender such units to other offer.

Book Entry Only System

Registration of interests in and transfers of the Units will be made only through the Book-Entry Only System. On the Closing Date, the Manager, on behalf of the Fund will deliver to CDS certificates representing the aggregate number of Class A Units and Class F Units then subscribed for under the Offering. Class A Units and Class F Units must be purchased, converted (in the case of Class F Units), transferred and surrendered for redemption through a CDS Participant. All rights of Unitholders must be exercised through, and all payments or other property to which such Unitholders are entitled will be made or delivered by CDS or the CDS Participant through which the Unitholder holds such Units. Upon purchase of any Units, the Unitholders will receive only a customer confirmation from the registered dealer which is a CDS Participant and from or through which the Units are purchased.

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

The Fund has the option to terminate registration of the Units through the Book-Entry Only System, in which case certificates for the Units in fully registered form would be issued to beneficial owners of such Units or their nominees.

UNITHOLDER MATTERS

Meetings of Unitholders

A meeting of Unitholders may be convened by the Trustee or the Manager by a written requisition specifying the purpose of the meeting, and must be convened by the Trustee if requisitioned by Unitholders holding not less than 10% of the then outstanding Units entitled to vote on the matter (whether Class A Units and/or Class F Units) by a written requisition specifying the purpose of the meeting. The Trustee or the Manager may convene a Class A Meeting or a Class F Meeting if the nature of the business to be transacted at that meeting is only relevant to Unitholders of the applicable class.

Notice of all meetings of Unitholders (whether a meeting of all Unitholders, a Class A Meeting or a Class F Meeting) will be given in accordance with the Trust Agreement 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 five percent of the Units then outstanding (whether Class A Units or Class F Units). The quorum for a Class A Meeting is two or more holders of Class A Units present in person or represented by proxy holding not less than five percent of the Class A Units then outstanding. The quorum for a Class F Meeting is two or more holders of Class F Units present in person or represented by proxy holding not less than five percent of the Class F 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 later 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.

A matter requiring an Extraordinary Resolution requires an affirmative vote of at least two-thirds of the votes cast, either in person or by proxy, at a meeting of Unitholders called for the purpose of considering such resolution.

The Fund, subject to obtaining any necessary regulatory approvals, does not intend to hold annual meetings of Unitholders. However, the Fund will undertake to the TSX to hold annual meetings of Unitholders if so instructed by the TSX.

Matters Requiring Unitholder Approval

The following matters may only be undertaken with the approval of Unitholders by an Extraordinary Resolution:

(a) any change in the investment objectives or investment restrictions of the Fund, unless such changes are necessary to ensure compliance with applicable laws, regulations or other requirements imposed by applicable regulatory authorities from time to time;

(b) any change of the Manager except where the new manager is an affiliate of the Manager;

(c) any increase in the Management Fee;

(d) any amendment, modification or variation in the provisions or rights attaching to the Units;

(e) any change in the frequency of calculating the Net Asset Value per Unit to less often than daily;

(f) any merger, arrangement or similar transaction or the sale of all or substantially all of the assets of the Fund other than in the ordinary course;

(g) any liquidation, dissolution or termination of the Fund except if it is determined by the Manager, in its sole discretion, to be in the best interest of the Unitholders or otherwise in accordance with the terms of the Trust Agreement;

(h) any extension of the term of the Fund beyond March 31, 2021;

(i) the issuance of additional Units, other than for net proceeds equal to or greater than 100% of the most recently calculated Net Asset Value per Unit calculated immediately prior to the pricing of such issuance; and

(j) any amendment to the above provisions except as permitted by the Trust Agreement.

Notwithstanding the foregoing, the Trustee or the Manager is entitled to amend the Trust Agreement without the consent of, or notice to, the Unitholders, to:

(a) remove any conflicts or other inconsistencies which may exist between any terms of the Trust Agreement and any provisions of any law, regulation or requirements of any governmental authority applicable to or affecting the Fund;

(b) make any change or correction in the Trust Agreement 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 Trust Agreement into conformity with applicable laws, rules and policies of Canadian securities regulators or with current practice within the securities or investment fund industries, provided such amendments do not in the opinion of the Manager adversely affect the pecuniary value of the interest of the Unitholders or restrict any protection for the Trustee or the Manager or increase their respective responsibilities;

(d) maintain the status of the Fund as a "mutual fund trust" for the purposes of the Tax Act or to respond to amendments to such Act or to the interpretation or administration thereof; or

(e) provide added protection or benefit to Unitholders.

Amendment of Trust Agreement

Except as provided above, the Trust Agreement may be amended by an Ordinary Resolution approved at a meeting of Unitholders duly convened and held in accordance with the provisions in that regard contained in the Trust Agreement, or by the written consent in lieu of a meeting if there is only one Unitholder.

Reporting to Unitholders

The Fund will make available to Unitholders such financial statements and other continuous disclosure documents as are required by applicable law, including (i) unaudited interim and audited annual financial statements of the Fund, prepared in accordance with Canadian generally accepted accounting principles and, (ii) interim and annual management reports of fund performance in respect of the Fund. The Fund will make available to each Unitholder annually and within the time prescribed by law, information necessary to enable such Unitholder to complete an income tax return with respect to the amounts payable by the Fund.

TERMINATION OF THE FUND

The Fund will have a term of approximately ten years, terminating on or about March 31, 2021, and the Fund's investments will be liquidated prior to such termination at the then prevailing market prices. The Manager may, in its discretion, terminate the Fund at an earlier date without the approval of the Unitholders if, in its opinion, it would be in the best interests of the Unitholders to terminate the Fund. Upon termination, the Fund will distribute to Unitholders their *pro rata* portions of the remaining assets of the Fund after all liabilities of the Fund have been satisfied or appropriately provided for. Prior to the Termination Date, the Manager may present a proposal to extend the term of the Fund, subject to approval of Unitholders at a meeting called for such purpose, provided that all Unitholders will be given a right to cause their Units to be redeemed on the Termination Date, regardless of whether they voted in favour of the term extension. See "Risk Factors – Risks Relating to Redemptions".

Pursuant to the Trust Agreement, the Fund will terminate on the date specified in an Extraordinary Resolution of Unitholders calling for the termination of the Fund or when terminated by the Manager, as described below. In addition to such termination, the Trust Agreement also provides that:

(a) in the event that the Manager resigns and no new Manager is appointed by the Unitholders within 120 days of the Manager giving notice to the Trustee of such resignation, the Fund will automatically terminate on the date which is 60 days following the end of such 120 day period; and

(b) the Manager may, in its discretion, terminate the Fund without the approval of Unitholders if, in its opinion, it would be in the best interests of the Unitholders.

Although these actions do not require Unitholder approval, the Fund will provide at least 30 days notice to Unitholders of any such action by way of press release. The Fund will issue a second press release at least 10 days in advance of any such action.

The Trust Agreement provides that prior to the termination of the Fund, the Manager will use commercially reasonable efforts to dispose of all of its assets and will satisfy or make appropriate provision for all liabilities of the Fund. The Trust Agreement provides that the Manager may, in its discretion and upon not less than 30 days prior written notice to the Unitholders, postpone any termination date by a period of up to 180 days if the Manager determines that it will be unable to convert all of its assets to cash prior to any termination date and the Manager determines that it would be in the best interests of the Unitholders to do so.

Upon termination, the Fund will distribute to Unitholders their *pro rata* portions of the remaining assets of the Fund after all liabilities of the Fund have been satisfied or appropriately provided for. Such assets will include cash and, to the extent liquidation of certain assets is not practicable or the Manager considers such liquidation not to be appropriate prior to any termination date, unliquidated assets in specie rather than in cash. The value of any remaining assets of the Fund will be determined by the Manager, acting reasonably. Following such distribution, the Fund will be dissolved. There can be no assurance that Unitholders will receive $10.00 per Unit upon any termination of the Fund.

USE OF PROCEEDS

The net proceeds from the issue of the maximum number of Units offered hereby (after payment of the Agents' fee and the expenses of the Offering) are estimated to be approximately $142,125,000, assuming that the Over-Allotment Option is not exercised. If the Over-Allotment Option is exercised in full under the maximum Offering the net proceeds to the Fund (after payment of the Agents' fee and the expenses of the Offering) are estimated to be approximately $163,443,750. The Fund will use the net proceeds of the Offering (including any net proceeds from the exercise of the Over-Allotment Option) to acquire the Portfolio Shares.

PLAN OF DISTRIBUTION

Pursuant to the Agency Agreement, the Agents have agreed to act as, and have been appointed as, the sole and exclusive agents of the Fund to offer the Units for sale, subject to prior sale, on a best efforts basis, if, as and when issued by the Fund in accordance with the conditions contained in the Agency Agreement. The Units will be issued at a price of $10.00 per Unit. The offering price per Unit was determined by negotiation between the

Agents and the Manager on behalf of the Fund. In consideration for their services in connection with the Offering, the Agents will be paid a fee of $0.525 per Class A Unit and $0.225 per Class F Unit sold under the Offering and will be reimbursed for reasonable out of pocket expenses incurred by them. The Agents' fees and expenses will be paid by the Fund out of the proceeds of the Offering. The Agents may form a sub-agency group including other qualified investment dealers and limited market dealers and determine the fee payable to the members of such group, which fee will be paid by the Agents out of their fees. While the Agents have agreed to use their best efforts to sell the Units offered hereby, the Agents will not be obligated to purchase any Units which are not sold.

The Fund has granted to the Agents the Over-Allotment Option, which is exercisable for a period of 30 days from the Closing Date and gives the Agents the right to offer additional Class A Units in an amount up to 15% of the aggregate number of Class A Units sold on the Closing Date on the same terms as set forth above solely to cover over-allotments, if any. To the extent that the Over-Allotment Option is exercised, the additional Class A Units will be sold at $10.00 per Class A Unit and the Agents will be paid a fee of $0.525 per Class A Unit sold. This prospectus also qualifies the grant of the Over-Allotment Option, the distribution of the Class A Units issuable upon exercise of the Over-Allotment Option and the distribution of the Class A Units issuable as part of part of the Agents' over-allocation position. A purchaser who acquires Class A Units forming part of the Agents' over-allocation position acquires such Class A Units under this prospectus, regardless of whether the over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases.

If subscriptions for a minimum of 2,500,000 Class A Units (or $25,000,000) have not been received within 90 days following the date of issuance of a final receipt for this prospectus, the Offering may not continue without the consent of the securities regulatory authorities and those who have subscribed for Units on or before such date. In the event such consents are not obtained or if the Closing does not occur for any reason, subscription proceeds received from prospective purchasers in respect of the Offering will be returned to such purchasers promptly without interest or deduction. The maximum number of Class A Units and/or Class F Units that will be sold is 15,000,000 ($150,000,000). Under the terms of the Agency Agreement, the Agents, at their discretion on the basis of their assessment of the state of the financial markets and upon the occurrence of certain stated events, may terminate the Agency Agreement and withdraw all subscriptions for Units on behalf of subscribers. Subscriptions for Units will be received subject to rejection or allotment in whole or in part. The right is reserved to close the subscription books at any time without notice. The Closing will take place on or about March 18, 2011 or such later date as the Fund and the Agents may agree, but in any event not later than 90 days after the final receipt for this prospectus is issued.

The Toronto Stock Exchange has conditionally approved the listing of the Class A Units. Listing is subject to the Fund fulfilling all of the requirements of the Toronto Stock Exchange on or before May 25, 2011.

Pursuant to policy statements of the Ontario Securities Commission and the Autorité des marchés financiers, the Agents may not, throughout the period of distribution under this prospectus, bid for or purchase Units. The foregoing restriction is subject to exceptions, on the condition that the bid or purchase is not engaged in for the purpose of creating actual or apparent active trading in, or raising the price of, the Units. These exceptions include a bid or purchase permitted under the by-laws and rules of the TSX relating to market stabilization and passive market making activities and a bid or purchase made for or on behalf of a customer where the order was not solicited during the period of distribution. Subject to the foregoing and applicable laws, an Agent may, in connection with the Offering, over-allot or effect transactions in connection with its over-allotted position. Such transactions, if commenced, may be discontinued at any time.

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

INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

The Manager is entitled to receive the Management Fee pursuant to the Trust Agreement. See "Organization and Management Details of the Fund" and "Fees and Expenses".

PROXY VOTING DISCLOSURE FOR PORTFOLIO SHARES HELD

Policies and Procedures

Subject to compliance with the provisions of applicable law, the Manager has the right to vote proxies relating to the securities in the Portfolio. Proxies must be voted in a manner consistent with the best interests of the Fund.

Because the Fund does not purchase securities for the purposes of exercising control or direction over the securities of the Portfolio, as a general rule, proxies will be voted with management on routine business. Examples of routine business are voting on the size, nomination and election of the board of directors and the appointment of auditors. All other special or non-routine matters will be assessed on a case-by-case basis with a focus on the potential impact of the vote on the value of the Fund's investment. Examples of non-routine business are stock based compensation plans, executive severance compensation arrangements, shareholders rights plans, corporate restructuring plans, going private transactions in connection with leveraged buyouts, supermajority approval proposals, and stakeholder or shareholder proposals.

On rare occasions, the Manager may abstain from voting a proxy or a specific proxy item when it is concluded that the potential benefit of voting the proxy is outweighed by the cost of voting the proxy. In addition, the Manager will not vote proxies received for securities which are no longer held in the Portfolio.

Proxy Voting Conflicts of Interest

Where proxy voting could give rise to a conflict of interest or perceived conflict of interest, in order to balance the interest of the Fund in voting proxies with the desire to avoid the perception of a conflict of interest, the Manager has instituted procedures to help ensure that the Fund's proxy is voted in accordance with the business judgment of the person exercising the voting rights on behalf of the Fund, uninfluenced by considerations other than the best interests of the Fund.

The procedures for voting proxies where there may be a conflict of interest include escalation of the issue to the Independent Review Committee, for their consideration and advice, although the responsibility for deciding how to vote the Fund's proxies and for exercising the vote remains with the Manager.

Disclosure of Proxy Voting Guidelines and Record

A copy of the Manager's proxy voting guidelines will be made available on the Internet at www.cclcapitalmarkets.com. The most recent proxy voting record for the Fund for the most recent period ended June 30 of each year will also be available on the Internet at www.cclcapitalmarkets.com.

MATERIAL CONTRACTS

The only material contracts entered into by the Fund or the Manager during the past two years or to which either of them will become a party prior to the Closing, other than during the ordinary course of business, are as follows:

(a) the Trust Agreement; and

(b) the Agency Agreement.

Copies of the foregoing documents may be examined during normal business hours at the principal office of the Fund during the period of distribution to the public of the Units offered under the Offering and for a period of 30 days thereafter. Copies of the Trust Agreement may be obtained at any time from the Manager on written request.

EXPERTS

Certain legal matters in connection with the issuance and sale of the Units offered by this prospectus will be passed upon on behalf of the Fund by McCarthy Tétrault LLP and on behalf of the Agents by Osler, Hoskin & Harcourt LLP.

The auditors of the Fund are PricewaterhouseCoopers LLP, Chartered Accountants. PricewaterhouseCoopers LLP is independent with respect to the Fund within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario.

PURCHASERS' STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION

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

AUDITORS' CONSENT

We have read the prospectus of Australian Banc Income Fund (the "Fund") dated February 24, 2011 relating to the initial public offering of Class A Units and Class F Units of the Fund. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the use in the above mentioned prospectus of our report to the Unitholder and the Manager of the Fund on the statement of net assets of the Fund as at February 24, 2011. Our report is dated February 24, 2011.

Toronto, Ontario
February 24, 2011

(*signed*) "*PricewaterhouseCoopers LLP*"
Chartered Accountants, Licensed Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Unitholder and the Manager of Australian Banc Income Fund

We have audited the accompanying statement of net assets of the Fund as at February 24, 2011 and a summary of significant accounting policies and other explanatory information (the financial statement).

Management's responsibility for the financial statement

Management is responsible for the preparation and fair presentation of the financial statement in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of the financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

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

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

Opinion

In our opinion, the financial statement presents fairly, in all material respects, the financial position of the Fund as at February 24, 2011 in accordance with Canadian generally accepted accounting principles.

(*signed*) "*PricewaterhouseCoopers LLP*"

Chartered Accountants, Licensed Public Accountants
Toronto, Ontario
February 24, 2011

AUSTRALIAN BANC INCOME FUND
STATEMENT OF NET ASSETS
As at February 24, 2011

Assets	
Cash	$10
Unitholder's Equity	
Unitholder's Equity (Note 1)	$10

Approved on behalf of Australian Banc Income Fund
By: Connor, Clark & Lunn Capital Markets Inc., as Manager

(*signed*) "*W. Neil Murdoch*"
Director

(*signed*) "*Michael Freund*"
Director

The accompanying notes are an integral part of this statement of net assets.

AUSTRALIAN BANC INCOME FUND
NOTES TO STATEMENT OF NET ASSETS

As at February 24, 2011

1. ORGANIZATION AND UNITHOLDER'S EQUITY

Australian Banc Income Fund (the "Fund") is a non-redeemable investment fund established under the laws of the Province of Ontario pursuant to a trust agreement dated as of February 23, 2011. The beneficiaries of the Fund will be the holders of Class A Units and Class F Units. The Fund's investment objectives are to (i) provide Unitholders with quarterly distributions; (ii) provide the opportunity for capital appreciation; and (iii) lower overall volatility of portfolio returns than would be experienced by owning directly common shares of five major Australian banks (Australia and New Zealand Banking Group, Commonwealth Bank of Australia, Macquarie Group Limited, National Australia Bank, Westpac Banking Corporation). The Manager may sell call options on approximately, and not more than, 25% of the common shares of each Bank held in the Portfolio. The Manager may decide, in its discretion, not to sell call options from time to time if it determines that market conditions render it impracticable to do so. On February 23, 2011, the Fund was settled and issued an initial Class A Unit for cash consideration of $10.00 to Connor, Clark & Lunn Capital Markets Inc., the settlor of the Fund.

The Fund may purchase (in the open market or by invitation for tenders) Class A Units for cancellation subject to applicable law and stock exchange requirements, based on the assessment of Connor, Clark & Lunn Capital Markets Inc. (the "Manager") that such purchases are accretive to the holders of Units.

The Manager will receive a management fee from the Fund equal in the aggregate to 0.65% per annum of the Net Asset Value, calculated and payable monthly in arrears, plus a servicing fee, calculated quarterly and paid as soon as practicable after the end of each calendar quarter, equal to 0.40% per annum of the Net Asset Value for each Class A Unit held by clients of the registered dealers, plus applicable taxes.

The Fund will pay for all of its expenses incurred in connection with its operation and administration, estimated to be $150,000 per annum (assuming an aggregate size of the offering of approximately $100 million). The Fund will also be responsible for its costs of portfolio transactions, interest expense and any extraordinary expenses which may be incurred from time to time.

The Units may be redeemed on the second last Business Day of September of each year, commencing in 2012 (each, an "Annual Redemption Date"), subject to certain conditions. A holder of Units (each, a "Unitholder") whose Units are redeemed on an Annual Redemption Date will receive a redemption price in an amount equal to 100% of the net asset value per Unit (less any costs associated with the redemption, including brokerage costs and less any net realized capital gains or income of the Fund that are distributed to the holder concurrently with the proceeds of disposition on redemption).

In addition, the Units may also be redeemed on the second last Business Day of each month other than, commencing in 2012, in the month of September (each, a "Monthly Redemption Date"), subject to certain conditions.

Unitholders surrendering a Class A Unit for redemption will receive a redemption price equal to the lesser of (i) 95% of the Market Price of a Class A Unit, and (ii) 100% of the Closing Market Price of a Class A Unit on the applicable Monthly Redemption Date less, in each case, any costs associated with the redemption, including brokerage costs, and less any net realized capital gains or income of the Fund that are distributed to a Unitholder concurrently with the proceeds of disposition on redemption, being the Monthly Redemption Amount.

Unitholders surrendering a Class F Unit for redemption will receive an amount equal to the product of (i) the Monthly Redemption Amount and (ii) a fraction, the numerator of which is the most recently calculated Net Asset Value per Unit of a Class F Unit and the denominator of which is the most recently calculated Net Asset Value per Unit of a Class A Unit.

For the purposes hereof, the "Market Price" in respect of a security on a Monthly Redemption Date means the weighted average trading price on the Toronto Stock Exchange (or such other stock exchange on which such security is listed), for the 10 trading days immediately preceding such Monthly Redemption Date and the "Closing Market Price" in respect of a security on a Monthly Redemption Date means the closing price of such security on the Toronto Stock Exchange on such Monthly Redemption Date (or such other stock exchange on which such security is listed) or, if there was no trade on the relevant Monthly Redemption Date, the average of the last bid and the last asking prices of the security on the Toronto Stock Exchange on such Monthly Redemption Date (or such other stock exchange on which the security is listed).

2. SIGNIFICANT ACCOUNTING POLICIES

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

Issue Costs

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

Cash and Cash Equivalents

Cash is comprised of cash on deposit. Cash is stated at fair value.

Valuation of Fund Units for Transaction Purposes

Net asset value per Unit of a class on any day will be obtained by dividing the Net Asset Value of that class on such day by the number of Units of that class then outstanding.

3. SUBSEQUENT EVENT

(a) The Fund and the Manager have entered into an agency agreement with BMO Nesbitt Burns Inc., HSBC Securities (Canada) Inc., CIBC World Markets Inc., RBC Dominion Securities Inc., National Bank Financial Inc., Scotia Capital Inc., TD Securities Inc., GMP Securities L.P., Canaccord Genuity Corp., Raymond James Ltd., Macquarie Private Wealth Inc., Dundee Securities Corporation, Mackie Research Capital Corporation and Wellington West Capital Markets Inc. (collectively, the "Agents") dated as of February 24, 2011, pursuant to which the Fund has agreed to create, issue and sell, and the Agents have agreed to offer for sale to the public a minimum of 2,500,000 Class A Units and a maximum of 15,000,000 Class A Units and/or Class F Units at $10.00 per Unit. In consideration for their services in connection with the Offering, the Agents will be paid a fee of $0.525 per Class A Unit and $0.225 per Class F Unit out of the proceeds of the Offering.

(b) As set forth in the initial public offering prospectus dated February 24, 2011, the Fund proposes to issue a minimum of 2,500,000 Class A Units and a maximum of 15,000,000 Class A Units and/or Class F Units at a price of $10.00 per Unit.

CERTIFICATE OF THE FUND

Dated: February 24, 2011

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

Australian Banc Income Fund
by its attorney, Connor, Clark & Lunn Capital Markets Inc.

(*signed*) *W. Neil Murdoch* Chief Executive Officer	(*signed*) *Michael Freund* Chief Financial Officer

On behalf of the Board of Directors of
Connor, Clark & Lunn Capital Markets Inc.

(*signed*) *W. Neil Murdoch* Director	(*signed*) *Darren N. Cabral* Director	(*signed*) *Michael Freund* Director

CERTIFICATE OF THE MANAGER

Dated: February 24, 2011

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

Connor, Clark & Lunn Capital Markets Inc.
as Manager

(*signed*) *W. Neil Murdoch*
Chief Executive Officer

CERTIFICATE OF THE PROMOTER

Dated: February 24, 2011

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

Connor, Clark & Lunn Capital Markets Inc.
as Promoter

(*signed*) *W. Neil Murdoch*
Chief Executive Officer

CERTIFICATE OF THE AGENTS

Dated: February 24, 2011

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

BMO NESBITT BURNS INC.	HSBC SECURITIES (CANADA) INC.	CIBC WORLD MARKETS INC.
(*signed*) Robin G. Tessier	(*signed*) *Brent Larkan*	(*signed*) *Michael D. Shuh*

RBC DOMINION SECURITIES INC.	NATIONAL BANK FINANCIAL INC.	SCOTIA CAPITAL INC.	TD SECURITIES INC.
(*signed*) *Edward V. Jackson*	(*signed*) *Timothy Evans*	(*signed*) *Brian D. McChesney*	(*signed*) *Cameron Goodnough*

GMP SECURITIES L.P.

(*signed*) *Neil Selfe*

CANACCORD GENUITY CORP.	RAYMOND JAMES LTD.
(*signed*) *Ron Sedran*	(*signed*) *J. Graham Fell*

MACQUARIE PRIVATE WEALTH INC.

(*signed*) *Raymond Sawicki*

DUNDEE SECURITIES CORPORATION	MACKIE RESEARCH CAPITAL CORPORATION	WELLINGTON WEST CAPITAL MARKETS INC.
(*signed*) *Harold M. Wolkin*	(*signed*) *David J. Keating*	(*signed*) Scott *Larin*

Australian Banc
INCOME FUND