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These securities have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "1933 Act") or any state securities laws. Accordingly, these securities may not be offered or sold within the United States, or to or for the account or benefit of U.S. Persons (as such term is defined in Regulation S to the 1933 Act) except in transactions exempt from the registration requirements of the 1933 Act and applicable state securities laws. This prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of these securities within the United States.

PROSPECTUS

Initial Public Offering

April 24, 2012

**CANADIAN 50
ADVANTAGED
PREFERRED SHARE FUND**

Maximum \$125,000,000 (5,000,000 Class A and/or Class F Units)

Canadian 50 Advantaged Preferred Share Fund has been established to provide unitholders with investment exposure to a notional portfolio consisting of preferred shares of Canadian corporations (the "Portfolio"). The Fund will not hold the Portfolio but, instead, will obtain economic exposure to the Portfolio through a forward purchase agreement (the "Forward Agreement") with the Bank of Montreal, the initial Counterparty. The Fund is therefore fully exposed to the credit risk associated with the Counterparty; however, the Counterparty will pledge collateral in favour of the Fund to secure its obligations under the Forward Agreement. By virtue of the Forward Agreement, the performance of the Fund will be dependent on the performance of the Portfolio. See "Overview of the Investment Structure — The Forward Agreement and Portfolio" and "Risk Factors".

Canadian 50 Advantaged Preferred Share Fund is a closed-end investment fund established under the laws of the Province of Ontario. The Fund proposes to offer Class A Units and Class F Units at a price of \$25.00 per Unit. The Class F Units are designed for fee-based accounts and will not be listed on a stock exchange but will be convertible into Class A Units on a weekly basis.

The Fund's investment objectives are to provide (i) tax-advantaged quarterly cash distributions consisting primarily of returns of capital; and (ii) low-cost exposure to the total return approximating that of the BMO Capital Markets 50 Preferred Share Index. The Preferred Share 50 Index is a market value weighted index created in 1992 to provide a benchmark representing the Canadian preferred share market and includes 50 Canadian preferred share issues that are listed on the Toronto Stock Exchange which satisfy specific inclusion criteria. See "Investment Objectives", "Investment Strategy", "Overview of the Sector that the Fund Invests in", "Risk Factors" and "Distribution Policy".

**Price: \$25.00 per Unit
Minimum purchase: 100 Units**

	Price to the public ⁽¹⁾	Agents' fee	Net proceeds to the Fund ⁽²⁾
Per Class A Unit	\$25.00	\$1.3125	\$23.6875
Per Class F Unit	\$25.00	\$0.5625	\$24.4375
Minimum total Offering ⁽³⁾⁽⁴⁾	\$25,000,000	\$1,312,500	\$23,687,500
Maximum total Offering ⁽⁴⁾	\$125,000,000	\$6,562,500	\$118,437,500

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 \$600,000 (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 in respect of the Class A Units unless a minimum of 1,000,000 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 of Class A Units may not continue without the consent of the Canadian Securities Administrators and those who have subscribed for Class A Units on or before such date.
- (4) The Fund has granted to the Agents an option (the "Over-Allotment Option"), exercisable for a period of 30 days from the Closing Date, to purchase 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 \$143,750,000, \$7,546,875 and \$136,203,125, 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 Class A Over-Allotment Option or secondary market purchases. See "Plan of Distribution".

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The Fund intends to make quarterly tax-advantaged distributions to Unitholders. The Fund will not have a fixed quarterly distribution amount but intends to, at least annually, set distribution targets based on the Manager's, in consultation with the Portfolio Manager, estimate of expected returns on the Portfolio for the period. Based on current estimates and the assumptions set out herein, it is expected that the Fund will be able to pay distributions at the initial target level and maintain a stable Net Asset Value. **The amount of quarterly distributions may fluctuate from quarter to quarter and there can be no assurance as to the amount of the targeted distributions or that the Fund will make any distribution in any particular quarter.** See "Risk Factors" and "Distribution Policy".

Prospective purchasers may purchase Units either by (i) cash payment or (ii) an exchange of freely tradeable securities of any Exchange Eligible Issuer. The number of Units issuable in exchange for the securities of an Exchange Eligible Issuer deposited by a prospective purchaser pursuant to the Exchange Option will be determined by dividing the volume weighted average trading price of such securities on the TSX during the five consecutive trading days ending on April 26, 2012, as adjusted to reflect dividends declared by any Exchange Eligible Issuer that will not be received by the Fund, by \$25.00. Prospective purchasers under the Exchange Option are required to deposit securities of Exchange Eligible Issuers with the Exchange Agent, Computershare Investor Services Inc., prior to 5:00 p.m. (Toronto time) on April 26, 2012, such deposits to be made through CDS. However, CDS Participants may have an earlier deadline for receiving instructions from its clients to deposit securities into the Exchange Option. See "Purchases of Securities — Method to Purchase Units".

Connor, Clark & Lunn Capital Markets Inc. will act as manager and portfolio manager of the Fund. The Manager is part of the Connor, Clark & Lunn Financial Group, a multi-boutique asset management firm whose affiliated managers are collectively responsible for the investment of over \$38 billion in assets as at December 31, 2011. See "Organization and Management Details of the Fund — The Manager".

BMO Asset Management Inc. will be retained to manage the Portfolio. The Portfolio Manager had over \$40 billion in total assets under management as at December 31, 2011 and is an indirect, wholly-owned subsidiary of the Bank of Montreal. See "Organization and Management Details of the Fund — The Portfolio Manager of the Portfolio".

There is no guarantee that an investment in the Fund will earn any positive return during the short- or long-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". The TSX has conditionally approved the listing of the Class A Units subject to the Fund fulfilling all of the requirements of the TSX on or before July 11, 2012.

On Closing, the Fund will enter into the Forward Agreement with the Counterparty (which will be a Canadian chartered bank or an affiliate thereof and an affiliate of one of the Agents). Accordingly, the Fund may be considered to be a "connected issuer" of such Agent. See "Organization and Management Details of the Fund — The Manager" and "Plan of Distribution". The Fund will also enter into the Exchange Agency Agreement with BMO and a portfolio management agreement with BMO Asset Management Inc. Accordingly, the Fund may be considered to be a "connected issuer" of BMO. See "Organization and Management Details of the Fund — Exchange Dealer". "Purchase of Securities" and "Organization and Management Details of the Fund — The Portfolio Manager of the Portfolio". In addition, BMO Nesbitt Burns Inc. administers the Preferred Share 50 Index which may constitute a conflict of interest.

BMO Nesbitt Burns Inc., CIBC World Markets Inc., RBC Dominion Securities Inc., Scotia Capital Inc., TD Securities Inc., National Bank Financial Inc., GMP Securities L.P., Macquarie Private Wealth Inc., Canaccord Genuity Corp., Raymond James Ltd. and Mackie Research Capital Corporation, 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 Stikeman Elliott LLP and on behalf of the Agents by McCarthy Tétrault 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. Registrations of interests in and transfers of Units will be made only through the book-based system administered by CDS Clearing and Depository Services Inc. A purchaser of Units will receive a customer confirmation from the registered dealer from or through which the Units are purchased and will not have the right to receive physical certificates evidencing their ownership in the Units. Closing is expected to occur on or about May 18, 2012, or such later date as the Fund and the Agents may agree, but in any event not later than the date that is 90 days after the issuance of a receipt for the final prospectus of the Fund.

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”.

- The Issuer:*** The Fund is a closed-end investment fund established under the laws of the Province of Ontario and governed by the Trust Agreement. See “Overview of the Legal Structure of the Fund”.
- The Offering:*** The Fund is offering Class A Units and Class F Units at a price of \$25.00 per Unit. The Class F Units are designed for fee-based accounts and will not be listed on a stock exchange but will be convertible into Class A Units on a weekly basis. See “Purchases of Securities”, “Plan of Distribution” and “Fees and Expenses”.
- Investment Objectives:*** The Fund’s investment objectives are to provide (i) tax-advantaged quarterly cash distributions consisting primarily of returns of capital; and (ii) low-cost exposure to the total return approximating that of the BMO Capital Markets 50 Preferred Share Index. See “Investment Objectives”, “Risk Factors” and “Distribution Policy”.
- Investment Strategy:*** The Fund will obtain exposure to the Portfolio through the Forward Agreement entered into with the Counterparty. The Portfolio is expected to provide a total return approximating that of the BMO Capital Markets 50 Preferred Share Index and will be predominantly invested in Canadian preferred share issues with a P-1 or P-2 rating from S&P. In order to facilitate liquidity and trading, the Portfolio Manager has discretion to maintain the Portfolio in a manner that differs from the Preferred Share 50 Index including in relation to the timing of including specific issues. Accordingly, the Portfolio may differ from the Preferred Share 50 Index. In addition, the return from the Portfolio will differ from the return generated by the Preferred Share 50 Index as a result of the use of leverage, as well as the costs of portfolio transactions and other fees and expenses which will affect the return generated by the Portfolio. The Portfolio Manager may also include new issues in the Portfolio. See “Investment Objectives” and “Risk Factors”
- Preferred Share 50 Index*** The Preferred Share 50 Index is a market value weighted index created in 1992 to provide a benchmark representing the Canadian preferred share market and includes 50 Canadian preferred share issues that are listed on the TSX which satisfy specific inclusion criteria including minimum issue size of \$100,000,000, minimum credit rating of P-3 by S&P and maximum weighting of any issuer. The Preferred Share 50 Index is rebalanced annually. In addition, the Preferred Share 50 Index Committee continually reviews and may adjust the Preferred Share 50 Index constituents at its discretion to ensure that the Preferred Share 50 Index reflects the composition of the Canadian preferred share market. As at February 29, 2012, there were 129 preferred share issues which met the inclusion criteria. See “Investment Strategy — Preferred Share 50 Index”.
- BMO administers the Preferred Share 50 Index which may constitute a conflict of interest. See “Risk Factors”.
- Distributions:*** The Fund intends to make quarterly tax-advantaged distributions to Unitholders. The Fund will not have a fixed quarterly distribution amount

but intends to, at least annually, set distribution targets based on the Manager's, in consultation with the Portfolio Manager, estimate of expected returns on the Portfolio for the period. Based on current estimates and the assumptions set out below, the Fund's initial distribution target is expected to be \$0.3125 per Unit per quarter, representing an initial yield on the Unit issue price of 5.0% per annum, consisting primarily of returns of capital which are not immediately taxable but which reduce a Unitholder's adjusted cost base of its Units. The initial quarterly distribution will be payable to Unitholders of record on June 29, 2012 and will be paid no later than July 16, 2012. The first distribution will be pro rated to reflect the period from the Closing Date to June 30, 2012. Based on current estimates and assuming (i) an aggregate size of the Offering of \$100 million, (ii) the employment of the investment strategy as described under "Investment Strategy", (iii) the use of leverage as described herein, (iv) the fees and expenses described under "Fees and Expenses", and (v) the current price and yield of the preferred shares anticipated to be included in the Portfolio, it is expected that the Fund will be able to pay such distributions at the initial target level and maintain a stable Net Asset Value. If the return on the Portfolio or the increase in the value of the Portfolio is less than the amount necessary to fund the quarterly distributions (through partial settlement of the Forward Agreement) and all expenses of the Fund and if the Manager chooses to nevertheless effect settlements of the Forward Agreement to ensure that such quarterly distributions are paid to Unitholders, this will result in a portion of the capital of the Fund being returned to Unitholders and, accordingly, Net Asset Value per Unit would be reduced. **The amount of quarterly distributions may fluctuate from quarter to quarter and there can be no assurance as to the amount of the targeted distributions or that the Fund will make any distribution in any particular quarter.** See "Investment Objectives", "Risk Factors" and "Distribution Policy".

Exchange Option:

Units purchased may be paid for either by cash or by an exchange of freely tradeable securities of an Exchange Eligible Issuers set out under "Exchange Option — Exchange Eligible Issuers".

A prospective purchaser of Units who elects to pay for such Units by using the Exchange Option must do so by means of a book-entry deposit with Computershare Investor Services Inc., as the Exchange Agent, through CDS. Such book-entry deposits must be made prior to 5:00 p.m. (Toronto time) on April 26, 2012 by a CDS Participant. However, CDS Participants may have an earlier deadline for receiving instructions from its clients to deposit securities into the Exchange Option.

The number of Units issuable in exchange for the securities of an Exchange Eligible Issuer deposited by a prospective purchaser pursuant to the Exchange Option will be determined by dividing the volume weighted average trading price of such securities on the TSX during the five consecutive trading days ending on April 26, 2012, as adjusted to reflect dividends declared by any Exchange Eligible Issuer that will not be received by the Fund, by \$25.00. See "Purchases of Securities — Method to Purchase Units".

There can be no assurance that the Fund will accept deposits of securities made pursuant to the Exchange Option. If for any reason securities of an Exchange Eligible Issuer deposited pursuant to the Exchange Option are not

acquired by the Fund, the holders of such securities will be notified of such fact as soon as practicable following the closing or the termination of the Offering, as the case may be, and such securities will be recredited to their accounts through CDS.

The Fund will issue a press release as soon as practicable after the close of business on April 26, 2012 announcing for each of the Exchange Eligible Issuers, the name of the Exchange Eligible Issuer, the volume weighted average trading price of the Exchanged Securities on the TSX during the five consecutive trading days ended on April 26, 2012 and the Exchange Ratio.

See “Purchases of Securities — Method to Purchase Units” and “Income Tax Considerations — The Exchange Option”.

The Forward Agreement:

The Fund will obtain exposure to the Portfolio through the Forward Agreement with the Counterparty. The Net Asset Value per Unit of each class of Units will vary depending on the performance of the Portfolio by virtue of the Forward Agreement. The Fund will use the net proceeds of the Offering to pre-pay its purchase obligations under the Forward Agreement. Under the Forward Agreement, the Fund will, on or about the Forward Termination Date, acquire the Canadian Securities Portfolio from the Counterparty having an aggregate value equal to the value of the Portfolio, net of any amount owing by the Fund to the Counterparty. The Counterparty will retain the Manager to establish and maintain the Portfolio, and the Manager on behalf of the Fund and the Counterparty will retain the Portfolio Manager to manage the Portfolio, with an initial invested amount equal to the amount of the net proceeds of the Offering. The Fund may settle the Forward Agreement in whole or in part prior to the Forward Termination Date: (i) to fund quarterly distributions on the Units; (ii) to fund redemptions and repurchases of Units from time to time; (iii) to fund operating expenses and other liabilities of the Fund; and (iv) for any other reason. The Fund is fully exposed to the credit risk associated with the Counterparty in respect of the Forward Agreement. To secure the obligations of the Counterparty under the Forward Agreement, the Counterparty will pledge collateral in favour of the Fund with an aggregate value equal to 100% of the mark-to-market value of the exposure under the Forward Agreement and the amount of the collateral will be reset on a weekly basis to 100%. See “Overview of the Investment Structure — The Forward Agreement and Portfolio” and “Risk Factors — Counterparty Risk”.

Leverage:

The Fund’s exposure to the Portfolio through the Forward Agreement will initially be increased by approximately 27% of the value of the Portfolio after giving effect to leverage. As a result of fluctuations in the prices of the Portfolio Securities, leverage may temporarily, and from time to time, exceed 30% of the value of the Portfolio, subject to a maximum of 33.33% of the value of the Portfolio. If at any time the leverage exceeds 30% of the value of the Portfolio, the Counterparty will instruct the Portfolio Manager to, as soon as practicable and within 5 Business Days, reduce the amount of Portfolio Securities comprising the Portfolio in an orderly manner and the Counterparty will correspondingly reduce the leverage amount so as not to exceed 30% of the value of the Portfolio. If at any time leverage exceeds 33.33% of the value of the Portfolio, the Counterparty will instruct the Portfolio Manager to immediately reduce the amount of Portfolio Securities comprising the Portfolio and the Counterparty will correspondingly reduce

the leverage amount so as not to exceed 30% of the value of the Portfolio. The use of leverage has the potential to enhance or reduce returns. The maximum amount of leverage that could be employed is 1.43:1. See “Investment Strategy — Leverage” and “Risk Factors”.

Redemption:

Class A Units and Class F Units may be redeemed on an annual and monthly basis, subject to certain conditions. In order to effect a redemption on an Annual Redemption Date, Units must be surrendered during the period from October 15 until 5:00 p.m. (Toronto time) on the last Business Day in October in the year of redemption, subject to the Fund’s right to suspend redemptions in certain circumstances. Unitholders redeeming Units on an Annual Redemption Date will be entitled to receive a redemption price in an amount equal to 100% of the Net Asset Value per Unit of the relevant class on such Annual Redemption Date 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. See “Calculation of Net Asset Value”, “Redemption of Securities” and “Risk Factors”.

Termination of the Fund:

The Fund does not have a fixed termination date. However, the Fund may be terminated at any time if the prior approval of Unitholders has been obtained by a majority vote at a meeting of Unitholders called for that purpose; provided, however, that the Manager may, in its discretion, on at least 60 days’ notice to Unitholders, terminate the Fund without the approval of Unitholders if, in the opinion of the Manager, it would be in the best interests of Unitholders to terminate the Fund. Upon termination, the net assets of the Fund will be distributed to Unitholders on a pro rata basis. There can be no assurance that Unitholders will receive \$25.00 per Unit upon any termination of the Fund. See “Termination of the Fund” and “Risk Factors — Risks Relating to Redemptions”.

Repurchase of Units:

The Fund may purchase (in the open market or by invitation for tenders) Units for cancellation subject to applicable law and stock exchange requirements, based on the Manager’s assessment that such purchases are accretive to Unitholders. 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 before deducting the expenses of the Offering) are estimated to be approximately \$118,437,500, assuming that the Over-Allotment Option is not exercised. The Fund will use the net proceeds of the Offering (including any net proceeds from the exercise of the Over-Allotment Option) to pre-pay its purchase obligations under the Forward Agreement with the Counterparty. See “Use of Proceeds”.

Conversion of Class F Units into Class A Units:

A holder of Class F Units may convert such Class F Units into Class A Units on a weekly basis and it is expected that liquidity for the Class F Units will be obtained primarily by means of conversion into Class A Units and the sale of such 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. Based on counsel’s understanding of the CRA’s current administrative position, a conversion of Class F Units into Class A Units will not constitute a disposition of such Class F Units for the purposes of the Tax Act.

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 and any fractional amounts will be rounded down to the nearest whole number of Class A Units. See “Description of the Units — Conversion of Class F Units” and “Income Tax Considerations”.

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 fluctuation in value of Portfolio Securities and Performance of the Portfolio.
- Leverage risks.
- Risks relating to preferred share investments.
- Risks relating to interest rates.
- Liquidity risk of underlying instruments.
- The Portfolio will not exactly track the performance of the Preferred Share 50 Index.
- The Preferred Share 50 Index will be adjusted by the Preferred Share 50 Index Committee without regard to the interests of the Fund.
- The possibility that BMO may discontinue the Preferred Share 50 Index.
- Issuer risk.
- Risks relating to reliance on the Manager and the Portfolio Manager.
- Concentration risk.
- Counterparty risk.
- Exchange Option risk.
- Portfolio reinvestment risk.
- Risks relating to the trading price of Class A Units.
- Risks relating to the taxation of the Fund.
- No ownership interest risk.
- Risks relating to changes in legislation and regulatory risk.
- Loss of investment risk.
- Risks relating to conflicts of interest.
- Risks relating to the status of the Fund.
- Risks relating to redemptions.
- Risks relating to the Fund having no operating history.
- Risks relating to the liquidity of the Class F Units.

- 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 Stikeman Elliott LLP, counsel for the Fund, and McCarthy Tétrault 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, the Class A Units are listed on a designated stock exchange (which includes the TSX), such 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 and annuitants of registered retirement savings plans and registered retirement income funds should consult with their tax advisors as to whether Units would be a prohibited investment in their particular circumstances. See “Income Tax Considerations”.

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 of the Fund that are distributed to Unitholders will be treated as taxable capital gains 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.

A purchaser who disposes of securities of an Exchange Eligible Issuer pursuant to the Exchange Option and holds such Exchanged Securities as capital property will realize a capital gain (or a capital loss) in the taxation year of the purchaser in which the disposition of Exchanged Securities takes place to the extent that the proceeds of disposition for such Exchanged Securities, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base to the purchaser of such Exchanged Securities.

See “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 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 \$2.2 billion in assets. The Manager is part of the Connor, Clark & Lunn Financial Group, a multi-boutique asset management firm whose affiliated managers are collectively responsible for the investment of over \$38 billion in assets as at December 31, 2011. The Manager has offices at 181 University Avenue, Suite 300, Toronto, Ontario M5H 3M7. See “Organization and Management Details of the Fund — The Manager”.

Manager of the Portfolio: The Manager will be retained by the Counterparty to establish and maintain the Portfolio.

Portfolio Manager of the Portfolio: BMO Asset Management Inc. will be retained by the Manager on behalf of the Fund and the Counterparty to manage the Portfolio. The Portfolio Manager had over \$40 billion in total assets under management as at December 31, 2011 and is an indirect, wholly-owned subsidiary of the Bank of Montreal. The Portfolio Manager’s office is located at 250 Yonge Street, 9th Floor, Toronto, Ontario M5B 2M8. See “Organization and Management Details of the Fund — The Portfolio Manager of the Portfolio”.

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

Auditor: PricewaterhouseCoopers LLP, Chartered Accountants, at its offices in Toronto, Ontario, is the auditor of the Fund.

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

Exchange Dealer: BMO Nesbitt Burns Inc. may purchase securities of Exchange Eligible Issuers from the Fund and may sell such securities to the Counterparty or in the open market. The Exchange Dealer will have the option to sell such securities back to the Fund. The Exchange Dealer is located in Toronto, Ontario.

Agents:

BMO Nesbitt Burns Inc., CIBC World Markets Inc., RBC Dominion Securities Inc., Scotia Capital Inc., TD Securities Inc., National Bank Financial Inc., GMP Securities L.P., Macquarie Private Wealth Inc., Canaccord Genuity Corp., Raymond James Ltd. and Mackie Research Capital Corporation, 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 the Over-Allotment Option, exercisable for a period of 30 days from the Closing Date, to purchase 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 \$143,750,000, \$7,546,875 and \$136,203,125, 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	750,000 Class A Units	Within 30 days following the Closing Date	\$25.00 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, directly or indirectly, reduce the value of a Unitholder's investment in the Fund. For further particulars, see "Fees and Expenses".

<u>Type of fee</u>	<u>Amount and description</u>
Agents' Fee:	\$1.3125 per Class A Unit (5.25%) and \$0.5625 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 \$600,000 (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 fees approximately equal to 0.50% of the Net Asset Value by virtue of the following: (i) the Manager will receive a management fee from the Fund equal to 0.40% per annum of the Net Asset Value, calculated and accrued daily and payable monthly in arrears, plus applicable taxes; and (ii) the Counterparty will retain the Manager to establish and maintain the Portfolio and the amount of the Portfolio will be reduced by 0.10% per annum, representing a fee paid by the Counterparty to the Manager to maintain the Portfolio. The Manager will be responsible for paying the fees of the Portfolio Manager out of this amount. 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. See "Fees and Expenses — Management Fee".
Counterparty Fees:	The Fund will pay to the Counterparty an additional purchase amount under the Forward Agreement of up to 0.20% of the net notional amount of the Forward Agreement (being effectively equal to the net asset value of the Portfolio) per annum, calculated daily and paid quarterly. See "Fees and Expenses — Counterparty Fees".
Ongoing expenses of the Fund:	<p>The Fund will pay for all of its expenses incurred in connection with its operation and administration including fees payable to the Trustee, custodial fees, legal, audit, valuation fees and expenses, expenses of the directors of the Manager, fees and expenses of the members of the Independent Review Committee, listing fees and expenses and other administrative expenses and investor relations expenses, costs and expenses of complying with financial and other continuous public filing requirements and all applicable laws and extraordinary expenses that the Fund may incur. By virtue of the Forward Agreement, the Net Asset Value per Unit will also be reduced by the expenses incurred in connection with establishing and maintaining the Portfolio including the cost of leverage.</p> <p>The Manager estimates that ongoing expenses payable by the Fund or which will reduce the value of the Portfolio, exclusive of the Management Fee, brokerage expenses related to portfolio transactions and the cost of leverage will be approximately \$175,000 per year (assuming an aggregate size of the Offering of approximately \$100 million). See "Fees and Expenses — Ongoing Expenses".</p>

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, such as the Fund's plans to obtain exposure to preferred shares. 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 description 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 PUBLICLY AVAILABLE INFORMATION

Certain information contained in this prospectus, including with respect to, among other things, the preferred shares, is taken from and based solely upon publicly available information. None of the Manager, the Portfolio Manager, the Fund or the Agents has independently verified the accuracy or completeness of any such information or assumes 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 April 24, 2012 among the Fund, the Manager, the Portfolio Manager and the Agents.

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

“**Annual Redemption Date**” means the second to last Business Day of November of each year, commencing in 2013.

“**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 to the Fund that are distributed to a Unitholder concurrently with the proceeds of disposition on redemption.

“**Approved Rating**” means the long-term debt rating of the Counterparty or each successor counterparty of at least A by S&P or an equivalent rating from DBRS Limited, Moody’s Investors Service, Inc., Fitch, Inc., or any of their respective successors.

“**BMO**” means BMO Nesbitt Burns Inc.

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

“**Business Day**” means any day except Saturday, Sunday, a statutory holiday in Toronto, Ontario or any other day on which the TSX is not open for trading.

“**Canadian Securities Portfolio**” means a specified portfolio of securities of Canadian public issuers that are “Canadian securities” as defined in subsection 39(6) of the Tax Act and are listed on the TSX.

“**Cap**” has the meaning given to it under “Investment Strategy — Preferred Share 50 Index”.

“**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 a Closing, the first of which is expected to be on or about May 18, 2012 or such later date as the Fund and the Agents may agree, but in any event not later than 90 days after the issuance of a receipt for the final prospectus of the Fund.

“**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).

“**Counterparty**” means the Canadian chartered bank which is the counterparty under the Forward Agreement, provided that the Counterparty or its guarantor must have an Approved Rating.

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

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

“**Exchange Agency Agreement**” means the exchange agency agreement dated as of March 27, 2012 between the Fund and the Exchange Agent.

“**Exchange Agent**” means Computershare Investor Services Inc.

“**Exchange Dealer**” means BMO Nesbitt Burns Inc.

“**Exchange Eligible Issuer**” has the meaning given under “Purchases of Securities — Method to Purchase Units”.

“**Exchange Option**” has the meaning given under “Purchases of Securities — Method to Purchase Units”.

“**Exchange Ratio**” has the meaning given under “Purchases of Securities — Method to Purchase Units”.

“**Exchanged Securities**” has the meaning given under “Purchases of Securities — Method to Purchase Units”.

“**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.

“**Forward Agreement**” means one or more forward purchase and sale agreements between the Fund and the Counterparty, as such agreements may be amended from time to time.

“**Forward Termination Date**” means the earlier of (i) the Scheduled Forward Termination Date, and (ii) any other date upon which the Forward Agreement is terminated in accordance with its terms.

“**Fund**” means Canadian 50 Advantaged Preferred Share Fund, a closed-end investment fund established under the laws of the Province of Ontario and governed by the Trust Agreement.

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

“**Investment Criteria**” means the investment criteria of the Portfolio, which replicate the Preferred Share 50 Index inclusion criteria.

“**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 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.

“**Maximum Ownership Level**” has the meaning given in “Purchases of Securities — Method to Purchase Units”.

“**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 to last Business Day of each month other than, commencing in 2013, the month of November.

“**Net Asset Value**” means the net asset value of the Fund determined by subtracting the aggregate liabilities of the Fund from the Total Assets of the Fund in each case 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 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.

“**Notice Period**” has the meaning given under “Redemption of Securities — Annual Redemption”.

“**Offering**” means, collectively, the offering of Class A Units and Class F Units at a price of \$25.00 per 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 purchase 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 \$25.00 per Class A Unit, solely to cover over-allotments, if any.

“**Portfolio**” means a notional portfolio consisting of Canadian preferred share issues that meet the Investment Criteria, together with any cash or other assets subject to the Forward Agreement.

“**Portfolio Manager**” means the portfolio manager of the Portfolio, namely BMO Asset Management Inc. and, if applicable, its successor.

“**Portfolio Securities**” means the preferred shares and other assets comprising the Portfolio from time to time.

“**Preferred Share 50 Index**” means the BMO Capital Markets 50 Preferred Share Index, a market value weighted index created in 1992 to provide a benchmark representing the Canadian preferred share market, which includes 50 Canadian preferred share issues that are listed on the TSX that satisfy specific inclusion criteria.

“**Preferred Share 50 Index Committee**” means the committee at BMO responsible for the maintenance of the Preferred Share 50 Index, which committee does not include any individual acting as a portfolio manager of the Portfolio Manager.

“**Pricing Period**” has the meaning given under “Purchases of Securities — Determination of Exchange Ratios”.

“**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.

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

“**Scheduled Forward Termination Date**” means on or about May 18, 2017.

“**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.

“**Total Assets**” means the aggregate value of the assets of the Fund.

“**Trust Agreement**” means the trust agreement governing the Fund dated as of April 24, 2012, as it may be amended from time to time.

“**Trustee**” means RBC Dexia Investor Services Trust, in its capacity as trustee of the Fund 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, until its replacement is appointed by the Manager, the Custodian.

“**Valuation Date**” means each Business Day.

OVERVIEW OF THE LEGAL STRUCTURE OF THE FUND

Canadian 50 Advantaged Preferred Share Fund is a closed-end 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 March 31. 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 will not be listed on a stock exchange but will be convertible into Class A Units on a weekly basis. 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's investment objectives are to provide (i) tax-advantaged quarterly cash distributions consisting primarily of returns of capital; and (ii) low-cost exposure to the total return approximating that of the BMO Capital Markets 50 Preferred Share Index.

INVESTMENT STRATEGY

The Fund will obtain exposure to the Portfolio through the Forward Agreement entered into with the Counterparty. The Net Asset Value per Unit of each class of Units will vary depending on the performance of the Portfolio. The Counterparty will retain the Manager to establish and maintain the Portfolio and the Manager on behalf of the Fund and the Counterparty will retain the Portfolio Manager to manage the Portfolio with an initial invested amount equal to the amount of the net proceeds of the Offering. The Fund will use the net proceeds of the Offering to pre-pay its purchase obligations under the Forward Agreement.

Portfolio

The Portfolio is expected to provide a total return approximating that of the Preferred Share 50 Index and will be predominantly invested in preferred share issues with a P-1 or P-2 rating from S&P. The S&P Canadian preferred share rating scale expresses preferred share ratings (determined in accordance with global rating criteria) in terms of rating symbols that have been actively used in the Canadian market over a number of years. A S&P preferred share rating on the Canadian scale is a forward-looking opinion about the creditworthiness of an obligor with respect to a specific preferred share obligation issued in the Canadian market, relative to preferred shares issued by other issuers in the Canadian market. A P-1 rating corresponds to a rating of between AA and A- and a P-2 rating corresponds to a rating of between BBB+ and BBB-, each depending on its modifier, if any. An obligation rated 'AAA' has the highest rating assigned by S&P: the obligor's capacity to meet its financial commitment on the obligation is extremely strong. An obligation rated 'AA' differs from the highest-rated obligations only to a small degree: the obligor's capacity to meet its financial commitment on the obligation is very strong. An obligation rated 'A' is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher-rated categories; however, the obligor's capacity to meet its financial commitment on the obligation is still strong. An obligation rated 'BBB' exhibits adequate protection parameters; however, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitment on the obligation. These ratings may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the rating category. S&P has 15 ratings, P-1 and P-2 reflect S&P's four highest ratings. Ratings should not be construed as a recommendation to buy, sell or hold securities, ratings may be revised or withdrawn at any time.

The Preferred Share 50 Index comprises 50 constituents selected by the Preferred Share 50 Index Committee at BMO from those that satisfy certain inclusion criteria and is rebalanced annually. In addition, the Preferred Share 50 Index Committee continually reviews issues that may affect the constituents of the Preferred Share 50 Index and may adjust the Preferred Share 50 Index constituents at its discretion to ensure that the

Preferred Share 50 Index reflects the composition of the Canadian preferred share market. The securities included in the Portfolio must meet the Investment Criteria, which replicate the Preferred Share 50 Index inclusion criteria. See “Investment Strategy — Preferred Share 50 Index”. In order to facilitate liquidity and trading, the Portfolio Manager has discretion to maintain the Portfolio in a manner that differs from the Preferred Share 50 Index including in relation to the timing of including specific issues. The Portfolio Manager may also include new issues in the Portfolio. Accordingly, the Portfolio may differ from the Preferred Share 50 Index. In addition, the return from the Portfolio will differ from the return generated by the Preferred Share 50 Index as a result of the use of leverage, as well as the costs of portfolio transactions and other fees and expenses which will affect the return generated by the Portfolio.

If the Preferred Share 50 Index ceases to be maintained, the Fund may (i) find an alternative index of Canadian preferred share issues to replicate; (ii) retain its own calculation agent to replicate the Preferred Share 50 Index; (iii) pre-settle the Forward Agreement and terminate the Fund; or (iv) take such other action as may be determined by the Manager to be in the best interests of the Unitholders.

Preferred Share 50 Index

The Preferred Share 50 Index was created in 1992 to provide portfolio managers and other financial professionals with a benchmark representing the Canadian preferred share market. The Preferred Share 50 Index is calculated using a market value weighted approach. It includes 50 Canadian preferred share issues that are listed on the TSX and which satisfy specific inclusion criteria set out below. From the preferred share issues that satisfy the inclusion criteria, the 50 specific constituents are selected by the Preferred Share 50 Index Committee. The Preferred Share 50 Index is rebalanced annually. In addition, the Preferred Share 50 Index Committee continually reviews issues that may affect the constituents of the Preferred Share 50 Index and may adjust the Preferred Share 50 Index constituents at its discretion to ensure that the Preferred Share 50 Index reflects the composition of the Canadian preferred share market. As at February 29, 2012, there were 129 preferred share issues which met the inclusion criteria.

The inclusion criteria of the Preferred Share 50 Index are:

- (a) issues included in the Preferred Share 50 Index must have a minimum notional size of \$100,000,000 both at the time of issue and at the time of inclusion in the Preferred Share 50 Index;
- (b) each issuer is capped at 12% of the quoted market value of the Preferred Share 50 Index (the “Cap”);
- (c) if an issuer owns 50% or more of the equity of another subsidiary preferred share issuer, then the Cap applies to both companies as if they were one entity;
- (d) issues included in the Preferred Share 50 Index must have a minimum credit rating of P-3 by S&P, P-3 Low issues are not included in the Preferred Share 50 Index;
- (e) issues must be listed on the TSX;
- (f) synthetic preferred shares (i.e., split shares and equity dividend shares) will not be included in the Preferred Share 50 Index; and
- (g) issues that have been removed from the Preferred Share 50 Index will not be eligible for inclusion in the Preferred Share 50 Index until at least three months have elapsed from such removal.

The maintenance criteria of the Preferred Share 50 Index are:

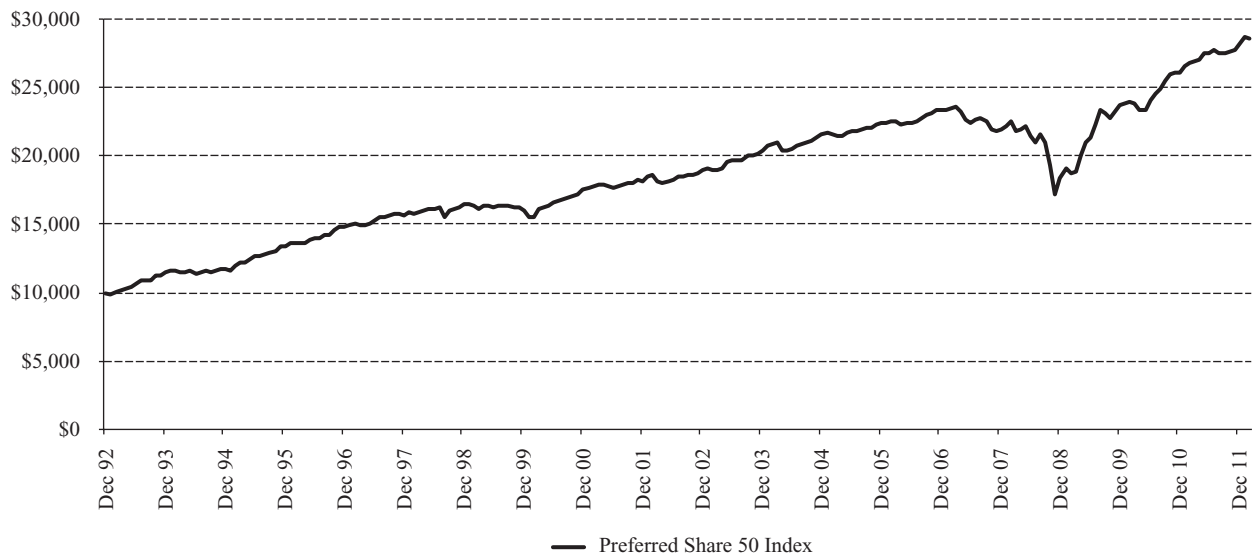
- (a) when an issue is delisted it will remain in the Preferred Share 50 Index up to and including the last trading day before delisting;
- (b) when an issue is removed from the Preferred Share 50 Index an immediate replacement will be made to maintain the total number of issues at 50;
- (c) where both a fixed-reset and a floating rate preferred share exist as a result of a reset feature, the issue with the greater number of shares outstanding will be included in the Preferred Share 50 Index;

- (d) issues included in the Preferred Share 50 Index must have traded a minimum of 500,000 Preferred Shares in the preceding calendar year, or in the current calendar year if substitution is being made at the end of the year; however, exceptions may be made in the case of a new issue;
- (e) issues must maintain a minimum rating of P-3 by S&P;
- (f) if, as a result of market conditions, an issuer exceeds the Cap, the issue will not be removed from the Preferred Share 50 Index until the annual rebalancing;
- (g) the Preferred Share 50 Index Committee periodically reviews and may adjust the Preferred Share 50 Index constituents at its discretion to ensure that the Preferred Share 50 Index reflects the composition of the preferred share market;
- (h) although the Preferred Share 50 Index is split into retractable, straight, floating rate and fixed-reset sub-sectors, no effort is made to maintain any pre-set allocation to these groups; however, the allocation among the sub-sectors attempts to closely resemble the overall preferred share universe;
- (i) the Preferred Share 50 Index must contain a minimum of 20 distinct corporate issuers; and
- (j) the number of issues per issuer include in the Preferred Share 50 Index may not exceed 5.

The Preferred Share 50 Index is rebalanced at the conclusion of each year and may be rebalanced at any other time at the discretion of the Preferred Share 50 Index Committee. With the exception of the annual minimum trade requirement and the Cap, which may entail a January rebalance, all other changes to the Preferred Share 50 Index are made immediately.

The graph below shows the results of investing \$10,000 in the Preferred Share 50 Index on its inception on December 31, 1992.

Value of \$10,000 invested in the Preferred Share 50 Index



Source: BMO Nesbitt Burns Inc.

The following table shows the historical total return (assuming reinvestment of dividends) of the Preferred Share 50 Index over one, three, five and ten years and since inception as at February 29, 2012.

Historical Total Return of the Preferred Share 50 Index

	1-year	3-year	5-year	10-year	Since Inception
Preferred Share 50 Index	6.77%	15.03%	4.01%	4.40%	5.63%

Notes:

- (1) The Preferred Share 50 Index was launched in December 1992.
- (2) Total returns are calculated based on month-end index values with reinvestment of dividends and are annualized for periods greater than one year.

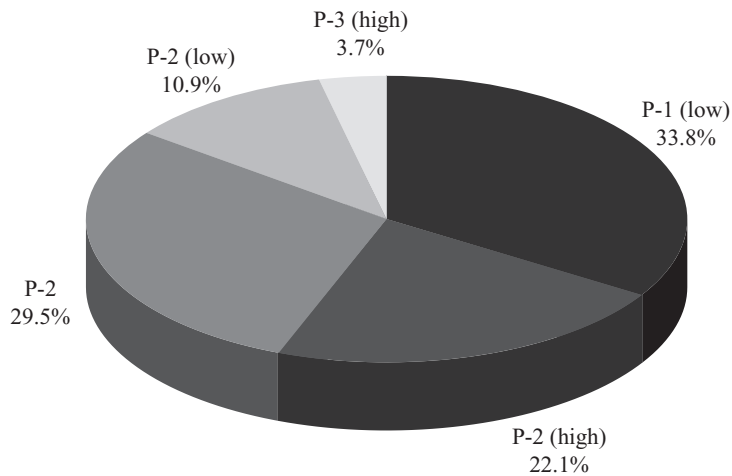
Source: BMO Nesbitt Burns Inc.

The figures in the table and chart above are for illustrative purposes only. The prior performance of the Preferred Share 50 Index is not indicative of future results of either the Preferred Share 50 Index or the Fund. There is no assurance that the Fund’s investment objectives will be achieved. The Fund and the Portfolio will produce results which differ from the Preferred Share 50 Index due to, among other things, the fact that the Portfolio will not match the Preferred Share 50 Index, the use of leverage, trading costs and fees and expenses of the Fund.

Break-down of the Preferred Share 50 Index

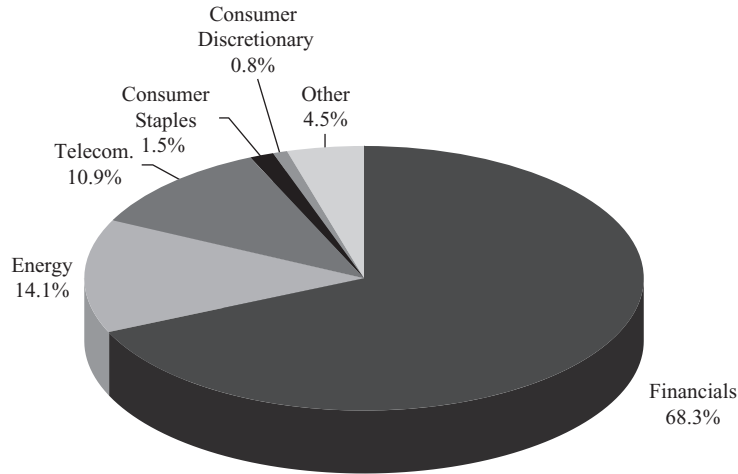
The following charts illustrate the break-down of the Preferred Share 50 Index as at February 29, 2012, in terms of ratings distribution, industry distribution and category of security distribution, respectively:

S&P Ratings Distribution



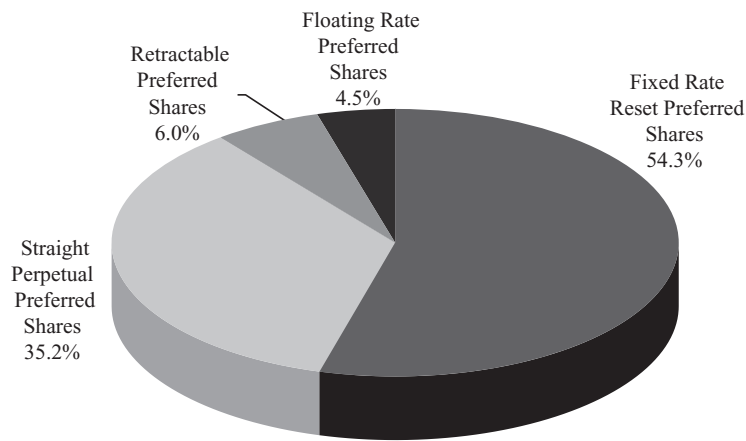
Source: BMO Nesbitt Burns Inc. and Standard & Poor’s

Industry Distribution



Source: BMO Nesbitt Burns Inc.

Category of Security Distribution



Source: BMO Nesbitt Burns Inc.

Leverage

The Fund's exposure to the Portfolio through the Forward Agreement will initially be increased by approximately 27% of the value of the Portfolio after giving effect to leverage. As a result of fluctuations in the prices of the Portfolio Securities, leverage may temporarily, and from time to time, exceed 30% of the value of the Portfolio, subject to a maximum of 33.33% of the value of the Portfolio. If at any time the leverage exceeds 30% of the value of the Portfolio, the Counterparty will instruct the Portfolio Manager to, as soon as practicable and within 5 Business Days, reduce the amount of Portfolio Securities comprising the Portfolio in an orderly manner and the Counterparty will correspondingly reduce the leverage amount so as not to exceed 30% of the value of the Portfolio. If at any time leverage exceeds 33.33% of the value of the Portfolio, the Counterparty will instruct the Portfolio Manager to immediately reduce the amount of Portfolio Securities comprising the Portfolio and the Counterparty will correspondingly reduce the leverage amount so as not to exceed 30% of the value of the Portfolio. If the proportion of the Portfolio held in preferred shares rated P-3 (high) or lower exceeds 5%, the excess amount will not be included in the Portfolio for the purposes of calculating the leverage

amount. The use of leverage has the potential to enhance or reduce returns. The maximum amount of leverage that could be employed is 1.43:1. The Counterparty may borrow at fixed or floating rates, either directly or indirectly through hedging strategies.

OVERVIEW OF THE INVESTMENT STRUCTURE

The Forward Agreement and Portfolio

The Fund will obtain economic exposure to the Portfolio through one or more forward purchase agreements with one or more Schedule I Canadian chartered banks or affiliates thereof, which will initially be the Bank of Montreal. The Net Asset Value per Unit of each class of Units will vary depending on the performance of the Portfolio by virtue of the Forward Agreement. The Fund will use the net proceeds of the Offering to pre-pay its purchase obligations under the Forward Agreement. Under the Forward Agreement, the Fund will, on or about the Forward Termination Date, acquire the Canadian Securities Portfolio from the Counterparty having an aggregate value equal to the value of the Portfolio, net of any amount owing by the Fund to the Counterparty. The Counterparty will retain the Manager to establish and maintain the Portfolio, and the Manager on behalf of the Fund and the Counterparty will retain the Portfolio Manager to manage the Portfolio, with an initial invested amount equal to the amount of the net proceeds of the Offering. There is no assurance that the Counterparty will maintain a hedge or will do so with respect to the full amount or term of the Forward Agreement.

Upon entering into the Forward Agreement, the long term debt of the Counterparty or its guarantor must have an Approved Rating. The Fund is fully exposed to the credit risk associated with the Counterparty in respect of the Forward Agreement. To secure the obligations of the Counterparty under the Forward Agreement, the Counterparty will pledge collateral in favour of the Fund with an aggregate value equal to 100% of the mark-to-market value of the exposure under the Forward Agreement and the amount of the collateral will be reset on a weekly basis to 100%. The collateral will be placed in a separate securities account and will be free and clear of all liens and adverse claims, other than those in favour of the Fund or a relevant securities intermediary in respect of any fees and expenses incurred by it and, to the extent the intermediary is the Counterparty or an affiliate of the Counterparty, any cash advances made by the intermediary to the Fund in accordance with section 2.6(a)(i) of NI 81-102 (as if the Fund were subject to NI 81-102). The Fund will have a first ranking security interest in such collateral, subject to the intermediary's priority in respect of such advances, fees and expenses. Initially, the collateral will consist of TSX-listed securities. No more than 10% of the value of the collateral may be attributable to the securities of any one issuer, other than units of a closed-end investment fund which has not made a distribution to the public which are not subject to such restriction. The Counterparty may substitute other forms of collateral with the consent of the Fund. In the event of default by the Counterparty under the Forward Agreement, the Fund will have the ability to enforce its security interest and take possession of the collateral.

The Portfolio will be notionally traded in accordance with market movements on a simulated basis as though such trades were actually made. Trading data will be based on the trading prices of the Portfolio Securities held in the Portfolio. If the Portfolio is not hedged, the price at which the trade is effected will be the volume-weighted average trading price for the day for the relevant security on the date the Portfolio Manager determines to make the trade. If the Portfolio is hedged, the Portfolio Manager will place orders with institutional trading desks and the price at which the trade is effected will be the actual price at which the relevant security was traded. The Portfolio Manager will seek the best execution under the circumstances of each trade. The composition of the Portfolio will be determined at the discretion of the Portfolio Manager from time to time. The value of the Portfolio will be reduced by expenses that would be incurred if trades were actually made.

The Manager will provide the same continuous disclosure documentation regarding the Portfolio as would be required with respect to a portfolio of securities; the method used to determine the value of the Portfolio will comply with NI 81-106 and will be calculated based on the principles set forth under the heading "Calculation of Net Asset Value"; in connection with the audit and periodic reviews, the auditor will have the same involvement with the review of the value of the Portfolio as they would otherwise have if the Counterparty were to invest in a portfolio of securities.

The terms of the Forward Agreement will provide that the Forward Agreement may, in certain circumstances, be settled prior to the Forward Termination Date at the request of the Fund on two days notice with settlement to occur three days later. The Fund may settle the Forward Agreement in whole or in part prior to the Scheduled Forward Termination Date: (i) to fund distributions on the Units; (ii) to fund redemptions and repurchases of Units from time to time; (iii) to fund operating expenses and other liabilities of the Fund; and (iv) for any other reason including in the event the Counterparty's credit rating is downgraded.

The Forward Agreement may be terminated prior to the Scheduled Forward Termination Date in certain circumstances, including if an event of default or a termination event occurs with respect to the Fund or the Counterparty under the Forward Agreement.

The following constitute events of default under the Forward Agreement: (i) failure by a party to make a payment or perform an obligation when due under the Forward Agreement which is not cured within any applicable grace period; (ii) a party makes a representation which is incorrect or misleading in any material respect; (iii) a party defaults in respect of a specified transaction having a value in excess of a specified threshold which default is not cured within any applicable grace period; (iv) certain events related to the bankruptcy or insolvency of a party; and (v) a party consolidates, amalgamates or merges with or into, or transfers substantially all its assets to, another entity and the resulting, surviving or transferee entity fails to assume the obligations of such party under the Forward Agreement.

Termination events under the Forward Agreement include the following: (i) it becomes unlawful for a party to perform its obligations under or comply with any material provisions of the Forward Agreement; (ii) certain tax events occur which require a party to indemnify the other party in respect of certain taxes or reduce the amount that a party would otherwise have been entitled to receive under the Forward Agreement; or (iii) certain regulatory, credit or legal events occur which affect a party.

If the Forward Agreement is terminated prior to the Forward Termination Date for any reason, it is expected that the Forward Agreement will be settled by physical delivery of the Canadian Securities Portfolio by the Counterparty to the Fund net of any amounts owing to the Counterparty. In the event of a termination of the Forward Agreement prior to the Scheduled Termination Date, the Manager may, in its discretion, enter into a replacement forward agreement on terms satisfactory to the Manager in its sole discretion, or the Manager may terminate the Fund and may take such other action as it considers necessary under the circumstances.

As the Fund only has exposure to the Portfolio through the Forward Agreement, and does not have a direct or indirect interest in the underlying securities constituting the Portfolio, neither Unitholders nor the Fund will have any voting or other rights with respect to the Portfolio Securities. The Manager may also substitute counterparties provided that the replacement counterparty is a Schedule I Canadian chartered bank or an affiliate thereof.

OVERVIEW OF THE SECTOR THAT THE FUND INVESTS IN

Preferred shares are a type of security with attributes that are similar to both fixed income and common share investments. Like common shares, preferred shares are equity investments that typically trade on a stock exchange. Like bonds, preferred shares typically pay a regular stream of income.

Preferred shares pay investors a preset rate of dividends that must be paid out of earnings before any dividends are distributed to common shareholders of the issuer. In addition to their priority in receiving dividend payments, preferred share investors also have greater security of principal than common shareholders as they have a senior claim on the assets of the issuer. In general, the prices of preferred shares are less volatile than common shares and, similar to bonds, their value can fluctuate with changes in the credit quality of the issuer and with movements in interest rates. Typically, preferred shares carry no voting rights, although their terms often provide for limited voting rights in the case of missed dividend payments or other material events.

Preferred shares in Canada are typically issued by companies with large market capitalizations and stable cash flows, such as banks, telecommunications companies and utilities. Dividends paid to Canadian residents from preferred shares issued by Canadian corporations have preferential tax treatment in comparison to ordinary investment income paid by bonds and other debt instruments due to the dividend tax credit. On a pre-tax interest equivalent basis, preferred shares offer an attractive yield relative to other fixed income investments.

Preferred shares can differ depending on their yield, term, credit quality and repayment features. One type of repayment feature is a retraction feature which provides the holder of the preferred share with an option to require the issuer to redeem the preferred shares at a specific price on a specific date for cash or common shares. As a result, these preferred shares most closely resemble bonds since they have a definite maturity date and future cash flows can be estimated. Retractable preferred shares may also be redeemable by the issuer for cash or common shares on or after various redemption dates.

Straight perpetual preferred shares typically pay a fixed dividend for as long as they remain outstanding. These preferred shares generally have no fixed maturity date or retraction feature and remain outstanding until they are redeemed by the issuer. As perpetual securities, these instruments are generally more sensitive to changes in interest rates and exhibit greater price volatility in comparison to fixed term preferred shares.

Fixed rate reset preferred shares pay a fixed dividend until the first reset date. On the reset date (and each subsequent reset date), if the preferred share is not called (redeemed) by the issuer, the holder generally has two options: (i) receive a new fixed dividend rate equal to a predetermined spread over an equivalent term Government of Canada bond until the next reset date; or (ii) exchange their preferred shares for floating rate preferred shares whereby the quarterly dividend rate will be equal to the prevailing 3-month Government of Canada treasury bill rate plus a fixed spread. Preferred shareholders can choose either option at each reset date if the issue is not called by the issuer. Although rate reset preferred shares have no maturity date, they generally exhibit less interest rate risk than straight perpetual shares since the dividend rate is periodically reset at prevailing market yields. Fixed floating rate preferred shares are similar to rate reset preferred shares except that the spread on the reset date is announced by the issuer shortly before the reset date rather than being set at issuance.

Floating rate preferred shares pay dividends that vary or “float” in relation to a reference rate, usually the prime rate. If the reference rate rises, the dividend payment increases. Conversely, if the reference rate declines, the dividend payment falls, however some floating rate preferred shares have a “floor” or minimum dividend payment.

In August 2011, the Office of the Superintendent of Financial Institutions Canada (OSFI) released an advisory outlining its expectations in respect of issuance of non-viability contingent capital (NVCC) by federally-regulated deposit-taking institutions (DTIs). OSFI has determined that, effective January 1, 2013, all non-common tier 1 and tier 2 capital instruments must have, in their contractual terms and conditions, a clause requiring full and permanent conversion into common shares of the DTI upon a trigger event. All outstanding capital instruments that do not meet the NVCC requirement will be considered non-qualifying capital instruments and will be phased out of tier 1 and tier 2 capital beginning January 1, 2013 at the rate of 10% each year for 10 years. It is the Manager’s belief that most of the preferred shares issued by Canadian banks, including perpetual and fixed rate reset preferred shares, do not meet the NVCC requirement and will be called or redeemed by the issuer at a price no less than par. As a result, bank preferred shares may exhibit less sensitivity to changes in interest rates with a shorter expected term. In addition, the Manager believes that investors will require higher yields from new bank preferred share issues that meet the NVCC requirements relative to preferred shares with similar terms and credit attributes but without mandatory conversion features to compensate them for the risk that their investment may be converted to common equities if a trigger event occurs.

Tax Benefits

The Manager anticipates that distributions made by the Fund will primarily consist of returns of capital for tax purposes. Unlike dividends and interest income paid on a security, returns of capital are not immediately taxable but reduce the investor’s adjusted cost base of the security. To the extent that the investor’s adjusted cost base would otherwise be less than zero, the negative amount will be deemed to be a capital gain realized by the investor. An investor will generally also realize a capital gain (or capital loss) on the disposition of a security to the extent that the investor’s proceeds of disposition (net of any reasonable costs of disposition) exceed (or are less than) the adjusted cost base of the security.

Since returns of capital are not immediately taxable, securities that pay return of capital distributions may be useful for tax planning. Capital gains also receive more favorable tax treatment for taxable investors than

ordinary and interest income and, in most provinces, eligible dividends from taxable Canadian corporations. For example, the highest personal combined 2012 federal and provincial marginal income tax rate for an individual resident in Ontario is 23.20% for capital gains, compared to 29.54% for eligible dividends and 46.41% for ordinary income and interest. Consequently, for an Ontario resident individual who is subject to the highest marginal tax rate, the after tax income from a realized capital gain of 5.0% is equivalent to the after-tax income from eligible dividends at a rate of 5.45% and ordinary or interest income at a rate of 7.17%. The table below shows the after-tax income for Ontario investors in the highest tax bracket from \$100 of realized capital gains, eligible dividends and interest income.

	Investor A*	Investor B*	Investor C*
Realized Capital Gains	\$ 0.00	\$ 0.00	\$100.00
Eligible Dividends	\$ 0.00	\$100.00	\$ 0.00
Interest Income	\$100.00	\$ 0.00	\$ 0.00
<i>Tax Rate</i>	46.41%	29.54%	23.20%
After Tax Income	\$ 53.59	\$ 70.46	\$ 76.80

* for an Ontario resident individual in the highest tax bracket

In recent years, in most provinces, the tax treatment of capital gains has become more favorable than eligible dividends as the personal income tax rate on eligible dividends has steadily increased. The table below shows the combined 2012 federal and provincial highest marginal personal income tax rates in Ontario for eligible dividends and capital gains from 2008 to 2012. Over this period, the tax rate on eligible dividends increased from 23.96% to 29.54%, whereas the tax rate on capital gains remained constant at 23.20%.

	Combined 2012 Federal and Provincial Personal Income Tax Rates (Ontario)				
	2008	2009	2010	2011	2012
Eligible Dividends	23.96%	23.06%	26.57%	28.19%	29.54%
Capital Gains	23.20%	23.20%	23.20%	23.20%	23.20%
Difference	0.76%	-0.14%	3.37%	4.99%	6.34%

INVESTMENT RESTRICTIONS

The Fund will be subject to its investment restrictions set out below, and will also indirectly be subject to the investment restrictions of the Portfolio as a result of the Forward Agreement.

Investment Restrictions of the Portfolio

The Portfolio will be subject to certain investment restrictions which are set out in the Portfolio Management Agreement. The investment restrictions of the Portfolio provide that the Portfolio will comply with the Investment Criteria as they may be amended from time to time.

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:

- borrow in excess of 30% of the aggregate value of the Portfolio at the time of borrowing;
- with respect to the securities acquired pursuant to the Forward Agreement, purchase any securities other than “Canadian securities” for the purpose of the Tax Act;
- purchase the securities of an issuer for the purposes of exercising control over management of that issuer or if, as a result of such purchase, the Fund would be required to make a take-over bid that is a “formal bid” for the purposes of applicable securities laws;

- (d) make or hold any investment that would result in the Fund failing to qualify as a “mutual fund trust” for purposes of the Tax Act and will not acquire any property that would be “taxable Canadian property” of the Fund as such term is defined in the Tax Act (if the definition were read without reference to paragraph (b) thereof) (or any amendment to such definition) or “specified property” (as defined in the Tax Proposals released on September 16, 2004); or
- (e) make or hold any investment that would result in the Fund being subject to the tax on SIFT Trusts as provided for in section 122 of the Tax Act.

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.

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 reasonable out-of-pocket expenses incurred by the Agents and other incidental expenses), which are estimated to be \$600,000 (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 (\$1.3125 per Class A Unit and \$0.5625 per Class F Unit sold under the Offering) will be paid to the Agents from the gross proceeds as described under “Plan of Distribution”.

Management Fee

The Manager will receive fees approximately equal to 0.50% of the Net Asset Value by virtue of the following: (i) the Manager will receive a management fee from the Fund equal to 0.40% per annum of the Net Asset Value, calculated and accrued daily and payable monthly in arrears, plus applicable taxes; and (ii) the Counterparty will retain the Manager to establish and maintain the Portfolio and the amount of the Portfolio will be reduced by 0.10% per annum, representing a fee paid by the Counterparty to the Manager to maintain the Portfolio. The Manager will be responsible for paying the fees of the Portfolio Manager out of this amount. 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.

Counterparty Fees

The Fund will pay to the Counterparty an additional purchase amount under the Forward Agreement of up to 0.20% of the net notional amount of the Forward Agreement (being effectively equal to the net asset value of the Portfolio) per annum, calculated daily and paid quarterly.

Ongoing Expenses

The Fund will pay for all expenses incurred in connection with its operation and administration, which will generally be allocated to the Units of each class *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 and 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, the Custodian, the Trustee and/or any of their respective officers, directors, employees, consultants or agents is entitled to indemnity by the Fund.

By virtue of the Forward Agreement, the Net Asset Value per Unit will also be reduced by the expenses incurred in connection with establishing and maintaining the Portfolio including the cost of leverage.

The Manager estimates that ongoing expenses payable by the Fund or which will reduce the value of the Portfolio, exclusive of the Management Fee, brokerage expenses related to portfolio transactions and the cost of leverage will be approximately \$175,000 per year (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 their respective 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 preferred 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 return on the assets in the Portfolio and the value of the assets in the Portfolio. There is no assurance that the Portfolio will earn any return. It is possible that, due to declines in the market value of the assets in the Portfolio, the Fund will have insufficient assets to achieve its investment objectives.

Risks Relating to Fluctuation in Value of Preferred Shares and Performance of the Portfolio

The Net Asset Value will vary according to the value of the securities included in the Portfolio. The Fund and the Manager have no control over the factors that affect the value of the securities in the Portfolio, including both factors that affect the equity and preferred share markets generally, such as general economic and market conditions, political conditions and fluctuations in interest rates, and factors unique to issuers of the preferred shares 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, and other events that may affect the value of their securities.

Leverage Risk

The Fund's exposure to the preferred shares in the Portfolio through the Forward Agreement will initially be increased by approximately 27% of the value of the Portfolio after giving effect to leverage. As a result of fluctuations in the prices of the preferred shares, leverage may temporarily, and from time to time, exceed 30% of the value of the Portfolio, subject to a maximum of 33.33% of the value of the Portfolio.

The addition of leverage has the potential to enhance returns but also involves additional risks. There can be no assurance that the leverage employed by the Counterparty will enhance returns. The use of leverage may reduce returns (both distributions and capital) to Unitholders. If there is a decline in the value of the preferred

shares in the Portfolio, the leverage under the Forward Agreement will cause a decrease in the Net Asset Value in excess of that which would otherwise be experienced if no leverage was utilized. Under certain conditions, leverage may be reduced or discontinued under the terms of the Forward Agreement.

Risks of Preferred Share Investments

There is a chance that the issuer of any of the preferred shares included in the Portfolio will have its ability to pay dividends deteriorate or will default (fail to make scheduled dividend payments on the preferred shares or scheduled interest payments on other obligations of the issuer not included in the Portfolio), which would negatively affect the value of any such security.

Unlike interest payments on debt securities, dividend payments on preferred shares typically must be declared by the issuer's board of directors. An issuer's board of directors is generally not under any obligation to pay dividends (even if such dividends have accrued), and may suspend payment of dividends on preferred shares at any time. In the event that an issuer of preferred shares experiences economic difficulties, the issuer's preferred shares may lose substantial value due to the reduced likelihood that the issuer's board of directors will declare a dividend and the fact that the preferred shares may be subordinated to other securities of the issuer. In addition, the ability of a board of directors of a preferred share issuer to declare dividends (even if such dividends have accrued) may be constrained by restrictions imposed by such issuer's lenders.

Risks Relating to Interest Rates

Because many preferred shares pay dividends at a fixed rate, their market price can be sensitive to changes in interest rates in a manner similar to bonds — that is, as interest rates rise, the value of the preferred shares included in the Portfolio are likely to decline. To the extent that the Portfolio notionally invests a substantial portion of its assets in fixed rate preferred shares, rising interest rates may cause the value of the Portfolio's investments to decline significantly.

Liquidity Risk of Underlying Instruments

Some of the preferred shares intended to be included in the Portfolio may be thinly traded. It may not be possible to purchase, sell or repurchase significant positions in such securities without facing substantially adverse prices. This may affect the value of the Portfolio and, accordingly, the performance of the Fund, by virtue of the Forward Agreement, could suffer.

Risks of Error in Tracking the Preferred Share 50 Index

While the Portfolio is designed to provide a total return approximating that of the Preferred Share 50 Index, it will not exactly track the performance of the Preferred Share 50 Index for various reasons. First, the total returns generated by the Portfolio Securities will be reduced by notional transaction costs incurred in adjusting the actual balance of the securities held by the Portfolio and other notional expenses of the Portfolio generally, whereas such transaction costs and expenses are not included in the calculation of the Preferred Share 50 Index. Second, as described under "Investment Strategy", the Portfolio Manager has the discretion to maintain the Portfolio in a manner that differs from the Preferred Share 50 Index including in relation to the timing of including specific issues and the inclusion of new issues in the Portfolio. Third, it is also possible that the Portfolio may not include certain securities included in the Preferred Share 50 Index due to the temporary unavailability of such securities in the secondary market or other extraordinary circumstances.

Purpose of the Preferred Share 50 Index

The Preferred Share 50 Index was not created for the purpose of the Fund and therefore the Preferred Share 50 Index Committee will make adjustments to the Preferred Share 50 Index without regard to the interests of the Fund and solely with a view to the purpose of the Preferred Share 50 Index.

Calculation of the Preferred Share 50 Index and Termination of the Preferred Share 50 Index

If the computer or other facilities of BMO malfunction for any reason, calculation of the Preferred Share 50 Index levels may be delayed. The Preferred Share 50 Index Committee will calculate, determine and maintain the Preferred Share 50 Index. In the event BMO ceases to calculate the Preferred Share 50 Index the Fund may (i) find an alternative index of Canadian preferred share issues to replicate; (ii) retain its own calculation agent to replicate the Preferred Share 50 Index; (iii) pre-settle the Forward Agreement and terminate the Fund; or (iv) take such other action as may be determined by the Manager to be in the best interests of the Unitholders.

Issuer Risk

Because many preferred shares allow holders to convert preferred shares into common shares of the issuer, their market price can be sensitive to changes in the value of the issuer's common shares. To the extent that the Portfolio includes convertible preferred shares, declining common share values may also cause the value of the Portfolio's investments to decline.

Risks Relating to Reliance on the Manager and the Portfolio 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 Fund have extensive experience in managing investment portfolios; however, there is no certainty that such individuals will continue to be employees of the Manager.

The Portfolio Manager will establish and maintain the Portfolio in a manner consistent with the Investment Guidelines. The officers of the Portfolio Manager who will be primarily responsible for the portfolio management of the Portfolio have extensive experience in portfolio management; however, there is no certainty that such individuals will continue to be employees of the Portfolio Manager.

Concentration Risk

The Portfolio will be concentrated in preferred shares of Canadian issuers listed on the TSX and may be concentrated in preferred shares in specialized industries or market sectors. As a result, the Net Asset Value may be more volatile than the value of a more broadly diversified portfolio and may fluctuate substantially over short periods of time. This may have a negative impact on the value of the Units.

Portfolio Reinvestment Risk

When a preferred share is removed from the Portfolio in accordance with the Investment Criteria, it must be replaced with another preferred share. A preferred share may include a call or redemption provision that permits the issuer of such security to "call" or repurchase its securities. The existence of such provisions will, if exercised, require such a security to be removed from the Portfolio and replaced with an additional preferred share. These actions may have implicit costs to the Fund and may reduce the distributions paid to Unitholders.

At any time that the Portfolio is reinvested in accordance with the Investment Criteria, or as a result of a redemption or call provision in the terms of a preferred share, the distributions available to Unitholders may be affected as, among other things, the preferred shares included in the Portfolio upon any such reinvestment may not provide the same rate of return as the preferred shares replaced. In addition, if the call or redemption price of a preferred share is less than the volume weighted average trading price traded upon its inclusion in the Portfolio, and that preferred share is redeemed, Net Asset Value will be negatively impacted.

Counterparty Risk

On Closing, the Fund will enter into the Forward Agreement with the Counterparty (which will be a Canadian chartered bank and an affiliate of one of the Agents, provided that the Counterparty or its guarantor must have an Approved Rating). In entering into the Forward Agreement, which will be the sole material asset of the Fund, the Fund is fully exposed to the credit risk associated with the Counterparty. The possibility exists that the Counterparty will default on its obligations under the Forward Agreement. As the Fund has pre-paid its obligations under the Forward Agreement to the Counterparty, the Fund's sole asset (other than cash it may

hold from time to time and Canadian securities delivered on partial pre-settlements of the Forward Agreement) is its interest in the Forward Agreement. To secure the obligations of the Counterparty under the Forward Agreement, the Counterparty will pledge collateral in favour of the Fund with an aggregate value equal to 100% of the mark-to-market value of the exposure under the Forward Agreement and the amount of the collateral will be reset on a weekly basis to 100%. Should a bankruptcy or other similar event related to the Counterparty occur that precludes the Counterparty from performing its obligations under the Forward Agreement, the Fund would have to enforce its security interest and the Forward Agreement would be terminated. See “Risk Factors — Early Termination of the Forward Agreement” and “Overview of the Investment Structure — The Forward Agreement and Portfolio”.

Early Termination of the Forward Agreement

In the event the Forward Agreement terminates prior to the termination of the Fund, the Fund may enter into one or more new forward agreements or may amend the Trust Agreement to permit the Fund to hold the Portfolio directly. The tax consequences to Unitholders may be different in the event that the Fund holds the Portfolio directly. See “Termination of the Fund”.

Exchange Option Risk

A significant portion of the proceeds realized pursuant to the Offering may be by way of deposits under the Exchange Option. Accordingly, the Fund may be initially exposed to the value of the securities of a number of issuers. The Manager may be required to dispose of securities at prices below the prices at which they are then trading and perhaps at prices which are below what the Manager believes they are worth. This may have a negative impact on Net Asset Value during the period in which the Portfolio is being established. No assurance can be given that this will not adversely and materially affect the performance of the Fund in the near term. Additionally, the price of these securities on the Closing Date may be higher or lower than the price that was used to calculate the Exchange Ratios for such securities. Notwithstanding any such change, the Exchange Ratios will not, unless otherwise disclosed, change from the date on which they are established and, accordingly, if the price of an Exchange Eligible Security on the Closing Date is less than the price used to calculate the Exchange Ratio, the Fund will in effect pay more to acquire the Exchange Eligible Securities than it would if it had acquired the same security in the market on the Closing Date.

Risks Relating to the Trading Price of the Class A 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. Class A 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.

Risks Relating to the Taxation of the Fund

In determining its income for tax purposes, the Fund will not treat the acquisition of Canadian Securities Portfolio securities under the Forward Agreement as a taxable event and will treat gains or losses on any disposition of Canadian Securities Portfolio securities acquired under the Forward Agreement as capital gains and losses. No advance income tax ruling has been requested or obtained from the CRA regarding the timing or characterization of the Fund’s income, gains or losses.

If, contrary to the advice of counsel to the Fund, whether through the application of the general anti-avoidance rule or otherwise, or as a result of a change of law, the acquisition of Canadian Securities Portfolio securities under the Forward Agreement were a taxable event or if gains realized on the sale of Canadian Securities Portfolio securities acquired under the Forward Agreement were treated other than as capital gains on the sale of such securities, after-tax returns to Unitholders would be reduced.

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.

On September 16, 2004, the Minister of Finance (Canada) released Tax Proposals under which a trust would lose its status as a mutual fund trust if the aggregate fair market value of all units issued by the trust held by one or more non-residents (including partnerships with one or more non-resident members) is more than 50% of the aggregate fair market value of all units issued by the trust where more than 10% (based on fair market value) of the trust's property is "taxable Canadian property" within the meaning of the Tax Act or certain other types of specified property. Such draft amendments do not provide any means of rectifying a loss of mutual fund trust status. On December 6, 2004, the Minister of Finance (Canada) tabled a Notice of Ways and Means Motion which did not include these proposed changes. The Minister of Finance (Canada) has suspended implementation of those proposed changes pending further consultation with interested parties. Under the Trust Agreement, the Fund is restricted from acquiring investments that are "taxable Canadian property" as such term is defined in the Tax Act (without reference to paragraph (b) of that definition) or other types of specified property. If the Fund were not to qualify as a mutual fund trust at all times, the income tax consequences described under the heading "Income Tax Considerations" would in some respects be materially and adversely different.

No Ownership Interest Risk

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

Changes in Legislation and Regulatory Risk

There can be no assurance that certain laws applicable to the Fund, including income tax laws and the treatment of trusts under the Tax Act, will not be changed in a manner which adversely affects the Fund or Unitholders. If such laws change, such changes could have a negative effect upon the value of the Portfolio and upon the investment opportunities available to the 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 the Portfolio Manager and their respective directors and officers may engage in the promotion, management or investment management of one or more funds or trusts with similar investment objectives and/or investment strategies to those of the Fund. Although none of the directors or officers of the Manager or the Portfolio Manager will devote his or her full time to the undertaking and affairs of the Fund or the Portfolio, as applicable, such applicable directors and officers of the Manager and the Portfolio 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 or the Portfolio, as applicable, and the Manager or the Portfolio Manager, as applicable.

The Counterparty may have relationships with any or all of the issuers whose securities are included in the Portfolio which could conflict with the interests of the Fund. In addition, the Counterparty will provide leverage which may constitute a conflict of interest.

The Fund may be considered to be a connected issuer of one of the Agents under applicable securities legislation as it is an affiliate of the Counterparty. The Fund may be considered to be a connected issuer of BMO under applicable securities legislation as BMO is an affiliate of the Portfolio Manager and is the Exchange Dealer. In addition, BMO administers the Preferred Share 50 Index which may constitute a conflict of interest.

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 monthly and annual redemption rights 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 an alternative option of monthly or 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”.

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.

Liquidity of Class F Units

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

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

The Fund intends to make quarterly tax-advantaged distributions to Unitholders. The Fund will not have a fixed quarterly distribution amount but intends to, at least annually, set distribution targets based on the Manager's, in consultation with the Portfolio Manager, estimate of expected returns on the Portfolio for the period. Based on current estimates and the assumptions set out below, the Fund's initial distribution target is expected to be \$0.3125 per Unit per quarter, representing an initial yield on the Unit issue price of 5.0% per annum, consisting primarily of returns of capital which are not immediately taxable but which reduce a Unitholder's adjusted cost base of its Units. The initial quarterly distribution will be payable to Unitholders of record on June 29, 2012 and will be paid no later than July 16, 2012. The first distribution will be pro rated to reflect the period from the Closing Date to June 30, 2012. Based on current estimates and assuming (i) an aggregate size of the Offering of \$100 million; (ii) the employment of the investment strategy as described under "Investment Strategy"; (iii) the use of leverage as described herein; (iv) the fees and expenses described under "Fees and Expenses"; and (v) the current price and yield of the preferred shares anticipated to be included in the Portfolio, it is expected that the Fund will be able to pay such distributions at the initial target level and maintain a stable Net Asset Value. If the return on the Portfolio or the increase in the value of the Portfolio is less than the amount necessary to fund the quarterly distributions (through partial settlement of the Forward Agreement) and all expenses of the Fund and if the Manager chooses to nevertheless effect settlements of the Forward Agreement to ensure that such quarterly distributions are paid to Unitholders, this will result in a portion of the capital of the Fund being returned to Unitholders and, accordingly, Net Asset Value per Unit would be reduced. The Manager will review such distribution policy from time to time and the distribution amount may change from time to time. **The amount of quarterly distributions may fluctuate from quarter to quarter and there can be no assurance as to the amount of the targeted distributions or that the Fund will make any distribution in any particular quarter.**

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 and net realized capital gains 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. 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 "Income Tax Considerations".

PURCHASES OF SECURITIES

The Fund proposes to offer Class A Units and Class F Units at a price of \$25.00 per Unit (with a minimum subscription of 100 Units for \$2,500). The Class F Units are designed for fee-based accounts and will not be listed on a stock exchange but will be convertible into Class A Units on a weekly basis. 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 May 18, 2012, or such later date as may be agreed upon by the Fund and the Agents, but in any event no later than the date that is 90 days after the receipt is issued for the final prospectus of the Fund. The distribution price was determined by negotiation between the Agents and the Fund. See "Plan of Distribution".

Method to Purchase Units

Prospective purchasers may acquire Units either by (i) cash payment or (ii) an exchange of freely tradeable securities of any issuer listed below (each, an "Exchange Eligible Issuer"). The maximum number of securities of any one Exchange Eligible Issuer that the Fund may acquire under the Offering pursuant to an exchange of securities of an Exchange Eligible Issuer (the "Exchange Option") is the lesser of (i) that number of securities

with a fair market value which constitutes 9.9% of the equity value of such Exchange Eligible Issuer for purposes of section 122.1 of the Tax Act; and (ii) that number which would constitute 10% of the net assets of the Fund (such lesser number being referred to as the “Maximum Ownership Level”). To the extent the Maximum Ownership Level has been achieved in respect of the securities of any one Exchange Eligible Issuer, and an excess of securities of such Exchange Eligible Issuer above the Maximum Ownership Level has been deposited and not rescinded, then the securities of such Exchange Eligible Issuer will be accepted by the Manager up to the Maximum Ownership Level and the balance will be re-credited *pro rata* to purchasers’ accounts through CDS.

A purchaser who holds securities of an Exchange Eligible Issuer as capital property may realize a capital gain or capital loss on the exchange of securities of an Exchange Eligible Issuer for Units pursuant to the Exchange Option. See “Income Tax Considerations — The Exchange Option”.

Exchange Option Procedure

A prospective purchaser of Units who elects to pay for such Units by using the Exchange Option must do so by means of a book-entry deposit with Computershare Investor Services Inc., as the Exchange Agent through CDS. Such book-entry deposits must be made prior to 5:00 p.m. (Toronto time) on April 26, 2012 by a CDS Participant. However, CDS Participants may have an earlier deadline for receiving instructions from its clients to deposit securities into the Exchange Option. Once submitted to the Exchange Agent through CDS, deposit of securities of an Exchange Eligible Issuer under the Exchange Option (including the transfer authorized thereby) is, subject to the completion of the Offering, irrevocable unless withdrawn as described below under the heading “Rescission”. By authorizing a deposit of securities of an Exchange Eligible Issuer under the Exchange Option through CDS, a prospective purchaser authorizes the transfer to the Fund of each such security and represents and warrants that the prospective purchaser has full right and authority to transfer the securities and is the beneficial owner of such securities, that such securities have not previously been conveyed, that the transfer of such securities is not prohibited by laws applicable to the prospective purchaser and that such securities are free and clear of all liens, encumbrances and adverse claims. Such representations and warranties will survive the issuance of Units in exchange for such securities of Exchange Eligible Issuers. The Manager’s interpretation of the terms and conditions of the Exchange Option will be final and binding. The Manager reserves the right to waive any conditions of the Exchange Option (other than the Maximum Ownership Level) and to accept or reject, in whole or in part, any deposit of securities made pursuant to the Exchange Option for any reason including, without limitation, an unfavourable relationship between the Exchange Ratio as described below and the value of the securities of the Exchange Eligible Issuer.

There can be no assurance that the Fund will accept deposits of securities made pursuant to the Exchange Option. If for any reason securities of an Exchange Eligible Issuer deposited pursuant to the Exchange Option are not acquired by the Fund, the holders of such securities will be notified of such fact as soon as practicable following the closing or the termination of the Offering, as the case may be, and such securities will be recredited to their accounts through CDS.

Determination of Exchange Ratios

The number of Units issuable in exchange (the “Exchange Ratio”) for the securities of an Exchange Eligible Issuer deposited by a prospective purchaser pursuant to the Exchange Option will be determined by dividing the volume weighted average trading price of such securities on the TSX during the five consecutive trading days ending on April 26, 2012 (the “Pricing Period”), as adjusted to reflect dividends declared by any Exchange Eligible Issuer that will not be received by the Fund, by \$25.00. For greater certainty, the distribution payable on the securities of any Exchange Eligible Issuer that are deposited under the Exchange Option and which have a record date before the Closing will be received by the prospective purchaser who deposited such securities and not by the Fund. The Exchange Ratios will be rounded down to four decimal places. If a prospective purchaser of Units deposits securities of one or more Exchange Eligible Issuers pursuant to the Exchange Option, and if the exchange of such securities for Units would otherwise result in the issuance of a fractional Unit, the Fund will, after the applicable withdrawal period has expired, forward a cash payment to CDS equal to \$25.00 multiplied by such fraction of a Unit, in lieu of issuing a fractional Unit.

Delivery of Final Prospectus

Each prospective purchaser who authorizes the deposit of securities of an Exchange Eligible Issuer through CDS by 5:00 p.m. (Toronto time) on April 26, 2012 will be furnished with a copy of the final prospectus relating to the Offering.

The Fund will issue a press release as soon as practicable after the close of business on April 26, 2012 announcing for each of the Exchange Eligible Issuers, the name of the Exchange Eligible Issuer, the volume weighted average trading price of the Exchanged Securities during the Pricing Period and the Exchange Ratio.

Rescission

A purchaser may rescind its purchase of Units hereunder by a written notice of rescission which must be received by the CDS Participant who effected such deposit on or before midnight on the second Business Day after the later of (i) receipt or deemed receipt of the final prospectus related to the Offering and any amendment thereto or (ii) the date on which the press release referred to above is issued. Any such notice of rescission must specify the securities of each Exchange Eligible Issuer to be so rescinded and the name of the prospective purchaser. A prospective purchaser also has the rights described under "Purchasers' Statutory Rights of Withdrawal and Rescission".

Exchange Eligible Issuers

The tables below list the securities that may be accepted by the Fund pursuant to the Exchange Option, including the name of the Exchange Eligible Issuer, the applicable CUSIP and ISIN number and the ticker symbol.

Name	TSX Symbol	CUSIP	ISIN
Brookfield Asset Management Inc., Series 2	BAM.PR.B	112585203	CA1125852030
Brookfield Asset Management Inc., Series 10	BAM.PR.H	112585708	CA1125857088
Brookfield Asset Management Inc., Series 22	BAM.PR.P	112585120	CA1125851206
BCE Inc., Series AK	BCE.PR.K	05534B679	CA05534B6796
BCE Inc., Series AG	BCE.PR.G	05534B737	CA05534B7372
Bank of Montreal, Series 13	BMO.PR.J	063671812	CA0636718128
Bank of Montreal, Series 23	BMO.PR.P	063671747	CA0636717476
Bank of Nova Scotia, Series 14	BNS.PR.L	064149784	CA0641497841
Bank of Nova Scotia, Series 15	BNS.PR.M	064149776	CA0641497767
Bank of Nova Scotia, Series 32	BNS.PR.Z	064149610	CA0641496108
Canadian Imperial Bank of Commerce, Series 35	CM.PR.L	136069481	CA1360694816
Canadian Utilities Ltd, Series Y	CU.PR.C	136717691	CA1367176916
Enbridge Inc., Series B	ENB.PR.B	29250N709	CA29250N7099
Enbridge Inc., Series F	ENB.PR.F	29250N865	CA29250N8659
Great-West Lifeco Inc., Series I	GWO.PR.I	39138C866	CA39138C8667
Manulife Financial Corp., Series 1	MFC.PR.A	56501R304	CA56501R3045
Manulife Financial Corp., Series 2	MFC.PR.B	56501R403	CA56501R4035
Manulife Financial Corp., Series 4	MFC.PR.D	56501R809	CA56501R8093
National Bank of Canada, Series 15	NA.PR.K	633067715	CA6330677155
Power Financial Corp., Series E	PWF.PR.F	73927C886	CA73927C8869
Power Financial Corp., Series M	PWF.PR.M	73927C811	CA73927C8117
Royal Bank of Canada, Series AA	RY.PR.A	780085445	CA7800854456
Royal Bank of Canada, Series AB	RY.PR.B	780085247	CA7800852476
Royal Bank of Canada, Series AE	RY.PR.E	780102760	CA7801027607
Sun Life Financial Inc., Series 1	SLF.PR.A	866796204	CA8667962044
Sun Life Financial Inc., Series 2	SLF.PR.B	866796303	CA8667963034
Sun Life Financial Inc., Series 6R	SLF.PR.F	866796709	CA8667967092
Toronto-Dominion Bank, The, Series AG	TD.PR.G	891145799	CA8911457999
Toronto-Dominion Bank, The, Series AI	TD.PR.I	891145773	CA8911457734
Toronto-Dominion Bank, The, Series AK	TD.PR.K	891145740	CA8911457403

Sale by the Fund of the Securities of Exchange Eligible Issuers

Subject to the Manager's right to accept or reject, in whole or in part, any deposit of securities made pursuant to the Exchange Option, promptly following receipt and acceptance by the Fund of securities of any Exchange Eligible Issuer (other than preferred shares), the Fund will sell such securities in the open market or to the Exchange Dealer. If the Fund receives and accepts preferred shares pursuant to the Exchange Option, the Fund will sell such preferred shares to the Exchange Dealer, which will then re-sell such securities to the Counterparty at the applicable market prices. The Exchange Dealer will receive a commission not greater than 0.25% of the purchase price for any such securities purchased by it. In the event that the Counterparty determines not to hedge its exposure by acquiring preferred shares from the Exchange Dealer, the Exchange Dealer will have the option to put the securities of any Exchange Eligible Issuer acquired by it back to the Fund at the applicable acquisition price paid for such securities, less the amount of the applicable commission to which the Exchange Dealer is entitled.

REDEMPTION OF SECURITIES

Annual Redemptions

Class A Units and Class F Units may be redeemed on an Annual Redemption Date, subject to certain conditions. In order to effect such a redemption, the Units must be surrendered during the period from October 15 until 5:00 p.m. (Toronto time) on the last Business Day in October in the year of redemption (the "Notice Period"), subject to the Fund's right to suspend redemptions in certain circumstances. Units properly surrendered for redemption during the Notice Period will be redeemed on the Annual Redemption Date and the Unitholder surrendering such Units will receive payment on or before the Redemption Payment Date. Redeeming Unitholders will be entitled to receive a redemption price in an amount 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 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. By virtue of the Forward Agreement, the Annual Redemption Price will be dependent upon the performance of the Portfolio. 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 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. In order to effect such a redemption, the Units must be surrendered by no later than 5:00 p.m. (Toronto time) on the date which is the last Business Day of the month preceding the month in which the Monthly Redemption Date falls, subject to the Fund's right to suspend redemptions in certain circumstances. Units properly surrendered for redemption within such period will be redeemed on the Monthly Redemption Date and the Unitholder surrendering such Units will receive payment on or before the Redemption Payment Date. 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.

Pre-Settling the Forward Agreement

The Fund may settle the Forward Agreement in whole or in part prior to the Scheduled Forward Termination Date in order to fund redemptions. The value of the Forward Agreement on an Annual Redemption Date or a Monthly Redemption Date, and accordingly, the Net Asset Value per Unit on an Annual Redemption Date or Monthly Redemption Date, as applicable, and the redemption price will be dependent upon the net asset value of the Portfolio.

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, the Custodian 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 Canadian Securities 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.

INCOME TAX CONSIDERATIONS

In the opinion of Stikeman Elliott LLP, counsel to the Fund, and McCarthy Tétrault 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 assumptions that the Canadian Securities Portfolio will consist solely of "Canadian securities" for purposes of the Tax Act and that the Fund will elect in accordance with the Tax Act to have each of its Canadian securities treated as capital property.

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 by the CRA 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 expresses 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.

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.

This summary is also based on the assumption that the Fund will at no time be subject to the tax for SIFT Trusts for purposes of the Tax Act. The Manager has advised counsel that the Fund will not be subject to the tax for SIFT Trusts and the investment restrictions of the Fund prohibit it from managing its investments and affairs in a manner that would result in it being subject to the tax for SIFT Trusts.

On September 16, 2004, the Minister of Finance (Canada) released Tax Proposals under which a trust would lose its status as a mutual fund trust if the aggregate fair market value of all units issued by the trust held by one or more non-residents (including partnerships with one or more non-resident members) is more than 50% of the aggregate fair market value of all units issued by the trust where more than 10% (based on fair market value) of the trust's property is "taxable Canadian property" within the meaning of the Tax Act or certain other types of specified property. Such draft amendments do not provide any means of rectifying a loss of mutual fund trust status. On December 6, 2004, the Minister of Finance (Canada) tabled a Notice of Ways and Means Motion which did not include these proposed changes. The Minister of Finance (Canada) has suspended

implementation of those proposed changes pending further consultation with interested parties. Under the Trust Agreement, the Fund is restricted from acquiring investments that are “taxable Canadian property” as such term is defined in the Tax Act (without reference to paragraph (b) of that definition) or other types of specified property. If the Fund were not to qualify as a mutual fund trust at all times, the income tax consequences described below would in some respects be materially and adversely different.

Taxation of the Fund

The Fund will be subject to tax in each taxation year under Part I of the Tax Act on the amount of its income for the year, including net realized taxable capital gains, less the portion thereof that it 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 capital gains refund in a particular taxation year may not completely offset the tax liability of the Fund for such taxation year which may arise upon the sale of Canadian Securities Portfolio securities acquired by the Fund under the Forward Agreement in connection with a redemption of Units. 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.

The Fund will not realize any income, gain or loss as a result of entering into the Forward Agreement and no amount will be included in computing the Fund’s income as a result of the acquisition of Canadian Securities Portfolio securities under the Forward Agreement. The cost to the Fund of such Canadian Securities Portfolio securities will be that portion of the aggregate amount paid by the Fund under the Forward Agreement attributable to such securities and any other costs of acquisition. Provided the Fund elects in accordance with the Tax Act to have each of its Canadian securities treated as capital property, gains or losses realized by the Fund on the sale of Canadian Securities Portfolio securities acquired under the Forward Agreement will be taxed as capital gains or capital losses.

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.

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.

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 not be included in the proceeds of disposition. 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 immediately 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. 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.

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

Based on counsel's understanding of the current published administrative policies and assessing practices of the CRA, a conversion of Class F Units into Class A Units will not constitute a disposition of such Class F Units for the purposes of the Tax Act.

The Exchange Option

A purchaser who disposes of securities of an Exchange Eligible Issuer ("Exchanged Securities") pursuant to the Exchange Option and holds such Exchanged Securities as capital property will realize a capital gain (or a capital loss) in the taxation year of the purchaser in which the disposition of Exchanged Securities takes place to the extent that the proceeds of disposition for such Exchanged Securities, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base to the purchaser of such Exchanged Securities. For this purpose, the proceeds of disposition to the purchaser will equal the aggregate of the fair market value of the Units received and the amount of any cash received in lieu of fractional Units. The cost to a purchaser of Units so acquired will be equal to the fair market value of the Exchanged Securities at the time of exchange less any cash received by the purchaser of Units.

A taxable capital gain realized upon the disposition of Exchanged Securities will be included in the purchaser's income and the purchaser will be generally entitled to deduct an allowable capital loss realized on such disposition against taxable capital gains in accordance with 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 purchaser 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.

Taxable capital gains realized by a purchaser may give rise to alternative minimum tax depending on the purchaser's circumstances.

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, the Class A Units are listed on a designated stock exchange (which includes the TSX), such 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"), registered retirement savings plan ("RRSP") or registered retirement income fund ("RRIF"), the holder of the TFSA or the annuitant of the RRSP or RRIF, as the case may be, will be subject to a penalty tax as set out in the 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 the annuitant of the RRSP or RRIF, as the case may be, or in which such holder or annuitant 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 or annuitant, either alone or together with persons and partnerships with whom the holder or annuitant does not deal at arm's length. Holders of TFSAs and annuitants of RRSPs and RRIFs should consult with their own 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 is a leading provider of investment products, having raised approximately \$2.2 billion in assets. The Manager is part of the Connor, Clark & Lunn Financial Group, a multi-boutique asset management firm whose affiliated managers are collectively responsible for the investment of over \$38 billion in assets as at December 31, 2011. 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 is also responsible for providing, or causing to be provided, portfolio management services to the Fund.

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 fulfill its fiduciary responsibilities; 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 and monitor the Fund's investment strategy and ensure 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 the 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 assets held by the Fund or for any loss or diminution in the value of such assets 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 willful 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 at least 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 the Unitholders. 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 the Unitholders and the 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 it 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 willful 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 the Portfolio 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 March 31. 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:

<u>Name and municipality of residence</u>	<u>Position with the Manager</u>	<u>Principal occupation</u>
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 and Chairman	Managing Partner, Connor, Clark & Lunn Financial Group
Darren N. Cabral Toronto, Ontario	Director, Vice-President and Chief Financial Officer	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 and became Chief Financial Officer on April 27, 2011.

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 Private Capital, 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 Private Capital 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.

The Manager of the Portfolio

Pursuant to a management agreement, the Counterparty will retain the Manager to establish and maintain the Portfolio. The Manager will engage the Portfolio Manager, to whom it will delegate its authority to manage the Portfolio in accordance with the Investment Criteria. The Manager will be responsible for paying the fees of the Portfolio Manager out of the Management Fee.

The Portfolio Manager of the Portfolio

The Manager on behalf of the Fund and the Counterparty will retain the Portfolio Manager to manage the Portfolio. The Portfolio Manager will provide portfolio management services for the Portfolio. The Portfolio Manager had over \$40 billion in total assets under management as at December 31, 2011 and is wholly-owned subsidiary of the Bank of Montreal. Its clients include pension funds, endowments, trusts, insurance company reserves, corporations and mutual funds. The Portfolio Manager's office is located at 250 Yonge Street, 9th Floor, Toronto, Ontario M5B 2M8.

A description of the experience and background of the individuals at the Portfolio Manager that will have primary responsibility for the Portfolio is set out below.

Kevin Gopaul (Senior Vice-President and Chief Investment Officer): Mr. Gopaul has extensive industry experience in global Index and active strategies. Prior to joining BMO Financial Group, Mr. Gopaul served as Principal, Portfolio Manager at Barclays Global Investors Canada Ltd where he played an integral role in overseeing the management of \$11 billion in Exchange Traded Funds and Institutional mandates. In addition to his current responsibilities at BMO Asset Management Inc., Mr. Gopaul continues to be an active participant in the financial services industry, serving as a member of the Standard & Poor's Advisory Panel, and the Dow Jones Global Index Committee. Mr. Gopaul studied Economics, Finance and Computer Science at the University of Waterloo.

Alfred Lee (Vice-President and Investment Strategist): Mr. Lee is a member of the ETFs & Global Structured Investment team where he develops portfolio strategies based on market related trends. Prior to joining BMO Financial Group, Mr. Lee spent four years at a large Canadian-based brokerage where he led the firm's Exchange Traded Product (ETP) Strategy and Research initiatives while concurrently covering commodities, foreign exchange and international markets (Europe and Asia macro). In this role, Mr. Lee also sat on an investment committee that managed two active equity strategies for the brokerage. Prior to this, Mr. Lee spent four years at a pension consulting unit of a major bank, working on asset allocation and alpha/beta strategies. He holds a BA in Economics and Psychology from the University of Western Ontario and is a CFA charter holder. In addition, he holds the Chartered Market Technician (CMT) and Derivatives Market Specialist (DMS) designations.

Mark Raes (Portfolio Manager): Mr. Raes is the manager of fixed income portfolios, co-manages derivatives trading and equity portfolios, and serves as an operational specialist to the BMO ETF team.

Mr. Raes has spent more than two-thirds of his 13-year career in the financial services industry working with Exchange Traded Funds. His past work has involved overseeing performance measurement at Mackenzie Financial and fund operations for BGI Canada at Investor's Bank & Trust. He holds a BBA in Finance from Wilfrid Laurier University, an MBA from York University, and is a CFA charter holder.

Details of the Portfolio Manager's Obligations under the Portfolio Management Agreement

Pursuant to the Portfolio Management Agreement, the Portfolio 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 the Counterparty and, in connection therewith, shall exercise the degree of care, diligence and skill that a reasonably prudent portfolio manager would exercise in similar circumstances. The Portfolio Management Agreement provides that the Portfolio Manager shall not be liable in any way for any default, failure or defect in the Portfolio or for any loss or diminution in the value of the Portfolio or other loss or damage suffered 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 Portfolio Manager will, however, incur liability in cases of willful misconduct, bad faith or negligence or breach of its obligations under the Portfolio Management Agreement.

The Portfolio Manager may resign as portfolio manager of the Portfolio upon at least 60 days' notice to the Manager or upon such lesser notice period as the Manager may accept. If the Portfolio Manager resigns it may appoint its successor but, unless its successor is an affiliate of the Portfolio Manager, its successor must be approved by the Manager on behalf of the Fund and the Counterparty. If the Portfolio Manager is in material default of its obligations under the Portfolio Management Agreement and such default has not been cured within 30 business days after notice of same has been given to the Portfolio Manager, the Manager may remove the Portfolio Manager and appoint a successor portfolio manager. The Manager may also remove the Portfolio Manager and appoint a successor portfolio manager on 90 days notice to the Portfolio Manager. The Portfolio Manager shall provide a compliance certificate to the Manager on a quarterly basis confirming that the Portfolio Manager is not in breach of the Portfolio Management Agreement, or, if it is, setting out any breaches in reasonable detail.

The Portfolio Manager is entitled to fees for its services under the Portfolio Management Agreement and will be reimbursed for all reasonable costs and expenses incurred by it in managing the Portfolio, such fees and expenses to be paid by the Manager.

The Portfolio Manager and each of its directors, officers, employees and agents will be indemnified by the Manager 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 Portfolio Manager or any of its officers, directors, employees or agents in the exercise of its duties as portfolio manager, except those resulting from the Portfolio Manager's willful misconduct, bad faith or negligence or the Portfolio Manager's failure to meet the standard of care set forth above.

Trustee of the Fund

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 at least 60 days' notice to the Manager and to Unitholders. The Trustee may be removed with the approval of a simple majority vote cast at a meeting of Unitholders or 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 of the Trustee 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, and its officers, directors, employees and 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 Net Asset Value, 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 18 York Street, Suite 2600, Toronto ON M5J 0B2.

Transfer Agent and Registrar and Exchange Agent

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, register transfers of the Units and will accept deposits of securities of Exchange Eligible Issuers.

Exchange Dealer

BMO Nesbitt Burns Inc. may purchase securities of Exchange Eligible Issuers from the Fund and may sell such securities in the open market. The Exchange Dealer will have the option to sell such securities back to the Fund. The Exchange Dealer is located in Toronto, Ontario.

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 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 assets 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 assets 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 assets 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) 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;
- (f) 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;
- (g) the value of the Forward Agreement and any other 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 Agreement or any other forward contract or other derivatives were closed out in accordance with its terms; and
- (h) 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 will not be listed on a stock exchange but will be convertible into Class A Units on a weekly basis. 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 per Unit 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 assets 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 of securities held by the Fund. See "Proxy Voting Disclosure for Portfolio Securities Held".

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; (iii) by way of unit distribution; or (iv) pursuant to any offering of rights, warrants or options to existing Unitholders to acquire Units.

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

A holder of Class F Units may convert such Class F Units into Class A Units on a weekly basis 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 such 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 and any fractional amounts will be rounded down to the nearest whole number of Class A Units. Based on counsel's understanding of the CRA's current

administrative practice, a conversion of Class F Units into Class A Units will not constitute a disposition of such Class F Units for the purposes of the Tax Act. See “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 Class A 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 Class F Units. 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 Class F Units and to tender such units to the Class F 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, 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 more than 14 days later and to such time and place as may be appointed by the chairman of the meeting (which for greater certainty can be at a later time on the date of the originally scheduled meeting), and if at such adjourned meeting a quorum is not present, the Unitholders present in person or by proxy at such adjourned meeting will be deemed to constitute a quorum.

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) 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 other than (i) by way of unit distribution or (ii) pursuant to any offering of rights, warrants or options to existing Unitholders to acquire Units; and

- (i) 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;
- (e) in the event the Forward Agreement terminates prior to the termination of the Fund, enter into a new forward agreement or amend the Trust Agreement to permit the Fund to hold a portfolio of securities, provided that notwithstanding the above, the Fund will provide at least 30 days notice to Unitholders of any such action by way of press release;
- (f) provide added protection or benefit to Unitholders; or
- (g) make such modifications as may be necessary or desirable in connection with the termination of the Forward Agreement prior to the Forward Termination Date as a result of the termination of the Fund as described under “Termination of the Fund”.

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 does not have a fixed termination date. However, the Fund may be terminated at any time provided that the prior approval of Unitholders has been obtained by an Extraordinary Resolution at a meeting of Unitholders called for that purpose (the “Termination Date”) or in the event that a replacement Forward Agreement cannot be entered into by the Fund on commercially reasonable terms satisfactory to the Manager on or before the Forward Termination Date; provided, however, that the Manager may, in its discretion, on at least 60 days’ notice to Unitholders, terminate the Fund without the approval of Unitholders if, in the opinion of the Manager, it would be in the best interests of Unitholders to terminate the Fund including in the event the Preferred Share 50 Index ceases to be calculated. The Fund will also issue a press release ten days prior to the Termination Date setting forth the details of the termination including the fact that, upon termination, the net

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

In the event the Forward Agreement terminates prior to the termination of the Fund, the Fund may enter into a new forward agreement or amend the Trust Agreement to permit the Fund to hold a portfolio of securities. Although these actions do not require Unitholder approval, the Fund will provide at least 30 days' notice to the 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. See "Risk Factors — Risks Relating to Redemptions".

Upon termination, the Trust Agreement provides that 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, which will include cash and, to the extent liquidation of certain assets is not practicable or the Manager considers such liquidation not to be appropriate prior to 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 \$25.00 per Unit upon any termination of the Fund.

USE OF PROCEEDS

The net proceeds from the issue of the maximum number of Class A Units offered hereby (after payment of the Agents' fee and before deducting the expenses of the Offering) are estimated to be approximately \$118,437,500, 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 before deducting the expenses of the Offering) are estimated to be approximately \$136,203,125 (assuming only Class A Units are sold). The expenses of the Offering, which are estimated to be \$600,000 (but not to exceed 1.5% of the gross proceeds of the Offering), will be paid by the Fund out of the gross proceeds of the Offering and will be allocated *pro rata* between the Class A Units and the Class F Units. The Fund will use the net proceeds of the Offering (including any net proceeds from the exercise of the Over-Allotment Option) to pre-pay its purchase obligations under the Forward Agreement with the Counterparty. Under the Forward Agreement, the Fund will, on or about the Forward Termination Date, acquire the Canadian Securities Portfolio from the Counterparty having an aggregate value equal to the Portfolio net of any amount owing by the Fund to the Counterparty. The Fund may also directly hold a small amount of the same securities as are held in the Canadian Securities Portfolio.

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 \$25.00 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 \$1.3125 per Class A Unit and \$0.5625 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, exercisable for a period of 30 days from the Closing Date, which gives the Agents the right to purchase 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 \$25.00 per Class A Unit and the Agents will be paid a fee of \$1.3125 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.

Subscription amounts received in trust will be held in segregated accounts with a depository who is a registered dealer, bank or trust company until the minimum amount of subscriptions for Units has been obtained. If subscriptions for a minimum of 1,000,000 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 in respect of the Class A Units may not continue without the consent of the securities regulatory authorities and those who have subscribed for Class A 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 5,000,000 (\$125,000,000). 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 May 18, 2012 or such later date as the Fund and the Agents may agree, but in any event not later than the date that is 90 days after a receipt is issued for the final prospectus of the Fund. The TSX has conditionally approved the listing of the Class A Units subject to the Fund fulfilling all of the requirements of the TSX on or before July 11, 2012, including distribution to a minimum number of public Unitholders.

On Closing, the Fund will enter into the Forward Agreement with the Counterparty (which will be a Canadian chartered bank or an affiliate thereof and an affiliate of one of the Agents, provided that the Counterparty or its guarantor must have an Approved Rating). Accordingly, the Fund may be considered to be a "connected issuer" of such Agent. See "Overview of the Investment Structure — The Forward Agreement and Portfolio". The Fund will also enter into the Exchange Agency Agreement with BMO and a portfolio management agreement with BMO Asset Management Inc. Accordingly, the Fund may be considered to be a "connected issuer" of BMO. See "Organization and Management Details of the Fund — Exchange Dealer", "Purchase of Securities" and "Organization and Management Details of the Fund — The Portfolio Manager of the Portfolio".

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 SECURITIES HELD

Policies and Procedures

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

Because the Fund does not purchase assets for the purposes of exercising control or direction over the assets, 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 assets which are no longer held by the Fund.

On the delivery of the Canadian Securities Portfolio by the Counterparty on the Forward Termination Date, the Manager acting on the Fund's behalf will retain the right to vote proxies relating to the securities in the Canadian Securities Portfolio pursuant to the Trust Agreement. The Manager will vote the proxies relating to the assets in the Canadian Securities Portfolio in the same manner and with the same restrictions as those proxies voted in relation to the other assets held by the Fund.

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 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 most recent period ended December 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;
- (b) the Agency Agreement;
- (c) the Exchange Agency Agreement; and
- (d) the Forward 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 Stikeman Elliott LLP and on behalf of the Agents by McCarthy Tétrault LLP.

The auditor of the Fund is 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. This right may be exercised 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, revisions of the price or damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that such remedies for rescission, revisions of the price or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory of residence for the particulars of these rights or consult with a legal adviser.

AUDITOR'S CONSENT

We have read the prospectus of Canadian 50 Advantaged Preferred Share Fund (the "Fund") dated April 24, 2012 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 April 24, 2012. Our report is dated April 24, 2012.

Toronto, Ontario
April 24, 2012

(Signed) PRICEWATERHOUSECOOPERS LLP
Chartered Accountants, Licensed Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Unitholder and the Manager of Canadian 50 Advantaged Preferred Share Fund (the "Fund")

We have audited the accompanying statement of net assets of the Fund as at April 24, 2012 and the related notes, which comprise 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 April 24, 2012 in accordance with Canadian generally accepted accounting principles.

(Signed) PRICEWATERHOUSECOOPERS LLP
Chartered Accountants, Licensed Public Accountants

Toronto, Ontario
April 24, 2012

CANADIAN 50 ADVANTAGED PREFERRED SHARE FUND
STATEMENT OF NET ASSETS
As at April 24, 2012

Assets	
Cash	\$25
Unitholder's Equity	
Unitholder's Equity (Note 1)	\$25

Approved on behalf of Canadian 50 Advantaged Preferred Share 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.

CANADIAN 50 ADVANTAGED PREFERRED SHARE FUND

NOTES TO STATEMENT OF NET ASSETS

As at April 24, 2012

1. ORGANIZATION AND UNITHOLDER'S EQUITY

Canadian 50 Advantaged Preferred Share Fund (the "Fund") is a closed-end investment fund established under the laws of the Province of Ontario pursuant to a trust agreement dated as of April 24, 2012. The beneficiaries of the Fund will be the holders of Class A Units and Class F Units. The Fund's investment objectives are to provide (i) tax-advantaged quarterly cash distributions consisting primarily of returns of capital; and (ii) low-cost exposure to the total return approximating that of the BMO Capital Markets 50 Preferred Share Index. The return to the Unitholders and the Fund will be dependent upon the return on the Portfolio by virtue of one or more forward purchase and sale agreements with a counterparty. 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 (collectively, the "Units"). The Fund is authorized to issue an unlimited number of transferable, redeemable Units. Prospective purchasers may acquire Units either by (i) cash payment or (ii) an exchange of freely tradeable securities of certain issuers. The Class F Units may be converted into Class A Units on a weekly basis. On April 24, 2012, the Fund was settled and issued an initial Class A Unit for cash consideration of \$25.00 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 fees approximately equal to 0.50% of the Net Asset Value by virtue of the following: (i) the Manager will receive a management fee from the Fund equal to 0.40% per annum of the Net Asset Value, calculated and accrued daily and payable monthly in arrears, plus applicable taxes; and (ii) the Counterparty will retain the Manager to establish and maintain the Portfolio and the amount of the Portfolio will be reduced by 0.10% per annum, representing a fee paid by the Counterparty to the Manager to maintain the Portfolio. The Manager will be responsible for paying the fees of the portfolio manager of the Portfolio out of this amount. The Fund will pay for all of its ongoing expenses incurred in connection with its operation and administration including counterparty fees under the forward agreement.

The expenses of the Offering are estimated to be \$600,000 (but not to exceed 1.5% of the gross proceeds of the Offering), which will be paid by the Fund.

Class A Units and Class F Units may be redeemed on the second to last Business Day of November of each year, commencing in 2013 (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 to last Business Day of each month other than, commencing in 2013, November (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 (the "TSX") (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 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).

2. SIGNIFICANT ACCOUNTING POLICIES

This financial statement has 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 and liabilities. 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 statement.

CANADIAN 50 ADVANTAGED PREFERRED SHARE FUND
NOTES TO STATEMENT OF NET ASSETS (Continued)
As at April 24, 2012

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 with a Canadian financial institution. 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

The Fund, the Manager and the portfolio manager of the Portfolio have entered into an agency agreement with BMO Nesbitt Burns Inc., CIBC World Markets Inc., RBC Dominion Securities Inc., Scotia Capital Inc., TD Securities Inc., National Bank Financial Inc., GMP Securities L.P., Macquarie Private Wealth Inc., Canaccord Genuity Corp., Raymond James Ltd. and Mackie Research Capital Corporation (collectively, the "Agents") dated as of April 24, 2012, 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 1,000,000 Class A Units at \$25.00 per Unit. The maximum number of Class A Units and/or Class F Units that will be sold is 5,000,000 (\$125,000,000). In consideration for their services in connection with the Offering, the Agents will be paid a fee of \$1.3125 per Class A Unit and \$0.5625 per Class F Unit out of the proceeds of the Offering.

CERTIFICATE OF THE FUND, THE MANAGER AND THE PROMOTER

Dated: April 24, 2012

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 and on behalf of

Canadian 50 Advantaged Preferred Share Fund

By: (Signed) W. NEIL MURDOCH
Chief Executive Officer

By: (Signed) DARREN N. CABRAL
Chief Financial Officer

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

By: (Signed) W. NEIL MURDOCH
Director

By: (Signed) DARREN N. CABRAL
Director

By: (Signed) MICHAEL FREUND
Director

Connor, Clark & Lunn Capital Markets Inc.
as Promoter

By: (Signed) W. NEIL MURDOCH
Chief Executive Officer

CERTIFICATE OF THE AGENTS

Dated: April 24, 2012

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.

CIBC WORLD MARKETS INC.

RBC DOMINION SECURITIES INC.

By: (Signed) ROBIN G. TESSIER

By: (Signed) MICHAEL D. SHUH

By: (Signed) EDWARD V. JACKSON

SCOTIA CAPITAL INC.

TD SECURITIES INC.

NATIONAL BANK FINANCIAL INC.

By: (Signed) BRIAN D. MCCHESENEY

By: (Signed) CAMERON GOODNOUGH

By: (Signed) TIMOTHY EVANS

GMP SECURITIES L.P.

MACQUARIE PRIVATE WEALTH INC.

By: (Signed) NEIL SELFE

By: (Signed) BRENT LARKAN

CANACCORD GENUITY CORP.

RAYMOND JAMES LTD.

By: (Signed) RON SEDRAN

By: (Signed) J. GRAHAM FELL

MACKIE RESEARCH CAPITAL CORPORATION

By: (Signed) DAVID J. KEATING

CANADIAN *50*
ADVANTAGED
PREFERRED SHARE FUND