No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. This prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and only by persons permitted to sell these securities.

These securities have not been and will not be registered under the 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 February 26, 2013

ING DIVERSIFIED FLOATING RATE SENIOR LOAN FUND

Maximum $200,000,000 (20,000,000 Class A Units and/or Class U Units)

The Fund will obtain economic exposure to the Portfolio through one or more forward purchase agreements with one or more Schedule I Canadian chartered banks or affiliates thereof, which initially will be the Bank of Nova Scotia. The Portfolio will be held by ISL Loan Trust II, a newly formed investment fund established for the purpose of acquiring and holding the Portfolio. The Fund is therefore fully exposed to the credit risk associated with the Counterparty; however, the Counterparty will pledge collateral in favour of the Fund to secure its obligations under the Forward Agreement. By virtue of the Forward Agreement, the performance of the Fund will be dependent on the performance of the Portfolio. See "Overview of the Investment Structure — The Forward Agreement" and "Risk Factors".

ING Diversified Floating Rate Senior Loan Fund is a non-redeemable investment fund established under the laws of the Province of Ontario. The Fund proposes to offer Class A Units at a price of $10.00 per Class A Unit, and Class U Units at a price of U.S. $10.00 per Class U Unit. The Class U Units are designed for investors wishing to make their investment in U.S. dollars.

The Fund's investment objectives are to (i) provide tax-advantaged monthly cash distributions consisting primarily of returns of capital; (ii) preserve capital; and (iii) generate increased returns in the event that short-term interest rates rise, in each case, through exposure to a diversified portfolio consisting primarily of senior, secured floating rate corporate loans and other senior debt obligations of non-investment grade North American borrowers, actively managed by ING Investment Management Co. LLC. The Portfolio will consist primarily of senior, secured floating rate corporate loans that are expected to generate increased returns in the event that short-term interest rates rise. See "Investment Objectives", "Risk Factors" and "Distribution Policy".

Price: $10.00 per Class A Unit and U.S. $10.00 per Class U Unit
Minimum purchase: 100 Class A Units or Class U Units

	Price to the public(1)	Agents' fee	Net proceeds to the Fund(2)
Per Class A Unit	$ 10.00	$ 0.525	$ 9.475
Per Class U Unit	U.S. $ 10.00	U.S. $ 0.525	U.S. $ 9.475
Minimum total Offering(3)(4)	$ 40,000,000	$ 2,100,000	$ 37,900,000
Maximum total Offering(4)	$200,000,000	$10,500,000	$189,500,000

Notes:

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

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

(3) There will be no closing unless a minimum of 4,000,000 Class A Units are sold. If subscriptions for such minimum have not been received within 90 days after a final receipt for this prospectus is issued, the Offering of Class A Units may not continue without the consent of the Canadian Securities Administrators and those who have subscribed for Class A Units on or before such date.

(4) The Fund has granted to the Agents an option (the "Over-Allotment Option"), exercisable for a period of 30 days from the Closing Date, to offer additional Class A Units in an amount up to 15% of the aggregate number of Class A Units sold on the Closing Date on the same terms as set forth above solely to cover over-allotments, if any. If the Over-Allotment Option is exercised in full under the maximum Offering, the price to the public, Agents' fee and net proceeds to the Fund are estimated to be $230,000,000, $12,075,000 and $217,925,000, respectively. This prospectus also qualifies the grant of the Over-Allotment Option and the distribution of the Class A Units issuable on the exercise of the Over-Allotment Option. A purchaser who acquires Class A Units forming part of the Agents' over-allocation position acquires such Class A Units under this prospectus, regardless of whether the over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases. See "Plan of Distribution".

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Class A Units and Class U 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".

Connor, Clark & Lunn Capital Markets Inc. will act as Manager of the Fund and ISL Loan Trust II. The Manager will perform or will arrange for the performance of management services for the Fund and ISL Loan Trust II, including portfolio management services, and will be responsible for the overall undertaking of the Fund and ISL Loan Trust II. See "Organization and Management Details of the Fund — The Manager".

ING Investment Management Co. LLC will act as the Sub-Advisor to ISL Loan Trust II in connection with the selection, purchase and sale of Senior Loans and other assets of the Portfolio. The Sub-Advisor is currently an indirect, wholly owned subsidiary of ING Groep N.V., one of the world's largest financial services companies. See "Organization and Management Details of the Fund — The Sub-Advisor".

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. **There is no market through which the Units may be sold and purchasers may not be able to resell securities purchased under this prospectus. This may affect the pricing of the securities in the secondary market, the transparency and availability of trading prices, the liquidity of the Units and the extent of issuer regulation. See "Risk Factors".**

The Toronto Stock Exchange has conditionally approved the listing of the Class A Units. Listing is subject to the Fund fulfilling all of the requirements of the Toronto Stock Exchange on or before May 21, 2013. See "Risk Factors".

On Closing, the Fund will enter into the Forward Agreement with the Counterparty (which will be a Canadian chartered bank, or affiliates thereof, and an affiliate of one of the Agents, provided that the Counterparty or its guarantor must have an Approved Rating). In addition, ISL Loan Trust II 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., CIBC World Markets Inc., RBC Dominion Securities Inc., TD Securities Inc., GMP Securities L.P., National Bank Financial Inc., Scotia Capital Inc., Canaccord Genuity Corp., Macquarie Private Wealth Inc., Raymond James Ltd., Desjardins Securities Inc., Mackie Research Capital Corporation and Manulife Securities Inc., as agents, conditionally offer the Units for sale, subject to prior sale, on a best efforts basis, if, as and when issued by the Fund in accordance with the conditions contained in the Agency Agreement referred to under "Plan of Distribution" and subject to the approval of certain legal matters on behalf of the Fund by McCarthy Tétrault LLP and on behalf of the Agents by Stikeman Elliott 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 March 22, 2013, 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 provide exposure to a diversified portfolio consisting primarily of Senior Loans and other senior debt obligations of non-investment grade North American borrowers, actively managed by the Sub-Advisor. The Portfolio will consist primarily of senior, secured floating rate corporate loans. 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 Fund Trust Agreement. See "Overview of the Structure of the Fund".

The Offering: The Fund is offering Class A Units at a price of $10.00 per Class A Unit, and Class U Units at a price of U.S. $10.00 per Class U Unit. Class U Units are designed for investors wishing to make their investment in U.S. dollars. Class U Units may be converted into Class A Units on a weekly basis. See "Purchases of Securities", "Plan of Distribution" and "Fees and Expenses".

Investment Objectives: The Fund's investment objectives are to (i) provide tax-advantaged monthly cash distributions consisting primarily of returns of capital; (ii) preserve capital; and (iii) generate increased returns in the event that short-term interest rates rise, in each case, through exposure to a diversified portfolio consisting primarily of Senior Loans and other senior debt obligations of non-investment grade North American borrowers, actively managed by the Sub-Advisor. The Portfolio will consist primarily of senior, secured floating rate corporate loans that are expected to generate increased returns in the event that short term interest rates rise. See "Investment Strategy". See "Investment Objectives".

Investment Strategy: The Sub-Advisor will seek to invest in a broadly diversified portfolio composed primarily of Senior Loans. The Sub-Advisor will generally seek to make investments in Senior Loans and other debt obligations of borrowers that have (i) significant levels of asset and/or cash flow coverage; (ii) a protective capital structure, with adequate subordinated debt cushion; (iii) strong senior management; and (iv) attractive market positioning. The Portfolio will consist primarily of Senior Loans that are expected to generate increased Portfolio cash flow in the event that short-term interest rates rise above applicable LIBOR floors (which set a minimum LIBOR rate for such loans). Up to 20% of Total Assets of the Fund may be exposed to senior, unsecured floating rate loans and notes, second lien floating rate loans and notes, corporate debt securities, short-term debt obligations, money market obligations, and equity securities that are incidental to investments in loans. The return to the Unitholders and the Fund will be dependent upon the return on the Portfolio (or Notional Portfolio) by virtue of one or more forward purchase and sale agreements with the Counterparty.

The Fund's investment strategy is based on the Sub-Advisor's belief that Senior Loans represent a particularly attractive opportunity for investors for the following reasons:

- Current yields on loans are attractive and represent an attractive alternative to high yield bonds.
- Senior Loans offer lower structural risk than high yield bonds.
- Senior Loans typically outperform fixed rate bonds if and when interest rates rise.
- Improved fundamental credit risk has resulted in low current defaults rates.
- The Senior Loan asset class has a history of attractive returns.
- Interest rates are at historically low levels.
- Senior Loans have a low historical correlation with other asset classes.

The Senior Loan Market: Over the last 20 years, the Senior Loan market has developed into a large and active market. For example, the U.S. Senior Loan market, as represented by the Senior Loan Index, comprised over U.S. $500 billion as of December 31, 2012. Prior to such period, loans to businesses were primarily made by commercial banks that kept the loans in their portfolios as investments. However, over this period, banks and other originators of Senior Loans began selling portions of Senior Loans to institutional investors.

Senior Loans hold the highest rank in a borrower's capital structure, giving Senior Loans priority over all of a borrower's other loans and debt (including priority over bonds and preferred shares), and are secured by the borrower's assets. Senior Loans have historically provided steady returns through multiple credit and interest rate cycles, with the Senior Loan Index having shown positive returns every year since its inception, with the exception of 2008. Currently, LIBOR (being the base rate for most Senior Loans) is near all-time low levels, and many Senior Loans have LIBOR floors (which set a minimum LIBOR rate for such loans), which, in the opinion of the Sub-Advisor, limits the downside yield risk of an investment in Senior Loans and makes the current environment an attractive opportunity relative to fixed rate, high yield bonds. The Sub-Advisor believes that the on-going recovery of the U.S. economy from the global financial crisis of 2008/2009 has caused the fundamental credit risk for corporations in the United States to improve. Additionally, new Senior Loans are currently being issued with improved loan terms and conditions. Senior Loans have a negative correlation to many other asset classes. In particular, Senior Loans have low correlations to equities and other risk assets, and a positive correlation to inflation.

Distributions: The Fund will not have a fixed distribution policy, but intends to make monthly distributions based on the actual and expected returns on the Portfolio. Given that the majority of the Portfolio will be invested in Senior Loans which are floating rate, returns may vary with changes in interest rates. Based on current estimates and the assumptions set out below, the Fund's initial distribution target is expected to be $0.05 per Unit per month (U.S. $0.05 in the case of the Class U Units), representing an initial yield on the Unit issue price of 6.0% per annum, consisting primarily of returns of capital which are not immediately taxable but which reduce a Unitholder's adjusted cost base of its Units. The initial monthly distribution will be payable to Unitholders of record on April 30, 2013 and will be paid no later than May 15, 2013. The first distribution is expected to reflect the period from the Closing Date to April 30, 2013. Based on current estimates and assuming (i) an aggregate size of the Offering of $100 million, (ii) the employment of the investment strategy as described under "Investment Strategy", (iii) the use of leverage as described herein, (iv) the fees and expenses described under "Fees and Expenses", (v) foreign exchange rates remain constant, and (vi) the current price and yield of the Senior Loans included in the Sub-Advisor's indicative portfolio, it is expected that distributions paid on the Senior Loans held in the Portfolio and received by ISL Loan Trust II will be sufficient to allow the Fund to pay such distributions at the initial target level and maintain a stable Net Asset Value. See "Investment Objectives", "Risk Factors" and "Distribution Policy".

Foreign Currency Exposure: The Portfolio will be invested primarily in assets denominated in U.S. dollars. In respect of the Class A Units, the Sub-Advisor intends to hedge substantially all of the value of the Portfolio that is denominated in U.S. dollars or any other currencies other than the Canadian dollar back to the Canadian dollar. In respect of the Class U Units, the Sub-Advisor intends to hedge substantially all of the value of the Portfolio that is denominated in any other currencies other than the U.S. dollar back to the U.S. dollar. See "Investment Strategy".

Leverage: ISL Loan Trust II may employ leverage of up to 40% 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 Sub-Advisor, 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 1.67:1. Initially, ISL Loan Trust II is expected to employ leverage of approximately 35% of Total Assets. See "Investment Strategy" and "Risk Factors".

The Forward Agreement: The return to the Unitholders and the Fund will be dependent upon the return on the Portfolio (or Notional Portfolio) by virtue of one or more forward purchase and sale agreements with the Counterparty. If the Counterparty hedges its exposure under the Forward Agreement, it may acquire units of ISL Loan Trust II. If the Counterparty does not acquire units in ISL Loan Trust II, the Counterparty will retain the Manager to establish and maintain a Notional Portfolio with an initial invested amount equal to the amount of the net proceeds of the Offering. There is no assurance that the Counterparty will maintain a hedge or will do so with respect to the full amount or term of the Forward Agreement. This prospectus assumes that the Counterparty will acquire units of ISL Loan Trust II. All units of ISL Loan Trust II will be owned by a "taxable Canadian corporation", as defined in the Tax Act.

Pursuant to the terms of the Forward Agreement, the Counterparty will deliver to the Fund, on the Forward Date, a Canadian Securities Portfolio that are Canadian securities as defined in subsection 39(6) of the Tax Act with an aggregate value equal to the amount that would be received on redemption of the outstanding units of ISL Loan Trust II, net of any amount owing by the Fund to the Counterparty.

	The Fund will use the net proceeds of the Offering to pre-pay its purchase obligations under the Forward Agreement. The Fund may settle the Forward Agreement in whole or in part prior to the Forward Date for any reason including to pay distributions or to fund redemptions or in the event the Counterparty's credit rating is downgraded. The Fund is fully exposed to the credit risk associated with the Counterparty. To secure the obligations of the Counterparty under the Forward Agreement, the Counterparty will pledge collateral in favour of the Fund with an aggregate value equal to 100% of the mark-to-market value of the exposure under the Forward Agreement and the amount of the collateral will be reset on a weekly basis to 100%. See "Overview of the Investment Structure — The Forward Agreement".
Redemption:	Class A Units and Class U 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 does not have a fixed termination date. However, the Fund may be terminated at any time if the prior approval of Unitholders has been obtained by a majority vote at a meeting of Unitholders called for that purpose; provided, however, that the Manager may, in its discretion, on at least 60 days' notice to Unitholders, terminate the Fund without the approval of Unitholders if, in the opinion of the Manager, it would be in the best interests of Unitholders to terminate the Fund. Upon termination, the net assets of the Fund will be distributed to Unitholders on a pro rata basis. 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 Class A Units offered hereby (after payment of the Agents' fee and before deducting the expenses of the Offering) are estimated to be approximately $189,500,000, assuming that the Over-Allotment Option is not exercised. The Fund will use the net proceeds of the Offering (including any net proceeds from the exercise of the Over-Allotment Option) to pre-pay its purchase obligations under the Forward Agreement with the Counterparty. Under the Forward Agreement, the Fund will, on or about the Forward Termination Date, acquire the Canadian Securities Portfolio from the Counterparty having an aggregate value equal to (i) the redemption proceeds of all of the units of ISL Loan Trust II or (ii) the value of the Notional Portfolio, as applicable, net of any amount owing by the Fund to the Counterparty. See "Use of Proceeds".
Conversion of Class U Units into Class A Units:	A holder of Class U Units may convert such Class U Units into Class A Units on a weekly basis and it is expected that liquidity for the Class U Units will be obtained primarily by means of conversion into Class A Units and the sale of such Class A Units. Class U Units may be converted in any week on the first Business Day of such week by delivering a notice and surrendering such Class U Units by 3:00 p.m. (Toronto time) at least five Business Days prior to the applicable Conversion Date. A conversion of Class U Units into whole Class A Units will constitute a disposition of such Class U Units for the purposes of the Tax Act.

For each Class U Unit so converted, a holder will receive that number of Class A Units equal to the Net Asset Value per Class U Unit as of the close of trading on the Business Day immediately preceding the Conversion Date divided by the Net Asset Value per Class A Unit as of the close of trading on the Business Day immediately preceding the Conversion Date. No fraction of a Class A Unit will be issued upon any conversion of Class U Units. Any remaining fraction of a Class U Unit will be rounded down to the nearest whole number of Class A Units. The redemption of any fraction of a Class U Units will result in a capital gain (or capital loss) to the redeeming Unitholder. See "Description of the Units — Conversion of Class U Units" and "Canadian Federal Income Tax Considerations".

Permitted Merger: The Fund may, without obtaining Unitholder approval, enter into a merger or other similar transaction which has the effect of combining the Fund or its assets on a tax-deferred "rollover basis" (a "Permitted Merger") with any other investment fund or funds managed or advised by the Manager 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.
- Risks relating to the performance of the Portfolio.
- Risks relating to investments in Senior Loans and other non-investment grade debt.
- Leverage risks.
- Risks relating to non-investment grade corporate loans.
- Risks relating to interest rates.
- Risks relating to reliance on the Manager and the Sub-Advisor.
- Concentration risk.
- Liquidity risk.
- Counterparty risk.
- Risks relating to fluctuation in value of Portfolio assets.
- 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. See “Risk Factors”.
Eligibility for Investment:	In the opinion of McCarthy Tétrault LLP, counsel for the Fund, and Stikeman Elliott LLP, counsel for the Agents, provided that the Fund qualifies as a mutual fund trust within the meaning of the Tax Act or, in the case of the Class A Units, if such 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, (ii) does not have a “significant interest” in the Fund (within the meaning of the Tax Act), or (iii) does not have a “significant interest” (within the meaning of the Tax Act) in a corporation, partnership or trust that does not deal at arm’s length with the Fund. Tax Proposals released on December 21, 2012 propose to delete the condition in (iii) above. 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. 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 and ISL Loan Trust II:	***Manager and Promoter:*** Connor, Clark & Lunn Capital Markets Inc. will act as Manager of the Fund and ISL Loan Trust II. The Manager will perform or will arrange for the performance of management services for the Fund and ISL Loan Trust II, including portfolio management services, and will be responsible for the overall undertaking of the Fund and ISL Loan Trust II. The Manager is a leading provider of investment products, having raised

approximately \$2.3 billion in assets. See "Organization and Management Details of the Fund — The Manager".

Portfolio Manager: The Manager will provide portfolio management services for the Fund and ISL Loan Trust II, or may appoint a sub-advisor pursuant to the applicable trust agreement. See "Organization and Management Details of the Fund — The Manager".

Sub-Advisor: ING Investment Management Co. LLC will act as the Sub-Advisor to ISL Loan Trust II in connection with the selection, purchase and sale of Senior Loans and other assets of the Portfolio. The Sub-Advisor is a direct, wholly-owned subsidiary of ING Investment Management, LLC, which oversees the investment management business of ING U.S., Inc., ("ING U.S."), the primary U.S. holding company for ING Group.

The ING Senior Loan Group, a unit of the Sub-Advisor, which will manage the Portfolio, is located in Scottsdale, Arizona (with an additional office in London, UK), and consists of a team of 25 investment professionals and 21 support staff. The ING Senior Loan Group currently manages over U.S. \$12.0 billion in assets that are substantially similar to the Senior Loan investments that it will manage for ISL Loan Trust II across 23 portfolios (not including ISL Loan Trust II). The Sub-Advisor will principally provide its services to ISL Loan Trust II in Scottsdale, Arizona U.S.A. See "Organization and Management Details of the Fund — The Sub-Advisor".

ISL Loan Trust II: ISL Loan Trust II will be a newly created investment fund established prior to the Closing Date pursuant to the ISL Loan Trust II Trust Agreement for the purpose of acquiring the Portfolio. The registered office of ISL Loan Trust II is located in Toronto, Ontario.

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

Trustee of ISL Loan Trust II: Computershare Trust Company of Canada will act as trustee of ISL Loan Trust II. The ISL II Trustee is located in Toronto, Ontario.

Auditor: PricewaterhouseCoopers LLP, Chartered Accountants, at its offices in Toronto, Ontario, are the auditor of the Fund and ISL Loan Trust II.

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

Custodian of ISL Loan Trust II: State Street Trust Company Canada will act as custodian of the assets of ISL Loan Trust II. The ISL II Custodian is located in Toronto, Ontario.

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

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

The Fund has granted to the Agents the Over-Allotment Option, exercisable for a period of 30 days from the Closing Date, to offer additional Class A Units in an amount up to 15% of the Class A Units sold on the Closing Date on the same terms as set forth above solely to cover over-allotments, if any. If the Over-Allotment Option is exercised in full under the maximum Offering, the price to the public, Agents' fee and net proceeds to the Fund are estimated to be $230,000,000, $12,075,000 and $217,925,000, respectively. This prospectus also qualifies the grant of the Over-Allotment Option and the distribution of the Class A Units issuable on the exercise of the Over-Allotment Option. A purchaser who acquires Class A Units forming part of the Agents' over-allocation position acquires such Class A Units under this prospectus, regardless of whether the over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases. See "Plan of Distribution".

Agents' position	Maximum size	Exercise period	Exercise price
Over-Allotment Option	3,000,000 Class A Units	Within 30 days following the Closing Date	$10.00 per Class A Unit

SUMMARY OF FEES AND EXPENSES

The following table contains a summary of the fees and expenses payable by the Fund and ISL Loan Trust II, which will therefore, directly or indirectly by virtue of the Forward Agreement, reduce the value of a Unitholder's investment in the Fund. For further particulars, see "Fees and Expenses".

Type of fee	Amount and description
Agents' Fee:	$0.525 per Class A Unit (5.25%) and U.S. $0.525 per Class U 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 and ISL Loan Trust II equal in the aggregate to 1.25% per annum of the applicable Net Asset Value (0.50% from the Fund and 0.75% from ISL Loan Trust II), calculated and payable monthly in arrears, plus an amount calculated quarterly and paid as soon as practicable after the end of each calendar quarter equal to the Servicing Fee, plus applicable taxes. The Manager will be responsible for paying the fees of the Sub-Advisor out of the amount received by the Manager. If the Counterparty does not hedge its exposure under a Forward Agreement by acquiring units of ISL Loan Trust II, the Counterparty will retain the Manager to establish and maintain a Notional Portfolio and the amount of the Notional Portfolio will be reduced by 0.75% per annum, representing the fee paid by the Counterparty to the Manager to maintain the Notional Portfolio. See "Fees and Expenses — Management Fee".
Servicing Fee:	From the amounts received by the Manager from the Fund, a servicing fee (the "Servicing Fee") will be payable by the Manager to each registered dealer (including discount brokerage and self-directed accounts) whose clients hold Class A Units or Class U Units at the end of a calendar quarter. The Servicing Fee will be equal to 0.40% annually of the NAV for each Class A Unit or Class U Unit held by clients of the registered dealers, calculated and paid at the end of each calendar quarter commencing on June 30, 2013, plus applicable taxes. The Servicing Fee will be pro-rated for the partial first quarter of the Fund. The Manager may, from time to time, pay the Servicing Fee more frequently than quarterly, in which event the Servicing Fee will be pro-rated for the period to which it relates.
Counterparty Fees:	The Fund will pay to the Counterparty an additional purchase amount under the Forward Agreement of up to 0.45% of Net Assets of ISL Loan Trust II or the notional amount of the Forward Agreement (being effectively equal to the Net Asset Value of ISL Loan Trust II) per annum, calculated daily and paid quarterly. See "Fees and Expenses — Counterparty Fees".
Ongoing expenses of the Fund and ISL Loan Trust II:	Each of the Fund and ISL Loan Trust II will pay for all of its respective expenses incurred in connection with its operation and administration, estimated to be $125,000 for the Fund and $175,000 for ISL Loan Trust II per annum (assuming an aggregate size of the Offering of approximately $100 million). Each of the Fund and ISL Loan Trust II will also be responsible for its costs of portfolio transactions, interest expense and any extraordinary expenses which may be incurred from time to time. See "Fees and Expenses — Ongoing Expenses".

FORWARD LOOKING INFORMATION

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

DISCLOSURE BASED ON PUBLICLY AVAILABLE INFORMATION

Certain information contained in this prospectus, including with respect to, among other things, the Senior Loans, is taken from and based solely upon publicly available information. None of the Manager, the Sub-Advisor, the Fund or the Agents has independently verified the accuracy or completeness of any such information or assumes any responsibility for the completeness or accuracy of such information.

GLOSSARY OF TERMS

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

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

"**Agency Agreement**" means the agency agreement dated as of the date hereof among the Fund, the Manager, the Sub-Advisor and the Agents.

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

"**Annual Redemption Date**" means the second to last Business Day of October of each year, commencing in 2014.

"**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.

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

"**BMO NBI**" means BMO Nesbitt Burns Inc.

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

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

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

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

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

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

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

"**Class U Meeting**" means a meeting of holders of Class U Units called in accordance with the Fund Trust Agreement.

"**Class U Units**" means the transferable, redeemable units of the Fund designated as "Class U Units".

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

"**Closing Date**" means the date of a Closing, the first of which is expected to be on or about March 22, 2013 or such later date as the Fund and the Agents may agree, but in any event not later than 90 days after the issuance of a receipt for the final prospectus of the Fund.

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

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

"**CRA**" means the Canada Revenue Agency.

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

"**Fitch**" means Fitch, Inc.

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

"**Forward Date**" means the scheduled settlement date of the Forward Agreement.

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

"**Fund**" means ING Diversified Floating Rate Senior Loan Fund, a non-redeemable investment fund established under the laws of the Province of Ontario and governed by the Fund Trust Agreement.

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

"**Fund Trust Agreement**" means the trust agreement governing the Fund dated as of February 26, 2013, as it may be amended from time to time.

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

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

"**ING Senior Loan Group**" means the senior loan group within the Sub-Advisor.

"**ISL II Custodian**" means State Street Trust Company Canada, in its capacity as custodian of ISL Loan Trust II under the ISL II Custodian Agreement.

"**ISL II Custodian Agreement**" means the custodian agreement to be dated on or about the Closing Date between the ISL II Custodian and ISL Loan Trust II, as it may be amended from time to time.

"**ISL II Total Assets**" means the Total Assets of ISL Loan Trust II.

"**ISL II Trustee**" means Computershare Trust Company of Canada, in its capacity as trustee of ISL Loan Trust II under the ISL Loan Trust II Trust Agreement.

"**ISL Loan Trust II**" means a newly created investment fund that will be established prior to Closing.

"**ISL Loan Trust II Trust Agreement**" means the trust agreement governing ISL Loan Trust II dated as of February 26, 2013, as it may be amended from time to time.

"**LIBOR**" means the London Interbank Offered Rate which is a daily reference rate based on the interest rates at which banks borrow unsecured funds from other banks in the London wholesale money market (or interbank market).

"**LSTA**" means the Loan Syndications and Trading Association.

"**Manager**" means the manager of the Fund and of ISL Loan Trust II, namely Connor, Clark & Lunn Capital Markets Inc., and if applicable, its successor.

"**Management Fee**" means the management fee payable to the Manager by the Fund and ISL Loan Trust II as more fully described under "Fees and Expenses — Management Fee".

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

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

"**Monthly Redemption Date**" means the second to last Business Day of each month other than, commencing in 2014, the month of October.

"**Moody's**" means Moody's Investors Service, Inc.

"**Net Asset Value**" or "**NAV**" means the net asset value of the Fund or ISL Loan Trust II, as applicable, determined by subtracting the aggregate liabilities of the Fund or ISL Loan Trust II, as applicable, from the Total Assets of the Fund or ISL Loan Trust II, as applicable, 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 the Class A Units or Class U Units, as applicable, divided by the total number of Class A Units or Class U Units, as applicable, outstanding on the date on which the calculation is being made.

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

"**NI 81-106**" 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, does not use or hold, and is not deemed to use or hold, Units in, or in the course of carrying on, a business in Canada, and is not an insurer who carries on an insurance business in Canada and elsewhere.

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

"**Notional Portfolio**" means a notional portfolio consisting primarily of Senior Loans and other senior debt obligations of non-investment grade North American borrowers which will be maintained by the Counterparty if the Counterparty does not acquire units of ISL Loan Trust II, with an initial subscription amount equal to the net proceeds of the Offering.

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

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

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

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

"**Portfolio**" means the portfolio consisting primarily of Senior Loans and other senior debt obligations of non-investment grade North American borrowers acquired and held by ISL Loan Trust II from time to time.

“**Recirculation Agreement**” means the recirculation agreement to be entered into on or about the Closing Date among the Fund, the Fund Trustee 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 value of the Forward Agreement will be determined on the basis that any Senior Loans, bonds, debentures and other debt obligations that are owned by ISL Loan Trust II 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 a Monthly Redemption Date, as applicable.

“**Reference Exchange Rate**” means the U.S. dollar/Canadian dollar WM/Reuters closing spot rate determined at 4:00 p.m. (London, U.K. time), or another U.S. dollar/Canadian dollar exchange rate deemed appropriate by the Manager.

“**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 Trust, 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.

“**Scheduled Forward Termination Date**” means on or about February 28, 2018.

“**Senior Loans**” means senior secured floating rate corporate loans.

“**Senior Loan Index**” means the S&P/LSTA Leveraged Loan Index.

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

“**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.

“**Sub-Advisor**” means the sub-advisor of ISL Loan Trust II, namely ING Investment Management Co. LLC and, if applicable, its successor.

“**Sub-Advisor Agreement**” means the agreement to be dated on or about the Closing Date between the Sub-Advisor and the Manager with respect to ISL Loan Trust II, as it may be amended from time to time.

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

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

“**Total Assets**” means the aggregate value of the assets of the Fund or ISL Loan Trust II, as applicable.

“**Trust Agreements**” means the Fund Trust Agreement and the ISL Loan Trust II 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 Class A Units and/or the Class U Units issued by the Fund, as applicable.

“**Valuation Agent**” means, until its replacement is appointed by the Manager, the Fund Custodian in respect of the Fund and the ISL II Custodian in respect of ISL Loan Trust II.

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

OVERVIEW OF THE STRUCTURE OF THE FUND

Legal Structure

ING Diversified Floating Rate Senior Loan Fund is a non-redeemable investment fund established under the laws of the Province of Ontario and governed by the Fund Trust Agreement. Connor, Clark & Lunn Capital Markets Inc. will act as Manager of the Fund and will perform or will arrange for the performance of management services, including portfolio management services, for the Fund and ISL Loan Trust II and will be responsible for the overall undertaking of the Fund and ISL Loan Trust II. The Fund's registered and head office is at 181 University Avenue, Suite 300, Toronto, Ontario M5H 3M7. The fiscal year-end of the Fund will be May 31. 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, Class A Units and Class U Units have been authorized for issuance and the Fund is authorized to issue an unlimited number of Units of each class. The Class U Units are designed for investors wishing to make their investment in U.S. dollars. See "Fees and Expenses".

The Fund is not considered to be a mutual fund under the securities legislation of the provinces and territories of Canada. Consequently, the Fund is not subject to the various policies and regulations that apply to mutual funds under such legislation.

INVESTMENT OBJECTIVES

The Fund's investment objectives are to (i) provide tax-advantaged monthly cash distributions consisting primarily of returns of capital; (ii) preserve capital; and (iii) generate increased returns in the event that short-term interest rates rise above applicable LIBOR floors, in each case, through exposure to a diversified portfolio consisting primarily of Senior Loans and other senior debt obligations of non-investment grade North American borrowers, actively managed by the Sub-Advisor. The return to the Unitholders and the Fund will be dependent upon the return on the Portfolio (or Notional Portfolio) by virtue of the Forward Agreement with the Counterparty.

INVESTMENT STRATEGY

The Sub-Advisor will seek to invest in a broadly diversified portfolio composed primarily of Senior Loans. The Sub-Advisor will generally seek to make investments in Senior Loans and other debt obligations of borrowers that have (i) significant levels of asset and/or cash flow coverage; (ii) a protective capital structure, with adequate subordinated debt cushion; (iii) strong senior management; and (iv) attractive market positioning. The Portfolio will consist primarily of Senior Loans that are expected to generate increased Portfolio cash flow in the event that short-term interest rates rise above applicable LIBOR floors (which set a minimum LIBOR rate for such loans). Up to 20% of Total Assets of the Fund may be exposed to senior unsecured floating rate loans and notes, second lien floating rate loans and notes, corporate debt securities, short-term debt obligations, money market obligations, and equity securities that are incidental to investments in loans. The return to the Unitholders and the Fund will be dependent upon the return on the Portfolio (or Notional Portfolio) by virtue of the Forward Agreement with the Counterparty.

Senior Loans have historically generated attractive risk-adjusted returns and the Senior Loan Index has generated positive annual returns in all but one year since 1997. The Fund's investment strategy is based on the Sub-Advisor's belief that Senior Loans represent a particularly attractive opportunity for investors for the following reasons:

- <u>Current yields on loans are attractive and represent an attractive alternative to high yield bonds</u>: The average 12-year yield advantage of high yield bonds versus Senior Loans has historically been approximately 2.6%, but it is approximately 0.60% as of December 31, 2012.[1]
- <u>Senior Loans offer lower structural risk than high yield bonds</u>: Senior Loans are structurally less risky than high yield bonds because they have floating rates of interest and a priority on both payments and the

(1) Yield is defined as yield to worst for high yield bonds and discount margin to 4 year call plus 3 month LIBOR for loans.

borrower's assets in the event of a default. In addition, financial covenants on Senior Loans can protect the interests of loan investors whereas high yield bonds typically do not have such protective covenants.

- Senior Loans typically outperform fixed-rate bonds if and when interest rates rise: Senior Loans typically have ultra-short interest rate durations. As interest rates rise, absent other factors, loan prices generally remain unaffected, but borrowers' loan payments increase, which would result in higher current income for the Portfolio. In contrast, when interest rates rise, fixed rate bond prices decrease while their interest payments do not change.
- Improved fundamental credit risk has resulted in low current default rates: The Sub-Advisor believes that the U.S. macro-economic situation has improved since the global financial crisis of 2008/2009 as corporate balance sheets are strong, default rates are declining and recovery rates are improving.
- The Senior Loan asset class has a history of attractive returns: Senior Loans have historically provided steady returns through multiple credit and interest rate cycles, with the Senior Loan Index having shown positive returns every year since its inception, with the exception of 2008.
- Interest rates are at historically low levels: Senior Loans generally pay interest based on a spread above LIBOR. 30-day LIBOR approximated 0.21% as of December 31, 2012, as compared with a 20-year average of 3.39%, providing an attractive entry point into the Senior Loan asset class. In addition, many Senior Loans have LIBOR floors (which set a minimum LIBOR rate for such loans), which provide additional income during periods when LIBOR rates are below the floor levels.
- Senior Loans have a low historical correlation with other asset classes: Senior Loans are an attractive portfolio diversifier and have a negative correlation to many other asset classes and a positive correlation with inflation.

ISL Loan Trust II may employ leverage of up to 40% 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 Sub-Advisor, 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 1.67:1. Initially, ISL Loan Trust II is expected to employ leverage of approximately 35% of Total Assets.

The Portfolio will be invested primarily in assets denominated in U.S. dollars. In respect of the Class A Units, the Sub-Advisor intends to hedge substantially all of the value of the Portfolio that is denominated in U.S. dollars or any other currencies other than the Canadian dollar back to the Canadian dollar. In respect of the Class U Units, the Sub-Advisor intends to hedge substantially all of the value of the Portfolio that is denominated in any other currencies other than the U.S. dollar back to the U.S. dollar. The Fund intends to use derivative instruments for currency hedging purposes and may use derivative instruments to hedge any fixed rate exposure of the Portfolio.

Investment Management Approach

The ING Senior Loan Group, a unit of the Sub-Advisor will manage the Portfolio pursuant to the Sub-Advisor Agreement. The ING Senior Loan Group currently manages over U.S. $12 billion in assets that are substantially similar to the Senior Loan investments that it will manage for ISL Loan Trust II across 23 portfolios (not including ISL Loan Trust II).

The ING Senior Loan Group has one of the industry's largest teams dedicated exclusively to Senior Loans with global loan management capabilities. The ING Senior Loan Group's 25 investment professionals comprise five portfolio management teams based in Scottsdale, Arizona, each of which is responsible for particular industry sectors, and a European team based in London, UK that is responsible for European loan management. The investment management team has deep fundamental credit and restructuring experience, with 12 investment professionals, each having more than 15 years of investment experience. The most senior members of the ING Senior Loan Group, being 9 professionals, have an average of more than 23 years of experience and more than 13 years of experience with the Sub-Advisor. All investment decisions are approved by the ING Senior Loan Group's Investment Committee comprised of the ING Senior Loan Group's two group heads and a senior credit officer. Each member of the Investment Committee has at least 26 years of investment experience. The ING Senior Loan Group has experienced very low personnel turnover and senior members of the team have worked together for over 10 years. The ING Senior Loan Group is supported by a 21 member team of operations, analytics and legal personnel.

In addition to a large, stable and experienced team of investment professionals, other core strengths of the ING Senior Loan Group include: (i) global access to Senior Loans; (ii) a conservative and disciplined investment process centred on fundamental credit analysis; (iii) a focus on consistent results through broad diversification, high relative quality and liquidity; (iii) in-house proprietary research and portfolio management systems; and (iv) an Investment Committee approach to decision making and oversight.

The Sub-Advisor employs a disciplined process to identify, analyze, purchase and monitor investments. This process begins with macro-economic research. The Sub-Advisor continually monitors world events, interest rate trends, domestic and global economic cycles and other economic variables. This research helps the Sub-Advisor identify industries for further review and analysis, while avoiding sectors prone to the clustering of defaults.

Once industries have been identified for further review and analysis, the Sub-Advisor analyzes those industries in terms of whether they are cyclical or non-cyclical, production or distribution, durable or non-durable, integrated or non-integrated, industrial or consumer, domestic or international, and analyzes their capital flows, developing trends, pricing power and supply/demand dynamics.

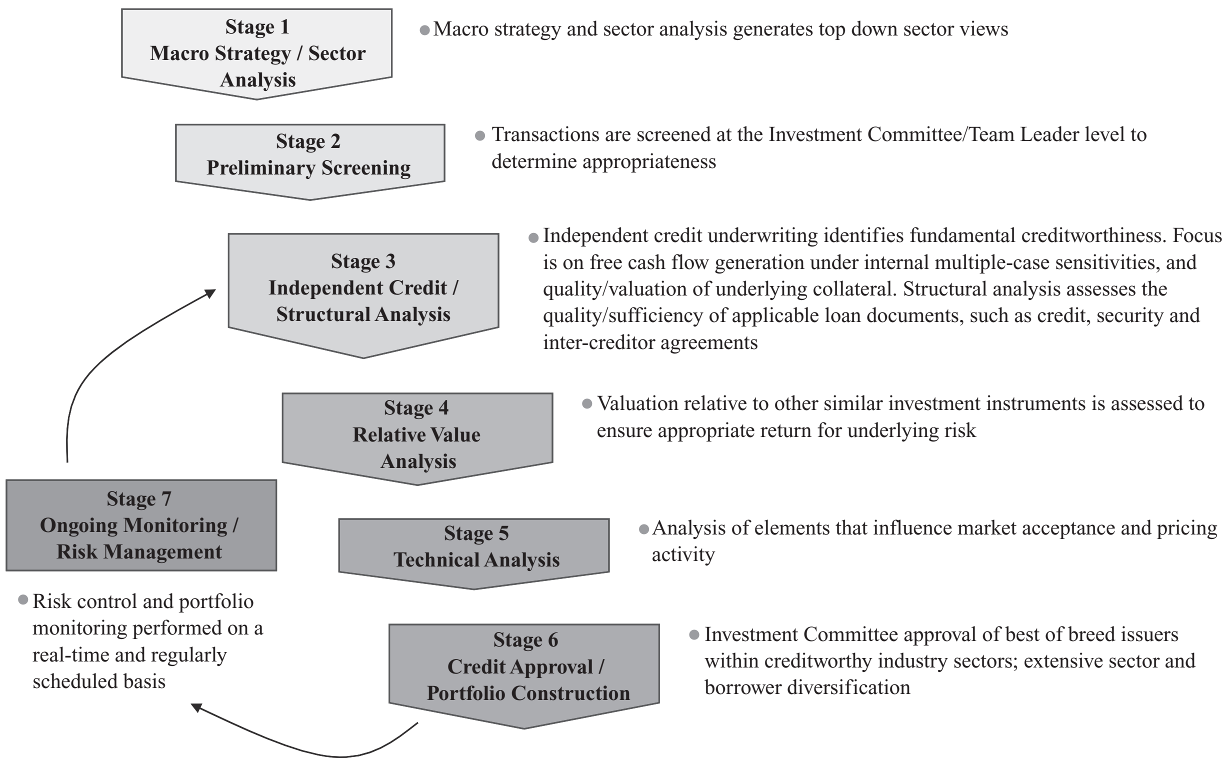
Fundamental credit analysis is the foundation of the Sub-Advisor's portfolio construction. The Sub-Advisor analyzes potential investments with respect to both the individual company and the deal structure. Fundamental credit analysis of a company is an in-depth, independent analysis focused on free cash flow generation, liquidity and adequacy of collateral coverage. In addition, the Sub-Advisor evaluates a company's management, its competitive position, its market share within its industry, and the strengths and weaknesses of its business segments.

The Sub-Advisor's review of the structure of a proposed transaction focuses on the provisions of the credit documents, particularly the strength of the protective covenants and the voting rights of lenders. The Sub-Advisor also analyzes the sponsors of the transaction to determine whether they are proven, committed, and have the financial resources required to support the company if necessary.

Proposed investments that are recommended after the foregoing review and analysis are presented to the ING Senior Loan Group's Investment Committee. The Investment Committee approves all new credit exposure, sets maximum per issuer credit limits and makes portfolio allocations. It also oversees secondary trading and compliance, validates credit scores, sets trading policy and provides approval of regular quarterly monitoring. All investment decisions of the Investment Committee must receive majority approval.

The final aspect of the Sub-Advisor's investment process is rigorous on-going monitoring. The Sub-Advisor's investment professionals continuously monitor general economic and company specific information, including daily review of indicative market valuations. The ING Senior Loan Group's Investment Committee oversees internal credit ratings on all assets under management. In addition, all assets are subject to a formal credit review by the Investment Committee at least quarterly.

The following table summarizes the Sub-Advisor's investment management approach:



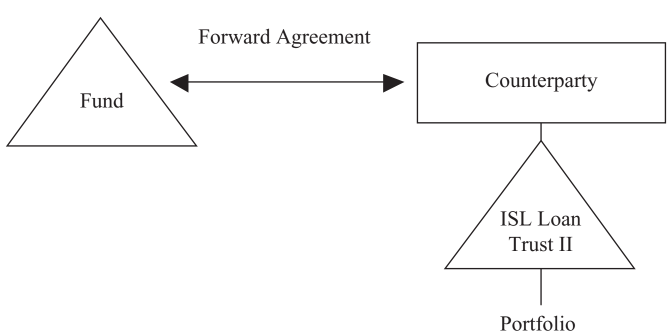
Risk Management

The Sub-Advisor manages portfolio risk through the rigorous application of its investment process. The primary risk to a portfolio of Senior Loans is credit risk and, by extension, default risk. Therefore, the ING Senior Loan Group constructs broadly diversified portfolios using top-tier Senior Loans that exhibit the highest relative value within the asset class. Specific borrower selection is focused on identifying high quality credits within each industry with the objective of achieving superior long-term risk-adjusted returns, rather than investing for the absolute highest returns at the expense of significantly increased credit risk. The ING Senior Loan Group also targets more liquid Senior Loans to enhance its ability to manage its loan portfolios, since liquid loans typically demonstrate lower volatility and provide superior trade execution in times of stress.

OVERVIEW OF THE INVESTMENT STRUCTURE

ISL Loan Trust II

The following diagram illustrates the underlying investment structure of the Fund (assuming the Counterparty acquires units of ISL Loan Trust II to hedge its expose under the Forward Agreement):



ISL Loan Trust II will be a newly created trust established prior to the Closing pursuant to the ISL Loan Trust II Trust Agreement. ISL Loan Trust II will be established for the purpose of acquiring and holding the Portfolio if the Counterparty elects to hedge its exposure under the Forward Agreement by purchasing units of the ISL Loan Trust II. It is expected that the initial beneficial owner of all of the units of ISL Loan Trust II will be the Counterparty. On the Closing Date, the Counterparty may subscribe for units of ISL Loan Trust II. ISL Loan Trust II would use any subscription proceeds to acquire the Portfolio.

Units of ISL Loan Trust II will be redeemable at the demand of its unitholders. On redemption, an ISL Loan Trust II unitholder will receive for each unit of ISL Loan Trust II redeemed an amount equal to the Net Asset Value per unit of ISL Loan Trust II. The Net Asset Value per unit of ISL Loan Trust II will be equal to the amount by which the ISL II Total Assets exceed its total liabilities on a per Unit basis and, accordingly, will be based upon the value of the Portfolio.

ISL Loan Trust II will generally receive interest income from the assets in the Portfolio. The net income of ISL Loan Trust II will consist primarily of interest income, less expenses of ISL Loan Trust II. ISL Loan Trust II will distribute all of its net income and net realized capital gains, if any, earned in each fiscal year to ensure that it is not liable for tax under Part I of the Tax Act. To the extent that ISL Loan Trust II has not distributed in cash the full amount of its net income and net realized capital gains in any year, the difference between such amount and the amount actually distributed by ISL Loan Trust II may be paid through the issuance of additional units having a Net Asset Value in the aggregate at the date of distribution equal to this difference. Immediately after any such distribution of units, the number of outstanding units of ISL Loan Trust II may be consolidated such that each unitholder of ISL Loan Trust II (including the Counterparty, if it is a unitholder) will hold after the consolidation the same number of units of ISL Loan Trust II as it held before the distribution of additional units.

The Forward Agreement

The return to the Unitholders and the Fund will be dependent upon the return on the Portfolio (or Notional Portfolio) by virtue of the Forward Agreement. If the Counterparty hedges its exposure under the Forward Agreement, it may acquire units of ISL Loan Trust II. If the Counterparty does not acquire units in ISL Loan Trust II, the Counterparty will retain the Manager to establish and maintain a Notional Portfolio with an initial invested amount equal to the amount of the net proceeds of the Offering. There is no assurance that the Counterparty will maintain a hedge or will do so with respect to the full amount or term of the Forward Agreement. This prospectus assumes that the Counterparty will acquire units of ISL Loan Trust II with a subscription amount equal to the net proceeds of the Offering, although it is under no obligation to do so. All units of ISL Loan Trust II will be owned by a "taxable Canadian corporation", as defined in the Tax Act. The Fund will use the net proceeds of the Offering to pre-pay its purchase obligations under the Forward Agreement.

The Fund is fully exposed to the credit risk associated with the Counterparty. To secure the obligations of the Counterparty under the Forward Agreement, the Counterparty will pledge collateral in favour of the Fund with an aggregate value equal to 100% of the mark-to-market value of the exposure under the Forward Agreement and the amount of the collateral will be reset on a weekly basis to 100%. The collateral will be placed in a separate securities account and will be free and clear of all liens and adverse claims, other than those in favour of the Fund or a relevant securities intermediary in respect of any fees and expenses incurred by it and, to the extent the intermediary is the Counterparty or an affiliate of the Counterparty, any cash advances made by the intermediary to the Fund shall be made in accordance with section 2.6(a)(i) of NI 81-102 (as if the Fund were subject to NI 81-102). The Fund will have a first ranking security interest in such collateral, subject to the intermediary's priority in respect of such advances, fees and expenses. Initially, the collateral will consist of TSX-listed securities, with no more than 10% of the value of the collateral being attributable to the securities of any one issuer. The Counterparty may substitute other forms of collateral with the consent of the Fund. In the event of default by the Counterparty under the Forward Agreement, the Fund will have the ability to enforce its security interest and take possession of the collateral. Upon entering into the Forward Agreement, the long term debt of the Counterparty or any guarantor must be rated at least "A" by S&P or have an equivalent rating from an approved credit rating organization.

On or about the completion of the Offering, it is expected that ISL Loan Trust II will issue units to the Counterparty with an aggregate value equal to the net proceeds of the Offering, the proceeds from which ISL Loan Trust II would use to acquire the Portfolio. The initial value of the Portfolio would be equal to the net proceeds of the Offering. In such case, the return to the Fund will, by virtue of the Forward Agreement, be based on the return of ISL Loan Trust II, which, in turn, will be based on the performance of the Portfolio. Pursuant to the Forward Agreement, the Counterparty has agreed to deliver to the Fund, on the Forward Termination Date, the Canadian Securities Portfolio with an aggregate value equal to the redemption proceeds of all of the units of ISL Loan Trust II (or, if applicable, the value of the Notional Portfolio), net of any amount owing by the Fund to the Counterparty. The Fund is fully exposed to the credit risk associated with the Counterparty in respect of the Forward Agreement. The Counterparty's settlement obligations under the Forward Agreement will be discharged by physical delivery of the Canadian Securities Portfolio.

In the event that a Notional Portfolio is maintained rather than an investment in the Portfolio, the Manager will provide the same continuous disclosure documentation regarding the Notional Portfolio as would be required with respect to the Portfolio (except with respect to the proxy voting record as the Portfolio would not actually own securities); the method used to determine the value of the Notional Portfolio would comply with NI 81-106 and would be calculated based on the principles set forth under the heading "Calculation of Net Asset Value"; and the Counterparty and the Manager will agree to the policies, procedures and mechanisms that will need to be put in place in order to manage the Notional Portfolio.

The Fund may settle the Forward Agreement in whole or in part prior to the Scheduled Forward Termination Date: (i) to fund distributions on the Units; (ii) to fund redemptions and repurchases of Units from time to time; (iii) to fund operating expenses and other liabilities of the Fund; and (iv) for any other reason.

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

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

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

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

OVERVIEW OF THE SECTOR THAT THE FUND INVESTS IN

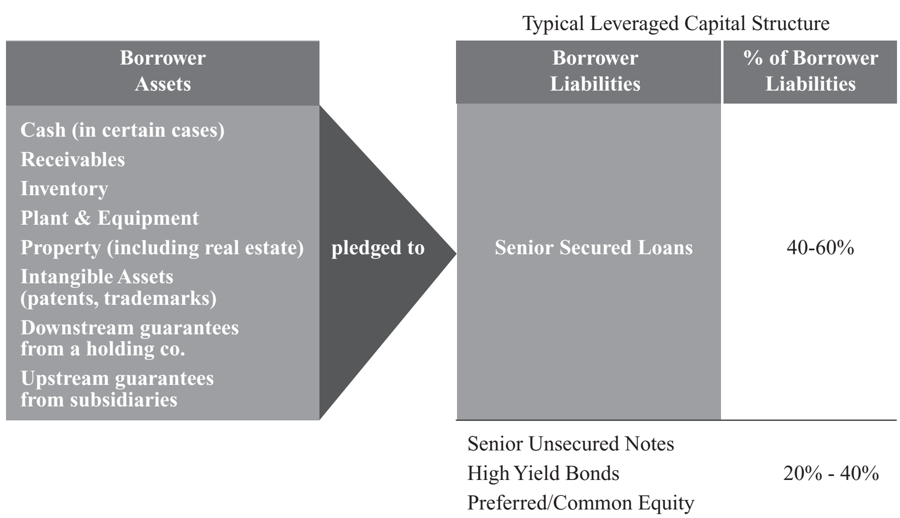
Description of Senior Loans

Senior Loans are extensions of credit made to corporations and other entities to finance acquisitions, refinance existing debt, support business expansion, and for other general business purposes. They are called "senior" loans because they are generally secured by a borrower's assets pursuant to a first priority or "senior" lien, and they are first in priority in receiving payments when a borrower is servicing its debts. They can also be called "floating rate loans" because the interest paid on such loans changes as certain market interest rates change. The collateral packages pledged by the borrower can include working capital assets (such as accounts receivable and inventory), tangible fixed assets (such as real property, buildings and equipment), intangible assets (such as trademarks and patent rights) and security interests in shares of stock of the borrower's subsidiaries and affiliates.

Senior Loans rank at the most senior part of a borrower's capital structure and have the following attributes: (i) Senior Loans are generally secured or benefit from another form of structural seniority relative to other obligations of the borrower; (ii) Senior Loans are generally protected by covenants that limit the ability of the borrower to take actions adverse to the interests of the holders of the Senior Loans; (iii) the default rate on Senior Loans is historically lower than that of unsecured or subordinated debt; and (iv) Senior Loans have generally received greater recoveries than unsecured or subordinated debt in the case of default.

The following chart illustrates how Senior Loans rank at the top of a typical borrower's capital structure and are senior to other types of debt such as bonds and preferred shares, as well as being senior to the shareholders of a borrower. The chart also illustrates the types of assets pledged by a borrower as security to Senior Loan lenders.

Seniority and Collateral for Senior Loans



Source: ING.

The principal amount of Senior Loans issued by a borrower generally ranges from $50 million to over $10 billion. Senior Loans are primarily originated by large banks and other major financial institutions. When a Senior Loan is made, portions of such loan are typically syndicated to a large number of banks and institutional investors, including mutual funds.

Senior Loans are privately issued and are not traded on any public exchange. Instead, Senior Loans are traded directly among banks and institutional investors in a private, secondary market. Although Senior Loans are a relatively illiquid asset class when compared to publicly traded equity securities, over the past decade the Senior Loan market has become deeper and more orderly due to an increased supply of Senior Loans, a substantial increase in the number of participants in the market, and the efforts of the Loan Syndications and

Trading Association, which is the U.S. trade association for Senior Loan market participants, to make Senior Loans trading more uniform and efficient.

Senior Loans are made using a written contract (the credit agreement) that governs the manner in which funds are extended to the borrower and sets the interest rate to be paid by the borrower. The credit agreement also provides limitations on a borrower's business operations designed to enhance the ability of the lenders to be repaid and protect against credit deterioration. Such limitations, called covenants, are designed to monitor the financial health of a borrower and may limit the total amount of debt that a borrower can incur or may restrict certain actions such as, for example, purchasing other companies, going into new lines of business, selling lines of business, etc. In addition, these covenants typically require mandatory pay-downs to lenders upon certain events, such as the issuance of additional stock or the sale of significant assets. If these restrictions are violated by the borrower, the credit agreement gives lenders the first right, often subject to certain conditions, to take certain actions against the borrower, ranging from increasing the interest rate on the loan to calling the loan and requiring its immediate repayment in full.

Senior Loans differ from high-yield bonds in the following respects: Senior Loans generally pay interest based on a floating rate, typically LIBOR, plus a fixed spread determined by the credit quality of the borrower. This differs from high yield bonds, which typically pay a semi-annual coupon at a fixed rate of interest. Many senior loans have LIBOR floors, which provide additional income during periods when LIBOR rates are below the floor levels. Loans with a LIBOR floor pay an interest rate of LIBOR plus the applicable margin so long as LIBOR remains above the specified floor level. If, however, LIBOR falls below the floor, the interest rate is the floor level plus the applicable margin. Over the past several years, an increasing proportion of new loans have been issued with LIBOR floors. As of December 31, 2012, approximately 67% of the loans in the Senior Loan Index contained LIBOR floors, with an average floor level of 132 bps.

The average maturity of Senior Loans is 4 to 7 years, although they are typically pre-payable by the borrower without any penalty. Historically, borrowers have repaid their loans in 3 to 4 years, on average. High yield bonds typically have 100% of their principal due on the maturity date, usually 7 to 10 years from the date the bond was originally issued, and may incur a penalty if they are called before their maturity.

Senior Loans also generally have both maintenance and incurrence covenants which, among other things, are intended to provide the holders assurance that the borrower's financial performance and leverage will remain within specified levels. In comparison, high yield bonds typically only have incurrence covenants which only limit the borrower from taking certain corporate actions including incurring new debt or making dividend payments, unless certain conditions are met.

Second lien and subordinated unsecured loans generally are similar to Senior Loans, except that such loans are subordinated in payment and/or lower in lien priority to senior lien holders, and unsecured loans are not backed by collateral of the borrower.

Although there is no universally accepted definition of middle market companies, middle market borrowers generally refers to companies with $500 million or less in sales or revenue and/or EBITDA of $50 million or less. Middle market companies may have shorter operating histories, narrower product lines and smaller market shares than larger businesses. In the Sub-Advisor's opinion, non-investment grade middle market borrowers do not inherently present additional credit risk based upon their size, and historically Senior Loans to middle market companies have had similar credit results compared to Senior Loans to larger borrowers. ISL Loan Trust II is expected to allocate a portion of the Portfolio to loans to borrowers characterized as middle-market borrowers.

The Senior Loan Market

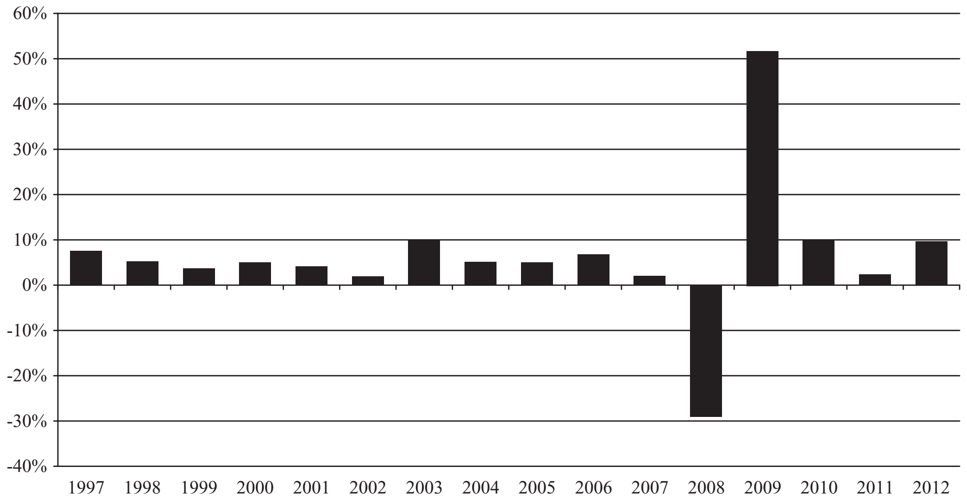
Over the last 20 years, the Senior Loan market has developed into a large and active market. For example, the U.S. Senior Loan market, as represented by the Senior Loan Index, comprised over U.S. $500 billion as of December 31, 2012. Prior to such period, loans to businesses were primarily made by commercial banks that kept the loans in their portfolios as investments. However, over this period, banks and other originators of Senior Loans began selling portions of Senior Loans to institutional investors.

Historically, the Senior Loan market has been an attractive market for corporations to raise debt capital. Corporations such as Burger King, Cablevision, Dollar General, Dole Foods, Goodyear Tire & Rubber, J. Crew, Live Nation (i.e., Ticketmaster), Nieman Marcus, Savers, Toys-R-Us, and W.M. Wrigley Co., among other well-recognized entities, accessed the Senior Loan market in recent years.

Attractive Historical Returns

Senior Loans have historically provided steady returns through multiple credit and interest rate cycles, with the Senior Loan Index having shown positive returns every year since its inception, with the exception of 2008. As illustrated in the following chart, 2008 witnessed a significant negative return for the Senior Loan Index, but such negative return was offset by a record 51% return in 2009 followed by a 10% return in 2010 and positive returns in 2011 and 2012. Senior Loans have also historically exhibited lower volatility than high yield bonds and equities.

Senior Loan Total Returns by Year, 1997 to December 2012



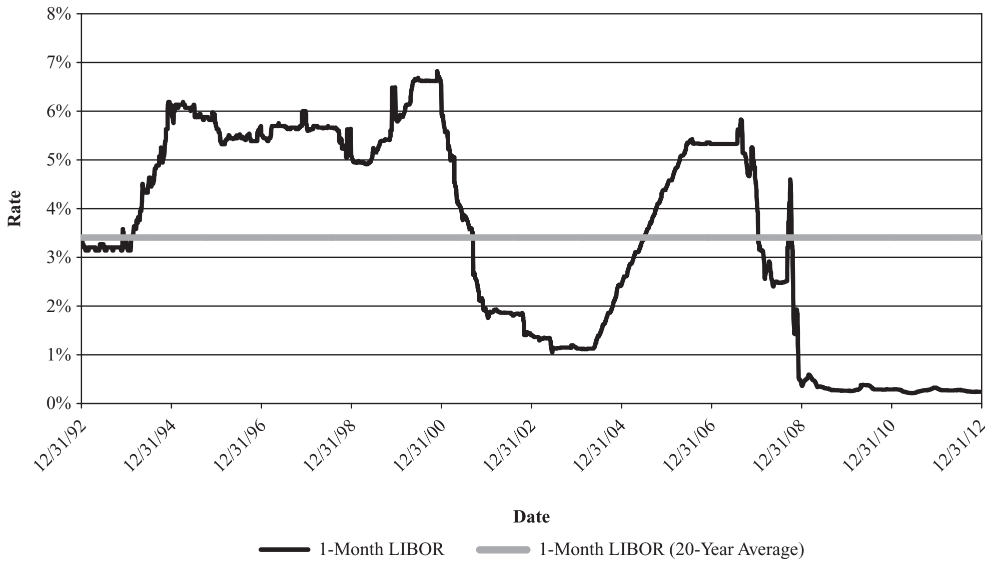
Source: S&P LCD.

Note: Total returns as measured by the Senior Loan Index, an unmanaged total return index that captures accrued interest, repayments and market value changes. **Investors cannot invest directly in an index**.

Historically Low Interest Rates

Currently, LIBOR is near all-time low levels. The Sub-Advisor believes this limits the downside yield risk of an investment in Senior Loans and makes the current environment an attractive entry point for an investment in the asset class. In addition, many Senior Loans have LIBOR floors, which provide additional income during periods when LIBOR rates are below the floor levels. As of December 31, 2012, one-month LIBOR was approximately 0.21%, significantly below its 20-year average of approximately 3.39%. The following chart illustrates the one-month LIBOR rate over a 20-year period.

20-Year Historical 1-Month LIBOR Rates

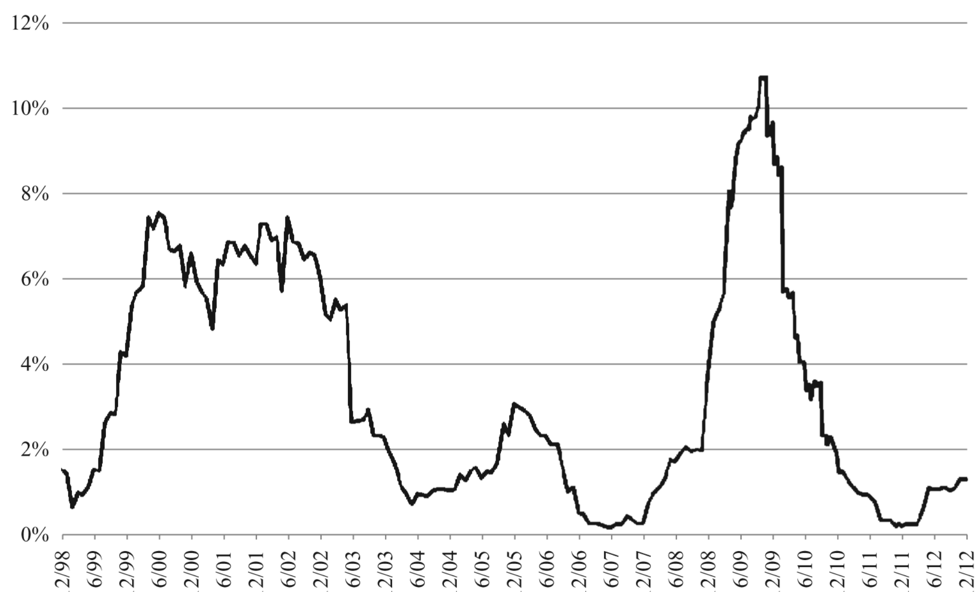


Source: Bloomberg.

Fundamental Credit Risk has Improved

The Sub-Advisor believes that the on-going recovery of the U.S. economy from the global financial crisis of 2008/2009 has caused the fundamental credit risk for corporations in the United States to improve. Moreover, new loans tend to have features such as LIBOR floors, which ensure that the Senior Loan generates minimum yield in the event that interest rates are currently at, or subsequently fall below, the level at which the floor is set, and protective covenant packages. As illustrated by the chart below, default activity for Senior Loans peaked in 2009 and is now approaching historical lows.

Lagging 12-Month Default Rate
S&P/LSTA Leveraged Loan Index
(data as of December 31, 2012)



Source: S&P LCD.

Note: S&P/LSTA Index lagging twelve month default rate comprises all loans, including those not tracked in the LSTA/LPC mark-to-market service. Vast majority are institutional tranches. Principal default rate is calculated as the amount defaulted over the last twelve months divided by the amount outstanding at the end of the prior period.

Senior Loans Typically Outperform Fixed-Rate Bonds When Interest Rates Rise

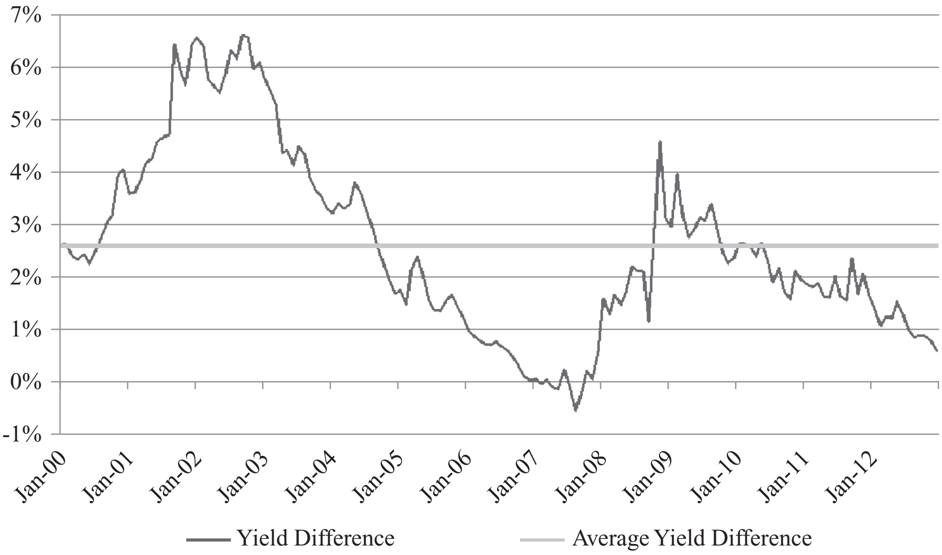
Senior Loans pay interest based upon an interest rate that is comprised of a reference rate, typically LIBOR, plus a fixed credit spread. Borrowers may choose one or more LIBOR rates, typically 30-day, 60-day or 90-day LIBOR, and may apply these rates to different portions of their Senior Loan. Consequently, Senior Loans typically have an average interest rate reset period of between 45 to 60 days, resulting in ultra-short interest rate duration. Therefore, as interest rates rise above applicable LIBOR floors, borrowers' loan payments increase, which would result in higher current income for the Portfolio. A decline in interest rates would have the opposite effect although the existence of LIBOR floors would prevent the interest rate from declining below the floor level. In addition, rising interest rates have historically had minimal negative impact on the market value of Senior Loans since their floating rate feature offsets interest rate duration risk. In contrast, when interest rates rise, fixed rate bond prices decrease while their interest payments do not change.

Senior Loans Offer Attractive Levels of Risk-Adjusted Income.

As at December 31, 2012, the average secondary spread of the Credit Suisse Leveraged Loan Index was 536 basis points, which is well in excess of the 10 year average spread of 485 basis points. Currently, Senior Loan yields are also attractive relative to yields on high yield bonds. High yield bonds are subordinate to Senior Loans and, unlike Senior Loans, are typically unsecured. As a result, yields offered by high yield bonds have generally exceeded yields offered by Senior Loans by approximately 2.6%, as shown in the graph below.[(1)] However, as at December 31, 2012, high yield bonds yielded only 0.6% above Senior Loans, or approximately 2.0% below average.

The decline in the yield differential between high yield bonds and Senior Loans is largely due to high yield bonds trading at a significant premium to their par value. As at December 31, 2012, the average price of the S&P/LSTA Leveraged Loan Index was 97% of par value (or a 3% discount to par), whereas high yield bonds (represented by the Bank of America Merrill Lynch US High Yield Index) and investment grade bonds (represented by the Bank of America Merrill Lynch US Corporate Index) were priced at 106% and 115% of par value, respectively. High yield bonds and investment grade bonds are also more susceptible to a decline in price in the event interest rates rise. As at December 31, 2012, high yield bonds, as measured by the index, had a modified duration of 5.0 years and investment grade bonds, as measured by the index, had a modified duration of 6.8 years. In comparison, the Senior Loans reset their interest rates approximately every 60 days.

Historical Difference in Yield Between High Yield Bonds and Senior Loans



(1) January 31, 2000 to December 31, 2012. Yield is defined as yield to worst for high yield bonds as represented by the Credit Suisse High Yield Index and discount margin to 4 year call plus 3 month LIBOR for the Credit Suisse Leveraged Loan Index.

Source: Credit Suisse.

Current yields on loans are attractive and represent an attractive alternative to high yield bonds. The average 12-year yield advantage of high yield bonds versus Senior Loans has historically been approximately 2.6%, but it is approximately 0.60% as of December 31, 2012.

Low Historical Correlation with Other Asset Classes

Senior Loans are an attractive portfolio diversifier. As shown in the chart below, Senior Loans have a negative correlation to many other asset classes and, in particular, have low correlations to equities and other risk assets, and a positive correlation to inflation.

Correlation of Senior Loans with Other Asset Classes
(January 1, 1992 — December 31, 2012)

Credit Suisse High Yield Index	0.76
FTSE NAREIT All REITs	0.49
Russell 2000	0.43
MSCI EAFE	0.43
Standard and Poor's 500	0.42
Merrill Lynch ABS	0.37
IA SBBI U.S. Inflation	0.31
Merrill Lynch U.S. Corporate Bonds	0.31
JPM Emerging Market Bonds	0.22
Gold	0.03
U.S. 30 Day T-Bills	−0.02
Barclays U.S. Aggregate Bond	−0.03
Merrill Lynch Mortgage	−0.13
Barclays U.S. Corporate Aaa	−0.13
U.S. Govt 10+ Years	−0.31
U.S. Govt 5-7 Years	−0.32

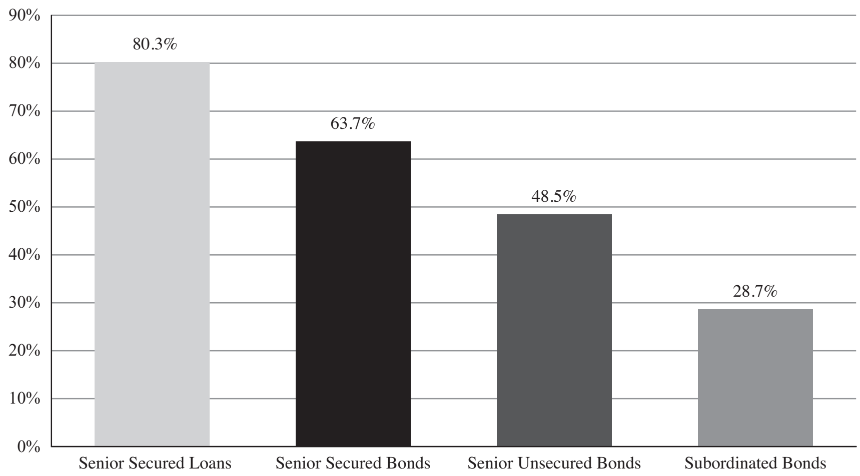
Source: Credit Suisse, Bloomberg, Ibbotson Associates

Note: Senior Loans are represented by the Credit Suisse Leveraged Loan Index.

Inherent Structural and Credit Protection Characteristics

Senior Loans have inherent structural and credit protection characteristics that differ from high yield bonds. Senior Loans hold the highest rank in a borrower's capital structure, giving Senior Loans priority over all of a borrower's other loans and debt (including priority over bonds and preferred shares), and are secured by the borrower's assets. High yield bonds rank beneath Senior Loans and are typically unsecured. In addition, high yield bonds lack the reporting and covenant protections that benefit holders of Senior Loans. As a result, Senior Loans have historically exhibited higher recovery rates in the event of default than high yield bonds. As illustrated in the following chart, over the period from 1987 to 2011, the average ultimate recovery rate for Senior Loans was 80.3%, compared to 28.7% for high yield bonds.

Average Corporate Debt Ultimate Recovery Rates (1987 to 2011)



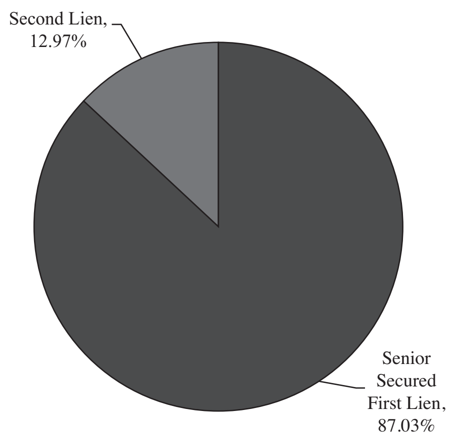
Source: Moody's.

Note: Ultimate Recovery is the value that a creditor actually receives at the resolution of the default, usually at the time of emergence from bankruptcy.

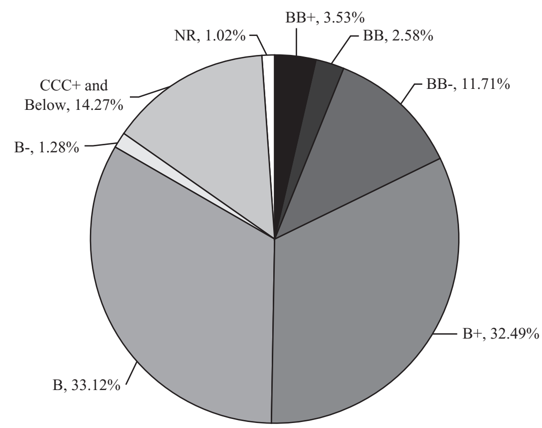
Indicative Portfolio

The following charts illustrate the expected composition of the Portfolio, on an indicative basis, in terms of asset type distribution, currency denomination distribution, ratings distribution, and industry distribution, respectively:

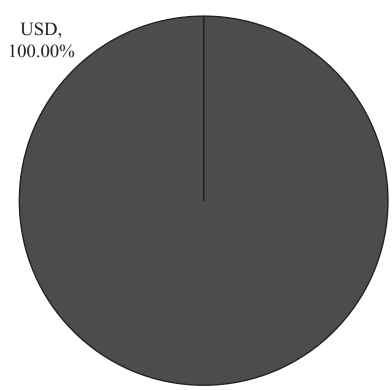
Asset Type Distribution



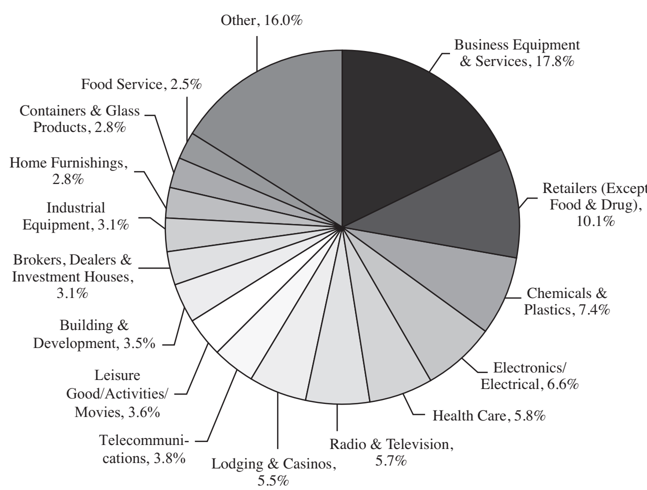
Ratings Distribution



Currency Distribution



Industry Distribution



INVESTMENT RESTRICTIONS

Investment Restrictions of the Fund

The Fund will be subject to the investment restrictions set out below, and will also indirectly be subject to the investment restrictions of ISL Loan Trust II as a result of the Forward Agreement. The investment restrictions of the Fund, which are set forth in the Fund Trust Agreement, provide that the Fund will not:

(a) with respect to the securities acquired pursuant to the Forward Agreement, purchase any securities other than “Canadian securities” for the purpose of the Tax Act;

(b) purchase the securities of an issuer for the purposes of exercising control over management of that issuer or if, as a result of such purchase, the Fund would be required to make a take-over bid that is a “formal bid” for the purposes of applicable securities laws;

(c) make or hold any investment that would result in the Fund failing to qualify as a "mutual fund trust" for purposes of the Tax Act and will not acquire any property that would be "taxable Canadian property" of the Fund as such term is defined in the Tax Act (if the definition were read without reference to paragraph (b) thereof) (or any amendment to such definition) or "specified property" (as defined in the Tax Proposals released on September 16, 2004); or

(d) make or hold any investment that would result in the Fund being subject to the tax on SIFT Trusts as provided for in section 122 of the Tax Act.

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

Investment Restrictions of ISL Loan Trust II

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

(a) invest at the time of purchase less than 80% of the ISL II Total Assets in Senior Loans, except within 60 days after the Closing Date and within 60 days prior to the Fund's termination;

(b) invest at the time of purchase less than 85% of the ISL II Total Assets in assets denominated in U.S. dollars;

(c) invest at the time of purchase less than 90% of the ISL II Total Assets in floating rate assets;

(d) invest at the time of purchase more than 25% of ISL II Total Assets in the loans or other debt instruments of borrowers in the same industry sector (determined with reference to the industry sectors identified by S&P);

(e) invest at the time of purchase more than 10% of ISL II Total Assets in loans or other debt instruments of any one borrower or issuer;

(f) invest at the time of purchase more than 15% of ISL II Total Assets in credit facility agreements that are less than U.S.$150 million in size;

(g) employ financial leverage in excess of 40% of ISL II Total Assets, except in connection with foreign exchange rate hedging;

(h) purchase the common or preferred shares of any "substantial securityholder" of ISL Loan Trust II (as defined in the *Securities Act* (Ontario)) or the direct or indirect parent of any substantial securityholder of ISL Loan Trust II;

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

(j) make or hold any investments in securities of a non-resident trust (or a partnership which holds such an interest) other than "exempt foreign trusts" as defined in proposed section 94 of the Tax Act set forth in the Tax Proposals;

(k) make or hold any investments that could require ISL Loan Trust II to include any material amount in its income pursuant to the offshore investment fund property rules in section 94.1 of the Tax Act as modified by the Tax Proposals;

(l) acquire any interest in a trust (or a partnership which holds such an interest) which would require the Fund (or the partnership) to report income in connection with such interest pursuant to the rules in proposed section 94.2 of the Tax Act, as set forth in Tax Proposals;

(m) pledge any of its assets, except in connection with the employment of permitted financial leverage and foreign exchange rate hedging; or

(n) purchase the securities of a borrower for the purposes of exercising control or direction, whether alone or in concert, over management of that borrower, except under circumstances where such borrower is in breach of the terms of, or in default under, the Senior Loan.

For the purposes of the foregoing investment restrictions applicable to ISL Loan Trust II, the ISL II Total Assets will exclude cash, cash equivalents and unrealized gains or losses from foreign currency hedging contracts.

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 as described under "Plan of Distribution".

Management Fee

The Manager will receive a Management Fee from the Fund and ISL Loan Trust II equal in the aggregate to 1.25% per annum of the applicable Net Asset Value (0.50% from the Fund and 0.75% from ISL Loan Trust II), calculated and payable monthly in arrears, plus an amount calculated quarterly and paid as soon as practicable after the end of each calendar quarter equal to the Servicing Fee, plus applicable taxes. The Manager will be responsible for paying the fees of the Sub-Advisor out of the amount received by the Manager. If the Counterparty does not hedge its exposure under a Forward Agreement by acquiring units of ISL Loan Trust II, the Counterparty will retain the Manager to establish and maintain a Notional Portfolio and the amount of the Notional Portfolio will be reduced by 0.75% per annum, representing the fee paid by the Counterparty to the Manager to maintain the Notional Portfolio.

Servicing Fee

A Servicing Fee will be payable by the Manager to each registered dealer (including discount brokerage and self-directed accounts) whose clients hold Class A Units or Class U Units at the end of a calendar quarter. The Servicing Fee will be equal to 0.40% annually of the NAV for each Class A Unit or Class U Unit held by clients of the registered dealers, calculated and paid at the end of each calendar quarter commencing on June 30, 2013, plus applicable taxes. The Servicing Fee will be pro-rated for the partial first quarter of the Fund. The Manager may, from time to time, pay the Servicing Fee more frequently than quarterly, in which event the Servicing Fee will be pro-rated for the period to which it relates.

Counterparty Fees

The Fund will pay to the Counterparty an additional amount under the Forward Agreement, calculated daily and payable quarterly in arrears, of up to 0.45% per annum of the Net Assets of ISL Loan Trust II or the notional amount of the Forward Agreement (being effectively equal to the Net Asset Value of ISL Loan Trust II).

Ongoing Expenses

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

The Manager estimates that ongoing expenses, exclusive of the Management Fee, fees under the Forward Agreement, brokerage expenses related to portfolio transactions and interest expense will be approximately $125,000 per year for the Fund and $175,000 per year for ISL Loan Trust II (assuming an aggregate size of the Offering of approximately $100 million).

Additional Services

Any arrangements for additional services between the Fund or ISL Loan Trust II and the Manager and/or the Sub-Advisor, 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 or ISL Loan Trust II, as applicable, than those available from arm's length persons (within the meaning of the Tax Act) for comparable services and the Fund or ISL Loan Trust II, as applicable, 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, ISL Loan Trust II, the Units and the Senior Loans are described below. Additional risks and uncertainties not currently known to the Manager or the Sub-Advisor or that are currently considered immaterial, may also impair the operations of the Fund or ISL Loan Trust II. 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. By virtue of the Forward Agreement, 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 distribution and capital preservation investment objective, including that of long-term total returns.

Performance of the Portfolio

The Net Asset Value of the Fund will, by virtue of the Forward Agreement, vary as the fair value of the assets in the Portfolio varies. The loans in the Portfolio will be purchased at their prevailing market price, but such prices will vary, potentially substantially, over time. The Fund has 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 and fluctuations in interest rates, and factors unique to issuers of the loans and their business, such as liquidity and funding conditions, legal and compliance risks, operational risks, tax-related risks, changes in management, changes in strategic direction, achievement of strategic goals, mergers, acquisitions and divestitures, and other events that may affect the value of their securities.

Risks Relating to Investments in Senior Loans and other Non-Investment Grade Debt

An investment in interests in Senior Loans and other non-investment grade debt involves certain risks. Under the agreements governing most syndicated loans, should ISL Loan Trust II, as a non-majority holder of an interest in a syndicated loan, wish to call a default or exercise remedies against a borrower, it could not do so without the agreement of at least a majority of the lenders. Further, actions could be taken by a majority of the lenders, or in some cases, a single agent bank, without the consent of ISL Loan Trust II. ISL Loan Trust II would, nevertheless, be liable to indemnify the agent bank for the ISL Loan Trust II's rateable share of expenses or other liabilities incurred in such connection and, generally, with respect to the administration and any renegotiation or enforcement of the syndicated loans. Moreover, an assignee or participant in a loan may not be entitled to certain gross-up payments in respect of withholding taxes and other indemnities that otherwise might be available to the original holder of the loan.

Although the Senior Loans in the Portfolio will generally be secured by specific collateral, there can be no assurance the liquidation of such collateral would satisfy a borrower's obligation in the event of borrower default or that such collateral could be readily liquidated under such circumstances. In the event of bankruptcy of a borrower, delays or limitations could be experienced with respect to the ability to realize the benefits of any collateral securing a Senior Loan.

Second lien and subordinated unsecured loans generally are subject to similar risks as those associated with investments in Senior Loans, except that such loans are subordinated in payment and/or lower in lien priority to first lien holders, and unsecured loans are not backed by collateral of the borrower. In the event of default on a second lien loan or a subordinated unsecured loan, the first priority lien holder has first claim to the underlying collateral of the loan to the extent such claim is secured. Second lien and subordinated unsecured loans are subject to the additional risk that the cash flow of the borrower and property securing the loan or debt, if any, may be insufficient to meet scheduled payments after giving effect to the senior secured obligations of the borrower. This risk is generally higher for subordinated unsecured loans or debt, which are not backed by a security interest in any specific collateral. Second lien and subordinated unsecured loans generally have greater price volatility than Senior Loans and may be less liquid.

A financial institution's appointment as an agent under the agreement governing a Senior Loan might be terminated in the event that such financial institution fails to observe a requisite standard of care or becomes insolvent. A successor agent would generally be appointed to replace the terminated agent, and assets held by the agent under the loan agreement would likely remain available to holders of such indebtedness. However, if assets held by the terminated agent for the benefit of ISL Loan Trust II were determined to be subject to the claims of the agent's general creditors, the Portfolio might incur certain costs and delays in realizing payment on a Senior Loan and could suffer a loss of principal and/or interest.

Leverage Risk

ISL Loan Trust II may employ leverage of up to 40% 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 40%. 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 ISL Loan Trust II 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 of the Fund in excess of that which would otherwise be experienced if no leverage was utilized. Under certain conditions, leverage may be reduced or discontinued.

To the extent that the Fund makes investments in Senior Loans or other debt instruments structured with LIBOR floors, the Fund will not realize additional income if rates increase to levels below the LIBOR floors but the Fund's cost of financing on its leverage is expected to increase, resulting in the potential for a decrease in the level of income available for dividends or distributions made by the Fund.

Risks Relating to Non-Investment Corporate Grade Loans

The Portfolio is expected to be primarily, and potentially fully, invested in assets that are not investment grade. 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 deterioration of general economic conditions. 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 loans 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.

Risks Relating to Interest Rates

ISL Loan Trust II's investments will be subject to interest rate risk, which will vary depending upon whether such assets are floating rate or fixed rate. Changes in short-term market interest rates will directly affect the yield on the floating rate assets owned by ISL Loan Trust II. If short-term market interest rates fall, the yield on such assets will also fall. Also, to the extent that credit spreads in the market for Senior Loans experience a general increase, the value of ISL Loan Trust II's existing floating rate assets may decrease, which will cause ISL Loan Trust II's net asset value to decrease. Conversely, when short-term market interest rates rise, because of the lag between changes in such short-term rates and the resetting of the floating rates on the Senior Loans in the portfolio, the impact of rising rates will be delayed to the extent of such lag. To the extent the Senior Loans in the ISL Loan Trust II's Portfolio contain LIBOR floors, the impact of any rise in short-term market interest rates will not be realized for such loans until rates rise above such LIBOR floors. Changes in short-term market interest rates will have a different effect on any fixed rate assets in ISL Loan Trust II's portfolio. 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.

Risks Relating to Reliance on the Manager and the Sub-Advisor

The Manager and the Sub-Advisor will manage and advise ISL Loan Trust II in a manner consistent with the investment objectives and the investment restrictions of ISL Loan Trust II. The officers of the Manager and the officers of the Sub-Advisor 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 Sub-Advisor, as applicable.

The Sub-Advisor is an indirect, wholly owned subsidiary of ING U.S. Pursuant to a restructuring plan adopted by ING Group and approved the European Commission in October 2009 and subsequently amended and approved in November 19, 2012 (the "Amended Restructuring Plan"). ING Group agreed to divest its insurance and investment management operations, including ING U.S. and its subsidiaries. Under the terms of the Amended Restructuring Plan, ING Group is required to divest at least 25% of ING U.S. by December 31, 2013, more than 50% by December 31, 2014 and 100% by December 31, 2016. ING Group has announced that its base case is to divest its ownership of ING U.S. in one or more public offerings. On November 9, 2012, ING U.S. filed a preliminary registration statement on Form S-1 with the U.S. Securities and Exchange Commission relating to its initial public offering.

There can be no assurance that the Amended Restructuring Plan will be carried out through public offerings or at all. The Amended Restructuring Plan, whether implemented through the planned public offerings or through other means, in whole or in part, may be disruptive to the businesses of ING entities, including the ING entities that service the Fund, and may cause, among other things, interruption or reduction of business and services, diversion of management's attention from day-to-day operations, and loss of key employees or customers. A failure to complete the offerings or other means of implementation of the Amended Restructuring Plan on favourable terms could have a material adverse impact on the operations of the businesses subject to the restructuring. The restructuring may result in the Sub-Adviser's loss of access to services and resources of ING Group. Currently, the Sub-Adviser does not expect that the restructuring will have a material adverse impact on the management of the Fund, ISL Loan Trust II or the Portfolio.

Concentration Risk

The Portfolio will be concentrated in loans issued by non-investment grade North American borrowers. As a result, the Net Asset Value of the Fund and ISL Loan Trust II 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. The Portfolio may experience a lack of liquidity of the assets in the Portfolio due to restrictions on transfers in loan agreements and the nature of the private syndication of Senior Loans including, for example, the lack of publicly-available information. Some loans are not as easily purchased or sold as publicly-traded securities. Some loans and other Portfolio investments are very thinly traded or no market for them exists, which may make it difficult for ISL Loan Trust II to value them or dispose of them at an acceptable price when it wants to.

Counterparty Risk

On Closing, the Fund will enter into the Forward Agreement with the Counterparty (which will be a Canadian chartered bank and an affiliate of one of the Agents, provided that the Counterparty or its guarantor must have an Approved Rating). In entering into the Forward Agreement, which will be the sole material asset of the Fund, the Fund is exposed to the credit risk associated with the Counterparty. The Counterparty may have relationships with an issuer of Senior Loans which could conflict with the interests of the Fund or ISL Loan Trust II. Depending on the value of the Portfolio, the Fund's exposure to the credit risk of the Counterparty may be significant. In addition, the possibility exists that the Counterparty will default on its obligations under the Forward Agreement. Unitholders will have no recourse or rights against the assets of ISL Loan Trust II or the Counterparty, other than as a general, unsecured creditor, and the Counterparty is not responsible for the returns of the Portfolio. In addition, the Counterparty will also provide leverage which may constitute a conflict of interest.

In entering into the Forward Agreement, which will be the sole material asset of the Fund, the Fund is fully exposed to the credit risk associated with the Counterparty. The possibility exists that the Counterparty will default on its obligations under the Forward Agreement. To secure the obligations of the Counterparty under the Forward Agreement, the Counterparty will pledge collateral in favour of the Fund with an aggregate value equal to 100% of the mark-to-market value of the exposure under the Forward Agreement and the amount of the collateral will be reset on a weekly basis to 100%. Should a bankruptcy or other similar event related to the Counterparty occur that precludes the Counterparty from performing its obligations under the Forward Agreement, the Fund would have to enforce its security interest and the Forward Agreement would be terminated. See "Overview of the Investment Structure — The Forward Agreement".

Risks Relating to Fluctuation in Value of Portfolio Assets

The value of the Units will vary according to the value of the assets included in the Portfolio by virtue of the Forward Agreement. The value of the assets included in the Portfolio will be influenced by factors that are not within the control of ISL Loan Trust II, the Manager or the Sub-Advisor, including the financial performance and creditworthiness of a borrower under a loan, operational risks relating to the specific business activities of a borrower under a loan, exchange rates, interest rates, political risks, issues relating to government regulation, credit markets and other financial market conditions. ISL Loan Trust II may enter into commitments to purchase assets 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.

Use of Derivatives Risk

ISL Loan Trust II may invest in and use derivative instruments for hedging purposes to the extent considered appropriate by the Manager taking into account factors including transaction costs. There can be no assurance that ISL Loan Trust II's hedging strategies will be effective. ISL Loan Trust II 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 ISL Loan Trust II of margin deposits in the event of the bankruptcy of the dealer with whom ISL Loan Trust II 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 ISL Loan Trust II to close out its positions may also be affected by exchange imposed daily trading limits on options and futures contracts. If ISL Loan Trust II 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 ISL Loan Trust II's ability to use derivative instruments to effectively hedge the foreign currency exposure or any fixed rate exposure of the Portfolio.

Risks Relating to the Trading Price of Units

The Class A Units may trade in the market at a discount to the Net Asset Value per Class A Unit and there can be no assurance that the Class A Units will trade at a price equal to the Net Asset Value per Class A Unit. Units will be redeemable at 100% of the 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 Class A Units.

Risks Relating to the Taxation of the Fund

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

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

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.

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

U.S. Tax Risk

The Foreign Account Tax Compliance provisions of the U.S. Hiring Incentive to Restore Employment Act ("**FATCA**") generally impose a reporting and 30% withholding tax regime with respect to (a) 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 (collectively referred to as "withholdable payments") made by non-U.S. financial institutions. Under FATCA, unless the Fund enters into an agreement with the U.S. Internal Revenue Service (the "**IRS**") pursuant to which it agrees to report to the IRS 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), and to comply with other reporting, verification, due diligence and other procedures established by the IRS, the Fund will be subject to 30% withholding tax on FDAP income paid to it after December 31, 2013, on the gross proceeds from the disposition of property that produces U.S.-source FDAP income paid to it after December 31, 2016. Obligations issued prior to January 1, 2014 are exempt from such withholding, unless such obligation is materially modified. If any interests in the Fund are not regularly traded on an established securities market, the Fund generally will be required to withhold 30% U.S. tax on a portion of the distributions that it makes to holders of such interests that fail to provide information requested by the Fund to comply with FATCA. It is expected that the Units will be regularly traded on an established securities market. In addition, regardless of whether Units are regularly traded on an established securities market, the Fund may be required to withhold U.S. tax on a portion of payments made by the Fund after December 31, 2016 to any non-U.S. financial institution (for example, a Unitholder's Canadian investment dealer) that has not entered into a FATCA agreement with the IRS, including any non-U.S. financial institution through which distributions on the Units are made or to a Unitholder that fails to provide information requested by such non-U.S. financial institution to comply with FATCA. These rules may be modified if Canada and the United States enter into an inter-governmental agreement. Investors should consult their own tax advisors regarding the possible implications of this legislation 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 ISL Loan Trust II 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. The obligations of the Counterparty to the Fund under the Forward Agreement will be determined by reference to the performance of ISL Loan Trust II (which is subject to the performance of the Portfolio). As a result, if distributions received by ISL Loan Trust II on securities in the Portfolio are subject to foreign withholding tax, foreign withholding tax paid by ISL Loan Trust II will effectively reduce the value of the Canadian Securities Portfolio required to be delivered by the Counterparty to the Fund pursuant to the Forward Agreement. Neither Unitholders nor the Fund will be entitled to a foreign tax credit or deduction in respect of foreign withholding tax paid by ISL Loan Trust II.

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 or ISL Loan Trust II.

Changes in Legislation and Regulatory Risk

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

Loss of Investment Risk

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

Conflicts of Interest Risk

The Manager, the Sub-Advisor and their respective 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 and ISL Loan Trust II. Although none of the directors or officers of the Manager or the Sub-Advisor will devote his or her full time to the undertaking and affairs of the Fund or ISL Loan Trust II, applicable directors and officers of the Manager and of the Sub-Advisor 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, ISL Loan Trust II, the Manager and the Sub-Advisor, as applicable.

Risks Relating to the Status of the Fund

As the Fund is not a mutual fund as defined under Canadian securities laws, the Fund is not subject to the Canadian policies and regulations that apply to open-end mutual funds.

Risks Relating to Redemptions

The purpose of the annual redemption right is to prevent Class A 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 Class A Units trade at a significant discount to their Net Asset Value per Class A Unit, thereby providing arbitrage traders an opportunity to profit from the difference between the applicable Net Asset Value per Unit and the discounted market price at which they purchased their Units.

If a significant number of Class A Units are redeemed, the trading liquidity of the Class A 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.

DISTRIBUTION POLICY

The Fund will not have a fixed distribution policy, but intends to make monthly distributions based on the actual and expected returns on the Portfolio. Given that the majority of the Portfolio will be invested in Senior Loans which are floating rate, returns will vary with changes in interest rates. Based on current estimates and the assumptions set out below, the Fund’s initial distribution target is expected to be $0.05 per Unit per month (U.S. $0.05 in the case of the Class U Units), representing an initial yield on the Unit issue price of 6.0% per annum (representing a pre-tax interest rate equivalent yield of 8.94% per annum in Ontario), consisting primarily of returns of capital which are not immediately taxable but which reduce a Unitholder’s adjusted cost base of its Units. The initial monthly distribution will be payable to Unitholders of record on April 30, 2013 and will be paid no later than May 15, 2013. The first distribution is expected to reflect the period from the Closing Date to April 30, 2013. Based on current estimates and assuming (i) an aggregate size of the Offering of $100 million, (ii) the employment of the investment strategy as described under “Investment Strategy”, (iii) the use of leverage as described herein, (iv) the fees and expenses described under “Fees and Expenses”, (v) foreign exchange rates remain constant, and (vi) the current price and yield of the Senior Loans included in the

Sub-Advisor's indicative portfolio, it is expected that distributions paid on the Senior Loans held in the Portfolio and held by ISL Loan Trust II will be sufficient to allow the Fund to pay (though partial settlement of the Forward Agreement) such monthly distributions at the initial target level and maintain a stable Net Asset Value. If the return on the Portfolio and the increase in the value of the Portfolio are less than the amount necessary to fund the monthly distributions (through partial settlement of the Forward Agreement) and all expenses of the Fund and ISL Loan Trust II and if the Manager chooses to nevertheless effect settlements of the Forward Agreement to ensure that the monthly distributions are paid to Unitholders, this will result in a portion of the capital of the Fund being returned to Unitholders and, accordingly, NAV per Unit would be reduced. The distributions are not guaranteed. The Manager will review such distribution policy from time to time and the distribution amount may change from time to time.

The Fund will be subject to tax under Part I of the Tax Act on the amount of its income for tax purposes for the year, including net realized taxable capital gains, less the portion thereof that it claims in respect of the amounts paid or payable to Unitholders in the year. To ensure that the Fund will generally not be liable for income tax under Part I of the Tax Act, the Fund Trust Agreement provides that, if necessary, an Additional Distribution will be automatically payable in each year to Unitholders of record on December 31. The Additional Distribution may be necessary if the Fund realizes income and net realized capital gains for tax purposes which is in excess of the monthly 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 Class A Units at a price of $10.00 per Class A Unit, and Class U Units at a price of U.S. $10.00 per Class U Unit (with a minimum subscription of 100 Class A Units for $1,000 or 100 Class U Units for U.S. $1,000). The Class U Units are designed for investors wishing to make their investment in U.S. dollars. Prospective purchasers may subscribe for Units through one of the Agents or any member of a sub-agency group that the Agents may form. Closing of the Offering will take place on or about March 22, 2013, 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

Class A Units and Class U Units may be redeemed on an Annual Redemption Date, subject to certain conditions. In order to effect such a redemption, the Units must be surrendered during the period from the first Business Day in August until 5:00 p.m. (Toronto time) on August 15 in the year of redemption (the "Notice Period"), subject to the Fund's right to suspend redemptions in certain circumstances. Units properly surrendered for redemption during the Notice Period will be redeemed on the Annual Redemption Date and the Unitholder surrendering such Units will receive payment on or before the Redemption Payment Date. Redeeming Unitholders will be entitled to receive a redemption price in an amount equal to 100% of the Annual Redemption Price less any costs associated with the redemption, including brokerage costs, and less any net realized capital gains or income to the Fund that are distributed to a Unitholder concurrently with the proceeds of disposition on redemption. By virtue of the Forward Agreement, the Annual Redemption Price will be dependent upon the performance of ISL Loan Trust II (or the Notional Portfolio). Concurrently with the payment of the redemption price, the Fund may pay to the redeeming Unitholder a cash distribution in the amount of the net realized capital gains 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. Commencing in 2014, Unitholders depositing Units during the Notice Period will be entitled to elect to receive the Monthly Redemption Amount rather than the Annual Redemption Amount.

See "Risk Factors".

Monthly Redemptions

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

If at the time of a monthly redemption the Class U Units are listed for trading on a securities exchange, Unitholders surrendering a Class U Unit for redemption will receive in U.S. dollars an amount equal to the lesser of (i) 95% of the Market Price of a Class U Unit, and (ii) 100% of the Closing Market Price of a Class U 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.

If at the time of a monthly redemption the Class U Units are not listed for trading on a securities exchange, Unitholders surrendering a Class U Unit for redemption will receive in U.S. dollars an amount equal to the U.S. dollar equivalent of the product of (i) the Monthly Redemption Amount and (ii) a fraction, the numerator of which is the most recently calculated Redemption Net Assets per Unit of a Class U Unit and the denominator of which is the most recently calculated Redemption Net Assets per Unit of a Class A Unit. For such purpose, the Fund will utilize the Reference Exchange Rate current at, or as nearly as practicable to, the Monthly Redemption Date in respect of a monthly redemption of Class U Units.

Pre-Settling the Forward Agreement

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

Exercise of Redemption Right

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

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

Any redemption notice that CDS determines to be incomplete, not in proper form or not duly executed will, for all purposes, be void and of no effect and the redemption privilege to which it relates will be considered, for all purposes, not to have been exercised thereby. A failure by a CDS Participant to exercise redemption privileges or to give effect to the settlement thereof in accordance with a Unitholder's instructions will not give rise to any obligations or liability on the part of the Fund, ISL Loan Trust II, the Fund Trustee, ISL II Trustee, the Fund Custodian, the ISL II 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 amount to be paid to the Unitholder on the Redemption Payment Date will be an amount equal to the proceeds of the sale of the Units, less any applicable commission payable to BMO NBI. 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 Canadian Securities Portfolio (by value) or the Portfolio are listed and traded, and if the securities are not traded on any other exchange that represents a reasonable, practical alternative for the Fund or ISL Loan Trust II, as applicable, 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 ISL Loan Trust II or which impair the ability of the Manager to determine the value of the assets of the Fund or ISL Loan Trust II. The suspension may apply to all requests for redemption received prior to the suspension, but for which payment has not been made, as well as to all requests received while the suspension is in effect. In such circumstances all Unitholders will have, and will be advised that they have, the right to withdraw their requests for redemption. The suspension will terminate in any event on the first Business Day on which the condition giving rise to the suspension has ceased to exist, provided that no other condition under which a suspension is authorized then exists. To the extent not inconsistent with official rules and regulations promulgated by any government body having jurisdiction over the Fund, any declaration of suspension made by the Manager will be conclusive.

CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

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

This summary is based on the current provisions of the Tax Act, counsel's understanding of the current administrative policies and assessing practices of the CRA published in writing by it prior to the date hereof, the Tax Proposals and certificates of the Manager and Agents 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 — Investment Restrictions of the Fund". 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 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 "Overview of Investment Structure — Investment Restrictions of the Fund", 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 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 Canadian Securities Portfolio securities acquired by the Fund under the Forward Agreement in connection with a redemption of Units.

In computing its income for tax purposes, 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.

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

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 the net realized taxable capital gains of the Fund as is paid or payable to a Unitholder will effectively retain its character and be treated as such in the hands of the Unitholder for purposes of the Tax Act.

On the disposition or deemed disposition of a Unit, 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 or as a reinvestment of a distribution will generally be equal to the amount of the net income or capital gain distributed to the Unitholder in Units. A conversion of Class U Units into Class A Units will constitute a disposition of such Class U Units for the purposes of the Tax Act. 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.

The cost and proceeds of disposition of Class U Units must be computed in Canadian dollars using the exchange rate at the time of acquisition or disposition, respectively.

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 may be deducted from taxable capital gains in accordance with the provisions of the Tax Act.

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

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 monthly distributions, as described under "Distribution Policy", the consequences of acquiring Units late in a calendar year will generally depend on the amount of the monthly distributions throughout the year and whether an Additional Distribution is necessary late in the calendar year to ensure that the Fund will not be liable for income tax on such amounts under the Tax Act.

Eligibility for Investment

Provided that the Fund qualifies as a mutual fund trust within the meaning of the Tax Act or, in the case of the Class A Units, if such 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.

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, (ii) does not have a "significant interest" in the Fund (within the meaning of the Tax Act), or (iii) does not have a "significant interest" (within the meaning of the Tax Act) in a corporation, partnership or trust that does not deal at arm's length with the Fund. Tax Proposals released on December 21, 2012 propose to delete the condition in (iii) above. Holders of TFSAs and annuitants of RRSPs and RRIFS should consult with their own tax advisors in this regard.

ORGANIZATION AND MANAGEMENT DETAILS OF THE FUND

The Manager

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

Duties and Services to be Provided by the Manager

Pursuant to the Trust Agreements, the Manager has exclusive authority to manage the operations and affairs of the Fund and ISL Loan Trust II, as applicable, to make all decisions regarding the undertaking of the Fund and of ISL Loan Trust II and to bind the Fund and ISL Loan Trust II. 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 and/or ISL Loan Trust II to do so.

The Manager's duties will include maintaining accounting records for the Fund and ISL Loan Trust II; authorizing the payment of operating expenses incurred on behalf of the Fund and/or ISL Loan Trust II; 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 and ISL Loan Trust II comply with regulatory requirements, including its continuous disclosure requirements under applicable securities laws; preparing the Fund's and ISL Loan Trust II's reports to unitholders and to the Canadian securities regulators; providing the Fund Custodian and the ISL II Custodian with information and reports necessary for the Fund Custodian and the ISL II Custodian to fulfil their fiduciary responsibilities; currency hedging; administering the redemption of Units; arranging for any payment required on the termination of the Fund and/or ISL Loan Trust II; 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 and ISL Loan Trust II's investment strategy to ensure compliance with the Fund's and ISL Loan Trust II'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 Agreements

Pursuant to the Trust Agreements, 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 or ISL Loan Trust II and their respective unitholders, as applicable, 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 Agreements provide that the Manager shall not be liable in any way for any default, failure or defect in the assets held by the Fund or ISL Loan Trust II or for any loss or diminution in the value of such assets or other loss or damage suffered by any such person or for any errors of judgement, acts or omissions if it has satisfied the duties and standard of care, diligence and skill set forth above. The Manager will, however, incur liability in cases of wilful misconduct, bad faith or negligence or breach of its obligations under the Trust Agreements and is responsible for any investment advisory and portfolio management services provided to the Fund and ISL Loan Trust II, including those provided to ISL Loan Trust II by the Sub-Advisor.

The Manager may resign as manager of the Fund and/or ISL Loan Trust II upon at least 60 days' notice to the applicable unitholders and to the Fund and/or ISL Loan Trust II, as applicable, or upon such lesser notice period as the Fund or ISL Loan Trust II, as applicable, may accept. If the Manager resigns it may appoint its successor but, unless its successor is an affiliate of the Manager, its successor must be approved by unitholders of the Fund or ISL Loan Trust II, as applicable. If the Manager is in material default of its obligations under the applicable Trust Agreement and such default has not been cured within 20 business days after notice of same has been given to the Manager, the Fund or ISL Loan Trust II shall give notice thereof to its unitholders, and such unitholders may remove the Manager and appoint a successor manager.

The Manager is entitled to fees for its services under the Trust Agreements 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 and ISL Loan Trust II, as applicable, 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 Trustees

The management and administrative services provided by the Manager to the Fund or ISL Loan Trust II pursuant to the applicable Trust Agreement are not exclusive and nothing in the Trust Agreements 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 each of the Fund and ISL Loan Trust II 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 or ISL Loan Trust II and for one or more of its other clients. If the Fund or ISL Loan Trust II 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 Agreements acknowledge that the Fund Trustee and the ISL II Trustee may provide services to the Fund and ISL Loan Trust II in other capacities, provided that the terms of any such arrangements are no less favourable to the Fund or ISL Loan Trust II, as applicable, than those which would be obtained from parties which are at arm's length for comparable services. The Fund Trustee and the ISL II 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 May 31. The Manager will ensure that the Fund complies with all applicable reporting and administrative requirements.

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

Officers and Directors of the Manager

The name and municipality of residence of the Directors and Executive Officers of the Manager and their principal occupations are as follows:

Name and municipality of residence	Position with the Manager	Principal occupation
W. Neil Murdoch Oakville, Ontario	Director, President and Chief Executive Officer	Director, President and Chief Executive Officer, Connor, Clark & Lunn Capital Markets Inc.
Michael W. Freund Toronto, Ontario	Director and Chairman	Co-President, Connor, Clark & Lunn Financial Group Ltd.
Darren N. Cabral Toronto, Ontario	Director, Vice-President and Chief Financial Officer	Vice-President, Connor, Clark & Lunn Capital Markets Inc.

Each of the foregoing has held his current position or has held a similar position with the Manager during the five years preceding the date hereof, except for Darren N. Cabral who joined Connor, Clark & Lunn Capital Markets Inc. in May 2007 and was elected as a director on September 29, 2009 and became Chief Financial Officer on April 27, 2011.

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

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

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

Portfolio Manager

The Manager is the lead portfolio manager in charge of providing management services for the Fund and ISL Loan Trust II. The Manager may appoint a sub-advisor pursuant to the applicable trust agreement, to perform some of its services and will have responsibility for the investment advice given or portfolio management services provided by the Sub-Advisor.

The Sub-Advisor

ING Investment Management Co. LLC will act as the Sub-Advisor to ISL Loan Trust II in connection with the selection, purchase and sale of Senior Loans and other assets of the Portfolio. The Sub-Advisor is currently an indirect, wholly-owned subsidiary of ING Group N.V. ("ING Group"), one of the world's largest financial services companies. ING Group is actively engaged in banking, life insurance, retirement services and investment management, and as of September 30, 2012 employed over 93,000 employees across more than 40 countries.

The Sub-Advisor is a direct, wholly owned subsidiary of ING Investment Management LLC, which oversees the investment management business of ING U.S., Inc., the primary U.S. holding company for ING Group. ING Investment Management LLC, as of September 30, 2012, employed over 200 investment professionals who provide investment advisory services to a wide range of customers, including mutual funds, insurance companies, pension plans and individuals. ING Investment Management LLC offers numerous investment strategies, including equity, fixed income and alternative investment strategies. As of September 30, 2012, ING Investment Management LLC had over $179 billion in total assets under management across all portfolios and strategies.

The ING Senior Loan Group, a unit of the Sub-Advisor, will manage the Portfolio, is located in Scottsdale, Arizona (with an additional office in London, UK), and consists of a team of 25 investment professionals and 21 support staff. The ING Senior Loan Group currently manages over U.S. $12.0 billion in assets that are substantially similar to the Senior Loan investments that it will manage for ISL Loan Trust II across 23 portfolios (not including ISL Loan Trust II). The Sub-Advisor will principally provide its services to ISL Loan Trust II in Scottsdale, Arizona U.S.A.

Historical Performance of the Sub-Advisor

The ING Senior Loan Unleveraged Composite consists of four funds whose assets are substantially similar to the Senior Loan investments that the Sub-Advisor will manage for ISL Loan Trust II, and have been managed in accordance with the same investment strategy that the Sub-Advisor will employ with regard to ISL Loan Trust II.

The ING Floating Rate Senior Loan Fund has investment objectives and investment strategy substantially similar to that of the Fund and the ISL Loan Trust II and has been in existence since June 17, 2011. The ING Floating Rate Senior Loan Fund has paid all target distributions since inception.

The following table shows, as at December 31, 2012, the historical performance of the ING Senior Loan Unleveraged Composite and the ING Floating Rate Senior Loan Fund in comparison to the Senior Loan Index over the periods set forth below.

	1-year	3-year	5-year	10-year	Since inception on June 17, 2011	Since inception on April 2, 2001
ING Senior Loan Unleveraged Composite (gross return)(1),(3)	11.27%	7.67%	6.18%	6.48%	N/A	6.33%
ING Floating Rate Senior Loan Fund(2)	13.15%	N/A	N/A	N/A	7.76%	N/A
S&P/LSTA Leveraged Loan Index(3)	9.66%	7.03%	5.68%	5.72%	5.48%	5.20%

Source: ING, S&P LCD.

Notes:

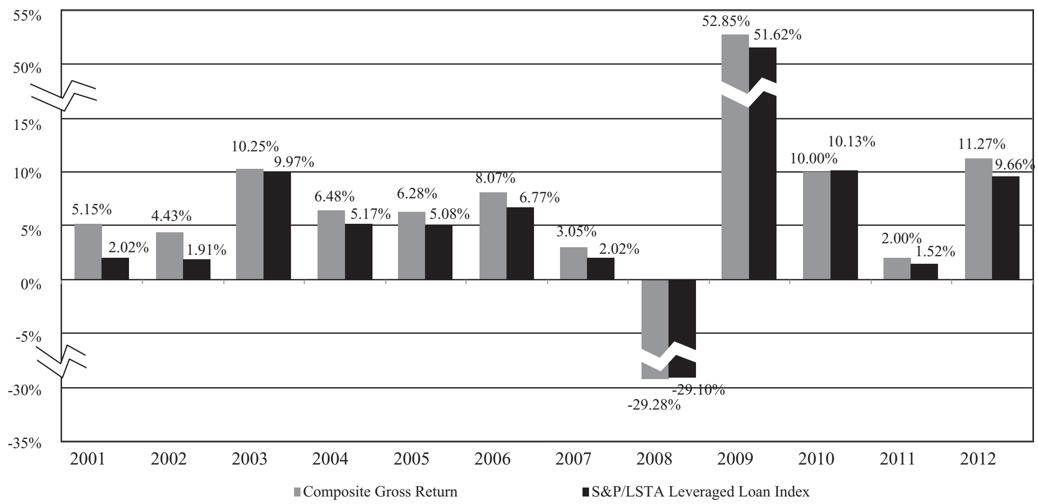
(1) Data as of December 31, 2012. ING Senior Loan Unleveraged Composite gross return includes all fees excluding management fees. Returns include reinvestment of interest and income.

(2) Data as of December 31, 2012. ING Floating Rate Senior Loan Fund net return which includes all fees and assumes the reinvestment of all distributions.

(3) ING Senior Loan Unleveraged Composite and S&P/LSTA Leveraged Loan Index returns begin April 2, 2001 and are annualized.

The following chart illustrates the historical performance of the ING Senior Loan Unleveraged Composite in comparison to the Senior Loan Index over the past eleven calendar years.

ING Senior Loan Unleveraged Composite Total Returns by Year



Source: ING, S&P LCD.

Note: Data as of December 31, 2012. ING Senior Loan Unleveraged Composite Gross Return includes all fees excluding management fees. Returns include reinvestment of interest and income. ING Senior Loan Unleveraged Composite and S&P/LSTA Leveraged Loan Index returns begin April 2, 2001. Returns for 2001 are for a partial period and are not annualized.

The figures shown above are for illustrative purposes only. The prior performance of the ING Senior Loan Unleveraged Composite and ING Floating Rate Senior Loan Fund are not indicative of the future results of the Fund. There is no assurance that the Fund's investment objectives will be achieved. The Portfolio will produce results that differ from those shown above. The legal structure, size and jurisdiction of the Fund and ISL Loan Trust II differ, which may lead to differing ongoing costs and expenses.

The name, municipality of residence, position with the Sub-Advisor and principal occupation of each of the directors and the officers of the Sub-Advisor involved in managing the assets of ISL Loan Trust II is set out below:

Name and municipality	Position with the Sub-Advisor	Principal occupation
DANIEL A. NORMAN . . . . Scottsdale, Arizona, U.S.A.	Managing Director	Group Head, ING Senior Loan Group
JEFFREY A. BAKALAR . . . . Scottsdale, Arizona, U.S.A.	Managing Director	Group Head, ING Senior Loan Group
RALPH E. BUCHER . . . . Scottsdale, Arizona, U.S.A.	Senior Vice President	Senior Credit Officer, ING Senior Loan Group

During the past five years, all of the officers of the Sub-Advisor listed above have held their present principal occupations (or similar positions with their present employer or its affiliates).

The Sub-Advisor will be primarily responsible for providing advice to the Manager with respect to the investment in Senior Loans and other assets in the Portfolio. Specifically, pursuant to the Sub-Advisor Agreement, the Sub-Advisor will provide investment management services necessary for ISL Loan Trust II to implement its stated investment strategy.

The team of individuals working at the Sub-Advisor responsible for advising, servicing and making investment decisions on behalf of ISL Loan Trust II consists of three individuals, Mr. Daniel A. Norman, Mr. Jeffrey A. Bakalar and Mr. Ralph E. Bucher, each of whom has significant experience in portfolio management and investment advisory services. These individuals comprise the Investment Committee of the ING Senior Loan Group which is responsible for all investment decisions. Mr. Norman and Mr. Bakalar will share primary portfolio management responsibilities, with final decision-making responsibility resting with the Investment Management Committee. A short biography of each of Messrs. Norman, Bakalar and Bucher is provided below, which biographies include their respective full name, title, length of time of service with the Sub-Advisor and business experience over the past five years.

Daniel A. Norman: B.A., MBA, University of Nebraska. Mr. Norman is Managing Director and Group Head of the ING Investment Management Co. LLC's Senior Loan Group and is the co-chairman of such group's Investment Committee and the Loan Valuation Committee. Mr. Norman began managing senior loan portfolios in 1995 when ING's predecessor acquired the management rights to ING Prime Rate Trust. Mr. Norman is currently a member of the Loan Syndications and Trading Association and International Association of Credit Portfolio Managers Boards of Directors. Mr. Norman has a wide variety of business and investment experience, having begun his career at Arthur Andersen & Co. in 1981. Mr. Norman joined ING's predecessor in 1992.

Jeffrey A. Bakalar: B.S. (Finance), University of Illinois Chicago; M.B.A. (Finance), DePaul University. Mr. Bakalar is Managing Director and Group Head of the ING Investment Management Co. LLC's Senior Loan Group and is co-chairman of the Group's Investment Committee and the Loan Valuation Committee. Mr. Bakalar joined ING's predecessor in 1998 and became part of the investment team for what is now ING Prime Rate Trust. Mr. Bakalar began his career as an associate with Continental Bank in 1987, serving in various credit and corporate finance roles.

Ralph E. Bucher: B.A., University of Arizona in 1983; MA (International Management), Thunderbird School of Global Management. Mr. Bucher is Senior Vice President and Senior Credit Officer in the ING Investment Management Co. LLC's Senior Loan Group and joined the group in November 2001. Mr. Bucher serves as a member of the group's Investment Committee and the Loan Valuation Committee. Mr. Bucher also assists in the approval of Senior Loan credit limits, problem loan management and loan valuations. Mr. Bucher has spent most of his financial career in credit risk management and distressed asset management. Prior to joining ING, Mr. Bucher was the North American Head of Special Assets for Standard Chartered Bank. Mr. Bucher has also held other senior credit risk management positions with Standard Chartered and Societé Generale, as well as credit structuring and analysis positions with National Australia Bank and Commerzbank.

Details of the Sub-Advisor Agreement

Under the Sub-Advisor Agreement, the Sub-Advisor is required to act at all times on a basis which is fair and reasonable to ISL Loan Trust II and to act honestly and in good faith with a view to the best interests of ISL Loan Trust II 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 Sub-Advisor Agreement provides that the Sub-Advisor shall not be liable in any way for any default, failure or defect in the assets held by ISL Loan Trust II 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 Sub-Advisor will, however, incur liability in cases of wilful misconduct, bad faith or negligence or breach of its standard of care set forth above.

The Sub-Advisor Agreement will continue in effect unless earlier terminated in accordance with the terms thereof. If the Manager is terminated, the Sub-Advisor Agreement will terminate at such time. The Manager may terminate the Sub-Advisor Agreement if the Sub-Advisor 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 Sub-Advisor by the Manager.

The Sub-Advisor Agreement includes various customary rights of termination, including that the Sub-Advisor may terminate the Sub-Advisor Agreement upon at least 20 business days' notice in the event that ISL Loan Trust II 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 ISL Loan Trust II, as applicable, or in the event that there is a material change in the investment guidelines of ISL Loan Trust II. In addition, either the Manager or the Sub-Advisor may terminate the Sub-Advisor Agreement upon at least 90 days' notice to the other party.

Any amendment to the Sub-Advisor Agreement requires the prior written consent of the Manager, which consent shall not be unreasonably withheld or delayed.

The Manager is responsible for the payment of the fees of the Sub-Advisor out of its fees.

Conflicts Of Interest — The Sub-Advisor

The services of the Sub-Advisor and its officers and directors are not exclusive to ISL Loan Trust II or the Manager. The Sub-Advisor 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 ISL Loan Trust II and provide similar services to other investment funds and other clients and engage in other activities. Investment decisions for ISL Loan Trust II will be made independently of those made for other clients and independently of investments of the Sub-Advisor. On occasion, however, the Sub-Advisor may identify the same investment for ISL Loan Trust II and for one or more of its other clients. If ISL Loan Trust II and one or more of the other clients of the Sub-Advisor 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 three members, each of whom is independent of the Manager and entities related to the Manager. The Independent Review Committee intends to function in accordance with applicable securities law, including NI 81-107. The mandate of the Independent Review Committee is to review and provide its decisions to the Manager on conflict of interest matters that the Manager has referred to the Independent Review Committee for review. The Manager is required to identify conflict of interest matters inherent in its management of the Fund and request input from the Independent Review Committee in respect of how it manages those conflicts of interest, as well as its written policies and procedures outlining its management of those conflicts of interest. The Independent Review Committee has adopted a written charter which it follows when performing its functions and is subject to requirements to conduct regular assessments. In performing their duties, members of the Independent Review Committee are required to act honestly, in good faith and in the best interests of the Fund and to exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. The Independent Review Committee also serves in respect of other funds that are managed by the Manager. The Independent Review Committee will report annually to the Fund which report will be available free of charge upon request to the Manager and will also be posted on the Manager's website at www.cclgroup.com. Information contained on the Manager's website is not part of this prospectus and is not incorporated herein by reference.

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

Trustees of the Fund and of ISL Loan Trust II

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

Computershare Trust Company of Canada is the trustee of ISL Loan Trust II under the ISL Loan Trust II Trust Agreement and, as such, is responsible for certain aspects of the day-to-day administration of ISL Loan Trust II as described in the ISL Loan Trust II Trust Agreement. The ISL II Trustee's office is located in Toronto, Ontario.

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

The Trust Agreements provide that neither the Fund Trustee nor the ISL II Trustee shall be liable in carrying out its duties under the Fund Trust Agreement or the ISL Loan Trust II Trust Agreement, respectively, except where it is in breach of its obligations under the Fund Trust Agreement or the ISL Loan Trust II Trust Agreement, respectively, or where the Fund Trustee or the ISL II Trustee fails to act honestly and in good faith, and in the best interests of Unitholders or unitholders of ISL Loan Trust II, as applicable, 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 Agreements contain other customary provisions limiting the liability of the Fund Trustee and the ISL II Trustee and indemnifying the Fund Trustee and the ISL II Trustee, or any of their respective officers, directors, employees or agents, in respect of certain liabilities incurred by it in carrying out its duties.

Each of the Fund Trustee and the ISL II Trustee is entitled to receive fees from the Fund and from ISL Loan Trust II as described under "Fees and Expenses". Each of the Fund Trustee and the ISL II Trustee is entitled to be reimbursed for all expenses and liabilities which are properly incurred by the Fund Trustee or the ISL II Trustee in connection with the activities of the Fund and of ISL Loan Trust II, respectively.

Custodian

RBC Investor Services Trust will act as custodian of the assets of the Fund pursuant to the Fund Trust Agreement. The Fund 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 Fund Custodian's office is located in Toronto, Ontario.

ISL II Custodian

State Street Trust Company Canada will act as custodian of the assets of the ISL Loan Trust II pursuant to the ISL II Custodian Agreement. The ISL II Custodian, in its capacity as valuation services agent, will also carry out certain aspects of the day-to-day administration of ISL Loan Trust II, including calculating NAV, net income and net realized capital gains of ISL Loan Trust II and maintaining the books and records of ISL Loan Trust II. The ISL II Custodian's office is located in Toronto, Ontario.

Auditor

The auditor of the Fund and ISL Loan Trust II is PricewaterhouseCoopers LLP, Chartered 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 Trust, at its office in Toronto, Ontario, will maintain the securities registers of the Units and register transfers of the Units.

The Promoter

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

CALCULATION OF NET ASSET VALUE

Calculation of Net Asset Value

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

Valuation Policies and Procedures

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

For the purpose of calculating Net Asset Value (i.e., for purposes other than financial statements) of the Fund or ISL Loan Trust II on a Valuation Date, the Total Assets of the Fund or ISL Loan Trust II 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 loans, including Senior Loans, bonds, debentures and other debt obligations will be valued by taking the average of the bid and ask prices quoted by a major dealer or recognized information provider in such assets on a Valuation Date at such times as the Valuation Agent, in its discretion, deems appropriate. Short-term investments including notes and money market instruments will be valued at cost plus accrued interest;

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

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

(e) any market price reported in currency other than Canadian dollars (or U.S. dollars in the case of the Class U Units) will be translated into Canadian currency (or U.S. currency in the case of the Class U Units) at the rate of exchange available from the Valuation Agent on the Valuation Date on which the Total Assets are being determined;

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

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

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

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

For the purposes of calculating the Redemption Net Assets per Unit in connection with a redemption of Units on an Annual Redemption Date, the value of the Forward Agreement will be determined on the basis that any bonds, debentures and other debt obligations that are owned by ISL Loan Trust II 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.cclcapitalmarkets.com, and will also be available to Unitholders upon request, at no cost, by calling 1-888-276-2258.

DESCRIPTION OF THE UNITS

The Units

The beneficial interest in the net assets and net income of the Fund is divided into units of such classes as may be determined by the Manager from time to time. Initially, Class A Units and Class U Units have been authorized for issuance and the Fund is authorized to issue an unlimited number of Units of each class. The Class U Units are designed for investors wishing to make their investment in U.S. dollars. Each Unit entitles the holder to the same rights and obligations as a Unitholder and no Unitholder is entitled to any privilege, priority or preference in relation to any other holder of Units, subject to Unitholders of each class being entitled to distributions or redemptions based on the Net Asset Value of the Units of a particular class. Each Unitholder is entitled to one vote for each Unit held and is entitled to participate equally with respect to any and all distributions made by the Fund, including distributions of net realized capital gains or income, if any. On the redemption of Units, however, the Fund may in its sole discretion, designate payable to redeeming Unitholders, as part of the redemption price, any capital gains realized by, and income of, the Fund in the taxation year in which the redemption occurred. On termination or liquidation of the Fund, the Unitholders of record are entitled to receive on a *pro rata* basis with holders of Units of that class all of the assets of the Fund attributable to that class remaining after payment of all debts, liabilities and liquidation expenses of the Fund. Unitholders will have no voting rights in respect of assets held by the Fund or ISL Loan Trust II. ISL Loan Trust II has delegated to the Manager the responsibility for voting on matters for which ISL Loan Trust II receives, in its capacity as a securityholder, proxy materials for a meeting of securityholders of a borrower included in the Portfolio. See "Proxy Voting Disclosure".

The Fund 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 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) 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 Fund 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 Fund Trust Agreement.

Conversion of Class U Units

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

Units into whole Class A Units will constitute a disposition of such Class U Units for the purposes of the Tax Act. See "Canadian Federal Income Tax Considerations — Taxation of Unitholders".

Purchase for Cancellation

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

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

Book Entry Only System

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

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

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

UNITHOLDER MATTERS

Meetings of Unitholders

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

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

The Fund may, without obtaining Unitholder approval, enter into a merger or other similar transaction which has the effect of combining the Fund or its assets on a tax-deferred "rollover basis" (a "Permitted Merger") with any other investment fund or funds managed or advised by the Manager 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 Fund 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 Fund Trust Agreement.

Notwithstanding the foregoing, the Fund Trustee or the Manager is entitled to amend the Fund 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 Fund 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 Fund 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 Fund 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 Fund Trustee or the Manager or increase their respective responsibilities;

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

(e) in the event the Forward Agreement terminates prior to the termination of the Fund, enter into a new forward agreement or amend the Fund Trust Agreement to permit the Fund to hold the Portfolio directly, provided that notwithstanding the above, the Fund will provide at least 30 days' notice to Unitholders of any such action by way of press release;

(f) provide added protection or benefit to Unitholders;

(g) in connection with a Permitted Merger;

(h) make such modifications as may be necessary or desirable in connection with the termination of the Forward Agreement prior to the Forward Termination Date as a result of the termination of the Fund as described under "Termination of the Fund"; or

(i) add additional classes of Units whose rights and privileges are not greater than the existing classes of Units.

Amendment of Fund Trust Agreement

Except as provided above, the Fund 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 Fund Trust Agreement, or by the written consent in lieu of a meeting if there is only one Unitholder.

Reporting to Unitholders

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

TERMINATION OF THE FUND

The Fund does not have a fixed termination date. However, the Fund may be terminated at any time provided that the prior approval of Unitholders has been obtained by an Extraordinary Resolution at a meeting of Unitholders called for that purpose (the "Termination Date"), in connection with a Permitted Merger, or in the event that a replacement Forward Agreement cannot be entered into by the Fund on commercially reasonable terms satisfactory to the Manager on or before the Forward Termination Date; provided, however, that the Manager may, in its discretion, on at least 60 days' notice to Unitholders, terminate the Fund without the approval of Unitholders if, in the opinion of the Manager, it would be in the best interests of Unitholders to terminate the Fund. The Fund will also issue a press release ten days prior to the Termination Date setting forth the details of the termination including the fact that, upon termination, the net assets of the Fund will be distributed to Unitholders on a *pro rata* basis. Immediately prior to the termination of the Fund, including on the Termination Date, the Fund Trustee will, to the extent possible, convert the assets of the Fund to cash and after paying or making adequate provision for all of the Fund's liabilities, distribute the net assets of the Fund to the Unitholders as soon as practicable after the date of termination, subject to compliance with any securities or other laws applicable to such distributions.

In the event the Forward Agreement terminates prior to the termination of the Fund, the Fund may enter into a new forward agreement or amend the Fund Trust Agreement to permit the Fund to hold the Portfolio directly. Although these actions do not require Unitholder approval, the Fund will provide at least 30 days' notice to the Unitholders of any such action by way of press release. The Fund will issue a second press release at least 10 days in advance of any such action. See "Risk Factors — Risks Relating to Redemptions".

Upon termination, the Fund 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 Class A Units offered hereby (after payment of the Agents' fee and before deducting the expenses of the Offering) are estimated to be approximately $189,500,000, assuming that the Over-Allotment Option is not exercised. If the Over-Allotment Option is exercised in full under the maximum Offering the net proceeds to the Fund (after payment of the Agents' fee and before deducting the expenses of the Offering) are estimated to be approximately $217,925,000 (assuming only Class A Units are sold). 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 by the Fund out of the gross proceeds of the Offering and will be allocated *pro rata* between the Class A Units and the Class U Units. The Fund will use the net proceeds of the Offering (including any net proceeds from the exercise of the Over-Allotment Option) to pre-pay its purchase obligations under the Forward Agreement with the Counterparty. Under the Forward Agreement, the Fund will, on or about the Forward Termination Date, acquire the Canadian Securities Portfolio from the Counterparty having an aggregate value equal to the redemption proceeds of all of the units of ISL Loan Trust II net of any amount owing by the Fund to the Counterparty. The Fund may also directly hold a small amount of the same securities as are held in the Canadian Securities Portfolio.

PLAN OF DISTRIBUTION

Pursuant to the Agency Agreement, the Agents have agreed to act as, and have been appointed as, the sole and exclusive agents of the Fund to offer the Units for sale, subject to prior sale, on a best efforts basis, if, as and when issued by the Fund in accordance with the conditions contained in the Agency Agreement. The Units will be issued at a price of $10.00 per Unit. The offering price per Unit was determined by negotiation between the Agents and the Manager on behalf of the Fund. In consideration for their services in connection with the Offering, the Agents will be paid a fee of $0.525 per Class A Unit and U.S. $0.525 per Class U Unit sold under the Offering and will be reimbursed for reasonable out of pocket expenses incurred by them. The Agents' fees and expenses will be paid by the Fund out of the proceeds of the Offering. The Agents may form a sub-agency group including other qualified investment dealers and limited market dealers and determine the fee payable to the members of such group, which fee will be paid by the Agents out of their fees. While the Agents have agreed to use their best efforts to sell the Units offered hereby, the Agents will not be obligated to purchase any Units which are not sold.

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

Subscription amounts received in trust will be held in segregated accounts with a depository who is a registered dealer, bank or trust company until the minimum amount of subscriptions for Class A Units has been obtained. If subscriptions for a minimum of 4,000,000 Class A Units (or $40,000,000) have not been received within 90 days following the date of issuance of a final receipt for this prospectus, the Offering may not continue without the consent of the securities regulatory authorities and those who have subscribed for Class A Units on or before such date. In the event such consents are not obtained or if the Closing does not occur for any reason, subscription proceeds received from prospective purchasers in respect of the Offering will be returned to such purchasers promptly without interest or deduction. The maximum number of Class A Units that will be sold is 20,000,000 ($200,000,000). Under the terms of the Agency Agreement, the Agents, at their discretion on the basis of their assessment of the state of the financial markets and upon the occurrence of certain stated events, may terminate the Agency Agreement and withdraw all subscriptions for Units on behalf of subscribers. Subscriptions for Units will be received subject to rejection or allotment in whole or in part. The right is reserved to close the subscription books at any time without notice. The Closing will take place on or about March 22, 2013 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.

On Closing, the Fund will enter into the Forward Agreement with the Counterparty (which will be a Canadian chartered bank and an affiliate of one of the Agents, provided that the Counterparty or its guarantor must have an Approved Rating). In addition, ISL Loan Trust II 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 "Overview of the Investment Structure — The Forward Agreement".

The TSX has conditionally approved the listing of the Class A Units. Listing is subject to the Fund fulfilling all of the requirements of the TSX on or before May 21, 2013.

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

Although units of ISL Loan Trust II are not being offered to the public, the Fund has agreed to obtain a receipt for a prospectus of ISL Loan Trust II from the Autorité des marchés financiers. The Fund has also agreed to deliver a copy of such prospectus to purchasers of Units in the Province of Québec prior to the purchase of Units by any person in the Province of Québec.

Pursuant to the Agency Agreement, the Fund, the Manager and the Sub-Advisor 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 Agreements and the Sub-Advisor is entitled to receive fees from the Manager pursuant to the Sub-Advisor 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 and ISL Loan Trust II.

Because ISL Loan Trust II 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 ISL Loan Trust II'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 in the Portfolio or by the Fund as applicable.

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

Proxy Voting Conflicts of Interest

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

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 ISL Loan Trust II's proxies and for exercising the vote remains with the Manager.

Disclosure of Proxy Voting Guidelines and Record

A copy of the Manager's proxy voting guidelines will be made available on the Internet at www.cclcapitalmarkets.com. The most recent proxy voting record for ISL Loan Trust II for the most recent period ended December 31 of each year will also be available on the Internet at www.cclcapitalmarkets.com.

MATERIAL CONTRACTS

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

(a) the Fund Trust Agreement;

(b) the ISL Loan Trust II Trust Agreement;

(c) the Agency Agreement;

(d) the Forward Agreement; and

(e) the Recirculation Agreement.

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

EXPERTS

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

The auditor of the Fund and ISL Loan Trust II are PricewaterhouseCoopers LLP, Chartered Accountants. PricewaterhouseCoopers LLP is independent with respect to the Fund and ISL Loan Trust II within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario.

PURCHASERS' STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION

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

In addition, the Manager has agreed on behalf of the Fund that purchasers in the Province of Québec have the right to withdraw from an agreement to purchase Units which may be exercised within two Business Days after receipt or deemed receipt of a prospectus of ISL Loan Trust II.

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AUDITOR'S CONSENT

We have read the prospectus of ING Diversified Floating Rate Senior Loan Fund (the "Fund") dated February 26, 2013 relating to the initial public offering of Class A Units and Class U Units of the Fund. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the use in the above mentioned prospectus of our report to the Unitholder and the Manager of the Fund on the statement of net assets as at February 26, 2013 and the related notes including a summary of significant accounting policies. Our report is dated February 26, 2013.

Toronto, Ontario	(Signed) "PRICEWATERHOUSECOOPERS LLP"
February 26, 2013	Chartered Accountants, Licensed Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Unitholder and the Manager of ING Diversified Floating Rate Senior Loan Fund:

We have audited the accompanying statement of net assets of ING Diversified Floating Rate Senior Loan Fund (the "Fund") as at February 26, 2013 and the related notes including a summary of significant accounting policies and other explanatory information (the financial statement).

Management's responsibility for the financial statement

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, the financial statement presents fairly, in all material respects, the financial position of the Fund as at February 26, 2013 in accordance with Canadian generally accepted accounting principles.

(Signed) "PRICEWATERHOUSECOOPERS LLP"
Chartered Accountants, Licensed Public Accountants

Toronto, Ontario
February 26, 2013

ING DIVERSIFIED FLOATING RATE SENIOR LOAN FUND
STATEMENT OF NET ASSETS
As at February 26, 2013

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

Approved on behalf of ING Diversified Floating Rate Senior Loan Fund
By: Connor, Clark & Lunn Capital Markets Inc., as Manager

(Signed) W. NEIL MURDOCH
Director

(Signed) DARREN N. CABRAL
Director

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

ING DIVERSIFIED FLOATING RATE SENIOR LOAN FUND

NOTES TO STATEMENT OF NET ASSETS

As at February 26, 2013

1. ORGANIZATION AND UNITHOLDER'S EQUITY

ING Diversified Floating Rate Senior Loan Fund (the "Fund") is a non-redeemable investment fund established under the laws of the Province of Ontario pursuant to a trust agreement dated as of February 26, 2013. The beneficiaries of the Fund will be the holders of Class A Units and Class U Units. The Fund's investment objectives are to (i) provide tax-advantaged monthly cash distributions consisting primarily of returns of capital; (ii) preserve capital; and (iii) generate increased returns in the event that short-term interest rates rise, in each case, through exposure to a diversified portfolio (Portfolio) consisting primarily of senior, secured floating rate corporate loans and other senior debt obligations of non-investment grade North American borrowers, actively managed by ING Investment Management Co. LLC, as Sub-Advisor. The return to the Unitholders and the Fund will be dependent upon the return on the Portfolio by virtue of one or more forward purchase and sale agreements with a counterparty. If the counterparty hedges its exposure under the Forward Agreement, it may acquire units of ISL Loan Trust II, which would be a newly formed trust that would acquire the Portfolio. The beneficial interest in the net assets and net income of the Fund is initially divided into two classes of units, Class A Units and Class U Units (collectively, the "Units"). The Fund is authorized to issue an unlimited number of transferable, redeemable Units. The Class U Units may be converted into Class A Units on a weekly basis. On February 26, 2013, the Fund was settled and issued an initial Class A Unit for cash consideration of $10.00 to Connor, Clark & Lunn Capital Markets Inc., the settlor of the Fund.

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

The Manager will receive a Management Fee from the Fund and ISL Loan Trust II equal in the aggregate to 1.25% per annum of the applicable Net Asset Value (0.50% from the Fund and 0.75% from ISL Loan Trust II), calculated and payable monthly in arrears, plus an amount equal to 0.40% annually of the Net Asset Value for each Class A Unit or Class U Unit held by clients of the registered dealers, calculated and paid at the end of each calendar quarter, plus applicable taxes. The Manager will be responsible for paying the fees of the Sub-Advisor out of the amount received by the Manager. If the Counterparty does not hedge its exposure under a Forward Agreement by acquiring units of ISL Loan Trust II, the Counterparty will retain the Manager to establish and maintain a Portfolio and the amount of the Portfolio will be reduced by 0.75% per annum, representing the fee paid by the Counterparty to the Manager to maintain the Portfolio. The Fund will pay for all of its ongoing expenses incurred in connection with its operation and administration including counterparty fees under the forward agreement.

The expenses of the Offering are estimated to be $650,000 (but not to exceed 1.5% of the gross proceeds of the Offering), which will be paid by the Fund.

Class A Units and Class U Units may be redeemed on the second to last Business Day of October of each year, commencing in 2014 (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 2014, in the month of October (each, a "Monthly Redemption Date"), subject to certain conditions.

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

Unitholders surrendering a Class U Unit for redemption will receive in U.S. dollars an amount equal to the U.S. dollar equivalent of the product of (i) the Monthly Redemption Amount and (ii) a fraction, the numerator of which is the most recently calculated Redemption Net Assets per Unit of a Class U Unit and the denominator of which is the most recently calculated Redemption Net Assets per Unit of a Class A Unit. For such purpose, the Fund will utilize the Reference Exchange Rate current at, or as nearly as practicable to, the Monthly Redemption Date in respect of a monthly redemption of Class U Units.

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

1. ORGANIZATION AND UNITHOLDER'S EQUITY (Continued)

of the last bid and the last asking prices of the security on the Toronto Stock Exchange on such Monthly Redemption Date (or such other stock exchange on which the security is listed).

2. SIGNIFICANT ACCOUNTING POLICIES

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

Issue Costs

Issue costs incurred in connection with the offering are charged against unitholder's equity.

Cash and Cash Equivalents

Cash is comprised of cash on deposit with a Canadian financial institution. Cash is stated at fair value.

Valuation of Fund Units for Transaction Purposes

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 of the Fund 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 value of the Forward Agreement will be determined on the basis that any Senior Loans, bonds, debentures and other debt obligations that are owned by ISL Loan Trust II will be valued by taking the bid price on the Valuation Date; (iv) "Reference Exchange Rate" means the U.S. dollar/Canadian dollar WM/Reuters closing spot rate determined at 4:00 p.m. (London, U.K. time), or another U.S. dollar/Canadian dollar exchange rate deemed appropriate by the Manager; and (v) "Valuation Date" means each Business Day; and (vi) "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.

3. SUBSEQUENT EVENT

(a) The Fund, the Manager and the Sub-Advisor have entered into an agency agreement with BMO Nesbitt Burns Inc., CIBC World Markets Inc., RBC Dominion Securities Inc., TD Securities Inc., GMP Securities L.P., National Bank Financial Inc., Scotia Capital Inc., Canaccord Genuity Corp., Macquarie Private Wealth Inc., Raymond James Ltd., Desjardins Securities Inc., Mackie Research Capital Corporation and Manulife Securities Inc., (collectively, the "Agents") dated as of February 26, 2013, pursuant to which the Fund has agreed to create, issue and sell, and the Agents have agreed to offer for sale to the public, a minimum of 4,000,000 Class A Units and a maximum of 20,000,000 Class A Units and/or Class U Units at $10.00 per Class A Unit and U.S. $10.00 per Class U Unit. In consideration for their services in connection with the Offering, the Agents will be paid a fee of $0.525 per Class A Unit and U.S. $0.525 per Class U Unit out of the proceeds of the Offering.

(b) As set forth in the initial public offering prospectus dated February 26, 2013, the Fund proposes to issue a minimum of 4,000,000 Class A Units and a maximum of 20,000,000 Class A Units and/or Class U Units at $10.00 per Class A Unit and U.S. $10.00 per Class U Unit.

CERTIFICATE OF THE FUND

Dated: February 26, 2013

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.

ING Diversified Floating Rate Senior Loan Fund
by its attorney, Connor, Clark & Lunn 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
Connor, Clark & Lunn Capital Markets Inc.

By: (Signed) W. NEIL MURDOCH Director	By: (Signed) DARREN N. CABRAL Director	By: (Signed) MICHAEL FREUND Director

CERTIFICATE OF THE MANAGER

Dated: February 26, 2013

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

Connor, Clark & Lunn Capital Markets Inc.
as Manager

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

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

By: (Signed) W. NEIL MURDOCH Director	By: (Signed) DARREN N. CABRAL Director	By: (Signed) MICHAEL FREUND Director

CERTIFICATE OF THE PROMOTER

Dated: February 26, 2013

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

Connor, Clark & Lunn Capital Markets Inc.
as Promoter

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

CERTIFICATE OF THE AGENTS

Dated: February 26, 2013

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.

By: (Signed) ROBIN G. TESSIER

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.**	**SCOTIA CAPITAL INC.**
By: (Signed) NEIL M. SELFE	By: (Signed) TIMOTHY D. EVANS	By: (Signed) BRIAN D. MCCHESNEY
CANACCORD GENUITY CORP.	**MACQUARIE PRIVATE WEALTH INC.**	**RAYMOND JAMES LTD.**
By: (Signed) RON SEDRAN	By: (Signed) BRENT LARKAN	By: (Signed) J. GRAHAM FELL
DESJARDINS SECURITIES INC.	**MACKIE RESEARCH CAPITAL CORPORATION**	**MANULIFE SECURITIES INC.**
By: (Signed) BETH A. SHAW	By: (Signed) DAVID J. KEATING	By: (Signed) WILLIAM PORTER

ING

CONNOR, CLARK & LUNN
CAPITAL MARKETS

ING DIVERSIFIED FLOATING RATE SENIOR LOAN FUND

MERRILL CORPORATION CANADA
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