PROSPECTUS

Non-Offering Prospectus February 26, 2013

ISL LOAN TRUST II

No securities are being offered pursuant to this prospectus. This prospectus is being filed to enable ISL Loan Trust II to become a reporting issuer under the *Securities Act* (Ontario) and the *Securities Act* (Québec). The Fund is an investment fund established under the laws of the Province of Ontario. The Fund proposes to issue Units from time to time in reliance on exemptions from the applicable prospectus and registration requirements. Units will be offered at prices negotiated between the Fund and purchasers of Units.

The Fund's investment objectives are to (i) provide Unitholders with distributions, and (ii) provide an investment in 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, as Sub-Advisor.

The Fund will pay distributions as and when declared by the Fund from time to time. See "Investment Objectives".

Units may be redeemed for a redemption price per Unit equal to 100% of the Net Asset Value per Unit on the applicable Redemption Date. Units surrendered for redemption by a Unitholder on or before 5:00 p.m. (Toronto time) on any Redemption Date will be redeemed on such Redemption Date, subject to the Manager's right to suspend redemptions in certain circumstances. The Net Asset Value per Unit will vary depending on the performance of the Portfolio, which depends on a number of factors, including the value of the securities included in the Portfolio. See "Redemption of Securities" and "Risk Factors".

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

ING Investment Management Co. LLC will act as the Sub-Advisor to the Fund 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. 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".

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 Fund 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 Unitholders with an investment in 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 FUND

The Issuer: The Fund is an investment fund established under the laws of the Province of Ontario and governed by the Trust Agreement. See "Overview of the Structure of the Fund".

The Units: Redeemable and transferable units of the Fund issuable in any number of classes will be offered from time to time in reliance on exemptions from applicable prospectus requirements. All units of the Fund will be owned by a "taxable Canadian corporation", as defined in the Tax Act. See "Description of the Units".

Investment Objectives: The Fund's investment objectives are to (i) provide Unitholders with distributions, and (ii) provide an investment in 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 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 invested in 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 will be dependent upon the return on the Portfolio.

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 pay distributions as and when declared by the Fund from time to time. See "Investment Objectives", "Risk Factors" and "Distribution Policy".

Foreign Currency Exposure: The Trust may hedge from time to time all or any portion of its foreign currency exposure. "See Investment Strategy".

Leverage: The Fund 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, the Fund is expected to employ leverage of approximately 35% of Total Assets. See "Investment Strategy" and "Risk Factors".

Redemption: Units may be redeemed for a redemption price per Unit equal to 100% of the Net Asset Value per Unit on the applicable Redemption Date. Units surrendered for redemption by a Unitholder on or before 5:00 p.m. (Toronto time) on any Redemption Date will be redeemed on such Redemption Date, subject to the

Manager's right to suspend redemptions in certain circumstances. The Net Asset Value per Unit will vary depending on the performance of the Portfolio, which depends on a number of factors, including the value of the securities included in the Portfolio. See "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".

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.
- Risks relating to fluctuation in value of Portfolio assets.
- Use of derivatives risk.
- Risks relating to the taxation of the Fund.
- No ownership interest risk.
- Risks relating to changes in legislation and regulatory risk.
- Loss of investment risk.
- Risks relating to conflicts of interest.
- Risks relating to the status of the Fund.
- Risks relating to redemptions.
- Risks relating to the Fund having no operating history.
- Risks relating to the Fund not being a trust company.
- Risks relating to the nature of the Units.

See "Risk Factors".

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. See "Canadian Federal Income Tax Considerations".

Organization and Management of the Fund:

Manager and Promoter: Connor, Clark & Lunn Capital Markets Inc. will act as Manager of the Fund. The Manager will perform or will arrange for the performance of management services for the Fund, including portfolio management services, and will be responsible for the overall undertaking of the Fund. The Manager is a leading provider of investment products, having raised approximately $2.3 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, or may appoint a sub-advisor pursuant to the 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 the Fund 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 the Fund across 23 portfolios (not including the Fund). The Sub-Advisor will principally provide its services to the Fund in Scottsdale, Arizona U.S.A. See “Organization and Management Details of the Fund – The Sub-Advisor”.

Trustee: Computershare Trust Company of Canada will act as trustee of the Fund. The Trustee is located in Toronto, Ontario.

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

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

Registrar and Transfer Agent: The Manager, at its office in Toronto, Ontario, will maintain the securities registers of the Units and will register transfers of the Units.

SUMMARY OF FEES AND EXPENSES

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

Type of fee	**Amount and description**
Management Fee:	The Manager will receive a Management Fee from the Fund equal to 0.75% per annum of the applicable Net Asset Value, calculated and payable monthly in arrears, plus applicable taxes. The Manager will be responsible for paying the fees of the Sub-Advisor out of the amount received by the Manager. See "Fees and Expenses – Management Fee".
Ongoing expenses of the Fund:	The Fund will pay for all of its expenses incurred in connection with its operation and administration, estimated to be $175,000 per annum (assuming the Net Asset Value is approximately $100 million). The Fund will also be responsible for its costs of portfolio transactions, interest expense and any extraordinary expenses which may be incurred from time to time. 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 invest in 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 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 nor the Fund 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".

"**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.

"**Closing**" means the issuance of Units in reliance on exemptions from the applicable prospectus requirements on or about 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 may determine.

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

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

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

"**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.

"**Fund**" means ISL Loan Trust II, an investment fund established under the laws of the Province of Ontario and governed by the Trust Agreement.

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

"**Initial Holder**" means a Canadian chartered bank or an affiliate thereof.

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

"**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, namely Connor, Clark & Lunn Capital Markets Inc., and if applicable, its successor.

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

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

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

"**Net Asset Value per Unit**" means the Net Asset Value of the Fund attributable to a class of Units, divided by the total number of Units of such class outstanding on the date on which the calculation is being made.

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

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

"**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.

"**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 the Fund from time to time.

"**Redemption Date**" means any Business Day on which Units are surrendered by a Unitholder for redemption by the Fund.

"**S&P**" means Standard & Poor's Financial Services LLC, a subsidiary of The McGraw Hill Companies, Inc.

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

"**Senior Loans**" means senior secured floating rate corporate loans.

"**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 the Fund, 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 the Fund, 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.

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

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

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

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

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

"**Units**" means the transferable, redeemable trust units of the Fund, which may be issued in any number of classes.

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

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

OVERVIEW OF THE STRUCTURE OF THE FUND

Legal Structure

ISL Loan Trust II is an investment fund established under the laws of the Province of Ontario and governed by the Trust Agreement. Connor, Clark & Lunn Capital Markets Inc. will act as Manager of the Fund and will perform or will arrange for the performance of management services, including portfolio management services, for the Fund and will be responsible for the overall undertaking of the Fund. The Fund's registered and head office is at 181 University Avenue, Suite 300, Toronto, Ontario M5H 3M7. The fiscal year-end of the Fund will be May 31. The beneficial interest in the net assets and net income of the Fund is divided into Units. The Fund is authorized to issue an unlimited number of Units, which may be issued in any number of classes.

The Fund has been established for the purpose of acquiring and holding the Portfolio. The Fund will use any subscription proceeds to acquire the Portfolio. See "Investment Strategy". The initial beneficial owner of all the Units is expected to be a Canadian financial institution, or such of its Canadian affiliates as the Fund may approve.

Units of the Fund will be redeemable at the demand of the Unitholders. On redemption a Unitholder will receive, for each Unit redeemed, an amount equal to the Net Asset Value per Unit on the Redemption Date. The Net Asset Value per Unit will be equal to the amount by which the Total Assets exceed its total liabilities on a per Unit basis and, accordingly, will be based upon the value of the Portfolio. See "Calculation of Net Asset Value" and "Redemption of Securities".

Although the Fund is a mutual fund for the purposes of Ontario and Québec securities law, it is not subject to NI 81-102, which is applicable to conventional mutual funds. As a result, some of the protections provided to investors in mutual funds under NI 81-102 will not be available to investors in the Units.

The Fund will generally receive interest income or distributions from the assets included in the Portfolio. The net income of the Fund will consist primarily of interest income or distributions, less expenses of the Fund. The Fund will distribute all of its net income and net realized capital gains 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 the Fund has not distributed in cash the full amount of its net income in any year, the difference between such amount and the amount actually distributed by the Fund 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 may be consolidated such that each Unitholder will hold after the consolidation the same number of Units as it held before the distribution of additional Units.

INVESTMENT OBJECTIVES

The Fund's investment objectives are to (i) provide Unitholders with distributions, and (ii) provide an investment in 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.

INVESTMENT STRATEGY

The Sub-Advisor will 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 invested in 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 will be dependent upon the return on the Portfolio.

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:

- 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.[1]

- Senior Loans offer lower structural risk than high yield bonds: 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 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.

The Fund 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, the Fund is expected to employ leverage of approximately 35% of Total Assets.

The Trust may hedge from time to time all or any portion of its foreign currency exposure.

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[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.

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 the Fund across 23 portfolios (not including the Fund).

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.

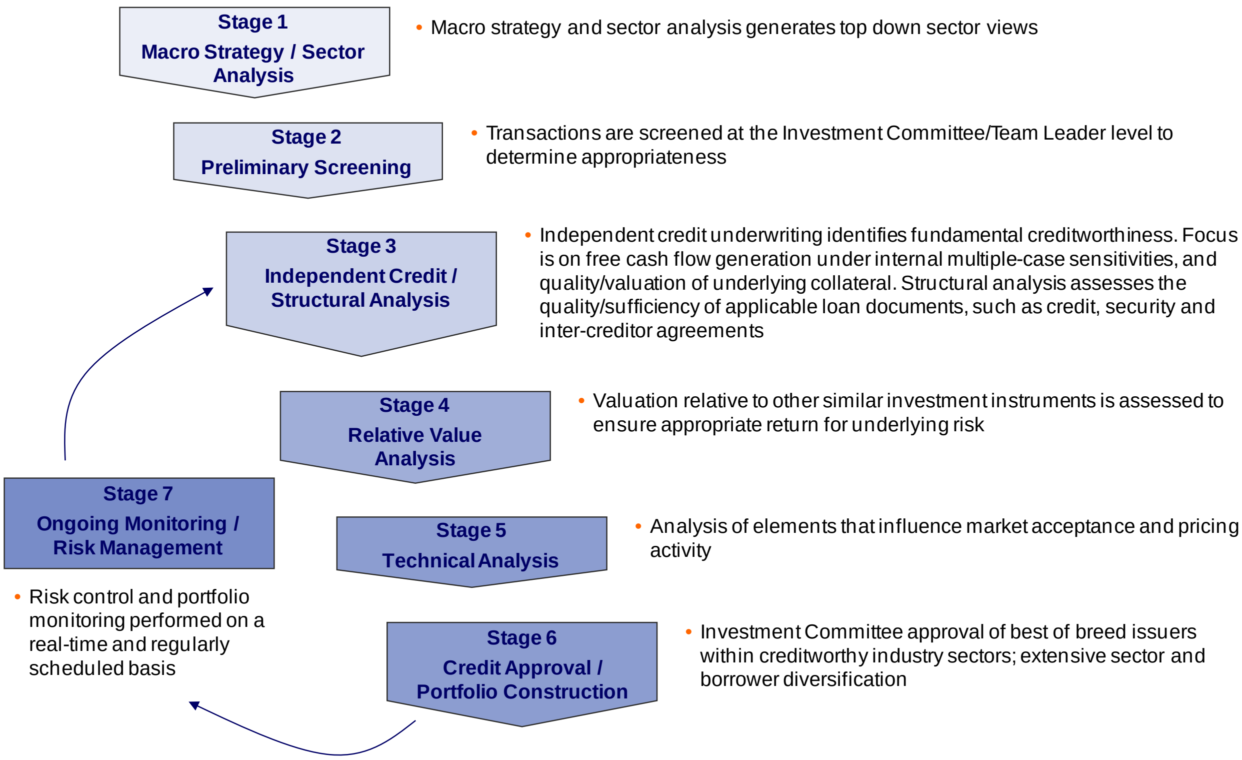
Fundamental credit analysis is the foundation of the Sub-Advisor's portfolio construction. The Sub-Advisor analyzes potential investments with respect to both the individual company and the deal structure. Fundamental credit analysis of a company is an in-depth, independent analysis focused on free cash 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

The Fund will be established for the purpose of acquiring and holding the Portfolio. The Manager will settle the Fund by subscribing for a Unit. On the Closing Date, the Initial Holder may subscribe for Units, in which case the Unit held by the Manager will be redeemed upon Closing. The Fund will use any subscription proceeds to acquire the Portfolio. See "Investment Strategy".

OVERVIEW OF THE SECTOR THAT THE FUND INVESTS IN

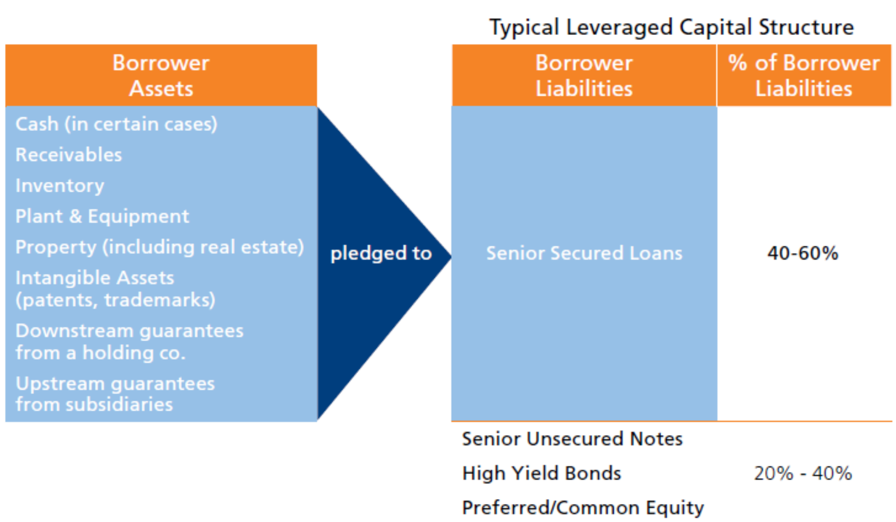
Description of Senior Loans

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. The Fund is expected to allocate a portion of the Portfolio to loans to borrowers characterized as middle-market borrowers.

The Senior Loan Market

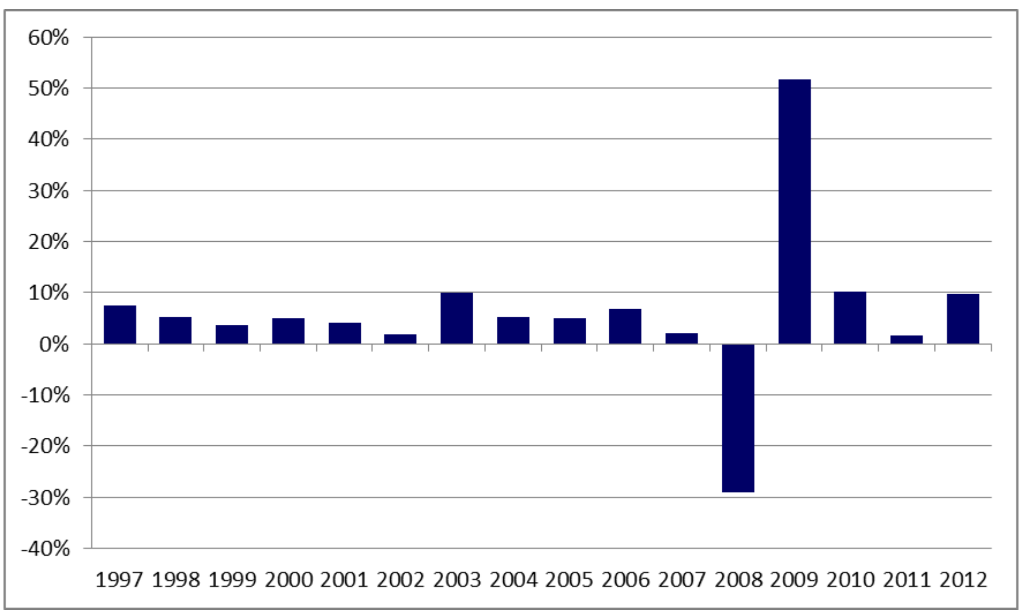
Over the last 20 years, the Senior Loan market has developed into a large and active market. For example, the U.S. Senior Loan market, as represented by the Senior Loan Index, comprised over U.S. $500 billion as of December 31, 2012. Prior to such period, loans to businesses were primarily made by commercial 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.

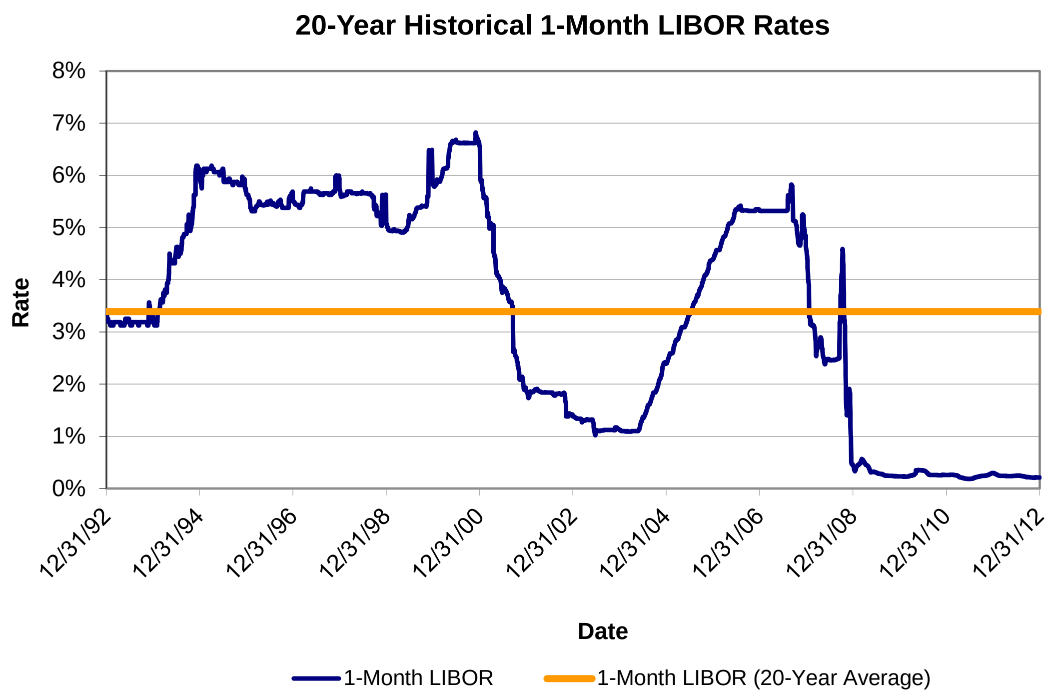
Senior Loan Total Returns by Year, 1997 to December 2012



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 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.

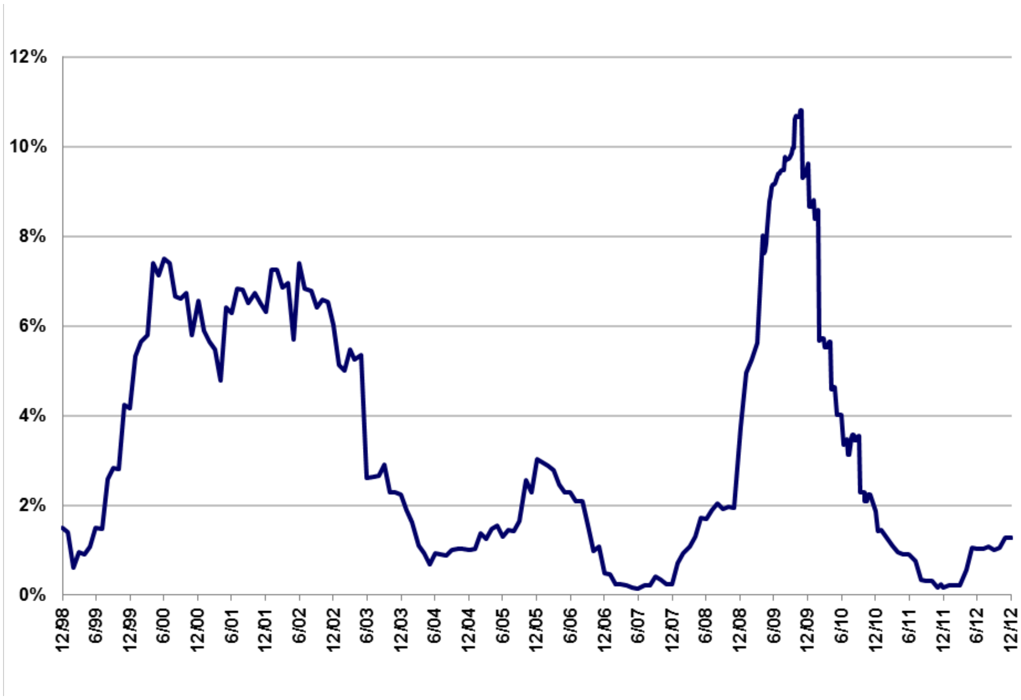


Source: Bloomberg.

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.

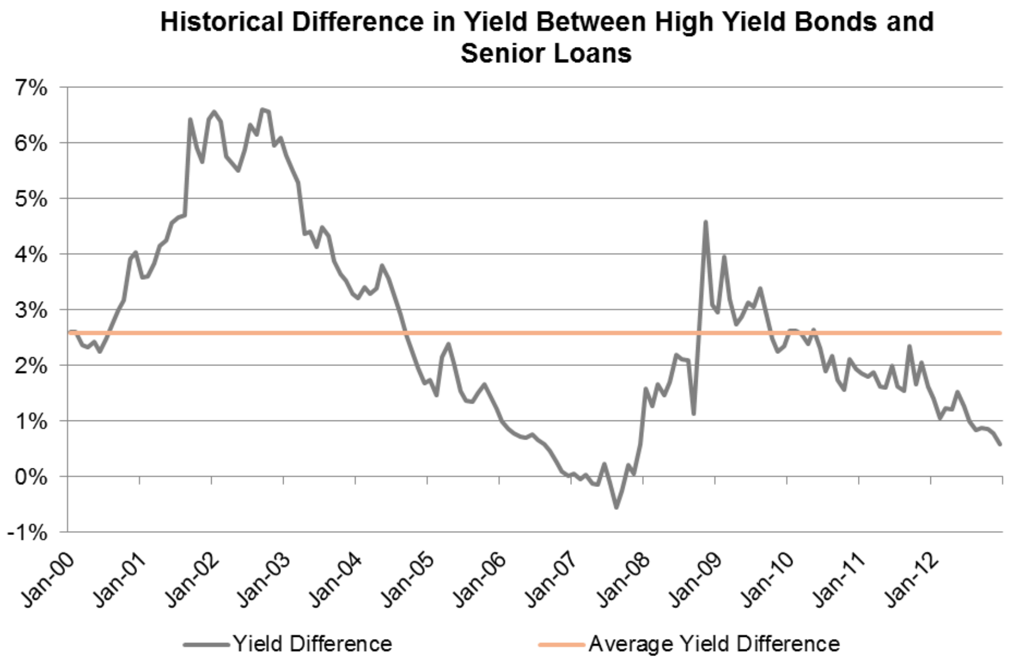
Senior Loans Typically Outperform Fixed-Rate Bonds When Interest Rates Rise

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 floor levels. 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.



[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)

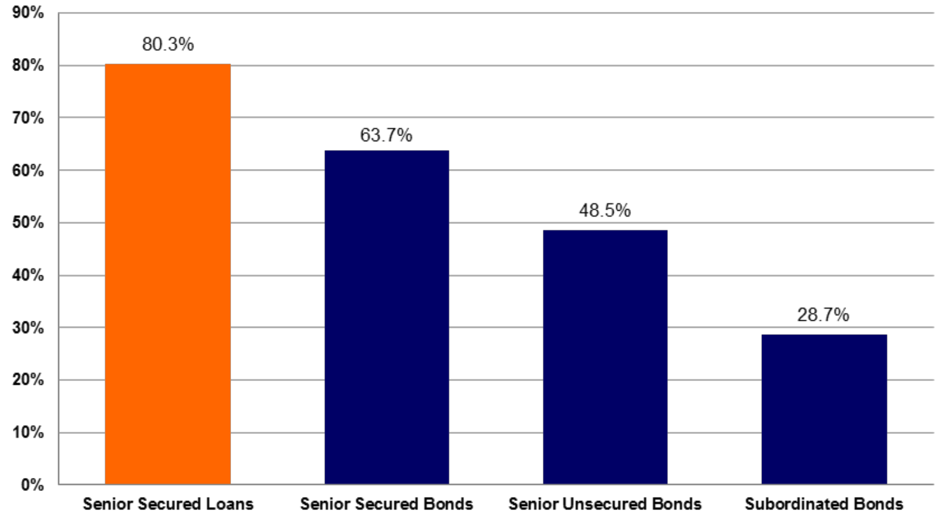
Credit Suisse High Yield Index	0.76
FTSE NAREIT All REITs	0.49
Russell 2000	0.43
MSCI EAFE	0.43
Standard and Poor's 500	0.42
Merrill Lynch ABS	0.37
IA SBBI U.S. Inflation	0.31
Merrill Lynch U.S. Corporate Bonds	0.31
JPM Emerging Market Bonds	0.22
Gold	0.03
U.S. 30 Day T-Bills	-0.02
Barclays U.S. Aggregate 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)

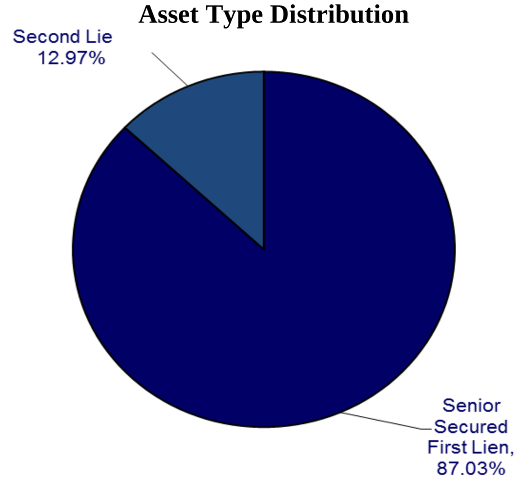


Source: Moody's.
Note: Ultimate Recovery is the value that a creditor actually receives at the resolution of the default, usually at the time of emergence from bankruptcy.

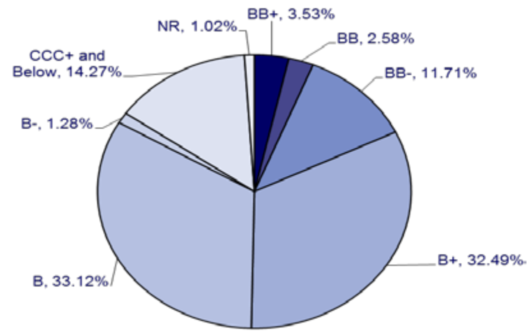
Indicative Portfolio

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:

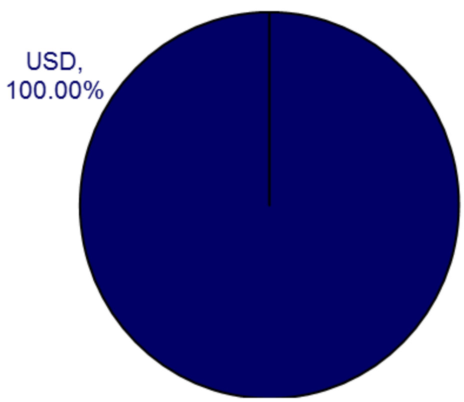
Asset Type Distribution



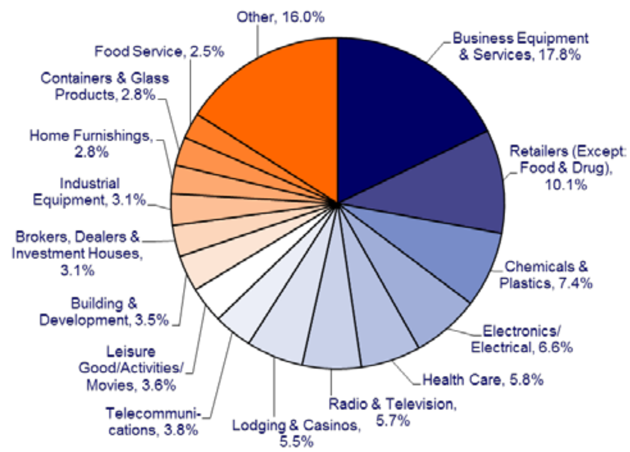
Ratings Distribution



Currency Distribution



Industry Distribution



INVESTMENT RESTRICTIONS

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

(a) invest at the time of purchase less than 80% of the 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 Total Assets in assets denominated in U.S. dollars;

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

(d) invest at the time of purchase more than 25% of 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 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 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 Total Assets, except in connection with foreign exchange rate hedging;

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

(i) make or hold any investments in entities that would be "foreign affiliates" of the Fund 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 the Fund to include any material amount in its income pursuant to the offshore investment fund property rules in section 94.1 of the Tax Act 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 the 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, the Total Assets will exclude cash, cash equivalents and unrealized gains or losses from foreign currency hedging contracts.

FEES AND EXPENSES

Management Fee

The Manager will receive a Management Fee from the Fund equal to 0.75% per annum of the applicable Net Asset Value, calculated and payable monthly in arrears, plus applicable taxes. The Manager will be responsible for paying the fees of the Sub-Advisor out of the amount received by the Manager.

Ongoing Expenses

The Fund will pay for all expenses incurred in connection with its operation and administration, including, fees payable to the Trustee, custodial fees, legal, audit, valuation fees and expenses, any additional fees payable to third party service providers, expenses of the directors of the Manager, fees and expenses of the members of the Independent Review Committee appointed under NI 81-107 and expenses related to compliance with NI 81-107, costs of reporting to Unitholders, registrar, transfer and distribution agency costs, printing and mailing costs and other administrative expenses and costs incurred in connection with the continuous public filing requirements of the Fund, 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), extraordinary expenses that the Fund 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 Custodian, the Trustee and/or any of their respective officers, directors, employees, consultants or agents is entitled to indemnity by the Fund.

The Manager estimates that ongoing expenses, exclusive of the Management Fee and brokerage expenses related to portfolio transactions and interest expense, will be approximately $175,000 per year (assuming a Net Asset Value of approximately $100 million).

Additional Services

Any arrangements for additional services between the Fund 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, than those available from arm's length persons (within the meaning of the Tax Act) for comparable services and the Fund will pay all expenses associated with such additional services. Any such additional services and the associated expenses will be subject to review by the Independent Review Committee.

RISK FACTORS

Certain risk factors relating to the Fund, the Units and the 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. If any such risk actually occurs, the undertaking, financial condition, liquidity or results of operations of the Fund, and the ability to the Fund to make distributions on the Units, could be materially adversely affected.

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

There is no assurance that the Fund will be able to achieve its investment objectives. There is no assurance that the Fund will pay distributions. The funds available for distribution to Unitholders will vary according to, among other things, the return on the assets in the Portfolio and the value of the assets in the Portfolio. There is no assurance that the Portfolio will earn any return. It is possible that, due to declines in the market value of the assets in the Portfolio, the Fund will have insufficient assets to achieve its distribution and capital preservation investment objective, including that of long-term total returns.

Performance of the Portfolio

The Net Asset Value will 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 the Fund, 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 the Fund. The Fund would, nevertheless, be liable to indemnify the agent bank for the Fund'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 the Fund 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

The Fund 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 the Fund will enhance returns. The use of leverage may reduce returns (both distributions and capital) to Unitholders. If there is a decline in the value of the assets in the Portfolio, the leverage will cause a decrease in the Net Asset Value in excess of that which would otherwise be experienced if no leverage was utilized. Under certain conditions, leverage may be reduced or discontinued.

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

The Fund'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 the Fund. 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 the Fund's existing floating rate assets may decrease, which will cause the Fund'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 Fund'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 the Fund'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 the Fund in a manner consistent with the investment objectives and the investment restrictions of the Fund. The officers of the Manager and the officers of the 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 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 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 the Fund to value them or dispose of them at an acceptable price when it wants to.

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. The value of the assets included in the Portfolio will be influenced by factors that are not within the control of the Fund, 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. The Fund 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.

Use of Derivatives Risk

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

No Ownership Interest Risk

An investment in Units does not constitute an investment by Unitholders in the assets included in the Portfolio. Unitholders will not own the assets held by the Fund.

Changes in Legislation and Regulatory Risk

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

Loss of Investment Risk

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

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. 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, 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, 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

If a significant number of Units are redeemed, the expenses of the Fund would be spread among fewer Units resulting in a potentially lower distribution per Unit and a higher management expense ratio. 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 nor is one expected to develop.

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 termination date. The Fund will pay distributions as and when declared by the Fund from time to time.

The net income of the Fund will consist primarily of interest income or distributions, less expenses of the Fund. The Fund will distribute all of its income and net realized capital gains 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 the Fund has not distributed in cash the full amount of its net income in any year, the difference between such amount and the amount actually distributed by the Fund will be paid through an Additional Distribution which may involve 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 Additional Distribution of Units, the number of outstanding Units may be consolidated such that each Unitholder will hold after the consolidation the same number of Units as it held before the distribution of additional Units.

REDEMPTION OF SECURITIES

Units may be redeemed for a redemption price per Unit equal to 100% of the Net Asset Value per Unit on a Redemption Date. Units surrendered for redemption by a Unitholder on or before 5:00 p.m. (Toronto time) on any Redemption Date will be redeemed on such Redemption Date, subject to the Manager's right to suspend redemptions in certain circumstances. The Net Asset Value per Unit will vary depending on the performance of the Portfolio, which depends on a number of factors including the value of the securities included in the Portfolio. See "Risk Factors".

A Unitholder who desires to exercise redemption privileges must deliver to the Manager at its office in the City of Toronto, a written notice of the Unitholder's intention to redeem Units by no later than 5:00 p.m. (Toronto time) on the relevant notice date.

By delivering to the Manager a notice of intention to redeem Units, the Unitholder will be deemed to have irrevocably surrendered his or her Units for redemption. Any redemption notice that the Manager 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.

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

CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of McCarthy Tétrault LLP, counsel to the Fund, the following is, as of the date hereof, a summary of the principal Canadian federal income tax considerations generally applicable to the Fund under the Tax Act.

This summary is based on the current provisions of the Tax Act, counsel's understanding of the current administrative policies and assessing practices of the CRA published in writing by it and all specific proposed amendments to the Tax Act publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof. This summary assumes that the proposed amendments will be enacted as proposed but there can be no assurance in this regard. Except for the proposed amendments, this summary does not take into account or anticipate any changes in the law, whether by way of legislative, governmental or judicial decision or action, or any changes in the administrative policies and assessing practices of the CRA, nor does it take into account other federal or any provincial, territorial or foreign tax legislation or considerations which may differ significantly from the tax considerations described herein.

This summary is of a general nature only, is not exhaustive of all possible Canadian federal income tax considerations that may be relevant to the Fund, and is not intended to be legal or tax advice to any particular investor. Prospective investors should consult their own tax advisors with respect to the income tax consequences of an investment in Units in their particular circumstances including, in the case of an investor that is a "financial institution" for the purposes of the "mark-to-market" rules contained in the Tax Act, whether Units would constitute "mark-to-market property".

The Fund will be a "financial institution" for purposes of the "mark-to-market" rules contained in the Tax Act at any time if more than 50% of the fair market value of all interests in the Fund are held at that time by one or more such financial institutions. The Tax Act contains special rules for determining the income of financial institutions.

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 has been advised that the Fund intends to deduct, in computing its income in each taxation year, the full amount available for deduction in each year and, therefore, provided the Fund makes distributions in each year of its net income and net realized capital gains as described under "Distributions", it will generally not be liable in such year for income tax under Part I of the Tax Act. In computing its income for tax purposes, the Fund may deduct reasonable administrative and other expenses incurred to earn income.

The Fund may be subject to "minimum tax" under the Tax Act. The Manager will endeavour to manage the Fund in a manner such that the Fund will not be subject to minimum tax.

The Tax Act provides for a special tax on designated income of certain trusts which have designated beneficiaries. The Trust Agreement prohibits ownership of Units by any person that would be a designated beneficiary for the purposes of the Tax Act.

ORGANIZATION AND MANAGEMENT DETAILS OF THE FUND

The Manager

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

Duties and Services to be Provided by the Manager

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

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

The Manager will also implement and monitor the Fund's investment strategy to ensure compliance with the Fund's investment restrictions.

Details of the Manager's Obligations under the Trust Agreement

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

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

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

The Manager and each of its directors, officers, employees and agents will be indemnified by the Fund for all liabilities, costs and expenses incurred in connection with any action, suit or proceeding that is proposed or commenced or other claim that is made against the Manager or any of its officers, directors, employees or agents in the exercise of its duties as manager, except those resulting from the Manager's wilful misconduct, bad faith or negligence or the Manager's failure to meet the standard of care set forth above.

Conflicts of Interest – Manager and Trustee

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

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. The Manager may appoint a sub-advisor, pursuant to the 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 the Fund 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 the Fund across 23 portfolios (not including the Fund). The Sub-Advisor will principally provide its services to the Fund 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 the Fund, and have been managed in accordance with the same investment strategy that the Sub-Advisor will employ with regard to the Fund.

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

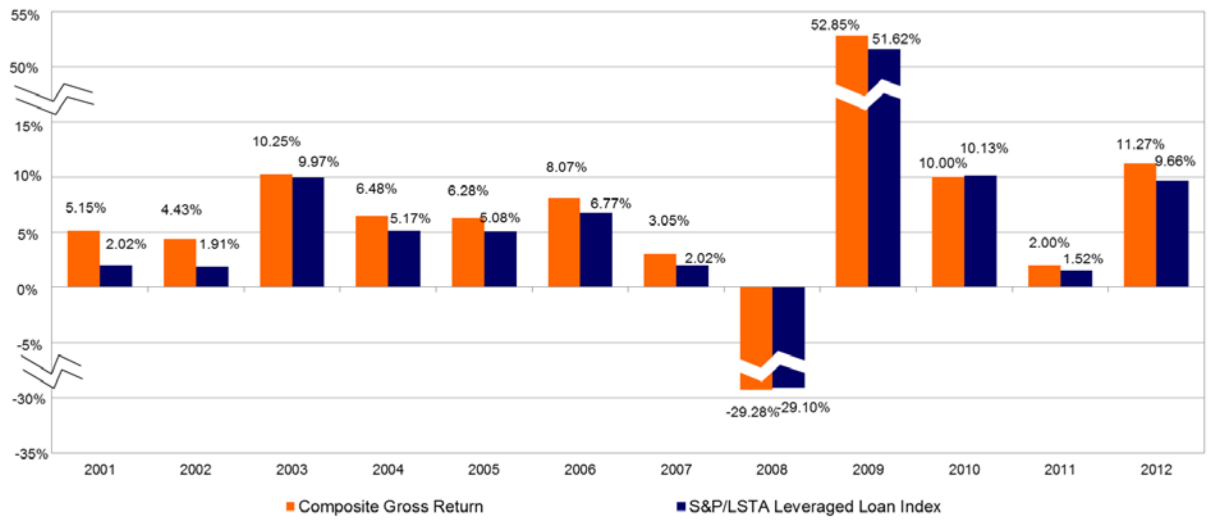
The following table shows, as at December 31, 2012, the historical performance of the ING Senior Loan Unleveraged Composite and the ING Floating Rate Senior Loan Fund in comparison to the Senior Loan Index over the periods set forth below.

	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: 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 partial a 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 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 the Fund 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 the Fund 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 the Fund 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 the Fund and to act honestly and in good faith with a view to the best interests of the Fund and, in connection therewith, to exercise the degree of care, diligence and skill that a reasonably prudent investment advisor would exercise in comparable circumstances. The 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 the Fund or for any loss or diminution in the value of such assets or other loss or damage suffered by any such person or for any errors of judgement, acts or omissions if it has satisfied the duties and standard of care, diligence and skill set forth above. The 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 the Fund or the Manager is in material breach or default of the provisions thereof and such material breach or default has not been cured within 20 business days' notice of same to the Manager and to the Fund, as applicable, or in the event that there is a material change in the investment guidelines of the Fund. 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 the Fund 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 the Fund and provide similar services to other investment funds and other clients and engage in other activities. Investment decisions for the Fund will be made independently of those made for other clients and independently of investments of the Sub-Advisor. On occasion, however, the Sub-Advisor may identify the same investment for the Fund and for one or more of its other clients. If the Fund and one or more of the other clients of the 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.

Trustee of the Fund

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

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

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

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

Custodian

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

Auditor

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

Transfer Agent and Registrar

The Manager 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 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. The Net Asset Value per Unit will also be calculated upon the demand of Unitholders at no additional cost. Such amount will also be available on the Manager's website at www.cclcapitalmarkets.com.

Valuation Policies and Procedures

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

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

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

(b) the value of any 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 will be translated into Canadian currency at the rate of exchange available from the Valuation Agent on the Valuation Date on which the Total Assets are being determined;

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

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

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

Reporting of Net Asset Value

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

DESCRIPTION OF THE UNITS

The Units

The Fund is authorized to issue an unlimited number of transferable, redeemable units of beneficial interest, which units may be issued in any number of classes and each class of Units shall have the attributes determined by the Manager from time to time. 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 different classes being entitled to distributions or redemptions based on the Net Asset Value per Unit of the applicable class if any such class is denominated in a different currency. 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 other holders of Units of that class the assets of the Fund remaining after payment of all debts, liabilities and liquidation expenses of the Fund. Unitholders will have no voting rights in respect of assets held by the Fund. The Fund has delegated to the Portfolio Manager the responsibility for voting on matters for which the Fund receives, in its capacity as a securityholder, proxy materials for a meeting of securityholders of a borrower included in the Portfolio. See "Proxy Voting Disclosure". All units of the Fund will be owned by a "taxable Canadian corporation", as defined in the Tax Act

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

UNITHOLDER MATTERS

Meetings of Unitholders

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

Notice of all meetings of Unitholders will be given in accordance with the Trust Agreement and applicable law. The quorum for a meeting of all Unitholders is one or more Unitholders present in person or represented by proxy holding not less than five percent of the Units then outstanding. The quorum for a meeting of the holders of any particular class of Units is one or more holders of Units of such class present in person or represented by proxy holding not less than five percent of the Units of such class 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.

Matters Requiring Unitholder Approval

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

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

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

(c) any increase in the Management Fee;

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

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

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

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

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

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

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

(b) make any change or correction in the Trust Agreement which is of a typographical nature or is required to cure or correct any ambiguity or defective or inconsistent provision, clerical omission, mistake or manifest error contained therein;

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

(d) provide added protection or benefit to Unitholders.

Amendment of the Trust Agreement

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

Reporting to Unitholders

The Fund will make available to Unitholders such financial statements and other continuous disclosure documents as are required by applicable law, including (i) unaudited interim and audited annual financial statements of the Fund, prepared in accordance with Canadian generally accepted accounting principles and, (ii) interim and annual management reports of fund performance in respect of the Fund. Such financial statements and other continuous disclosure documents will be available on SEDAR at www.sedar.com and on the Manager's website at cclcapitalmarkets.com. 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 a majority vote at a meeting of Unitholders called for that purpose (the "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 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.

Upon termination, the Trust Agreement provides that the Fund will distribute to Unitholders their *pro rata* portions of the remaining assets of the Fund after all liabilities of the Fund have been satisfied or appropriately provided for. Such assets, which will include cash and, to the extent liquidation of certain assets is not practicable or the Manager considers such liquidation not to be appropriate prior to any Termination Date, unliquidated assets in specie rather than in cash. The value of any remaining assets of the Fund will be determined by the Manager, acting reasonably. Following such distribution, the Fund will be dissolved.

INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

The Manager is entitled to receive the Management Fee pursuant to the Trust Agreement 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. Proxies must be voted in a manner consistent with the best interests of the Fund.

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

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

Proxy Voting Conflicts of Interest

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

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

Disclosure of Proxy Voting Guidelines and Record

A copy of the Manager's proxy voting guidelines will be made available on the Internet at www.cclcapitalmarkets.com. The most recent proxy voting record for the Fund for the most recent period ended 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 Trust Agreement;

(b) the Custodian Agreement; and

(c) the Sub-Advisor Agreement.

Copies of the foregoing documents may be examined during normal business hours at the principal office of the Fund. Copies of the Trust Agreement may be obtained at any time from the Manager on written request.

EXPERTS

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

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

AUDITOR'S CONSENT

We have read the prospectus of ISL Loan Trust II (the "**Fund**") dated February 26, 2013 relating to the filing of the Fund to become a reporting issuer under the *Securities Act* (Ontario) and the *Securities Act* (Québec). 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
February 26, 2013

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

INDEPENDENT AUDITOR'S REPORT

To the Unitholder and the Manager of ISL Loan Trust II:

We have audited the accompanying statement of net assets of ISL Loan Trust II (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

ISL LOAN TRUST II
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 ISL Loan Trust II
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.*

ISL LOAN TRUST II
NOTES TO STATEMENT OF NET ASSETS

As at February 26, 2013

1. ORGANIZATION AND UNITHOLDER'S EQUITY

ISL Loan Trust II (the "**Fund**") is an investment fund established under the laws of the Province of Ontario pursuant to a trust agreement dated as of February 26, 2013. The Fund's investment objectives are to (i) provide a Unitholder with distributions, and (ii) provide an investment in 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, as Sub-Advisor. The beneficial interest in the net assets and net income of the Fund is divided into Units. The Fund is authorized to issue an unlimited number of transferable, redeemable Units, which may be issued in any number of classes. On February 26, 2013, the Fund was settled and issued an initial Unit for cash consideration of $10.00 to Connor, Clark & Lunn Capital Markets Inc., the settlor of the Fund.

The Manager will receive a Management Fee from the Fund equal to 0.75% per annum of the applicable Net Asset Value, calculated and payable monthly in arrears, plus applicable taxes. The Manager will be responsible for paying the fees of the Sub-Advisor out of the amount received by the Manager. The Fund will pay for all of its ongoing expenses incurred in connection with its operation and administration.

Units may be redeemed for a redemption price per Unit equal to 100% of the Net Asset Value per Unit on the applicable Redemption Date. Units surrendered for redemption by a Unitholder on or before 5:00 p.m. (Toronto time) on any Redemption Date will be redeemed on such Redemption Date, subject to the Manager's right to suspend redemptions in certain circumstances. The Net Asset Value per Unit will vary depending on the performance of the Portfolio, which depends on a number of factors, including the value of the securities included in the Portfolio.

The Fund will generally receive interest income or distributions from the assets included in the portfolio. The net income of the Fund will consist primarily of interest income or distributions, less expenses of the Fund. The Fund will distribute all of its net income and net realized capital gains earned in each fiscal year to ensure that it is not liable for tax under Part I of the Income Tax Act (Canada). To the extent that the Fund has not distributed in cash the full amount of its net income in any year, the difference between such amount and the amount actually distributed by the Fund 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 may be consolidated such that the Unitholder will hold after the consolidation the same number of Units as it held before the distribution of additional Units.

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

Net asset value per Unit on any day will be obtained by dividing the Net Asset Value on such day by the number of Units 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 Date" means any Business Day on which Units are surrendered by a Unitholder for redemption by the Fund; and (iv) "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.

CERTIFICATE OF THE FUND

Dated: February 26, 2013

This prospectus constitutes full, true and plain disclosure of all material facts relating to the securities previously issued by the investment fund as required by the securities legislation of the Province of Ontario and the Province of Québec.

ISL Loan Trust II
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 previously issued by the investment fund as required by the securities legislation of the Province of Ontario and the Province of Québec.

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 previously issued by the investment fund as required by the securities legislation of the Province of Ontario and the Province of Québec.

Connor, Clark & Lunn Capital Markets Inc.
as Promoter

By: (*signed*) W. NEIL MURDOCH
Chief Executive Officer