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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

May 28, 2014

EURO Capital BANC Securities Trust

Maximum \$125,000,000 (12,500,000 Units)

Euro Banc Capital Securities Trust is a non-redeemable investment fund established under the laws of the Province of Ontario. The Fund proposes to offer Units at a price of \$10.00 per Unit.

The Fund’s investment objectives are to (i) provide quarterly cash distributions; and (ii) preserve capital, in each case through investment in a portfolio consisting primarily of investment grade and non-investment grade Capital Securities issued by European financial institutions that have an investment grade issuer rating, actively managed by Cairn Capital Limited. The Indicative Portfolio is approximately equally divided between investment grade and non-investment grade securities; however, there are no limits on the amount of non-investment grade Capital Securities that the Fund may hold. See “Investment Objectives”, “Risk Factors” and “Distribution Policy”.

Capital Securities are subordinated capital instruments (excluding common equity) issued by financial institutions that are designed to meet the regulatory capital requirements of the issuer’s regulator. See “Overview of the Sector that the Fund Invests In” and “Risk Factors” for a description of the features and risks of Capital Securities including Legacy Capital Securities and Compliant Capital Securities.

Cairn Capital Limited, a specialist credit asset management and advisory business established in 2004 with US\$21.6 billion of assets under management and advice as at March 31, 2014 (together with its affiliates), comprised of US\$2.6 billion of discretionary assets under management, US\$4.7 billion of legacy assets under management and US\$14.3 billion of assets under long term advice, will act as the investment manager of the Fund in connection with the selection, purchase and sale of Capital Securities. Aston Hill Capital Markets Inc. will act as the manager of the Fund. See “Organization and Management Details of the Fund — The Manager”.

Price: \$10.00 per Unit Minimum purchase: 100 Units

	Price to the public ⁽¹⁾	Agents’ fee	Net proceeds to the Fund ⁽²⁾
Per Unit	\$ 10.00	\$ 0.525	\$ 9.475
Minimum total Offering ⁽³⁾⁽⁴⁾	\$ 20,000,000	\$1,050,000	\$ 18,950,000
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 \$650,000 in total (but not to exceed 1.5% of the gross proceeds of the Offering) which, together with the Agents’ fee, will be paid by the Fund from the proceeds of the Offering.
- (3) There will be no closing unless a minimum of 2,000,000 Units are sold. If subscriptions for such minimum have not been received within 90 days after a final receipt for this prospectus is issued, the Offering may not continue and subscription proceeds will be returned to subscribers, without interest or deduction, unless an amendment to this prospectus is filed.
- (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 offer additional Units in an amount up to 15% of the aggregate number of Units sold on the Closing Date on the same terms as set forth above solely to cover over-allocations, 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 Units issuable on the exercise of the Over-Allotment Option. A purchaser who acquires Units forming part of the Agents’ over-allocation position acquires such 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”.

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Units may be redeemed on an annual and monthly basis, subject to certain conditions. Pursuant to the Recirculation Agreement, BMO Nesbitt Burns Inc. may resell Units tendered for redemption. See “Redemption of Securities”, “Redemption of Securities — Resale of Securities Tendered for Redemption” and “Risk Factors — Risks Relating to Redemptions”.

The Fund will have a term of approximately 10 years, terminating on or about July 31, 2024. See “Termination of the Fund”.

There is no guarantee that an investment in the Fund will earn any positive return during the short- or long-term 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. See “Risk Factors”.

The TSX has conditionally approved the listing of the Units. Listing is subject to the Fund fulfilling all of the requirements of the TSX on or before August 5, 2014, including distribution of the Units to a minimum number of public securityholders.

The Fund may enter into a credit facility with a Canadian chartered bank or an affiliate thereof, which may be an affiliate of one of the Agents. Accordingly, the Fund may be considered to be a “connected issuer” of such Agent or Agents. See “Organization and Management Details of the Fund — The Manager” and “Plan of Distribution”.

BMO Nesbitt Burns Inc., Scotia Capital Inc., CIBC World Markets Inc., RBC Dominion Securities Inc., TD Securities Inc., GMP Securities L.P., National Bank Financial Inc., Canaccord Genuity Corp., Raymond James Ltd., Burgeonvest Bick Securities Limited, Desjardins Securities Inc., Dundee Securities Ltd., Mackie Research Capital Corporation and Manulife Securities Incorporated, 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. Closing is expected to occur on or about June 24, 2014, 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”.

FUND OVERVIEW

The Fund was established to invest in a portfolio consisting primarily of Capital Securities issued by European financial institutions that have an investment grade issuer rating, actively managed by Cairn Capital Limited. See “Investment Objectives”, “Investment Strategy” and “Overview of the Sector that the Fund Invests In”.

DESCRIPTION OF THE OFFERING

The Issuer: The Fund is a non-redeemable investment fund established under the laws of the Province of Ontario and governed by the Trust Agreement. See “Overview of the Structure of the Fund”.

The Offering: The Fund is offering Units at a price of \$10.00 per Unit. See “Purchases of Securities”, “Plan of Distribution” and “Fees and Expenses”.

Investment Objectives: The Fund’s investment objectives are to (i) provide quarterly cash distributions; and (ii) preserve capital, in each case through investment in a portfolio consisting primarily of investment grade and non-investment grade Capital Securities issued by European financial institutions that have an investment grade issuer rating, actively managed by the Investment Manager. Capital Securities are subordinated capital instruments (excluding common equity) issued by financial institutions that are designed to meet the regulatory capital requirements of the issuer’s regulator. See “Investment Objectives”.

Investment Strategy: The Fund will seek to achieve its investment objectives by investing in a diversified portfolio consisting primarily of Capital Securities issued by European financial institutions that have an investment grade issuer rating. The Indicative Portfolio is approximately equally divided between investment grade and non-investment grade securities; however, there are no limits on the amount of non-investment grade Capital Securities that the Fund may hold. The Investment Manager will generally seek to make investments in Capital Securities issued by large, well-capitalized financial institutions or financial institutions where the Investment Manager believes that the recapitalization process is on a path to recovery, in each case that are domiciled in Europe. The Portfolio’s exposure to non-systemically important issuers with capital shortfalls is therefore expected to be limited and opportunistic in nature. The Investment Manager also intends to limit the Portfolio’s exposure to peripheral countries in Europe. The Portfolio’s exposure to Capital Securities issued by financial institutions domiciled in jurisdictions outside of Europe will be limited to no more than 20% of Total Assets. See “Investment Strategy”.

The Investment Manager will seek to derive the optimal risk-adjusted return from investing in Capital Securities issued primarily by European financial institutions that have an investment grade issuer rating while maintaining a balanced portfolio risk profile. The Portfolio will initially include a material proportion of Legacy Capital Securities that have already lost or will lose their capital eligibility for the issuer as a consequence of regulatory changes.

It is expected that the proportion of Compliant Capital Securities in the Portfolio will increase over time as opportunities arise in primary and secondary markets, especially as new issuers test the nascent contingent convertible capital, or CoCo, market. See “Overview of the Sector that the Fund Invests In” and “Risk Factors” for a description of the features and risks of Capital Securities including Legacy Capital Securities and Compliant Capital Securities.

The Fund’s investments may include investment grade and non-investment grade Capital Securities. The proportion of each comprising the Portfolio at any time will depend upon the investment opportunities available in the market and the rating methodology used by the rating agencies to rate the Capital Securities.

Interest Rate Hedging:

The Investment Manager will seek to hedge interest rate risks arising within the Fund using interest rate swaps. The interest rate duration of a particular holding will be determined by the Investment Manager through a reasonable estimation of call probability and any other factor affecting the potential maturity of that holding and interest rate hedging will be conducted based on that estimated duration. See “Investment Strategy”.

Currency Hedging:

The Portfolio will be invested primarily in assets denominated in Euros, U.S. Dollars and British Pounds. The Investment Manager intends to hedge substantially all of the value of the Portfolio that is denominated in any currency other than the Canadian dollar to the Canadian dollar. The Fund intends to use derivative instruments for currency hedging purposes. The Fund may use derivatives for hedging purposes only in accordance with NI 81-102. See “Investment Strategy”.

Leverage:

The Fund may employ leverage (through borrowing and/or any TRS Facility) of up to 25% of Total Assets for the purposes of acquiring assets for the Portfolio and such other short term funding purposes as may be determined by the Investment Manager, in consultation with the Manager, from time to time and in accordance with the investment strategy. Accordingly, the maximum amount of leverage that the Fund could employ is 1.33:1. Initially, the Fund is expected to employ leverage of approximately 22% of Total Assets. See “Investment Strategy” and “Risk Factors”.

Capital Securities Universe:

Capital Securities are subordinated capital instruments issued by financial institutions that are designed to meet the regulatory capital requirements of the issuer’s regulator. The Investment Manager estimates the total amount of Capital Securities in issuance by European financial institutions to be €500 to €700 billion over the next 10 years.

In response to the financial crisis, regulatory changes in Europe and around the world have created new requirements for what constitutes regulatory capital. The principal regulatory standard is Basel III, a standard on bank capital adequacy, stress testing and market liquidity risk. It was agreed upon by the members of the Basel Committee on Banking Supervision (the “Basel Committee”) in 2010-2011. In Europe, the Basel III agreement is implemented through Capital Requirements Directive 4 (“CRD4”) as of January 1, 2014, and applies to all credit institutions (including banks, insurers, building societies and investment firms). Basel III defines two categories of regulatory capital, Tier 1 capital and Tier 2 capital. Tier 1 capital provides loss absorption to ensure the financial institution remains a going-concern. Tier 1 capital includes two elements: (i) common equity

Tier 1 capital (“CET1”), which is the predominant component of Tier 1 capital and is comprised of common shares and retained earnings; and (ii) additional Tier 1 capital (“AT1”). Tier 2 capital consists of Capital Securities that provide loss absorption on a gone-concern basis.

As a result of these changes to the definition of regulatory capital, Capital Securities can generally be classified into two categories: (i) Legacy Capital Securities which are Capital Securities that have or will eventually cease to qualify as regulatory capital pursuant to the implementation of new regulatory regimes and are therefore expected to be phased out or retired in time; and (ii) Compliant Capital Securities, in the form of contingent convertibles or “CoCos” with contractual loss (write down or equity conversion) provisions and vanilla Tier 2 instruments with statutory loss absorption provisions, that are relatively newer Capital Securities that meet the criteria to qualify as regulatory capital.

Legacy Capital Securities benefit from the recapitalization process of European banks, the issuance of Compliant Capital Securities, and favourable supply/demand technicals, as no new supply is coming to the market and the Legacy Capital Securities will largely be phased-out as a result of the new regulatory rules.

Basel III and CRD4 stipulate that Legacy Capital Securities will lose capital eligibility by 10% per annum starting from January 1, 2013, with CRD4 allowing for a more aggressive amortization schedule. This means that Legacy Capital Securities will effectively be phased out over a period of 10 years. In addition, the European Banking Authority ruled in July 2013 that legacy Tier 1 instruments with “step-up” provisions, where if the instrument is not called on the first call date there is an increase in the credit spread applicable to the coupon, will not even qualify as Tier 2 capital after the first call date, which means that issuers have a strong incentive to call these instruments on the first call date. In the insurance sector, grandfathering provisions for Legacy Capital Securities are likely, but have not yet been set.

In January 2011, the Basel Committee stated that all non-common Tier 1 and Tier 2 instruments issued by an internationally active bank must have a provision that requires such instruments, at the option of the relevant authorities, to either be written off or converted into common equity upon the occurrence of a trigger event (based on capital ratio or point of non-viability). Increasing clarification from regulators on how they envisage the capital structures of the banks they regulate has fuelled the issuance of new style instruments starting in Q4 2009.

The Investment Manager expects significant issuance of AT1 instruments, and to a lesser extent Tier 2 CoCos, to continue over the coming years as banks transition to the new capital structure.

See “Overview of the Sector that the Fund Invests In” and “Risk Factors” for a description of the features and risks of Capital Securities including Legacy Capital Securities and Compliant Capital Securities.

Distributions:

The Fund will not have a fixed distribution policy, but intends to make quarterly distributions based on the actual and expected returns on the Portfolio to Unitholders of record on the last Business Day of each quarter. Distributions will be paid on a Business Day designated by the Manager that will be no later than the 15th day of the following month; provided that if the

15th day of the following month is not a Business Day, the distributions shall be paid on the next day that is a Business Day. Based on current estimates and the assumptions set out below, the Fund's initial distribution target is expected to be \$0.15 per Unit per quarter, representing an initial yield on the Unit issue price of 6.0% per annum. The initial quarterly distribution will be payable to Unitholders of record on September 30, 2014 and will be paid no later than October 15, 2014. The first distribution is expected to reflect the period from the Closing Date to September 30, 2014. Based on the assumptions in (i)-(vi) below, the Portfolio would be required to generate an average annual total return of approximately 6.36%, inclusive of distributions and other income, in order for the Fund to maintain a stable NAV per Unit and make the initial targeted distribution. 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 of 22% of Total Assets, (iv) the fees and expenses described under "Fees and Expenses", (v) foreign exchange rates remain constant, and (vi) the market price and yield of the Capital Securities included in the Indicative Portfolio, it is expected that distributions paid on the Capital Securities held in the Portfolio will be sufficient to allow the Fund to pay distributions at the initial target level and maintain a stable Net Asset Value per Unit. The current yield of the assets in the Indicative Portfolio is approximately 6.36% (net of withholding tax, if any) per annum. The ability of the Portfolio to generate such returns will be dependent on the extent to which these assumptions turn out to be accurate. **If the return on the Portfolio and the increase in the value of the Portfolio are less than the amount necessary to fund the quarterly distributions and all expenses of the Fund and if the Manager chooses to ensure that the quarterly distributions are paid to Unitholders, this will result in a portion of the capital of the Fund being returned to Unitholders and, accordingly, NAV per Unit would be reduced.** The distributions are not guaranteed. The Manager will review the distribution policy from time to time and the distribution amount may change from time to time.

The Fund intends for quarterly distributions to be paid in cash. However, at the Manager's discretion, Additional Distributions may be paid in cash and/or Units from time to time. See "Investment Objectives", "Risk Factors" and "Distribution Policy".

Redemption:

Units may be redeemed on an annual and monthly basis, subject to certain conditions. See "Calculation of Net Asset Value", "Redemption of Securities" and "Risk Factors".

Termination of the Fund:

The Fund will have a term of approximately 10 years, terminating on or about July 31, 2024. Prior to the Termination Date, the Manager may present a proposal to extend the term of the Fund, subject to approval of Unitholders at a meeting called for such purpose, provided that all Unitholders will be given a right to cause their Units to be redeemed on the Termination Date, regardless of whether they voted in favour of the term extension.

The Fund may also 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 or in connection with a Permitted Merger; provided, however, that the Manager may, in its discretion, on at least 60 days' notice to Unitholders by way of press release, 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. See “Termination of the Fund” and “Risk Factors — Risks Relating to Redemptions”.

Repurchase of Units:

The Fund may purchase (in the open market) Units for cancellation subject to applicable law and stock exchange requirements, based on the Manager’s assessment that such purchases are accretive to Unitholders. 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 invest in the Portfolio. See “Use of Proceeds”.

Permitted Merger:

Subject to applicable law, the Fund may, without obtaining Unitholder approval, enter into a merger or other similar transaction which has the effect of combining the Fund or its assets on a tax-deferred “rollover basis” (a “Permitted Merger”) with any other public investment fund or funds managed or advised by the Manager that has or have investment objectives and investment strategies that are substantially the same as the Fund’s on an exchange ratio based on the relative net asset values of such funds, subject to certain conditions. See “Unitholder Matters — Permitted Merger”.

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.
- No guarantee of distributions.
- Risks relating to the performance of the Portfolio.
- Capital Securities risk.
- Performance of European banks and financial institutions.
- Risks relating to non-investment grade investments.
- Leverage risks.
- Risks relating to interest rates.
- Foreign jurisdiction risk.
- Recent global financial developments risk.
- Risks relating to reliance on the Manager and the Investment Manager.
- Concentration risk.
- Liquidity risk.
- Foreign exchange rate fluctuations risk.
- Use of derivatives risk.
- Risks relating to the trading price of Units.
- Risks relating to the taxation of the Fund.

- U.S. tax risk.
- Withholding tax risks.
- 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 Fund not being a trust company.
- Risks relating to the nature of the Units.
- Residency of the Investment Manager.

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 the Units are listed on a designated stock exchange (which currently includes the TSX), the Units will be qualified investments under the Tax Act for trusts governed by Registered Plans. See “Canadian Federal Income Tax Considerations”.

Notwithstanding the foregoing, if the Units are “prohibited investments” for a tax-free savings account (“TFSA”), a registered retirement savings plan (“RRSP”) or a registered retirement income fund (“RRIF”), the holder of the TFSA or the annuitant of the RRSP or RRIF will be subject to a penalty tax as set out in the Tax Act. The Units will not be “prohibited investments” provided that the holder or annuitant, as the case may be: (i) deals at arm’s length with the Fund; and (ii) does not have a “significant interest” in the Fund (within the meaning of the Tax Act). Units will generally not be a “prohibited investment” if the Units are “excluded property” as defined in the Act for TFSAs, RRSPs, or RRIFs. Holders of TFSAs and annuitants of RRSPs and RRIFs should consult with their own tax advisors in this regard.

Canadian Federal Income Tax Considerations:

The Fund intends to distribute the amount of its income for each taxation year so that it will generally not be liable for income tax under the Tax Act. A Unitholder will generally be required to include, in computing income for a taxation year, the amount of the Fund’s net income for the taxation year, including net realized taxable capital gains, paid or payable to the Unitholder in the taxation year. The Fund intends to make designations so that the portion of net realized taxable capital gains 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. If the reductions to a Unitholder’s adjusted cost base would cause the adjusted cost base to be negative, the Unitholder will be deemed to have realized a capital gain equal to such negative amount. Upon the disposition of Units held as capital property, Unitholders will realize capital gains or capital losses. Prospective

investors should consult their own tax advisors with respect to the income tax consequences of investing in Units, based upon their own particular circumstances. See “Canadian Federal Income Tax Considerations”.

Organization and Management of the Fund:

Manager and Promoter: Aston Hill 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 registered office of the Manager is located at 77 King Street West, Suite 2110, Toronto, Ontario M5K 1G8. The Manager is a leading provider of investment products having raised over \$2.5 billion in assets. The Manager is part of Aston Hill Financial Inc., a diversified asset management company with a suite of retail mutual funds, closed end funds, private equity funds, hedge funds and segregated institutional funds. Aston Hill Financial Inc. is also engaged in the administration of Argent Energy Trust. Aston Hill Financial Inc. has offices in Calgary, Toronto and Halifax and has over \$7.4 billion in assets under management. See “Organization and Management Details of the Fund — The Manager”.

The Manager also manages the following investment funds (initial public offering issue size, TSX symbol) that invest in Capital Securities: Australian Banc Capital Securities Trust (\$153.7 million, AUZ.UN), Canadian Banc Capital Securities Trust (\$99 million, CSB.UN), HBanc Capital Securities Trust (\$173.9 million, HSC.UN) and North American Financials Capital Securities Trust (\$54.8 million, NAF.UN).

Investment Manager: Cairn Capital Limited will act as the investment manager of the Fund in connection with the selection, purchase and sale of Capital Securities. The Investment Manager is an independent specialist credit asset management and advisory business established in 2004 with US\$21.6 billion of assets under management and advice as at March 31, 2014 (together with its affiliates), comprised of US\$2.6 billion of discretionary assets under management, US\$4.7 billion of legacy assets under management and US\$14.3 billion of assets under long term advice.

The Portfolio will be managed by the Investment Manager’s corporate portfolio management group which consists of a team of eight investment professionals supported by operations and treasury, risk and legal teams. The corporate portfolio management group managed US\$890 million in assets as at March 31, 2014 across five portfolios including approximately US\$300 million in assets that were substantially similar to the Capital Securities that it will manage for the Fund.

The Investment Manager has managed portfolios of credit assets dedicated to financials since mid-2009. The Investment Manager has specialist skills in this field particularly with respect to subordinated and hybrid capital.

The Investment Manager will provide its services to the Fund in London, United Kingdom. See “Organization and Management Details of the Fund — The Investment Manager”.

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

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

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

Registrar and Transfer Agent: Computershare Investor Services Inc., at its office in Toronto, Ontario, will maintain the securities registers of the Units and will register transfers of the Units.

Agents:

BMO Nesbitt Burns Inc., Scotia Capital Inc., CIBC World Markets Inc., RBC Dominion Securities Inc., TD Securities Inc., GMP Securities L.P., National Bank Financial Inc., Canaccord Genuity Corp., Raymond James Ltd., Burgeonvest Bick Securities Limited, Desjardins Securities Inc., Dundee Securities Ltd., Mackie Research Capital Corporation and Manulife Securities Incorporated, 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 Units in an amount up to 15% of the aggregate Units sold on the Closing Date on the same terms as set forth above solely to cover over-allocations, 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 Units issuable on the exercise of the Over-Allotment Option. A purchaser who acquires Units forming part of the Agents’ over-allocation position acquires such Units under this prospectus, regardless of whether the over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases. See “Plan of Distribution”.

<u>Agents’ position</u>	<u>Maximum size</u>	<u>Exercise period</u>	<u>Exercise price</u>
Over-Allotment Option	1,875,000 Units	Within 30 days following the Closing Date	\$10.00 per Unit

SUMMARY OF FEES AND EXPENSES

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

<u>Type of fee</u>	<u>Amount and description</u>
Agents' Fee:	\$0.525 per Unit (5.25%). The Agents' fee will be paid out of the proceeds of the Offering.
Expenses of the Offering:	The expenses of the Offering are estimated to be \$650,000 (but not to exceed 1.5% of the gross proceeds of the Offering) which, together with the Agents' fee, will be paid by the Fund.
Management Fee:	The Manager will receive a Management Fee from the Fund equal to 1.10% per annum of the Net Asset Value calculated and payable monthly in arrears, plus applicable taxes. The Manager will be responsible for paying the fees of the Investment Manager out of the amount received by the Manager. See "Fees and Expenses — Management Fee". For a description of the services provided by the Manager in consideration of the Management Fee, see "Organization and Management Details of the Fund — The Manager".
Ongoing and Operating Expenses of the Fund:	<p>The Fund will pay for all of its expenses incurred in connection with its operation and administration, estimated to be \$200,000 (assuming an aggregate size of the Offering of approximately \$100 million). The Fund will also be responsible for its costs of portfolio transactions, interest expense and any extraordinary expenses which may be incurred from time to time.</p> <p>Ordinary expenses will include, but will not be limited to, mailing and printing expenses; marketing and advertising expenses; fees payable to the Custodian, Valuation Agent, Trustee, auditor, legal advisors and other parties engaged by the Fund to perform certain financial, record keeping, reporting and general administrative services; out-of-pocket expenses of the Manager and the Investment Manager; regulatory filing, stock exchange and licensing fees; and fees payable to members of the Fund's Independent Review Committee. See "Fees and Expenses — Ongoing and Operating 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 invest in Capital Securities issued by European financial institutions. These assumptions, although considered reasonable by the Fund at the time of preparation, may prove to be incorrect. Readers are cautioned that actual future operating results and economic performance of the Fund are subject to a number of risks and uncertainties. See "Risk Factors" for a list of material risk factors. Forward looking information contained in this prospectus is based on current estimates, expectations and projections, which the Fund believes are reasonable as at 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.

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 taxation year to Unitholders of record on the last day of such taxation year in order that the Fund will generally not be liable to pay income tax, as described under “Distribution Policy”.

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

“Agents” means, collectively, BMO NBI, Scotia Capital Inc., CIBC World Markets Inc., RBC Dominion Securities Inc., TD Securities Inc., GMP Securities L.P., National Bank Financial Inc., Canaccord Genuity Corp., Raymond James Ltd., Burgeonvest Bick Securities Limited, Desjardins Securities Inc., Dundee Securities Ltd., Mackie Research Capital Corporation and Manulife Securities Incorporated.

“Annual Redemption Date” means the second to last Business Day of December of each year, commencing in 2015.

“Annual Redemption Price” means a redemption price per Unit equal to 100% of the Redemption Net Assets 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.

“AT1” means additional Tier 1 capital.

“BMO NBI” means BMO Nesbitt Burns Inc.

“Book-Based System” means the book-based 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.

“Capital Securities” means subordinated capital instruments (excluding common equity) issued by financial institutions that are designed to meet the regulatory capital requirements of the issuer’s regulator.

“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 affects book entries for the Units deposited with CDS.

“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 June 24, 2014 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).

“CoCos” means Capital Securities with contractual loss (write down or equity conversion) provisions upon breaching a predetermined capital ratio or at the point of non-viability. These Capital Securities are either in the form of Tier 2 CoCos or AT1 CoCos.

“Compliant Capital Securities” has the meaning given in “Overview of the Sector that the Fund Invests In — Capital Securities Universe — Compliant Capital Securities”.

“CRA” means the Canada Revenue Agency.

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

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

“**EU**” means the European Union.

“**Fund**” means Euro Banc Capital Securities Trust, a non-redeemable 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”.

“**Indicative Portfolio**” means that certain model portfolio prepared by the Investment Manager and dated as of May 6, 2014 consisting of the assets that would have been included in the Portfolio if it had been formed and fully invested on May 6, 2014, as described under “Overview of the Sector that the Fund Invests In — Indicative Portfolio”.

“**Investment Grade**” in respect of a security means a security, and in respect of an issuer means an issuer, which has a rating of no less than: (i) BBB – by Standard and Poor’s Rating Services; (ii) Baa3 by Moody’s Investor Services, Inc. or (iii) the equivalent rating by another “designated rating organization” as defined in NI 81-102.

“**Investment Management Agreement**” means the agreement to be dated on or about the Closing Date between the Investment Manager, the Manager and the Fund, as it may be amended from time to time.

“**Investment Manager**” means the investment manager of the Fund, namely Cairn Capital Limited, and, if applicable, its successor.

“**Legacy Capital Securities**” has the meaning given in “Overview of the Sector that the Fund Invests In — Capital Securities Universe — Legacy Capital Securities”.

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

“**Manager**” means the manager of the Fund, namely Aston Hill Capital Markets Inc., and, if applicable, its successor.

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

“**Monthly Redemption Amount**” means the redemption price per Unit equal to the lesser of (i) 95% of the Market Price of a Unit; and (ii) 100% of the Closing Market Price of a Unit on the applicable Monthly Redemption Date less, in each case, any costs 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 2015, the month of December.

“**Net Asset Value**” or “**NAV**” 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 of the Fund attributable to a class of Units divided by the total number of Units of such class 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 81-106**” means National Instrument 81-106 — *Investment Fund Continuous Disclosure* of the Canadian Securities Administrator, 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.

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

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

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

“**Permitted Merger**” has the meaning set out in “Unitholder Matters — Permitted Merger”.

“**Portfolio**” means the Fund’s portfolio of assets consisting primarily of Capital Securities issued by European financial institutions that have an investment grade issuer rating acquired and held by the Fund from time to time.

“**Recirculation Agreement**” means the recirculation agreement to be entered into on or about the Closing Date among the Fund, the Manager and BMO NBI, as it may be amended from time to time.

“**Redemption Net Assets per Unit**” means the net assets of the Fund on a per Unit basis, calculated in a similar manner to the calculation of the Net Asset Value per Unit except that, for the purposes of calculating the net assets of the Fund, the net asset value will be determined on the basis that any Capital Securities and other debt obligations that are owned by the Fund will be valued by taking the bid price on the Valuation Date.

“**Redemption Payment Date**” means the 10th Business Day of the month immediately following an Annual Redemption Date or the 15th Business Day of the month immediately following 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 Financial Services LLC, a subsidiary of The McGraw Hill Companies, Inc.

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

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

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

“**Tax Proposals**” means all specific proposals to amend the Tax Act publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof.

“**Termination Date**” means July 31, 2024, or such other earlier or later date on which the Fund terminates in accordance with the provisions of the Trust Agreement.

“**Tier 1**” has the meaning given to it by Basel III (or such other successor regulation in Europe) from time to time.

“**Tier 2**” has the meaning given to it by Basel III (or such other successor regulation in Europe) from time to time.

“**Total Assets**” means the aggregate value of the assets of the Fund including the notional value of assets to which the Fund has exposure under any TRS Facility.

“**TRS Facility**” means any committed total return swap facility that the Fund enters into as described under “Investment Strategy — Leverage”.

“**Trust Agreement**” means the trust agreement governing the Fund dated as of May 28, 2014, as it may be amended from time to time.

“**Trustee**” means RBC 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.

“**Unitholders**” means the owners of the beneficial interest in the Units.

“**Units**” means the transferable, redeemable units of the Fund.

“**Valuation Agent**” means, until its replacement is appointed by the Manager, the Custodian.

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

OVERVIEW OF THE STRUCTURE OF THE FUND

Legal Structure

Euro Banc Capital Securities Trust is a non-redeemable investment fund established under the laws of the Province of Ontario and governed by the Trust Agreement. Aston Hill 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 77 King Street West, Suite 2110, Toronto, Ontario M5K 1G8. The fiscal year-end of the Fund will be April 30. The beneficial interest in the net assets and net income of the Fund is divided into units of such classes as may be determined by the Manager from time to time. Initially, only a single class of units has been authorized for issuance and the Fund is authorized to issue an unlimited number of Units.

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 (i) provide quarterly cash distributions; and (ii) preserve capital, in each case through investment in a portfolio consisting primarily of investment grade and non-investment grade Capital Securities issued by European financial institutions that have an investment grade issuer rating, actively managed by the Investment Manager.

Capital Securities are subordinated capital instruments (excluding common equity) issued by financial institutions that are designed to meet the regulatory capital requirements of the issuer's regulator and include, among other securities, hybrid or dated debt/equity instruments with or without call options, preference shares, instruments which allow for non-payment of coupons with such action not resulting in an event of default, and instruments with principal write-down or equity conversion features.

INVESTMENT STRATEGY

The Fund will seek to achieve its investment objectives by investing in a diversified portfolio of primarily Capital Securities issued by European financial institutions that have an investment grade issuer rating. The Investment Manager will generally seek to make investments in Capital Securities issued by large, well-capitalized financial institutions or financial institutions where the Investment Manager believes that the recapitalization process is on a path to recovery, in each case that are domiciled in Europe. The Portfolio's exposure to non-systemically important issuers with capital shortfalls is therefore expected to be limited and opportunistic in nature. The Investment Manager also intends to limit the Portfolio's exposure to peripheral countries in Europe. Currently, the Investment Manager considers Portugal, Ireland, Italy, Greece and Spain to be European peripheral countries. The Investment Manager may also invest up to 20% of the Total Assets in Capital Securities issued by financial institutions domiciled in jurisdictions outside of Europe.

The Investment Manager will seek to derive the optimal risk-adjusted return from investing in Capital Securities issued primarily by European financial institutions that have an investment grade issuer rating while maintaining a balanced portfolio risk profile. The Portfolio will initially include a material proportion of Legacy Capital Securities that have already lost or will lose their capital eligibility for the issuer as a consequence of regulatory changes. It is expected that the proportion of Compliant Capital Securities in the Portfolio will increase over time as opportunities arise in primary and secondary markets, especially as new issuers test the nascent contingent convertible capital, or CoCo, market. While the Capital Securities included in the Portfolio will be issued primarily by European financial institutions that have an investment grade issuer rating, the Capital Securities themselves will not all be investment grade. The Indicative Portfolio is approximately equally divided between investment grade and non-investment grade securities; however, there are no limits on the amount of non-investment grade Capital Securities that the Fund may hold. See "Overview of the Sector that the Fund Invests in — Indicative Portfolio" and "Risk Factors".

The Fund's investments may include investment grade and non-investment grade Capital Securities. The proportion of each comprising the Portfolio at any time will depend upon the investment opportunities available

in the market and the rating methodology used by the rating agencies to rate the Capital Securities. See “Overview of the Sector that the Fund Invests In” and “Risk Factors” for a description of the features and risks of Capital Securities including Legacy Capital Securities and Compliant Capital Securities.

Investment Management Approach

The Investment Manager employs a disciplined process to identify, analyze and monitor investments. The Investment Manager analyzes investment opportunities with respect to both the issuer and the provisions of the instrument issued by the issuer.

The Investment Manager’s research team will take a view on the fundamental risk and trends of an issuer by considering factors such as profitability, asset quality, regional and product exposure, funding and capital metrics. At the instrument level, the Investment Manager will examine the relevant documentation, coupon and call structures, regulatory language and capital write-down triggers. The analysis will be complemented by a thorough analysis of the regulatory environment. All of these factors, along with current market technical, pricing, positioning and flows, will be considered by the portfolio management team to take a view on individual securities and construct the Portfolio in accordance with the Fund’s investment objectives and subject to its investment restrictions. The Investment Manager will seek exposure to issues that it believes have fundamentals superior to those implied by market pricing.

At the top down level, the Investment Manager will seek to construct the Portfolio to avoid material exposures to areas of heightened risk or more uncertain expected return distributions. In particular, the Investment Manager will focus on issuers with low exposures to countries with weak and/or quickly deteriorating balance sheets.

Leverage

The Fund may employ leverage (through borrowing and/or any TRS Facility) of up to 25% of Total Assets for the purposes of acquiring assets for the Portfolio and such other short term funding purposes as may be determined by the Investment Manager, in consultation with the Manager, from time to time and in accordance with the investment strategy. Accordingly, the maximum amount of leverage that the Fund could employ is 1.33:1. Initially, the Fund is expected to employ leverage of approximately 22% of Total Assets. Pursuant to a TRS Facility, the counterparty will agree to pay the Fund a total return of a defined underlying asset during the specified period in return for periodic payments based on a fixed or variable interest rate or the total return from the underlying assets. For example, if the Fund wishes to invest in a security, it could instead enter into a total return swap pursuant to a TRS Facility and receive the total return of the security, less the “funding cost”, which would be a floating interest rate payment to the counterparty.

Use of Derivatives — Interest Rate and Currency Hedging

The Investment Manager will seek to hedge interest rate risks arising within the Fund using interest rate swaps. The interest rate duration of a particular holding will be determined by the Investment Manager through a reasonable estimation of call probability and any other factor affecting the potential maturity of that holding and interest rate hedging will be conducted based on that estimated duration.

The Portfolio will be invested primarily in assets denominated in Euros, U.S. Dollars and British Pounds. The Investment Manager intends to hedge substantially all of the value of the Portfolio that is denominated in any currency other than the Canadian dollar to the Canadian dollar. The Fund intends to use derivative instruments for currency hedging purposes. The Fund may use derivatives for hedging purposes only in accordance with NI 81-102.

OVERVIEW OF THE SECTOR THAT THE FUND INVESTS IN

The Investment Manager has observed the following trends with respect to Capital Securities issued by European financial institutions that have an investment grade issuer rating:

- The recapitalization process of European financial institutions is well on track following the 2008-2009 financial crisis and the 2010-2012 sovereign crisis. Regulatory reform is driving significant improvement in the quantity and quality of capital, predominantly through a bigger layer of common equity, while at the same time financial institutions are incentivized to reduce asset risk;
- European Central Bank (“ECB”) stress tests scheduled for 2014 create further incentive for European financial institutions to raise capital and reduce asset risk;
- 2013 has seen a material increase in the issuance of Compliant Capital Securities including CoCos. This is expected to continue over the coming years thereby assisting the strengthening and transition of financial institutions’ capital structures as Legacy Capital Securities are phased out;
- Legacy Capital Securities issued by European financial institutions are likely to be called or retired as they will contribute less to the financial institution’s regulatory capital under new regulatory rules;
- There is a price and structure discovery process associated with the growing CoCo market and the phase out of Legacy Capital Securities and the Investment Manager believes that new issuers to the market will likely be prepared to offer a premium in an effort to secure successful placing of the instruments;
- Yields offered by Capital Securities remain elevated by historical standards and offer strong risk-return characteristics relative to government bonds, non-financial corporate bonds and to equities; and
- Monetary policies from major developed market central banks remain accommodative and supportive of higher yielding instruments’ performance.

Capital Securities Universe

Capital Securities are subordinated capital instruments issued by financial institutions that are designed to meet the regulatory capital requirements of the issuer’s regulator. The Investment Manager estimates the total amount of Capital Securities in issuance by European financial institutions to be €500 to €700 billion over the next 10 years.

Financial institutions hold capital to guard against unexpected losses and to satisfy regulatory requirements. Capital helps to reassure an institution’s depositors, creditors and counterparties and the institution itself, that an event such as an unexpected surge in losses or an unanticipated deterioration in earnings will not impair its ability to engage in lending and to fulfil its obligations to creditors fully and in a timely manner. Regulators set minimum capital ratios for each bank to ensure that losses can be absorbed. The minimum amount of regulatory capital a financial institution is required to maintain is based on its Risk Weighted Assets (“RWAs”), which is the sum of all of its assets multiplied by their corresponding risk weight, with lower risk assets having lower weightings than higher risk assets.

In response to the financial crisis, regulatory changes in Europe and around the world have created new requirements for what constitutes regulatory capital. The principal regulatory standard is Basel III, a standard on bank capital adequacy, stress testing and market liquidity risk. It was agreed upon by the members of the Basel Committee on Banking Supervision (the “Basel Committee”) in 2010-2011. In Europe, Basel III is implemented through CRD4 as of January 1, 2014, and applies to all credit institutions (including banks, insurers, building societies and investment firms). Basel III defines two categories of regulatory capital, Tier 1 capital and Tier 2 capital. Tier 1 capital provides loss absorption to ensure the financial institution remains a going-concern. Tier 1 capital includes two elements: (i) common equity Tier 1 (“CET1”), which is the predominant component of Tier 1 capital and is comprised of common shares and retained earnings; and (ii) AT1, which consists of Capital Securities with features described below. Tier 2 capital consists of Capital Securities that provide loss absorption on a gone-concern basis. Total capital is defined as Tier 1 capital plus Tier 2 capital. Capital Securities are generally a lower cost source of regulatory capital relative to common equity as they are non-dilutive to earnings per share and coupons are often paid out of income before taxes.

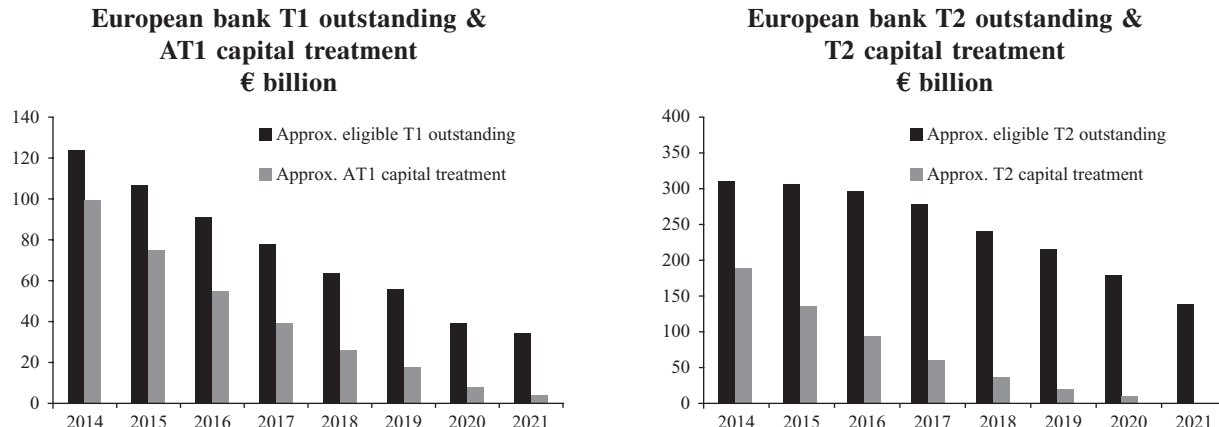
As a result of these changes to the definition of regulatory capital, Capital Securities can generally be classified into two categories: (i) legacy Capital Securities which are Capital Securities that have or will eventually cease to qualify as regulatory capital pursuant to the implementation of new regulatory regimes and are therefore expected to be phased out or retired in time (“Legacy Capital Securities”); and (ii) compliant Capital Securities, in the form of contingent convertibles or “CoCos” with contractual loss (write down or equity conversion) provisions and vanilla Tier 2 instruments with statutory loss absorption provisions, that are relatively newer Capital Securities that meet the criteria to qualify as regulatory capital (“Compliant Capital Securities”). See “Risk Factors — Capital Securities Risks”.

Legacy Capital Securities

Legacy Capital Securities benefit from the recapitalization process of European banks, the issuance of Compliant Capital Securities, and favourable supply/demand technicals, as no new supply is coming to the market and the Legacy Capital Securities will largely be phased-out as a result of new regulatory rules.

Over recent years, the amount outstanding of Legacy Capital Securities issued by European banks and insurers has decreased materially as a result of the exercise of call options, asset and liability management exercises (“LME”), and redemption at the maturity dates. The Investment Manager expects this trend to continue, and to result in strong risk-adjusted performance for these securities.

Basel III and CRD4 stipulate that Legacy Capital Securities will lose capital eligibility by 10% per annum starting from January 1, 2013, with CRD4 allowing for a more aggressive amortization schedule. This means that Legacy Capital Securities will effectively be phased out over a period of 10 years. In addition, the European Banking Authority (“EBA”) ruled in July 2013 that legacy Tier 1 instruments with “step-up” provisions, where if the instrument is not called on the first call date there is an increase in the credit spread applicable to the coupon, will not qualify as Tier 2 capital after the first call date, which means that issuers have a strong incentive to call these instruments on the first call date. In the insurance sector, grandfathering provisions for Legacy Capital Securities are likely, but have not yet been set. The following charts illustrate the phase out of Legacy Capital Securities over time.



Source: Citi Research; Bloomberg.

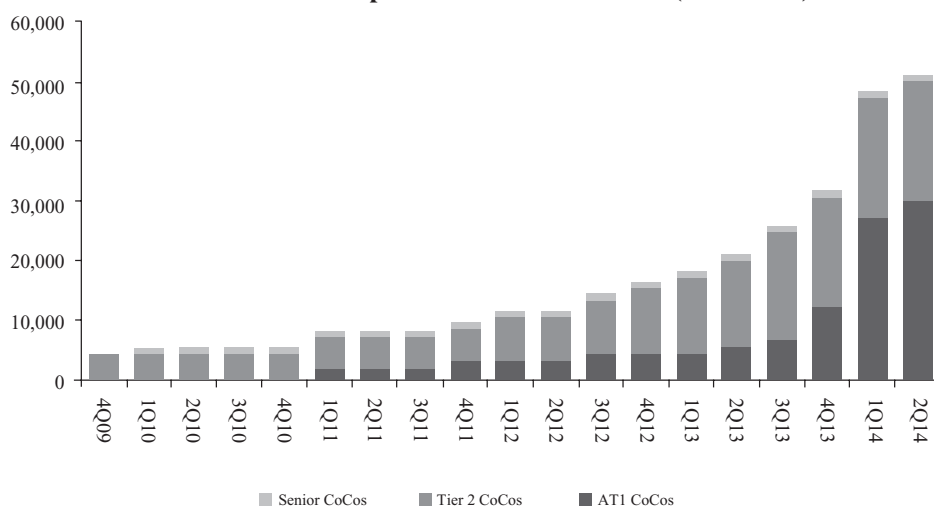
The Investment Manager estimates that LME, the process whereby an issuer makes an offer to bondholders to buy back their bonds for cash or to exchange them into another security, has reduced the amount of Legacy Capital Securities outstanding by European bank and insurance companies by around €84 billion over the period from September 2011 to the end of 2013, and predominantly through tender offers. The Investment Manager believes that LME (typically to strengthen an issuer’s equity base or to clean up its balance sheet by exchanging Legacy Capital Securities for Compliant Capital Securities) will likely continue to feature, although probably not as prominently as in the past, and will help the transitioning process to the future targeted capital structure.

Compliant Capital Securities

In January 2011, the Basel Committee stated that all non-common Tier 1 and Tier 2 instruments issued by an internationally active bank must have a provision that requires such instruments, at the option of the relevant authorities, to either be written off or converted into common equity upon the occurrence of a trigger event (based on capital ratio or point of non-viability). These provisions can be stipulated on a contractual basis (i.e. in the terms and conditions set out in the prospectus under which such securities are distributed) or on a statutory basis (in which case a reference to a resolution framework is provided in the risk factors section of the prospectus under which such securities are distributed), and can be triggered by either a breach of a capital ratio or reaching the point of non-viability. These new capital requirements reflect a shift in risk from the taxpayer (“bail-out”) to the securityholder (“bail-in”). From an investor point of view it could be argued that the new style instruments are more risky than the Legacy Capital Securities under going concern assumptions, but if a bank becomes subject to resolution, then both legacy and new style instruments could face the same downside risks. See “Risk Factors — Capital Securities Risks — Holders of Capital Securities may become Equity Holders in a Deteriorating Market”.

Increasing clarification from regulators on how they envisage the capital structures of the banks they regulate has fuelled the issuance of new style instruments starting in Q4 2009 with the enhanced capital notes issued by Lloyds Banking Group plc. The issuance of Compliant Capital Securities accelerated during 2013 with in excess of €13 billion issued by major financial groups including Credit Suisse, Barclays and Société Générale. The following chart illustrates the growth of the European Bank CoCo market since Q4 2009.

Growth of the European Bank CoCo Market (€ Millions)



Source: Barclays Research.

Tier 2 Compliant Capital Securities

Compliant Tier 2 securities can have loss absorption on a statutory basis or on a contractual basis. The Investment Manager refers to Tier 2 securities with statutory loss absorption as vanilla Tier 2 capital structures, and refers to Tier 2 securities with contractual loss absorption as Tier 2 CoCos. Compared to the legacy lower Tier 2 securities, the vanilla Tier 2 structures have reference to a resolution framework and incentives to redeem are no longer permitted. The vanilla Tier 2 capital securities must have a minimum original maturity of at least five years and may be callable after a minimum of five years with prior supervisory approval, provided the issuer replaces the called instrument with capital of the same or better quality or the issuer demonstrates that its capital position is well above the minimum capital requirements after the call option is exercised.

In the insurance sector, compliant Tier 2 instruments may contain optional coupon payment language and must defer coupons once the solvency capital ratio is breached. The maturity of these instruments cannot be less than five years, while moderate incentives to redeem will still be allowed. The instruments cannot be redeemed

at the maturity date if a regulatory deficiency has occurred and is continuing and such redemption would cause a regulatory deficiency.

Additional Tier 1 Compliant Capital Securities

CoCos that qualify as AT1 securities must be subordinated, have fully discretionary non-cumulative dividends or coupons and have neither a maturity date nor an incentive to redeem. (Examples of an incentive to redeem include an increase in the credit spread of the bond if the call option embedded therein is not exercised and less favourable tax treatment of the bond after the call date.) There are quite a few important differences between the legacy Tier 1 securities and the new AT1 securities. The new style instruments have no incentives to redeem, have more restrictive coupon language meaning that alternative coupon settlement mechanisms (settlement of coupons through the issuance of common equity) are no longer allowed, contain contractual provisions for loss absorption through principal write down or equity conversion upon a breach of a predetermined capital ratio or at the point of non-viability. Dividend stoppers, which prevent the payment of dividends to common stockholders, are no longer permitted under CRD4, but are still allowed under the Basel III rules. In the insurance sector, new style Tier 1 securities must have principal exchange or write-down provisions to provide higher quality capital in the form of equity in stressed situations and have moderate incentives to redeem. The focus of capital reforms in the insurance sector remains on total capital rather than on Tier 1 capital, thereby reducing the incentive for insurers to issue Tier 1 instruments relative to Tier 2 instruments

The Investment Manager expects significant issuance of AT1 instruments, and to a lesser extent Tier 2 CoCos, to continue over the coming years as banks transition to the new capital structure. This is supportive for the credit metrics of banks as the loss absorbing capacity will be increased as a result of the issuance. The Investment Manager expects the price and structure discovery process associated with the nascent Tier 2 CoCo and AT1 market will likely generate strong investment opportunities as new issuers to the market are likely prepared to offer a premium in an effort to secure successful placing of the instruments. In addition, the Investment Manager expects issuers to compensate investors for additional risk features embedded in the Compliant Capital Securities, when compared to the Legacy Capital Securities on a going concern basis.

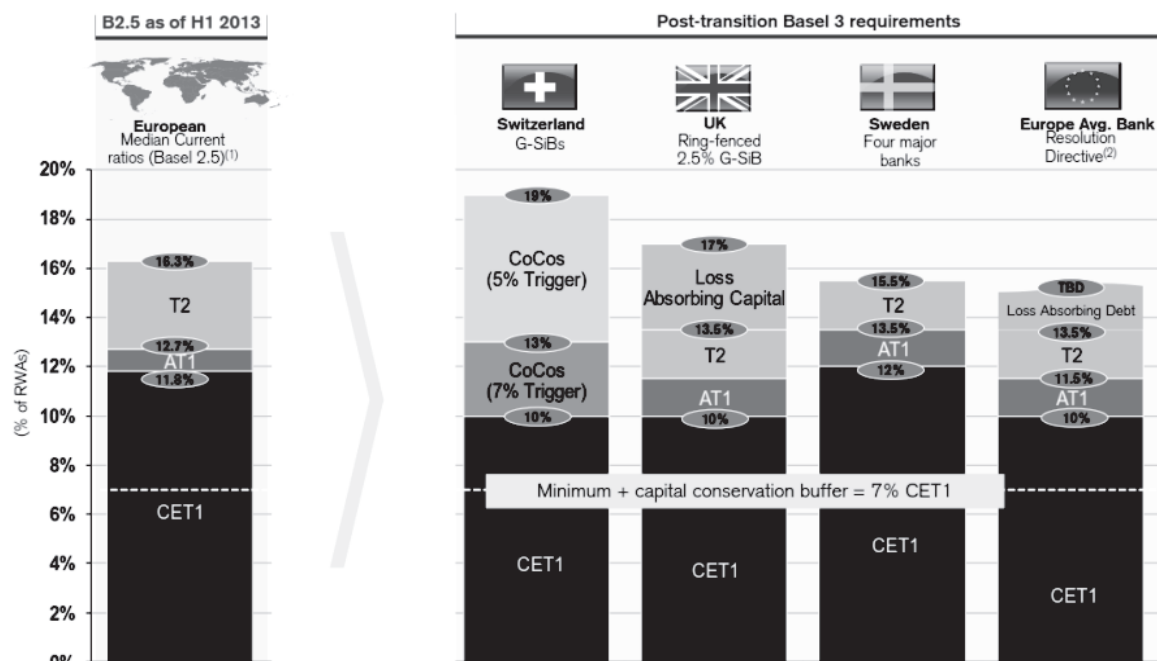
Tier 2 CoCo and AT1 CoCo Examples

There is currently a wide diversity in instrument features when comparing the different outstanding Tier 2 CoCo and AT1 instruments. The Investment Manager believes that the features will continue to vary widely for some time. For example, trigger ratios for loss absorption of the Barclays 8.25% US\$ Perp-2018 AT1 are based on fully loaded Basel III CET1 ratios, while the trigger level for the Société Générale 7.875% US\$ Perp-2023 AT1 is based on transitional ratios. The aforementioned Barclays AT1 will very likely convert the principal amount into common equity if the trigger level is reached, while the Société Générale AT1 principal can be written down on a temporary basis.

Jurisdictional Differences

As the graph below shows, the calibration of the capital base can still vary among jurisdictions. For example, Swiss banks, regulated by the Swiss Financial Market Supervisory Authority and not subject to CRD4, will have a relatively simple capital structure after the phase out of legacy instruments. In addition to a common equity capital layer of 10% of RWAs, Swiss banks will have to issue a minimum of 3% of RWAs of high trigger CoCos and 6% of RWAs of low trigger CoCos. These CoCos can be in the form of dated instruments and perpetual instruments. In contrast, banks in the United Kingdom, under supervision of the Prudential Regulation Authority (which can be bailed-in under a resolution framework), can have a more diverse capital base and can also include senior unsecured bonds to meet minimum requirements for loss absorbing capacity.

Calibration of Capital Base Between Jurisdictions



Source: BCBS, EBA, Swiss Expert Commission, ICB, Finansinspektionen.

(1) Data as at June 30, 2013.

(2) See response from EU Parliament regarding the draft resolution directive to make total loss absorbing capital a hard requirement and linked to RWA.

European Economy

The Investment Manager expects the European economy to continue growing at a relatively slow pace with wide regional disparities as debt overhangs, banking sector regulation and deleveraging and structural issues in a number of countries impair the Eurozone's growth potential. This environment is likely to translate into wide regional differences in asset quality and varying rates of transition towards a new capital structure for banking institutions across European countries. The Investment Manager believes that this transition will be fastest and smoothest in higher rated countries or regions such as Benelux, Germany, Scandinavia, Switzerland and the United Kingdom. While the deleveraging of banks' balance sheets can be harmful to short term growth and equity valuations, it is generally positive for holders of Capital Securities as equity cushions get thicker and asset risk decreases.

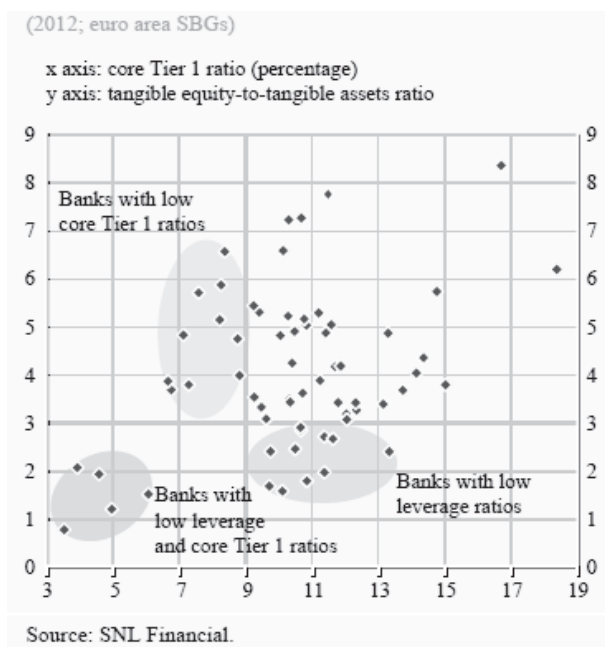
Importantly, the Investment Manager views the short term probability of a very significant pick-up in Eurozone sovereign volatility as modest given the ECB's clear intentions towards currency break-up and contagion risk premium. Furthermore, the Investment Manager believes that the contagion risk to core-based banks from increased sovereign volatility is likely to be lower than in 2010 and 2011 as cross country holdings of sovereign bond or credit exposure have decreased materially since then. Longer term, the Investment Manager also believes that a currency break-up between the largest countries is unlikely given the huge amount of economic, political, social and moral capital invested in the European integration process across countries.

Market Overview

The European banking sector is relatively less concentrated than the U.S. banking sector with the total assets of the 10 largest banks representing 56% of total European bank assets, compared to 83% for the 10 largest banks in the U.S. as at the end of 2012, based on available market data. Total assets of credit institutions were roughly €29 trillion at the end of 2012 and represented 190% of GDP. At the date hereof, 15 European banks are deemed Systemically Important Financial Institutions ("SIFIs"), according to the Financial Stability Board, while five European insurers are deemed SIFIs.

Profitability has come under significant pressure following the recession in Europe (declining GDP and low interest rates), and as a result of materially higher provisioning needs to protect the banks against a material decrease in asset quality. Asset quality metrics vary greatly across different European countries and also, in terms of capital strength, there is a great dispersion amongst European banks. The ECB showed in its financial stability review, published in November 2013, that capital strength varies greatly amongst Eurozone banks when looking at different measures of capital strength. The graph below illustrates the outcome of the analysis of 2012 year-end data, and the Investment Manager believes that there was still significant dispersion at the end of 2013.

Capital Strength in Eurozone Banks



Brief History of the European Banking Crisis

European banks' credit metrics are currently on the path to recovery following improved capitalization and reduced asset risk. Credit metrics had weakened materially during the credit crunch in the period from 2007 to 2009, and were hit subsequently by the sovereign debt crisis and Eurozone crisis. Uncertainties about asset valuations and therefore the capital strength of European banks caused bank funding to dry up and created a liquidity crisis for European banks.

Following the credit crunch, bank capital ratios declined materially and a significant number of European banks required state support in the form of capital injections and/or debt guarantees. According to EU state aid rules, and depending on the degree of support, the bail-out process had behavioural consequences for banks in the form of restrictions on calling bonds, non-payment of optional coupons and deleveraging requirements through mandatory asset disposals, and state aid repayment targets, which altogether led to large dispersions in the performance of the financial instruments issued by different banks.

In 2011, investor attention shifted to the sovereign indebtedness and the ability of European sovereigns to support their banking systems, and banks with significant PIIGS exposures (Portugal, Ireland, Italy, Greece and Spain), in particular, were subject to investor scrutiny.

Recapitalization Process

In an effort to regain investor trust in European banks and in recognition of previous regulatory shortfalls, the EU announced a stress test in 2011. Concurrently the ECB decided to provide excess liquidity to the banks through two separate three year long-term refinancing operations. 800 banks participated in the second

operation. The stress test identified a capital shortfall of €115 billion for European banks to meet a core Tier 1 ratio of 9%, and adjusted for sovereign debt exposures. This initial shortfall was covered by the end of June 2012, in line with the targeted time-frame. LME were a major contributor to the recapitalization process as the banks were able to buy their bonds back at discounts to par thereby creating a capital gain. Separately, the Greek, Irish, Portuguese and Spanish banking systems received bail-outs from the EU and IMF, which enabled their banks to shed higher risk assets and to recapitalize. These actions, and to an even larger degree the announcement of the Outright Monetary Transactions programme by the ECB to protect the Eurozone and reduce the borrowing costs of debt-burdened Eurozone member states, reduced systemic risk in Europe materially, and credit spreads have tightened accordingly. The chart below shows the average core Tier 1 ratio of European banks in a number of Eurozone countries from 2005 to 2013.

Average Core Tier 1 Ratio

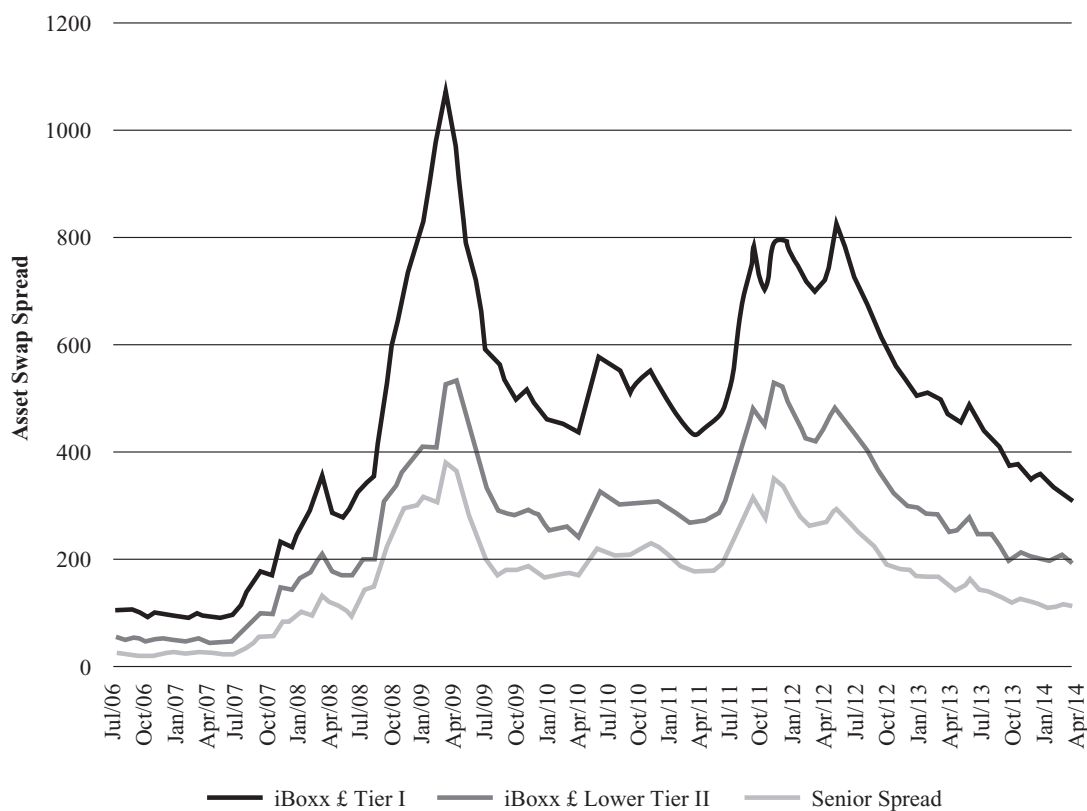
Country	FY 13	FY12	FY11	FY10	FY09	FY08	FY07	FY06	FY05
UK	13.2%	12.0%	10.8%	10.5%	9.1%	6.8%	7.3%	8.2%	7.9%
Ireland	13.3%	15.1%	15.1%	8.1%	9.4%	8.9%	7.3%	9.0%	9.1%
Nordic	16.4%	14.8%	12.8%	11.3%	11.0%	8.5%	7.6%	7.0%	7.4%
Germany	13.0%	11.6%	9.6%	8.8%	7.7%	6.1%	6.2%	6.6%	7.7%
Austrian	11.4%	10.9%	7.8%	7.5%	7.3%	5.6%	6.6%	7.2%	7.1%
Benelux	13.5%	11.9%	10.6%	10.4%	8.8%	8.1%	9.0%	8.7%	9.4%
France	11.4%	10.8%	9.4%	8.5%	8.5%	6.7%	6.4%	8.5%	8.5%
Italy	12.3%	10.3%	8.4%	7.4%	7.4%	6.5%	6.6%	7.0%	7.1%
Spain	11.7%	10.3%	10.0%	8.8%	8.0%	7.2%	7.2%	7.4%	7.9%
Portugal	11.5%	11.1%	9.3%	7.4%	7.5%	5.7%	6.7%	7.8%	7.4%
Greece	11.3%	8.5%	9.5%	9.0%	9.0%	6.5%	7.5%	10.2%	10.9%
U. Average	12.6%	11.6%	10.3%	8.9%	8.5%	7.0%	7.1%	7.9%	8.2%

Source: Credit Suisse Research.

Credit Spreads

The spread graphs below shows how Tier 1, lower Tier 2 and senior spreads (asset swap spread) of financial institutions developed over time. Spreads reached a peak at the time of the Lehman collapse (Autumn 2008), and widened significantly again in Q3 2011 following the sovereign and Eurozone crisis. Spreads are currently still materially wider when compared to pre-crisis (2006) levels.

Spreads Of Financial Institutions — British Pounds



Source: Markit.

Although European banks have made good progress in repairing their balance sheets (reducing asset leverage, improving regulatory capital strength and more diversified funding profiles), and despite an adverse macro-economic backdrop, the process has not come to an end yet. Higher capital requirements following the adoption of Basel III, or CRD4 in the European Union, will be phased in over the coming years, and banks will need to pass the ECB stress test in 2014.

ECB Asset Quality Review and Stress Test

The ECB is currently preparing for its new, broader role as part of the single supervisory mechanism (“SSM”) that will be adopted in Europe. The main aims of the SSM are to ensure the safety and soundness of the European banking sector and to increase financial stability in Europe. The ECB will directly supervise ‘significant’ credit institutions. It will work closely with National Competent Authorities (“NCAs”) to supervise all other credit institutions under the overall oversight of the ECB.

Before assuming its role as the single supervisor, the ECB will execute an asset quality review (“AQR”) and stress test of European banks with three stated goals: improvement of transparency, balance sheet repair, and rebuilding confidence in the sector. 124 credit institutions in 18 EU member states will be included.

The AQR will be based on the balance sheets as at December, 31 2013, and will assess data quality, asset valuations, the classification of non-performing loan exposures (using more consistent methodologies), collateral valuations and provisions. The AQR will be followed by a stress test, the results of which are expected to be published in October 2014.

Despite potential shortcomings in the AQR and stress test it is likely that banks will continue to strengthen provisions and continue to accumulate capital in order to prevent a possible failure to surpass the hurdle rates. Whether the ECB will be truly successful in achieving the third goal (rebuilding confidence) remains to be seen.

as the AQR and stress test will unlikely contain a full assessment of internal risk models and limitations on risk concentrations, although the ECB stated with regard to the former that the outcome of the exercise will lead to adjustments in the risk-weights, where justified.

Regulatory Change

Regulatory change is an important driver for European banks and bond prices, with the Basel III and Solvency II agreement being a major source of change in the banking and insurance sectors, respectively.

The Investment Manager believes the introduction of Basel III/CRD4 is generally positive news for bank creditors as the loss absorbing capacity of banks is increased through a bigger layer of common equity capital. The Investment Manager believes the transition to Solvency II could be perceived as positive for holders of Capital Securities as insurance companies are unlikely to return excess capital to (equity) investors as long as the implications of Solvency II are not fully understood.

A banking union will be established in Europe which means that Eurozone banks will become subject to a new supervisor in the form of the ECB, and European banks will become subject to a Bank Recovery and Resolution Directive. The Banking Union is expected to improve transparency and provide a more consistent regulatory overview, which could be perceived as welcome news for investors.

Furthermore, ring fencing of certain bank assets and liabilities as proposed by the Independent Commission on Banking in the United Kingdom and by the Liikanen Group for banks in the EU will also likely be required in the future to safeguard the soundness and stability of the financial system, albeit initial proposals may be watered down at later stages.

Basel III/CRD4

The Basel III agreement was endorsed by the G20 in November 2010. The agreement sets out capital requirements for banks through Pillar 1 (minimum capital requirements) or through Pillar 2 (supervisory review) of the Basel Accord. These pillars are supplemented by a third pillar which sets disclosure requirements for banks.

Basel III is not law, but it forms the basis for legislation that must be adopted by individual countries. In Europe, Basel III is implemented through CRD4 as of January 1, 2014, and applies to all credit institutions (including banks, building societies and investment firms).

CRD4 is made up of the Capital Requirements Regulation, and the Capital Requirements Directive, which must be implemented through national law. This includes enhanced requirements for the quality and quantity of capital, a basis for new liquidity and leverage requirements, new rules for counterparty risk, and new macro-prudential standards including a countercyclical buffer and capital buffers for SIFIs.

Under the new rules, and after a transition period, banks will face higher minimum capital ratios in the form of a CET1 ratio greater than 4.5% of RWAs, a Tier 1 capital ratio greater than 6% and a total capital ratio greater than 8%. This compares to minimum requirements of Tier 1 ratio greater than 4%, and total capital ratio greater than 8% under Basel II. Additional buffers will be required in the form of a 2.5% capital conservation buffer, a discretionary countercyclical buffer of 0-2.5% of RWAs, subject to national discretion, and possible higher capital requirements of up to 2.5% of RWAs for systemically important banks. In addition, according to current proposals, banks will be required to meet a leverage ratio of greater than 3% (defined as Tier 1 capital to total assets), but these could be revised upwards in the future. The following chart shows the phase-in arrangements with respect to capital and leverage ratios and buffers under Basel III.

Timeline of Basel III Implementation

Phases		2013	2014	2015	2016	2017	2018	2019
Capital	Leverage Ratio		Parallel run 1 Jan 2013 - 1 Jan 2017 Disclosure starts 1 Jan 2015				Migration to Pillar 1	
	Minimum Common Equity Capital Ratio	3.5%	4.0%	4.5%				4.5%
	Capital Conservation Buffer				0.625%	1.25%	1.875%	2.5%
	Minimum common equity plus capital conservation buffer	3.5%	4.0%	4.5%	5.125%	5.7%	6.375%	7.0%
	Phase-in of deduction from CET1*		20%	40%	60%	80%	100%	100%
	Minimum Tier 1 Capital	4.5%	5.5%	6.0%				6.0%
	Minimum Total Capital		8.0%					8.0%
	Minimum Total Capital plus conservation buffer		8.0%		8.625%	9.25%	9.875%	10.5%
	Capital instruments that no longer qualify as non-core Tier 1 capital or Tier 2 capital		Phased out over 10 year horizon beginning 2013					
Liquidity	Liquidity coverage ratio - minimum requirement			60%	70%	80%	90%	100%
	Net stable funding ratio						Introduce minimum standard	

* Including amounts exceeding the limit for deferred tax assets (DTAs), mortgage servicing rights (MSRs) and financials transition periods

Source: Bank for International Settlement

Solvency II

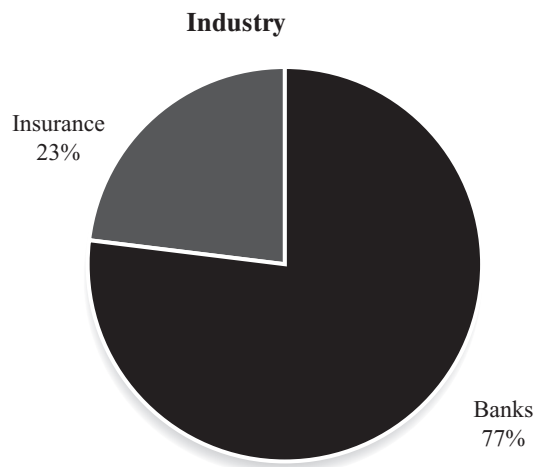
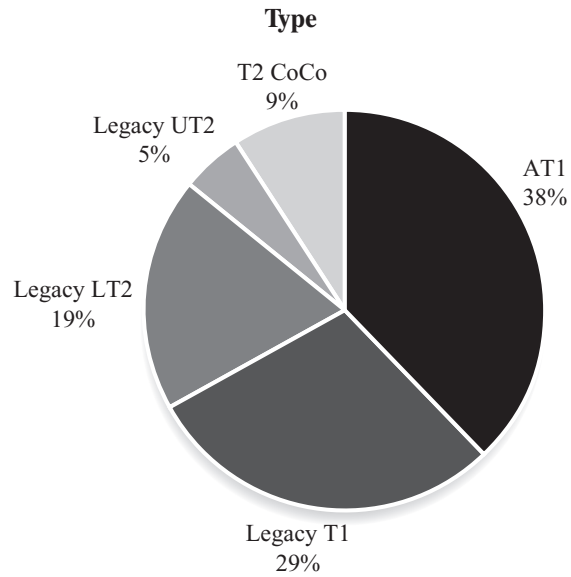
Solvency II is the framework addressing regulatory changes in the insurance sector. On September 22, 2009, the Solvency II Framework Directive Proposal was adopted by the European Parliament, but implementation of Solvency II will only take place as of January 1, 2016 if the current provisional agreement is honoured.

The most important features of Solvency II are: (i) the introduction of a risk based approach (capital requirements according to the risks assumed by insurers); (ii) a market consistent valuation for both assets and liabilities; (iii) the possible use of internal models to calibrate risks and capital requirements; and (iv) a greater focus on diversification benefits within insurance groups. The introduction of a risk based approach is a major deviation from the Solvency I framework, which required insurers to hold a fixed proportion of written premiums in addition to their reserves to cover all risks.

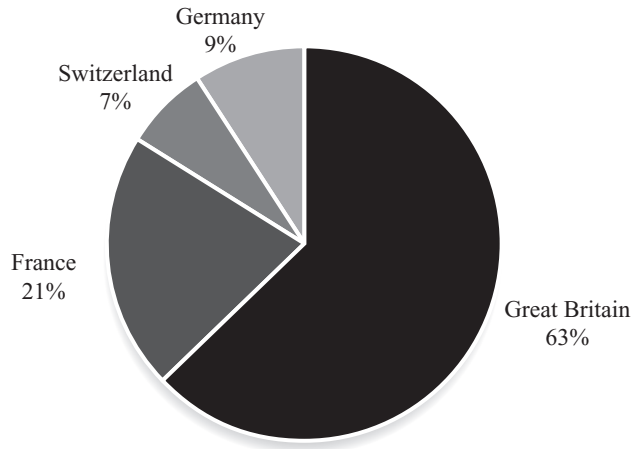
The introduction of Solvency II will likely have major asset allocation implications as insurers try to optimise capital efficiency. In addition, it is likely that Solvency II will drive sector consolidation as smaller insurers will struggle to bear the cost of the regulatory burden.

Indicative Portfolio

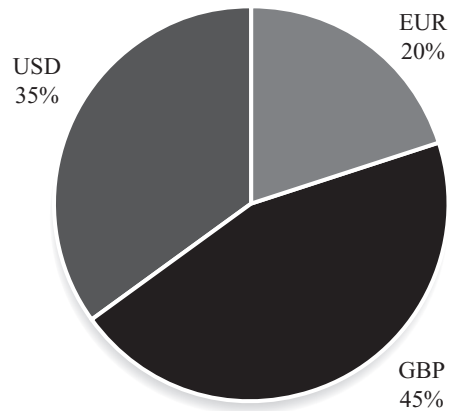
The following charts illustrate the expected composition of the Portfolio, on an indicative basis if the Portfolio had existed on May 6, 2014, in terms of asset type distribution, industry distribution, country distribution and currency denomination distribution, respectively:



Country



Currency



Source: Cairn Capital; Bloomberg

As of May 6, 2014, the securities included in the Indicative Portfolio had an average credit rating of Ba2 on the Moody's Investors Service, Inc. rating scale, BB on the S&P rating scale and BB+ on the Fitch, Inc. rating scale and the average credit rating of the issuers of the Capital Securities included in the Indicative Portfolio was A3 on the Moody's Investors Service, Inc. rating scale and A- on both the S&P and Fitch, Inc. rating scales.

The information set out above is provided for illustrative purposes only. The Portfolio may or may not include issuers considered in compiling the foregoing analysis and will include securities of issuers that were not included in compiling this analysis. The Investment Manager will actively manage the Portfolio to seek to meet the Fund's investment objectives and therefore the composition of the Portfolio will vary from time to time based on the Investment Manager's assessment of market conditions and the availability of suitable securities, and may differ substantially from the Indicative Portfolio whose information is described above. See "Risk Factors".

INVESTMENT RESTRICTIONS

Investment Restrictions of the Fund

The Fund will be subject to certain investment restrictions that are set out in the Trust Agreement. The investment restrictions of the Fund provide that the Fund will not:

- (a) invest at the time of purchase less than 80% of Total Assets in Capital Securities issued by European financial institutions that have an investment grade issuer rating;
- (b) invest at the time of purchase more than 15% of Total Assets in Capital Securities issued by any one issuer;
- (c) invest at the time of purchase in more than 10% of any single issue of Capital Securities;
- (d) employ leverage in excess of 25% of Total Assets;
- (e) use derivative instruments other than (i) any TRS Facility and (ii) for hedging purposes in accordance with NI 81-102;
- (f) purchase securities of Canadian issuers;
- (g) sell securities short;
- (h) engage in securities lending;
- (i) enter into any TRS Facility with a counterparty that has a credit rating below investment grade;
- (j) make or hold any investments in entities that would be “foreign affiliates” of the Fund for purposes of the Tax Act;
- (k) invest in or hold (i) securities of or an interest in any non-resident entity, an interest in or a right or option to acquire such property, or an interest in a partnership which holds any such property if the Fund would be required to include any significant amounts in income pursuant to section 94.1 of the Tax Act; (ii) an interest in a trust (or a partnership which holds such an interest) which would require the Fund (or the partnership) to report income in connection with such interest pursuant to the rules in section 94.2 of the Tax Act; or (iii) any interest in a non-resident trust (or a partnership which holds such an interest) other than an “exempt foreign trust” for the purposes of section 94 of the Tax Act (or pursuant to any amendments to such provisions);
- (l) make any investment or conduct any activity that would result in the Fund failing to qualify as a “unit trust” or “mutual fund trust” within the meaning of the Tax Act;
- (m) acquire or hold any property that is “taxable Canadian property” within the meaning of the Tax Act if the definition were read without paragraph (b) thereof (or any amendments to that definition) or “specified property” as defined in subsection 18(1) of the Tax Proposals released on September 16, 2004 if the fair market value of such property exceeds 10% of the fair market value of all property owned by the Fund;
- (n) acquire or hold any “non-portfolio property” as defined in the SIFT Rules;
- (o) enter into any arrangement where the result is a “dividend rental arrangement” for purposes of the Tax Act;
- (p) invest in any security that would be a “tax shelter investment” within the meaning of section 143.2 of the Tax Act;
- (q) pledge any of its assets, except in connection with the employment of permitted financial leverage and foreign exchange rate or interest rate hedging; or
- (r) purchase the securities of an issuer for the purposes of exercising control or direction, whether alone or in concert, over management of that issuer.

For the purposes of the investment restrictions contained in (a) to (c) above, Total Assets will exclude cash, cash equivalents and unrealized gains or losses from foreign currency and interest rate hedging contracts.

Any changes to the investment restrictions discussed above may only be made with the approval of Unitholders unless such change is otherwise permitted by the Trust Agreement. See “Unitholder Matters — Matters Requiring Unitholder Approval”.

FEES AND EXPENSES

Initial Fees and Expenses

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

Management Fee

The Manager will receive a Management Fee from the Fund equal to 1.10% per annum of the Net Asset Value, calculated and payable monthly in arrears, plus applicable taxes. The Manager will be responsible for paying the fees of the Investment Manager out of the amount received by the Manager. For a description of the services provided by the Manager in consideration of the Management Fee, see “Organization and Management Details of the Fund — The Manager”.

Ongoing and Operating Expenses

The Fund will pay for all expenses incurred in connection with its operation and administration. Such expenses include fees payable to the Trustee, custodial fees, legal, audit, valuation fees and expenses, any additional fees payable to third party service providers, out-of-pocket expenses of the Manager and the Investment Manager, expenses of the directors of the Manager, fees and expenses of the members of the Independent Review Committee 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 (including European and other foreign laws applicable to the Fund), extraordinary expenses that the Fund may incur, but excluding the fees payable to the Manager and the Investment Manager. Such expenses will also include expenses of any action, suit or other proceedings in which or in relation to which the Manager, the Investment Manager, the Custodian or the Trustee and/or any of their respective officers, directors, employees, consultants or agents is entitled to indemnity by the Fund.

The Manager estimates that ongoing expenses, exclusive of the Management Fee, brokerage expenses related to portfolio transactions and interest expense will be approximately \$200,000 (assuming an aggregate size of the Offering of approximately \$100 million).

Additional Services

Any arrangements for additional services between the Fund and the Manager and/or the Investment 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 the investment in Capital Securities issued by European financial institutions are described below. Additional risks and uncertainties not currently known to the Manager or the Investment Manager or that are currently considered immaterial, may also impair the operations of the Fund. If any such risk actually occurs, the 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.

Performance of the Portfolio

The Net Asset Value will vary as the value of the assets in the Portfolio varies. The Capital Securities issued by European financial institutions included in the Portfolio will be purchased at their prevailing market price, but the value of the assets will vary, potentially substantially, over time. The Fund, the Manager and the Investment Manager have no control over the factors that affect the value of the assets in the Portfolio including factors that affect the debt markets generally, such as general economic and market conditions, political conditions, government regulation and fluctuations in interest and exchange rates, and factors unique to issuers of the Capital Securities and their business, such as financial performance and creditworthiness including liquidity and funding conditions, changes in perception of regulatory treatment, changes in eligibility for inclusion in regulatory capital, changes in expectation as to call probability, 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. The Fund may enter into commitments to purchase Capital Securities prior to the Closing Date. Accordingly, the Portfolio may have exposure to changes in the market value of such assets prior to the Closing Date. As a result, the initial value of the Portfolio may be greater than or less than the net proceeds of the Offering.

Capital Securities Risks

The Portfolio will be comprised of Capital Securities, which involve risks with respect to the performance and capital levels of certain European financial institutions. From time to time, Capital Securities have had, and may in the future have, features other than those described herein. The Fund reserves the right to invest in these securities if the Manager believes that doing so would be consistent with the Fund's investment strategy and investment restrictions. Because the market for these instruments would be new, the Fund may have difficulty disposing of them at a suitable price and time. In addition to limited liquidity, these instruments may present other risks, such as high price volatility.

Distributions are not Guaranteed

Capital Securities may not pay interest or distributions or their issuers may default on their obligations to pay interest and/or principal amounts. Distributions may be discretionary or noncumulative which, if not paid on a scheduled date, may never be paid. Issuers are not allowed to settle missed distributions in shares or payment in kind securities. Some Capital Securities provide for deferral of the payment of the coupon at the option of the issuer and some Capital Securities provide for automatic conversion to common shares of the issuer on specified dates or circumstances, subject to certain conditions in the terms of the instruments.

The Subordinated Nature of Capital Securities

Capital Securities are junior and subordinated to senior debt instruments and typically have ratings that are below that of senior debt securities and certain Capital Securities (and any common shares into which they may be exchanged) will contain no events of default or right to accelerated payment. Holders of Capital Securities will also rank subordinate to the claims of depositors and creditors of the issuer.

Capital Securities may be Redeemed Early

Capital Securities may feature an early redemption option, meaning that the securities can be redeemed early at par or at the current principal amount upon a capital disqualification, tax or ratings methodology event. Issuers may not call Capital Securities at the first opportunity, and the instrument may be left outstanding into perpetuity.

Holders of Capital Securities may become Equity Holders in a Deteriorating Market

Holders of Capital Securities, including the Fund, could become shareholders of a European financial institution at a time when such institution's financial condition is deteriorating or when it has become insolvent or bankrupt or resolved to be wound-up or has been ordered wound-up or liquidated. There can be no guarantee that the common shares issued in such circumstances will pay a dividend, appreciate, or that there will be a liquid market for such common shares. In addition, although dividend stoppers, which prevent the payment of dividends to common stockholders, are no longer permitted under CRD4, they are still allowed under the Basel III rules. All future capital instruments have a provision that requires such instruments, at the option of the relevant authorities (under a resolution framework) or by contractual provision, to either be written off or converted into common equity upon the occurrence of a trigger event (i.e. statutory or contractual loss absorption provisions). There can be no guarantee that in such circumstances payment of interest or other distributions on the Capital Securities will resume. As a result, in such circumstances, were the Fund to become a holder of common shares of a European financial institution, it could receive substantially less than as a holder of Capital Securities that have not been exchanged for common shares, which in turn could affect the ability of the Fund to meet its investment objectives, including paying targeted quarterly distributions. There can be no guarantee that any triggering events which require holders of Capital Securities, such as the Fund, to subscribe for common shares of the European financial institution will not change over time or will not vary from one Capital Security to another.

Performance of European Banks and Financial Institutions

The Portfolio will comprise primarily Capital Securities issued by European financial institutions. Accordingly, the performance of the Fund will be largely impacted by the performance of such financial institutions and their ability to meet their obligations under the Capital Securities as well as the prices at which the Capital Securities trade in the market, all of which are in turn impacted by the European financial sector and the Eurozone economy generally. Any adverse changes to the European financial sector or economy would be expected to have an adverse impact on the Capital Securities and the return to Unitholders.

Risks Relating to Non-Investment Grade Investments

The proportion of investment grade and non-investment grade Capital Securities comprising the Portfolio at any time will depend upon the investment opportunities available in the market and the rating methodology used by the rating agencies to rate the Capital Securities. Although the Indicative Portfolio is approximately equally divided between investment grade and non-investment grade Capital Securities, there are no limits on the amount of non-investment grade Capital Securities the Fund may hold. Assets in the non-investment grade rating categories are subject to greater risk of loss as to repayment of principal and payment of interest or dividends than investment grade assets. They are also generally considered to be subject to greater risk than assets with investment grade ratings in the case of adverse business, financial or economic conditions as such conditions are more likely to impair an obligor's capacity or willingness to meet its financial commitment on the obligation. The yields and prices of non-investment grade assets may tend to fluctuate more than those for investment grade assets. In addition, adverse publicity and investor perceptions about non-investment grade

assets, whether or not based on fundamental analysis, may be a contributing factor in a decrease in the value and liquidity of such assets. Non-investment grade securities are considered by the ratings agencies to be predominantly speculative and may involve major risk exposures such as: (i) vulnerability to economic downturns and changes in interest rates; (ii) sensitivity to adverse economic changes and corporate developments and risk of repayment; (iii) redemption or call provisions which may be exercised at inopportune times; and (iv) difficulty in accurately valuing or disposing of such securities. Non-investment grade securities are considered by credit rating agencies to be subject to high credit risk.

Leverage Risk

The Fund may employ leverage (through borrowing and/or any TRS Facility) of up to 25% of Total Assets. As a result of fluctuations in the prices of the assets in the Portfolio, leverage may temporarily, and from time to time, exceed 25%. 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 Fund 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 assets in the Portfolio, the leverage 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.

Risks Relating to Interest Rates

The Fund's investments will be subject to interest rate risk. Generally, the value of fixed income securities will change inversely with changes in interest rates. As interest rates rise, the market value of fixed income securities tends to decline. Conversely, as interest rates decline, the market value of fixed income securities tends to rise. This risk will be greater for long-term securities than for short-term securities. Unitholders who wish to redeem or sell their Units may, therefore, be exposed to the risk that the redemption price or sale price of the Units will be negatively affected by interest rate fluctuations. The securities in the Portfolio may also be exposed to the risk that the redemption price, sale price or value upon termination of the Fund will be negatively affected by interest rate fluctuations.

Foreign Jurisdiction Risk

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

Recent Global Financial Developments Risk

Global financial markets have experienced significant volatility in recent years. This has been, in part, the result of the revaluation of assets on the balance sheets of international financial institutions and related securities. This has contributed to a reduction in liquidity among financial institutions and has reduced the availability of credit to those institutions and to the issuers who borrow from them. While central banks as well as global governments are attempting to restore much needed liquidity to the global economies, no assurance can be given that the combined impact of the significant revaluations and constraints on the availability of credit will not continue to materially and adversely affect economies around the world. Some of these economies have experienced significantly diminished growth and some are experiencing or may experience a recession. There is a general concern amongst market participants regarding the potential for sovereign defaults in Europe and other continents and the resulting impact on global financial institutions. These market conditions and further volatility or illiquidity in the capital markets may adversely affect the value of securities held by the Fund. A substantial reduction in the value of the markets in which the Fund invests could be expected to have a negative effect on the Fund.

Risks Relating to Reliance on the Manager and the Investment Manager

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

Concentration Risk

The Portfolio will be concentrated in Capital Securities issued by European financial institutions and the Portfolio may comprise up to 15% of Total Assets (22% of Net Asset Value) of Capital Securities of any one issuer. 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.

Liquidity Risk

There is no assurance that an adequate market will exist for the assets included in the Portfolio and it cannot be predicted whether the assets included in the Portfolio will trade at a discount to, a premium to, or at their respective par or maturity values. Certain assets held in the Portfolio may trade infrequently, if at all, and may trade at a significant premium or discount to the latest price at which they are valued in the Portfolio.

Foreign Exchange Rate Fluctuations Risk

As a significant portion of the Portfolio will be invested in securities denominated in Euros, the Net Asset Value of the Fund and the market price of the Units, when measured in Canadian dollars, will, to the extent this has not been hedged against, be affected by changes in the value of the Euro relative to the Canadian dollar. Although the Investment Manager intends to hedge, from time to time, all or some portion of the value of the Capital Securities back to the Canadian dollar, the Fund may not be hedged at all times. Accordingly, the Fund may be adversely impacted by changes in foreign exchange rates or other factors. The use of hedges involves special risks, including the possible default by the other party to the transaction, illiquidity and, to the extent the Manager's assessment of certain market movements is incorrect, the risk that the use of hedges could reduce total returns or result in losses greater than if the hedging had not been used. In addition, the costs associated with a hedging program may outweigh the benefits of the arrangements in such circumstances.

Use of Derivatives Risk

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

If the Fund enters into a TRS Facility, it will be exposed to the credit risk of the provider of the TRS Facility. Depending on the amount utilized under the TRS Facility, the exposure of the Fund to the credit risk of the provider of the TRS Facility could be substantial.

Risks Relating to the Trading Price of Units

The Units may trade in the market at a discount to the Net Asset Value per Unit and there can be no assurance that the Units will trade at a price equal to the Net Asset Value per Unit. Units will be redeemable at 100% of the Redemption Net Assets 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 Redemption Net Assets per Unit, there can be no assurance that it will reduce trading discounts of the Units.

Risks Relating to the Taxation of the Fund

In determining its income for tax purposes, the Fund will treat gains and losses realized on the disposition of securities held by it as capital gains and capital losses. In addition, gains or losses in respect of foreign currency hedges entered into in respect of amounts invested in securities held by the Fund will likely constitute capital gains and capital losses to the Fund if such securities are capital property to the Fund and there is sufficient linkage and designations with respect to the Fund's income and capital gains will be made and reported to Unitholders on this basis. The CRA's practice is not to grant advance income tax rulings on the character of items as capital or income and no advance income tax ruling has been applied for, or received, from the CRA. If some or all of the dispositions or transactions undertaken by the Fund were treated on income rather than capital account, the net income of the Fund for tax purposes and the taxable component of distributions to Unitholders could increase.

The SIFT Rules will apply to a mutual fund trust that is a SIFT Trust. Generally, a trust will be a SIFT Trust if it is resident in Canada, its units are listed on a stock exchange, and it holds "non-portfolio property" (as defined in the Tax Act). Provided the Fund complies with its investment restrictions, the Fund will not be a SIFT Trust.

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

U.S. Tax Risk

The Foreign Account Tax Compliance provisions of the *U.S. Hiring Incentives to Restore Employment Act* ("FATCA") generally impose reporting obligations and a 30% withholding tax regime with respect to certain U.S. source income (including interest, dividends, and other types of passive income ("FDAP income")) and gross proceeds from the sale or other disposition of property that can produce U.S. source interest or dividends made to non-U.S. financial institutions. The Fund will need to comply with FATCA. A recently signed Inter-Governmental Agreement between Canada and the U.S. (the "Canada-U.S. IGA") modifies the Fund's obligations with respect to FATCA. Provided Canada complies with its obligations under the Canada-U.S. IGA and the Fund complies with reporting, verification, due diligence and other procedures established under the Canada-U.S. IGA, the Fund will not be subject to 30% withholding tax on FDAP income paid to it. The Fund will be required to identify and report annually to the Canadian Minister of National Revenue information regarding the U.S. holders of, and certain U.S. persons that indirectly hold, interests in the Fund (other than equity and debt interests that are regularly traded on an established securities market). The first reporting period (requiring only partial reporting of information) is 2014 and is required to be reported, according to proposed legislation, by May 2, 2015. The Manager, on behalf of the Fund, will ensure adequate measures are taken in order for the Fund to comply with the Canada-U.S. IGA and the provisions of FATCA, as applicable, and will register the Fund with the U.S. Internal Revenue Service (the "IRS") in accordance with FATCA requirements through an online registration portal. As of the date hereof, the Canada-U.S. IGA has yet to be ratified under Canadian law. To the extent the Canada-U.S. IGA is not ratified under both Canadian law and U.S. law, the Fund may be subject to, in particular, the withholding provisions of FATCA and the Fund's FATCA obligations may differ from those described above. Investors should consult their own tax advisors regarding the possible implications of this legislation and the Canada-U.S. IGA on their investment and the entities through which they hold their investment.

Withholding Tax Risks

As the Portfolio will consist of securities issued by foreign issuers, distributions received by the Fund on the securities in the Portfolio may be subject to foreign withholding tax. The return on the Portfolio will be net of such foreign withholding tax, unless the terms of the securities in the Portfolio require the issuers of such securities to “gross-up” distributions and gains, as applicable, so that a holder of such securities receives the amount that it would have received in the absence of such withholding tax. There can be no assurances that (i) distributions and gains on securities held in the Portfolio will not be subject to foreign withholding tax or (ii) the terms of securities held in the Portfolio will provide for the gross-up referred to above.

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.

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 on their investment and who can withstand the effect of a distribution not being made in any period.

Conflicts of Interest Risk

The Manager and its directors and officers engage in the promotion, management or investment management of one or more funds or trusts with similar investment objectives to those of the Fund. Although none of the directors or officers of the Manager will devote his or her full time to the undertaking and affairs of the Fund, applicable directors and officers of the Manager will devote as much time as is necessary to supervise the management of (in the case of the directors) or to manage the undertaking and affairs of (in the case of officers) the Fund and the Manager, as applicable. Reference is made to “Organization and Management Details of the Fund — The Investment Manager — Conflicts of Interest — The Investment Manager” for a description of the conflict of interest risk relating to the Investment Manager.

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.

Risks Relating to Redemptions

The purpose of the annual redemption right is to prevent Units from trading at a substantial discount and to provide investors with the right to eliminate entirely any trading discount once per year. While the redemption right provides investors an alternative option of annual liquidity, there can be no assurance that it will reduce trading discounts. There is a risk that the Fund may incur significant redemptions if Units trade at a significant discount to the Net Asset Value per Unit, thereby providing arbitrage traders an opportunity to profit from the difference between the 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.

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 beneficial 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.

Residency of the Investment Manager

The Investment Manager has notified the Fund and the Manager of the matters referred to in Section 8.26(4)(e) of National Instrument 31-103 — *Registration Requirements, Exemptions and Ongoing Registrant Obligations* including that the Investment Manager (i) is not currently registered in Canada, (ii) the Investment Manager is resident outside Canada and all or a substantial portion of its assets are situated outside Canada, and (iii) as a result, it may be difficult to enforce any legal rights against the Investment Manager.

DISTRIBUTION POLICY

The Fund will not have a fixed distribution policy, but intends to make quarterly distributions based on the actual and expected returns on the Portfolio to Unitholders of record on the last Business Day of each quarter. Distributions will be paid on a Business Day designated by the Manager that will be no later than the 15th day of the following month; provided that if the 15th day of the following month is not a Business Day, the distributions shall be paid on the next day that is a Business Day. Based on current estimates and the assumptions set out below, the Fund’s initial distribution target is expected to be \$0.15 per Unit per quarter, representing an initial yield on the Unit issue price of 6.0% per annum. The initial quarterly distribution will be payable to Unitholders of record on September 30, 2014 and will be paid no later than October 15, 2014. The first distribution is expected to reflect the period from the Closing Date to September 30, 2014. Based on the assumptions in (i)-(vi) below, the Portfolio would be required to generate an average annual total return of approximately 6.36%, inclusive of distributions and other income, in order for the Fund to maintain a stable NAV per Unit and make the initial targeted distribution. 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 of 22% of Total Assets, (iv) the fees and expenses described under “Fees and Expenses”, (v) foreign exchange rates remain constant, and (vi) the market price and yield of the Capital Securities included in the Indicative Portfolio, it is expected that distributions paid on the assets held in the Portfolio will be sufficient to allow the Fund to pay distributions at the initial target level and maintain a stable Net Asset Value per Unit. The current yield of the assets in the Indicative Portfolio is approximately 6.36% (net of withholding tax, if any) per annum. The ability of the Portfolio to generate such returns will be dependent on the extent to which these assumptions turn out to be accurate. **If the return on the Portfolio and the increase in the value of the Portfolio are less than the amount necessary to fund the quarterly distributions and all expenses of the Fund and if the Manager chooses to ensure that the quarterly distributions are paid to Unitholders, this will result in a portion of the capital of the Fund being returned to Unitholders and, accordingly, the NAV per Unit would be reduced.** The distributions are not guaranteed. The Manager will review the distribution policy from time to time and the distribution amount may change from time to time.

The Fund intends for quarterly distributions to be paid in cash. However, at the Manager’s discretion, Additional Distributions may be paid in cash and/or Units from time to time.

The Fund will be subject to tax under Part I of the Tax Act on the amount of its income for tax purposes for the year, including net realized taxable capital gains, less the portion thereof that it claims in respect of the amounts paid or payable to Unitholders in the year. To ensure that the Fund will generally not be liable for income tax under Part I of the Tax Act, the Trust Agreement provides that, if necessary, an Additional Distribution will be automatically payable in each taxation year to Unitholders of record on the last day of such taxation year. 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 “Canadian Federal Income Tax Considerations”.

PURCHASES OF SECURITIES

The Fund proposes to offer Units at a price of \$10.00 per Unit (with a minimum subscription of 100 Units for \$1,000). Prospective purchasers may subscribe for Units through one of the Agents or any member of a sub-agency group that the Agents may form. Closing of the Offering will take place on or about June 24, 2014, 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”.

REDEMPTION OF SECURITIES

Annual Redemptions

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 on or before 5:00 p.m. (Toronto time) on the last Business Day of November in the year of redemption, subject to the Fund’s right to suspend redemptions in certain circumstances. Units properly surrendered for redemption during such 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 Annual Redemption Price. 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 and income of the Fund realized 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, 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 and income of the Fund realized by it to fund the payment of the redemption price. See “Risk Factors”.

Unitholders surrendering a Unit for redemption will receive a redemption price equal to the lesser of (i) 95% of the Market Price of a Unit, and (ii) 100% of the Closing Market Price of a Unit on the applicable Monthly Redemption Date less, in each case, any costs 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.

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.

Resale of Units Tendered for Redemption

The Fund may enter into the Recirculation Agreement with BMO NBI on or prior to the Closing Date whereby BMO NBI will agree to use commercially reasonable efforts to find purchasers for any Units tendered for redemption up to two Business Days prior to the relevant Redemption Payment Date. The Fund may, but is not obliged to, require BMO NBI to seek such purchasers. In such event, the proceeds of the sale of the Units, less any applicable commission payable to BMO NBI, will be paid to the Unitholder on the Redemption Payment Date. Such amount shall not be less than the amount that a Unitholder would have been otherwise entitled to receive on the Redemption Payment Date.

Suspension of Redemptions

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

CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of 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 that is not a Registered Plan) and who, for the purposes of the Tax Act, is resident in Canada, deals at arm's length, and is not affiliated, with the Fund, and holds Units as capital property. Generally, Units will be considered to be capital property to a Unitholder provided the Unitholder does not hold the Units in the course of carrying on a business of trading or dealing in securities and has not acquired them in one or more transactions considered to be an adventure or concern 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 them and all other "Canadian securities" owned or subsequently owned by them treated as capital property by making an irrevocable election in accordance with the Tax Act. This summary does not apply to a Unitholder who enters into, or has entered into, a "derivative forward agreement", as that term is defined in the Tax Act.

This summary is based on the current provisions of the Tax Act, counsel's understanding of the current administrative policies and assessing practices of the CRA published in writing by it prior to the date hereof, the Tax Proposals and certificates of the Manager and BMO NBI as to certain factual matters. This summary does not otherwise take into account or anticipate any changes in law, whether by legislative, governmental or judicial action, nor does it take into account other federal or any provincial, territorial or foreign tax legislation or considerations. There can be no assurance that any Tax Proposals will be enacted in the form publicly announced or at all.

This summary is not exhaustive of all possible Canadian federal income tax considerations applicable to an investment in Units. Moreover, the income and other tax consequences of acquiring, holding or disposing of Units will vary depending on an investor's particular circumstances, including the province or territory in which the investor resides or carries on business. Counsel express no views herein in respect of 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 and certain investment criteria referred to under "Investment Restrictions". 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. This summary assumes that the Fund will comply with the investment restrictions set out under the heading "Investment Restrictions".

This summary is also based on the assumption that the Fund will at no time be a SIFT Trust. Provided the Fund complies with the investment restrictions, as described under the heading "Investment Restrictions", the Fund should not hold any investment that would result in the Fund being subject to the special tax for SIFT Trusts.

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 income, including its net realized capital

gains as described under “Distribution Policy”, it will generally not be liable in such year for income tax under Part I of the Tax Act.

The Fund will be required to include in its income for a taxation year with respect to debt obligations held by the Fund all interest that accrues or is deemed to accrue to the Fund to the end of that taxation year, or that becomes receivable or is received by it before the end of that year, except to the extent that such interest was included in the Fund’s income for a preceding taxation year. Upon the actual or deemed disposition of a debt obligation, the Fund will be required to include in computing its income for the year of disposition all interest that accrued on such debt obligation from the last interest payment date to the date of disposition, except to the extent such interest was included in computing the Fund’s income for that or another taxation year and such income inclusion will be excluded in computing the proceeds of disposition for purposes of computing any capital gain or capital loss.

The Portfolio will include securities that are not denominated in Canadian dollars. Costs, proceeds of disposition of securities, distributions, interest and all other amounts will be determined for the purposes of the Tax Act in Canadian dollars at the exchange rate prevailing at the time of the transaction. The Fund may realize gains or losses by virtue of the fluctuation in the value of foreign currencies relative to Canadian dollars.

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

In determining the income of the Fund, gains or losses realized upon dispositions of Portfolio securities will constitute capital gains or capital losses of the Fund in the year realized unless the Fund is considered to be trading or dealing in securities or otherwise carrying on an investment business of buying and selling securities or the Fund has acquired the securities in a transaction or transactions considered to be an adventure or concern in the nature of trade. The Manager has advised counsel that the Fund will purchase the Portfolio with the objective of earning distributions and income from the Portfolio securities over the life of the Fund and will take the position that gains and losses realized on the disposition thereof are capital gains and capital losses.

The Tax Act contains recently enacted rules (the “DFA Rules”) that target certain financial arrangements (referred to as “derivative forward agreements”) that seek to reduce tax by converting, through the use of derivative contracts, the return on an investment that would otherwise have the character of ordinary income to a capital gain. The DFA Rules are broadly drafted and could apply to other agreements or transactions (including certain forward currency contracts). If the DFA Rules were to apply to certain derivatives to be utilized by the Fund, gains realized in respect of such derivatives could be treated as ordinary income rather than capital gains. Counsel understand that, in response to inquiries from industry participants, the Department of Finance (Canada) is considering clarifications to the DFA Rules as regards their potential application to currency hedges.

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 (a “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 securities acquired by the Fund.

In computing its income for tax purposes, the Fund may deduct reasonable administrative and other expenses incurred to earn income in accordance with the detailed rules in the Tax Act. The Fund may 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. Any losses incurred by the Fund may not be allocated to Unitholders but may generally be carried forward and back and deducted in computing the taxable income of the Fund in accordance with the detailed rules and limitations in the Tax Act.

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, whether paid in cash or additional Units. The non-taxable portion of the Fund's net realized capital gains paid or payable and designated 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 not generally 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 (i) the net realized taxable capital gains of the Fund and (ii) the foreign source income of the Fund and foreign taxes eligible for the foreign tax credit, 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, 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. For the purpose of determining the adjusted cost base to a Unitholder of a Unit, 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 that were acquired 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.

The consolidation of Units following an Additional Distribution will not be regarded as a disposition of Units and will not affect the aggregate adjusted cost base of Units to a Unitholder.

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

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

Taxation of Registered Plans

Amounts of income and capital gains distributed by the Fund to a Registered Plan and capital gains realized on the disposition of Units held in a Registered Plan 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 "Canadian Federal Income Tax Considerations — 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 "Distribution Policy", 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 the Units are listed on a designated stock exchange (which currently includes the TSX), Units will be qualified investments under the Tax Act for trusts governed by Registered Plans.

Notwithstanding the foregoing, if the Units are “prohibited investments” for a tax-free savings account (“TFSA”), a registered retirement savings plan (“RRSP”) or a 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. The Units will not be “prohibited investments” provided that the holder or annuitant, as the case may be: (i) deals at arm’s length with the Fund; and (ii) does not have a “significant interest” in the Fund (within the meaning of the Tax Act). In addition, the Units will generally not be a “prohibited investment” if the Units are “excluded property” as defined in the Tax Act for TFSAs, RRSPs, or RRIFs. 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

Aston Hill 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 registered office of the Manager is located at 77 King Street West, Suite 2110, Toronto, Ontario M5K 1G8. The Manager is a leading provider of investment products having raised over \$2.5 billion in assets. The Manager is part of Aston Hill Financial Inc., a diversified asset management company with a suite of retail mutual funds, closed end funds, private equity funds, hedge funds and segregated institutional funds. Aston Hill Financial Inc. is also engaged in the administration of Argent Energy Trust. Aston Hill Financial Inc. has offices in Calgary, Toronto and Halifax and has over \$7.4 billion in assets under management. The corporate secretary of the Manager is Sasha Rnjak.

The Manager also manages the following investment funds (initial public offering issue size, TSX symbol) that invest in Capital Securities: Australian Banc Capital Securities Trust (\$153.7 million, AUZ.UN), Canadian Banc Capital Securities Trust (\$99 million, CSB.UN), HBanc Capital Securities Trust (\$173.9 million, HSC.UN) and North American Financials Capital Securities Trust (\$54.8 million, NAF.UN).

Duties and Services to be Provided by the Manager

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

The Manager’s duties will include maintaining accounting records for the Fund; authorizing the payment of operating expenses incurred on behalf of the Fund; preparing financial statements, income tax returns and financial and accounting information as required by the Fund; ensuring that Unitholders are provided with financial statements and other reports as are required from time to time by applicable law; ensuring that the Fund complies with regulatory requirements, including its continuous disclosure requirements under applicable securities laws; preparing the Fund’s reports to Unitholders and to the Canadian securities regulators; providing the Custodian with information and reports necessary for the Custodian to fulfil its fiduciary responsibilities; 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, auditor and printers.

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

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

Details of the Manager’s Obligations under the Trust Agreement

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

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 or the Fund, 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 wilful misconduct, bad faith or negligence or the Manager’s failure to meet the standard of care set forth above.

Conflicts of Interest — Manager and Trustee

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

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

Accounting and Reporting

The Fund’s fiscal year-end will be April 30. 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	President and Chief Executive Officer, Aston Hill Capital Markets Inc.
DARREN N. CABRAL Toronto, Ontario	Director, Vice President and Chief Financial Officer	Vice President and Chief Financial Officer, Aston Hill Capital Markets Inc.
ERIC TREMBLAY Calgary, Alberta	Director (Chairman)	Chief Executive Officer, Aston Hill Financial Inc.
MICHAEL J. KILLEEN Toronto, Ontario	Director	Chief Operating Officer, Aston Hill Financial Inc.
LARRY TITLEY Airdrie, Alberta	Director	Vice President and Chief Financial Officer, Aston Hill Financial Inc.

Each of the foregoing has held his current position or has held a similar position with the Manager or an affiliate during the five years preceding the date hereof, except for: (i) Darren N. Cabral, who was elected as a director on September 29, 2009 and became Chief Financial Officer on April 27, 2011; and (ii) Michael J. Killeen, who joined and was appointed Chief Operating Officer of Aston Hill Financial Inc. in August 2010. Eric Tremblay, Michael J. Killeen and Larry Titley were elected as directors of the Manager on August 15, 2013.

W. Neil Murdoch: CFA; B.Comm., McGill University; LL.B., University of Toronto; Master of Management, Kellogg Graduate School of Management, Northwestern University. Mr. Murdoch joined Aston Hill Capital Markets Inc. (formerly 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.

Darren N. Cabral: CFA; BA (Hons.), York University; MBA, Schulich School of Business, York University. Mr. Cabral joined Aston Hill Capital Markets Inc. (formerly 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.

Eric Tremblay: B.Eng., Ryerson University. Mr. Tremblay joined Aston Hill Financial Inc. in 2001. Prior thereto, Mr. Tremblay held various positions at Enerplus Corporation from 1993 to 2001 including Senior Vice President of Capital Markets.

Michael J. Killeen: B.Sc., University of Western Ontario; LL.B., University of Western Ontario; Advanced Management Program, Harvard Business School. Mr. Killeen joined Aston Hill Financial Inc. in 2010. Prior thereto, Mr. Killeen was an Executive Vice President with Davis + Henderson Income Fund from March 2009 to July 2010 and Senior Vice-President and General Counsel with CI Financial from April 1995 to September 2007.

Larry Titley: C.A.; B.Comm., University of Calgary. Mr. Titley joined Aston Hill Financial Inc. in 2002. Prior thereto, Mr. Titley was Treasurer for the Enerplus Group of Management Companies since 1999.

The Investment Manager

Cairn Capital Limited will act as the investment manager of the Fund in connection with the selection, purchase and sale of Capital Securities. The Investment Manager is an independent specialist credit asset management and advisory business established in 2004 with US\$21.6 billion of assets under management and advice as at March 31, 2014 (together with its affiliates), comprised of US\$2.6 billion of discretionary assets under management, US\$4.7 billion of legacy assets under management and US\$14.3 billion of assets under long term advice.

The Investment Manager has managed portfolios of credit assets dedicated to financials since mid-2009. The Investment Manager has specialist skills in this field particularly with respect to subordinated and hybrid capital.

The Investment Manager is located in London, United Kingdom. The Investment Manager's affiliate, Cairn Capital North America Inc., is based in Greenwich, Connecticut. The Investment Manager and its affiliates have a total of 75 staff including 40 investment professionals.

The Portfolio will be managed by the corporate portfolio management group which consists of a team of eight investment professionals supported by the Investment Manager's operations and treasury, risk and legal teams. The corporate portfolio management group managed US\$890 million in assets as at March 31, 2014 across five portfolios including approximately US\$300 million in assets that were substantially similar to the Capital Securities that it will manage for the Fund.

The team of individuals working at the Investment Manager responsible for advising, servicing and making investment decisions on behalf of the Fund consists of four individuals, Andrew Jackson, Philippe Kellerhals, Travis Murdoch and Folkert Jan van der Veer, each of whom has significant experience in portfolio management and investment advisory services. Philippe Kellerhals will be responsible for all investment decisions, overseen by Andrew Jackson in his role as Chief Investment Officer. Travis Murdoch will support Philippe Kellerhals as assistant portfolio manager for the Fund. Folkert Jan van der Veer will be responsible for research on all positions to be included in the Portfolio.

The name, municipality of residence, position with the Investment Manager and principal occupation of each of the above mentioned individuals is set out below:

<u>Name and municipality</u>	<u>Position with the Investment Manager</u>	<u>Principal occupation</u>
ANDREW JACKSON, London	Chief Investment Officer	Responsible for oversight of all of Investment Manager's investment activities.
PHILIPPE KELLERHALS, London	Senior PM, Corporates	Responsible for managing all of Investment Manager's corporate portfolios
TRAVIS MURDOCH, London	PM, Corporates	Portfolio manager, corporate portfolios
FOLKERT JAN VAN DER VEER, . . . London	Senior Research Analyst, Financials	Lead researcher for the financials sector

During the past four years, all of the officers of the Investment Manager listed above have held their present principal occupations (or similar positions with their present employer or its affiliates). A short biography of each of Messrs. Jackson, Kellerhals, Murdoch and van der Veer is provided below.

Andrew Jackson: Andrew Jackson is the Investment Manager's Chief Investment Officer and a member of the Executive Management Committee. He joined in 2004 and his responsibilities include leading all aspects of the company's asset management business. Mr. Jackson has 18 years of experience in financial markets covering portfolio management, risk, structuring, analysis and technology. Prior to joining the Investment Manager, Mr. Jackson worked at Bank of America in Europe, focusing on corporate and ABS correlation products. Before that, he established and led Fitch Ratings' European credit derivatives practice and rated a number of the first

European ABS transactions. Mr. Jackson started his career at PricewaterhouseCoopers in their Banking and Capital Markets and Structured Finance groups.

Philippe Kellerhals: Philippe Kellerhals joined the Investment Manager in 2008 and is a senior portfolio manager in the asset management group with responsibility for corporate credit. He has been managing subordinated financial assets at the Investment Manager since 2009. Prior to joining the Investment Manager, Mr. Kellerhals gained five years' experience managing credit investments at BNP Paribas. He is a CFA charter holder.

Travis Murdoch: Travis Murdoch joined the Investment Manager in 2009 as a portfolio manager in the Investment Manager asset management group focusing on corporate credits. Prior to joining Cairn Capital, he gained three years' experience managing credit portfolios in the proprietary trading group at RBC Capital Markets in London where he focused primarily on high yield and investment grade credits. Mr. Murdoch also worked as a credit analyst in the Global Banking & Markets division at RBS.

Folkert Jan van der Veer: Folkert Jan van der Veer is an analyst in the research group focused on financial institutions. He joined the Investment Manager in 2009 having had 10 years' experience in both buy- and sell-side firms in the United Kingdom and the Netherlands. Prior to joining the Investment Manager, he was responsible for credit research coverage of European financial institutions at Dresdner Kleinwort and for servicing Dresdner Kleinwort's client base, which included the worlds' largest institutional investors. Prior to that, he worked in a variety of analytical roles including covering financial institutions at ABN Amro Asset Management and equities at Kempen & Co. He has a CEFA (Certified European Financial Analyst) designation.

Details of the Investment Management Agreement

Under the Investment Management Agreement, the Investment Manager is required to act at all times on a basis which is fair and reasonable to the Fund and to act honestly and in good faith with a view to the best interests of the Fund and, in connection therewith, to exercise the degree of care, diligence and skill that a reasonably prudent investment advisor would exercise in comparable circumstances. The Investment Management Agreement provides that the Investment 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 Investment Manager will, however, incur liability in cases of wilful misconduct, bad faith or negligence or breach of its standard of care set forth above.

The Investment Management Agreement will continue in effect unless earlier terminated in accordance with the terms thereof. If the Manager is terminated as manager to the Fund or the Fund is terminated in accordance with the Trust Agreement, the Investment Management Agreement will terminate at such time. The Manager may terminate the Investment Management Agreement if the Investment Manager has committed certain events of bankruptcy or insolvency, has lost any registration, licence or other authorization required to perform its services thereunder or is in material breach or default of the provisions thereof and such material breach or default has not been cured within 20 Business Days after notice thereof has been given to the Investment Manager by the Manager.

The Investment Management Agreement includes various customary rights of termination, including that the Investment Manager may terminate the Investment Management Agreement upon at least 20 business days' notice in the event that the Fund or the Manager is in material breach or default of the provisions thereof and such material breach or default has not been cured within 20 business days' notice of same to the Manager and to the Fund, as applicable, or in the event that there is a material change in the investment guidelines of the Fund.

The Manager is responsible for the payment of the fees of the Investment Manager out of its fees.

Conflicts Of Interest — The Investment Manager

The services of the Investment Manager and its officers and directors are not exclusive to the Fund or the Manager. The Investment Manager or any of its affiliates and associates may, at any time, engage in the promotion, management or investment management of any other entity or portfolio which invests primarily in the same assets as those held by the Fund and provide similar services to other investment funds and other clients and engage in other activities. Investment decisions for the Fund will be made independently of those made for other clients and independently of investments of the Investment Manager. On occasion, however, the Investment Manager may identify the same investment for the Fund and for one or more of its other clients. If the Fund and one or more of the other clients of the Investment Manager are engaged in the purchase or sale of the same security, the transactions will be effected on an equitable basis.

Independent Review Committee

The Manager has appointed an independent review committee (the “Independent Review Committee”) in accordance with NI 81-107 comprised of four members, each of whom is independent of the Manager, the Fund 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.astonhill.ca. 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 John Crow (chair), Joseph Wright, Robert B. Falconer and Scott Browning. The Independent Review Committee acts as a review committee for a number of investment funds managed by 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 with each fund’s share based on a complexity factor 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 following are brief biographies provided by the members of the Independent Review Committee:

John Crow (chair) is the former Governor of the Bank of Canada and a noted economist. He is a director or advisor to a number of companies, and is also a Senior Fellow of the C.D. Howe Institute. In 1999, he chaired a committee of international experts that was commissioned by the Executive Board of the International Monetary Fund (the “IMF”) to evaluate IMF bilateral, regional, and multilateral surveillance activities, and, in 2002, he took part in a high level international mission to advise on monetary problems in Argentina. In 2003, he chaired an international task force commissioned by the International Federation of Accountants to examine the loss of credibility in financial reporting and how to restore it. Mr. Crow is the author (2002) of *Making Money: An Insider’s Perspective on Finance, Politics, and Canada’s Central Bank*.

Joseph Wright spent 23 years with Citibank in New York, Geneva and Toronto. He left Citibank in 1986 to join Burns Fry Limited where he worked until 1994, finishing as a Vice Chairman. In 1995, he joined Swiss Bank Corporation (Canada) as President & CEO. Following Swiss Bank, he has spent 16 years as a corporate director, serving on the boards of Loblaw Companies Limited, O & Y Real Estate Investment Trust, Call-Net

Enterprises Inc. and St. Laurent Paperboard Inc., to name a few. He also served for five years as the Chair of the Connor, Clark & Lunn independent review committee.

Robert B. Falconer is a Member of Board of Directors, Audit and Valuation, Investment and Independent Review Committee (chair) of VentureLink Funds and has financial consulting contracts with Altamira Financial Services, Ontario Clean Water Agency and GHD International. He recently worked as a Director of Community Loans Policy & Risk Control for Ontario Strategic Infrastructure Financing Authority and as a Vice President of Corporate Finance for Altamira Financial Services.

Scott Browning received his doctorate in chemistry from the University of Toronto in 1992. He returned to join the faculty at the University of Toronto after a 16-month term as a post-doctoral Fellow at the National Institute of Bioscience in Japan. His research on the modular design, synthesis and properties of tunable phosphine ligands has been published in the journals of the Royal Society of Chemistry and the American Chemical Society and presented at international conferences. Dr. Browning is a Fellow of the University of St. Michael's College and is currently co-authoring a textbook that emphasizes a strong mechanistic approach to understanding organic chemistry.

Trustee

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

Auditor

The auditor of the Fund is PricewaterhouseCoopers LLP, Chartered Professional Accountants, at PwC Tower, 18 York Street, Suite 2600, Toronto, Ontario M5J 0B2.

Transfer Agent and Registrar

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

Promoter

Aston Hill 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. Aston Hill 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”. Aston Hill 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 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. Such amount will also be available on the Manager’s website at www.astonhill.ca.

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 attributable to 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) 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 Capital Securities and other debt obligations will be valued by taking the average of the bid and ask prices quoted by a major dealer or independent third party pricing service 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, 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 provided 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 any total return swap including any TRS Facility, 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, such total return swap, forward contract or other derivative was 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 or the Investment Manager from time to time.

The Net Asset Value per Unit 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 determined in accordance with the principles set out above may differ from the Net Asset Value per Unit determined under International Financial Reporting Standards.

For the purposes of calculating the Redemption Net Assets per Unit in connection with a redemption of Units on an Annual Redemption Date, the net asset value will be determined on the basis that any debt obligations that are owned by the Fund will be valued by taking the bid price on the Valuation Date.

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.astonhill.ca, and will also be available to Unitholders upon request, at no cost, by calling 1-800-513-3868.

DESCRIPTION OF THE UNITS

The Units

The beneficial interest in the net assets and net income of the Fund is divided into units of such classes as may be determined by the Manager from time to time. Initially, only a single class of units have been authorized for issuance and the Fund is authorized to issue an unlimited number of Units. Each Unit of a class entitles the holder to the same rights and obligations as a Unitholder of such class and no Unitholder of a class is entitled to any privilege, priority or preference in relation to any other Unitholder of a class. Each Unit of a class entitles the Unitholder to one vote at all meetings of all Unitholders and at all meetings of Unitholders of that class. Each Unitholder of a class is entitled to participate equally with respect to any and all distributions to the class made by the Fund, including distributions of net realized capital gains, 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 of a class are entitled to receive on a *pro rata* basis with Unitholders of that class all of the assets of the Fund allocated to such class remaining after payment of all debts, liabilities and liquidation expenses of the Fund allocated to such class. Unitholders will have no voting rights in respect of assets held by the Fund allocated to such class. The Fund has delegated to the Manager the responsibility for voting on matters for which the Fund receives, in its capacity as a securityholder, proxy materials for a meeting of securityholders of an issuer included in the Portfolio. See "Proxy Voting Disclosure".

The Trust Agreement provides that the Fund may not issue additional Units of a class following completion of the Offering except (i) for net proceeds per Unit of a class of not less than 100% of the most recently calculated Net Asset Value per Unit of such class prior to the pricing of such issuance (and, for greater certainty, in making such determination, if such NAV is calculated prior to a record date for a distribution in respect of units of a class being issued, the most recently calculated Net Asset Value per unit for the purposes of determining the subscription price will be adjusted to account for any distributions which have been declared payable in respect of such units and which will not be received by the subscriber); (ii) with the approval of Unitholders; (iii) by way of Unit distributions; or (iv) upon the exercise of any warrants provided that the exercise price of such warrants is not less than that which would yield net proceeds of at least 100% of the most recently calculated Net Asset Value per Unit prior to the pricing of such warrants.

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.

Purchase for Cancellation

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

Take-over Bids

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

Book Entry Only System

Registration of interests in and transfers of the Units will be made only through the Book-Based System administered by CDS. 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-Based 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 by a written requisition specifying the purpose of the meeting.

Notice of all meetings of Unitholders 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. In the event that such quorum is not present within one-half hour after the time called for a meeting, the meeting, if convened upon the request of a Unitholder, will be dissolved, but in any other case, the meeting will stand adjourned to such day no later than 14 days later and to such time and place as may be appointed by the chairman of the meeting (which for greater certainty can be at a later time on the date of the originally scheduled meeting), and if at such adjourned meeting a quorum is not present, the Unitholders present in person or by proxy at such adjourned meeting will be deemed to constitute a quorum.

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

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

Permitted Merger

Subject to applicable law, the Fund may, without obtaining Unitholder approval, enter into a merger or other similar transaction which has the effect of combining the Fund or its assets on a tax-deferred “rollover basis” (a “**Permitted Merger**”) with any other public investment fund or funds managed or advised by the Manager that has or have investment objectives and investment strategies that are substantially the same as the Fund’s on an exchange ratio based on the relative net asset values of such funds, subject to:

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

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) other than a Permitted Merger, 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) other than in connection with a Permitted Merger, 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 (i) for net proceeds per Unit of a class of not less than 100% of the most recently calculated Net Asset Value per Unit of such class prior to the pricing of such issuance (and, for greater certainty, in making such determination, if such NAV is calculated prior to a record date for a distribution in respect of Units of a class being issued, the most recently calculated NAV per Unit for the purposes of determining the subscription price will be adjusted to account for any distributions which have been declared payable in respect of such Units and which will not be received by the subscriber), (ii) by way of Unit distributions, or (iii) upon the exercise of any warrants provided that the exercise price of such warrants is not less than that which would yield net proceeds of at least 100% of the most recently calculated Net Asset Value per Unit prior to the pricing of such warrants, as more particularly described under “Description of the Units — The 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) provide added protection or benefit to Unitholders;
- (f) in connection with a Permitted Merger; or
- (g) add additional classes of Units whose rights and privileges are not greater than the existing classes of Units.

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 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 International Financial Reporting Standards and (ii) interim and annual management reports of fund performance in respect of the Fund. The Fund will make

available to each Unitholder annually, and within the time prescribed by law, information necessary to enable such Unitholder to complete an income tax return with respect to the amounts payable by the Fund.

TERMINATION OF THE FUND

The Fund will have a term of approximately 10 years, terminating on or about July 31, 2024. Prior to the Termination Date, the Manager may present a proposal to extend the term of the Fund, subject to approval of Unitholders at a meeting called for such purpose, provided that all Unitholders will be given a right to cause their Units to be redeemed on the Termination Date, regardless of whether they voted in favour of the term extension.

The Fund may also 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 or in connection with a Permitted Merger; provided, however, that the Manager may, in its discretion, on at least 60 days' notice to Unitholders by way of press release, 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. The Fund will also issue a press release fifteen 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 allocated to each class of Units will be distributed to Unitholders of such class 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.

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

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 \$10.00 per Unit upon any termination of the Fund.

USE OF PROCEEDS

The net proceeds from the issue of the maximum number of Units offered hereby (after payment of the Agents' fee and 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. The expenses of the Offering, which are estimated to be \$650,000 (but not to exceed 1.5% of the gross proceeds of the Offering), will be paid out of the gross proceeds of the Offering by the Fund. The Fund will use the net proceeds of the Offering (including any net proceeds from the exercise of the Over-Allotment Option) to invest in the Portfolio.

PLAN OF DISTRIBUTION

Pursuant to the Agency Agreement, the Agents have agreed to act as, and have been appointed as, the sole and exclusive agents of the Fund to offer the Units for sale, subject to prior sale, on a best efforts basis, if, as and when issued by the Fund in accordance with the conditions contained in the Agency Agreement. The Units will be issued at a price of \$10.00 per Unit. The offering price per Unit was determined by negotiation between the Agents and the Manager on behalf of the Fund. In consideration for their services in connection with the Offering, the Agents will be paid a fee of \$0.525 per 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 gross 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. The Over-Allotment Option is exercisable for a period of 30 days from the Closing Date and gives the Agents the right to offer additional Units in an amount up to 15% of the aggregate number of Units sold on the Closing Date on the same terms as set forth above solely to cover over-allocations, if any. To the extent that the Over-Allotment Option is exercised, the additional Units will be sold at \$10.00 per Unit and the Agents will be paid a fee of \$0.525 per Unit sold. This prospectus also qualifies the grant of the Over-Allotment Option, the distribution of the Units issuable upon exercise of the Over-Allotment Option and the distribution of the Units issuable as part of the Agents' over-allocation position. A purchaser who acquires Units forming part of the Agents' over-allocation position acquires such 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 2,000,000 Units (or \$20,000,000) have not been received within 90 days following the date of issuance of a final receipt for this prospectus, the Offering may not continue unless an amendment to this prospectus is filed. In the event 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 Units that will be sold is 12,500,000 (\$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 June 24, 2014 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 Units. Listing is subject to the Fund fulfilling all of the requirements of the TSX on or before August 5, 2014, including distribution of the Units to a minimum number of public securityholders.

The Fund may enter into a credit facility with a Canadian chartered bank or an affiliate thereof, which may be an affiliate of one of the Agents. Accordingly, the Fund may be considered to be a “connected issuer” of such Agent or Agents.

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-allocate or effect transactions in connection with its over-allocated position. Such transactions, if commenced, may be discontinued at any time.

Pursuant to the Agency Agreement, the Fund, the Manager and the Investment 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 and the Investment Manager is entitled to receive fees from the Manager pursuant to the Investment Management Agreement. See “Organization and Management Details of the Fund” and “Fees and Expenses”.

PROXY VOTING DISCLOSURE FOR PORTFOLIO ASSETS 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 in the Portfolio and the assets held directly 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 of the Portfolio, as a general rule, proxies will be voted with management on routine business. Examples of routine business are voting on the size, nomination and election of the board of directors and the appointment of the auditor. 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.

The Manager's proxy voting guidelines include procedures with respect to: (i) the completion and submission of proxies in a timely fashion; and (ii) subsequent verifications with respect to (i) above to ensure that securities held by the Fund are voted in accordance with the instructions of the Manager.

Proxy Voting Conflicts of Interest

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

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

Disclosure of Proxy Voting Guidelines and Record

A copy of the Manager's proxy voting guidelines will be made available on the Internet at www.astonhill.ca. The most recent proxy voting record for the Fund for the most recent period ended December 31 of each year will also be available on the Internet at www.astonhill.ca.

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 Investment Management Agreement; and
- (d) the Recirculation Agreement.

Once executed, copies of the foregoing documents may be examined during normal business hours at the principal office of the Fund and will also be available under the Fund's profile at www.sedar.com. 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 Professional Accountants. PricewaterhouseCoopers LLP is independent with respect to the Fund within the meaning of the Rules of Professional Conduct of the Institute of Chartered Professional Accountants of Ontario.

PURCHASERS' STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION

Securities legislation in certain of the provinces and territories of Canada provides purchasers with the right to withdraw from an agreement to purchase securities within two Business Days after receipt or deemed receipt of a prospectus and any amendment thereto. In several of the provinces and territories of Canada, securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, revisions of the price or damages if the prospectus and any amendment thereto 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 advisor.

INDEPENDENT AUDITOR'S REPORT

To the Unitholder and the Trustee of Euro Banc Capital Securities Trust:

We have audited the accompanying statement of financial position of Euro Banc Capital Securities Trust (the “**Fund**”) as at May 28, 2014 and the related notes which comprise a summary of significant accounting policies and other explanatory information (together the financial statement).

Management’s responsibility for the financial statement

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

Auditor’s responsibility

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

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

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

Opinion

In our opinion, the financial statement presents fairly, in all material respects, the financial position of the Fund as at May 28, 2014 in accordance with those requirements of International Financial Reporting Standards relevant to preparing such a financial statement.

(Signed) PricewaterhouseCoopers LLP
Chartered Professional Accountants, Licensed Public Accountants
Toronto, Ontario
May 28, 2014

EURO BANC CAPITAL SECURITIES TRUST
STATEMENT OF FINANCIAL POSITION
As at May 28, 2014

Assets

Current assets

Cash \$10

Net Assets attributable to holders of redeemable units (Note 1)

Net Assets attributable to holders of redeemable units per unit
(one unit issued and redeemable) \$10

Approved on behalf of Euro Banc Capital Securities Trust
By: Aston Hill Capital Markets Inc., as Manager

(Signed) W. NEIL MURDOCH
Chief Executive Officer

(Signed) DARREN N. CABRAL
Chief Financial Officer

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

EURO BANC CAPITAL SECURITIES TRUST
NOTES TO STATEMENT OF FINANCIAL POSITION

As at May 28, 2014

1. GENERAL INFORMATION

Euro Banc Capital Securities Trust (the “**Fund**”) is a non-redeemable investment fund established under the laws of the Province of Ontario pursuant to a trust agreement, with RBC Investor Services Trust as trustee, dated as of May 28, 2014. The address of its registered office is: 77 King Street West, Suite 2100, Toronto, Ontario, Canada M5K 1G8. The beneficiaries of the Fund will be the holders of Units.

The Fund’s investment objectives are to (i) provide quarterly cash distributions; and (ii) preserve capital, in each case through investment in a portfolio (the “**Portfolio**”) consisting primarily of investment grade and non-investment grade capital securities issued by European financial institutions that have an investment grade issuer rating, actively managed by Cairn Capital Limited.

The beneficial interest in the net assets and net income of the Fund is divided into units of such classes as may be determined from time to time. Initially, Units have been authorized for issuance and the Fund is authorized to issue an unlimited number of Units. On May 28, 2014, the Fund was settled and issued an initial Unit for cash consideration of \$10.00 to Aston Hill Capital Markets Inc., the settlor of the Fund. The Fund will have a term of approximately ten years, terminating on or about July 31, 2024.

The Fund is managed by Aston Hill Capital Markets Inc. (the “**Manager**”). The Manager is part of Aston Hill Financial Inc., a diversified asset management company.

The expenses of the initial public offering (the “**Offering**”), which are estimated to be \$650,000, will be paid out of the gross proceeds of the Offering by the Fund and are not to exceed 1.5% of the gross proceeds of the Offering.

The statement of financial position was approved by the board of directors of the Manager of Aston Hill Capital Markets Inc. on May 28, 2014.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statement of the Fund has been prepared in accordance with International Financial Reporting Standards (“**IFRS**”) relevant to preparing a statement of financial position. In applying IFRS, 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.

Issue Costs

Issue costs incurred in connection with the offering are expensed.

Cash and Cash Equivalents

Cash is comprised of cash on deposit with a Canadian financial institution.

Functional and Presentation Currency

The Canadian dollar is the functional and presentation currency for the Fund.

Fair Value

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

The carrying value of the cash and the Fund’s obligation for net assets attributable to holders of redeemable units approximate their fair values due to their short term nature.

Valuation of Units for Transaction Purposes

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.

As used herein, (i) “Net Asset Value” means the net asset value of the Fund determined by subtracting the aggregate liabilities of the Fund from the Total Assets on the date on which the calculation is being made; (ii) “Total Assets” means the aggregate value of the assets of the Fund; (iii) “Redemption Net Assets per Unit” means the net assets of the Fund on a per unit basis, calculated in a similar manner to the calculation of the Net Asset Value per unit except that, for the purposes of calculating the net assets of the Fund, the net asset value of the Fund will be determined on the basis that any debt obligations that are owned by the Fund will be valued using fair

EURO BANC CAPITAL SECURITIES TRUST
NOTES TO STATEMENT OF FINANCIAL POSITION (Continued)
As at May 28, 2014

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

value measurement as defined under IFRS on the Valuation Date; (iv) “Valuation Date” means each Business Day; and (v) “Business Day” means any day except Saturday, Sunday, a statutory holiday in Toronto, Ontario or any other day on which the Toronto Stock Exchange is not open for trading.

Classifications of Redeemable Units

The Fund’s outstanding redeemable unit entitlement include a contractual obligation to deliver cash or another financial asset on the Fund’s fixed termination date, and therefore the ongoing redemption feature is not the Fund’s only contractual obligation. Consequently the Fund’s outstanding redeemable units are classified as financial liabilities in accordance with the requirements of International Accounting Standard 32 – *Financial Instruments Presentation*.

3. RELATED PARTY TRANSACTIONS

As at May 28, 2014 the Manager has subscribed for one Unit for \$10.00 in the Fund, and therefore holds all of the issued and outstanding units of the Fund. The Manager is entitled to receive a management fee from the Fund equal to 1.10% per annum of the Net Asset Value. The Manager is responsible for paying the fees of Cairn Capital Limited out of the amount received by the Manager. The Fund is responsible to pay for all of its ongoing expenses incurred in connection with its operation and administration.

4. REDEMPTION OF UNITS

Units may be redeemed on the second to last Business Day of December of each year, commencing in 2015 (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 Redemption Net Assets 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 2015, in the month of December (each, a “**Monthly Redemption Date**”), subject to certain conditions.

Unitholders surrendering a Unit for redemption will receive a redemption price equal to the lesser of (i) 95% of the Market Price of a Unit, and (ii) 100% of the Closing Market Price of a Unit on the applicable Monthly Redemption Date less, in each case, any costs 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.

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

5. SUBSEQUENT EVENT

The Fund, the Manager and Cairn Capital Limited have entered into an agency agreement with BMO Nesbitt Burns Inc., Scotia Capital Inc., CIBC World Markets Inc., RBC Dominion Securities Inc., TD Securities Inc., GMP Securities L.P., National Bank Financial Inc., Canaccord Genuity Corp., Raymond James Ltd., Burgeonvest Bick Securities Limited, Desjardins Securities Inc., Dundee Securities Ltd., Mackie Research Capital Corporation and Manulife Securities Incorporated (collectively, the “Agents”) dated as of May 28, 2014, pursuant to which the Fund has agreed to create, issue and sell, and the Agents have agreed to offer for sale to the public, by way of the initial public offering prospectus of the Fund dated May 28, 2014, a minimum of 2,000,000 Units and a maximum of 12,500,000 Units at \$10.00 per Unit. In consideration for their services in connection with the Offering, the Agents will be paid a fee of \$0.525 per Unit out of the proceeds of the Offering.

CERTIFICATE OF THE FUND

Dated: May 28, 2014

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

Euro Banc Capital Securities Trust
by its attorney, **Aston Hill Capital Markets Inc.**

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

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

On behalf of the Board of Directors of
Aston Hill Capital Markets Inc.

By: (Signed) MICHAEL J. KILLEEN
Director

By: (Signed) LARRY TITLEY
Director

CERTIFICATE OF THE MANAGER

Dated: May 28, 2014

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

Aston Hill Capital Markets Inc.
as Manager

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

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

On behalf of the Board of Directors of
Aston Hill Capital Markets Inc.

By: (Signed) MICHAEL J. KILLEEN
Director

By: (Signed) LARRY TITLEY
Director

CERTIFICATE OF THE PROMOTER

Dated: May 28, 2014

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

Aston Hill Capital Markets Inc.
as Promoter

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

CERTIFICATE OF THE AGENTS

Dated: May 28, 2014

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

BMO NESBITT BURNS INC.

SCOTIA CAPITAL INC.

By: (Signed) ROBIN G. TESSIER

By: (Signed) FAROOQ N.P. MOOSA

CIBC WORLD MARKETS INC.

RBC DOMINION SECURITIES INC.

TD SECURITIES INC.

By: (Signed) MICHAEL D.
SHUH

By: (Signed) EDWARD V.
JACKSON

By: (Signed) CAMERON
GOODNOUGH

GMP SECURITIES L.P.

NATIONAL BANK FINANCIAL INC.

By: (Signed) ANDREW KIGUEL

By: (Signed) TIMOTHY D. EVANS

CANACCORD GENUITY CORP.

RAYMOND JAMES LTD.

By: (Signed) RON SEDRAN

By: (Signed) J. GRAHAM FELL

**BURGEONVEST BICK
SECURITIES
LIMITED**

**DESJARDINS
SECURITIES
INC.**

**DUNDEE
SECURITIES
LTD.**

**MACKIE RESEARCH
CAPITAL
CORPORATION**

**MANULIFE
SECURITIES
INCORPORATED**

By: (Signed) VILMA
JONES

By: (Signed) BETH A.
SHAW

By: (Signed) AARON
UNGER

By: (Signed) DAVID J.
KEATING

By: (Signed) DAVID
MACLEOD

**EURO
BANC** Capital
Securities
Trust