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## PROSPECTUS

Initial Public Offering

January 26, 2011



MACQUARIE

### MACQUARIE EMERGING MARKETS INFRASTRUCTURE INCOME FUND

**\$100,000,008 Maximum**  
**8,333,334 Combined Units**  
**\$12.00 per Combined Unit**

**Each Combined Unit consists of one Unit and one Warrant for one Unit.**

Macquarie Emerging Markets Infrastructure Income Fund (the “Fund”), a closed-end investment trust established under the laws of the Province of Ontario, proposes to issue combined units (“Combined Units”) of the Fund at a price of \$12.00 per Combined Unit (the “Offering”).

Each Combined Unit consists of one transferable, redeemable unit (“Unit”) and one transferable warrant (“Warrant”) for one Unit. Each Warrant for one Unit entitles the holder to purchase one Unit at a subscription price of \$12.00 on or before January 31, 2012. **Warrants not exercised on or before January 31, 2012 will be void and of no value.**

The Fund will invest in listed emerging markets infrastructure securities issued by entities that own, operate or provide infrastructure assets or services. These are emerging market domiciled entities that earn a substantial amount of their revenue or profits from owning, operating or providing infrastructure assets or services.

The Fund’s investment objectives are to generate:

- (a) quarterly distributions for holders of units (“Unitholders”) initially targeted to be \$0.15 per Unit (\$0.60 per annum representing an annual cash distribution of 5.0% based on the \$12.00 per Combined Unit issue price); and
- (b) total return for Unitholders, consisting of dividend income and capital appreciation.

To achieve the Fund’s investment objectives, the net proceeds of the Offering will be invested in a portfolio (the “Portfolio”) consisting of infrastructure equity securities issued by entities domiciled in emerging markets. See “Investment Objectives”.

Connor, Clark & Lunn Capital Markets Inc. will act as manager (the “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 over \$1.8 billion in assets. The Manager is part of the Connor, Clark & Lunn Financial Group. See “Organization and Management Details of the Fund – The Manager”.

Macquarie Capital Investment Management LLC will act as the portfolio manager (the “Portfolio Manager”) of the Fund. The Portfolio Manager will be responsible for the Fund’s investment strategy and will provide investment

advisory and portfolio management services to the Fund. See “Organization and Management Details of the Fund – The Portfolio Manager”.

**Investments in the Fund are not deposits with or other liabilities of Macquarie Bank Limited ABN 46 008 583 542, or any of its affiliates (collectively the “Macquarie Group”) and are subject to investment risk, including possible delays in repayment and loss of income and capital invested. No Macquarie Group company guarantees any particular rate of return or the performance of the Fund, the repayment of capital from the Fund or any tax treatment of any distribution from the Fund.**

The Fund expects that the initial distribution will be payable to Unitholders of record on March 31, 2011 and will be prorated from the closing of the Offering (the “Closing”). The Manager will determine and announce at least annually commencing in February 2012 an indicative distribution amount (the “Indicative Distribution”) for the following year based upon prevailing market conditions and the Manager’s estimate of total returns from the Portfolio for the year. In determining the Indicative Distribution, the Manager does not intend to set the distribution rate above the expected total return of the Portfolio for that year. Any returns in excess of the Indicative Distribution will serve to increase net asset value (“NAV”) and will therefore provide an opportunity for capital appreciation.

Based on its initial anticipated composition, the Portfolio is expected to generate dividends and distributions of approximately 5.3% per annum (before taking into account fees and expenses, the effect of leverage and withholding taxes). Any portion of the quarterly distributions not funded from dividends and distributions is expected to be generated through the realization of capital gains. Assuming that the gross proceeds of the Offering are \$100 million, that fees and expenses are as described herein and leverage of 33% of net assets, the Portfolio would be required to appreciate at a rate of 1.6% per annum for the Fund to maintain a stable NAV for the Units while making quarterly cash distributions for the year at the initial Indicative Distribution rate. To ensure the Indicative Distribution for the year is maintained, to the extent necessary, the Manager may return a portion of the capital of the Fund to Unitholders.

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**Price: \$12.00 per Combined Unit**  
**Minimum Purchase: 100 Combined Units**

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	Price to the Public <sup>(1)</sup>	Agents’ Fees	Net Proceeds to the Fund <sup>(2)</sup>
Per Combined Unit.....	\$12.00	\$0.63	\$11.37
Total Minimum Offering <sup>(3)(4)</sup> .....	\$25,000,008	\$1,312,500	\$23,687,508
Total Maximum Offering <sup>(4)</sup> .....	\$100,000,008	\$5,250,000	\$94,750,008

- (1) The prices of the Combined Units were established by negotiation between the Fund and the Agents (defined below).
- (2) Before deducting the expenses of issue (estimated to be \$750,000) which, subject to a maximum of 1.5% of the gross proceeds of the Offering, together with the Agents’ fees, will be paid out of the proceeds of the Offering.
- (3) There will be no Closing unless a minimum of 2,083,334 Combined Units are sold. If subscriptions for the minimum number of Combined Units have not been received within 90 days following the date of issuance of a receipt for this prospectus, the Offering may not continue without the consent of the Canadian securities regulators and those who have subscribed for Combined Units on or before such date.
- (4) The Fund has granted the Agents the option (the “Over-Allotment Option”) in respect of the Combined Units, exercisable until 30 days after the Closing, to purchase up to 15% of the aggregate number of Combined Units issued at the Closing on the same terms set forth above. This prospectus qualifies the distribution of the Agents’ over-allocation position, including the Over-Allotment Option, and the Combined Units issuable on the exercise thereof. A purchaser who acquires Combined Units forming part of the Agents’ over-allocation position acquires such Combined Units under this prospectus, regardless of whether the over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases. If the Over-Allotment Option for the Combined Units is exercised in full, the total price to the public under the maximum Offering of Combined Units will be \$115,000,008, the Agents’ fees will be \$6,037,500 and the net proceeds to the Fund will be \$108,962,508.

The Toronto Stock Exchange (the “TSX”) has conditionally approved the listing of the Combined Units, the Units and the Warrants, subject to the Fund fulfilling all of the requirements of the TSX on or before April 20, 2011.

**See “Risk Factors” for a discussion of certain factors that should be considered by prospective investors including the use of leverage by the Fund. There is no assurance that the Fund will be able to achieve its investment objectives. There is currently no market through which the Units or the Warrants may be sold and purchasers may not be able to resell securities purchased under this prospectus. If a holder does not exercise, or sells, its Warrants, then the value of the holder’s Units may be diluted as a result of the exercise of Warrants by others. The Units and the Warrants comprising the Combined Units will separate immediately**

following the earlier of the final closing of the exercise of the Over-Allotment Option or 30 days after the Closing, and may be transferred separately thereafter. Within 30 days of the proper exercise of a Warrant, the Fund will pay a fee equal to \$0.18 to the dealer on behalf of the broker whose client is exercising the Warrant and \$0.12 per Warrant to the dealer employing such broker. See “Attributes of the Units and Warrants” and “Fees and Expenses – Warrant Exercise Fee”. The Agents may over-allot or effect transactions as described under “Plan of Distribution”.

The value of Units will be reduced if the NAV per Unit exceeds \$11.70 and Warrants are exercised. In order for a Unitholder to maintain *pro rata* interest in the assets of the Fund, the Unitholder will be required to pay in connection with the exercise of the Warrants an additional amount equal to the amount originally invested by the Unitholder on the Closing. If a Unitholder does not exercise Warrants in such circumstances, the Unitholder’s *pro rata* interest in the assets of the Fund will be diluted. While a Unitholder may sell the Warrants acquired hereunder, no assurance can be given that the proceeds of such sale would compensate the Unitholder for such dilution. See “Attributes of the Units and Warrants – Description of the Warrants – Dilution to Existing Unitholders”.

The Fund intends to establish a loan facility that may be used for various purposes including purchasing additional securities for the Portfolio, effecting market purchases of Units, funding distributions or redemptions and for cash flow requirements from time to time. Borrowings by the Fund thereunder may be in Canadian or U.S. dollars and shall not exceed 33% of the net assets of the Fund at the time of borrowing.

The Portfolio Manager will take currency exposure into account in managing the total return of the Portfolio, including dividend yields and may, from time to time, hedge all or any portion of the value of the Portfolio back to the Canadian dollar. Initially, the Portfolio Manager intends to hedge approximately 40% of the Portfolio’s foreign exposure back to the Canadian dollar including emerging market currencies linked to the U.S. dollar. See “Investment Strategies – Currency Hedging”.

Commencing in 2012, Units may be surrendered for redemption during the period from August 1 to 5:00 p.m. (Toronto time) on the tenth business day prior to the last business day in August 2012 or any year thereafter, subject to the Fund’s right to suspend redemptions in certain circumstances, for a redemption price equal to the NAV per Unit of the Fund on that date less any costs of funding the redemption. Unitholders will receive the redemption payment on or before the 15<sup>th</sup> day following the redemption date. Units are also redeemable on a monthly basis. See “Redemption of Units”.

The Fund does not have a fixed termination date, however, upon termination, the Fund will distribute its net assets to Unitholders. See “Termination of the Fund”.

Provided that the Fund qualifies and continues to qualify at all times as a mutual fund trust within the meaning of the *Income Tax Act* (Canada) (the “Tax Act”), or the Units are listed on a “designated stock exchange” for purposes of the Tax Act (which currently includes the TSX), the Units will be qualified investments for trusts governed by a registered retirement savings plan, a registered retirement income fund, a deferred profit sharing plan, a registered disability savings plan, a registered education savings plan and a tax-free savings account (each a “registered plan”). Provided that the Warrants are listed on a “designated stock exchange” for purposes of the Tax Act (which currently includes the TSX), or provided that at all times the Units are qualified investments for registered plans and the Fund is not, and deals at arm’s length with each person who is, an annuitant, a beneficiary, an employer or a subscriber under, or a holder of, the relevant registered plan, the Warrants will be a qualified investment under the Tax Act for registered plans. However, the holder of a tax-free savings account that governs a trust which holds Units or Warrants will be subject to a penalty tax if the holder does not deal at arm’s length with the Fund for purposes of the Tax Act or if the holder has a significant interest (within the meaning of the Tax Act) in the Fund or in a corporation, partnership or trust with which the Fund does not deal at arm’s length for purposes of the Tax Act. See “Income Tax Considerations – Eligibility for Investment”.

The Fund is not a trust company and, accordingly, the Fund is not registered under the trust company legislation of any jurisdiction as it does not carry on business as a trust company. The fund is an investment trust which offers and sells its Combined Units to the public. 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.

RBC Dominion Securities Inc., CIBC World Markets Inc., BMO Nesbitt Burns Inc., National Bank Financial Inc., Scotia Capital Inc., Macquarie Private Wealth Inc., GMP Securities L.P., Canaccord Genuity Corp., HSBC

Securities (Canada) Inc., Desjardins Securities Inc., Dundee Securities Corporation, Raymond James Ltd. and Wellington West Capital Markets Inc. (collectively, the “Agents”) conditionally offer the Combined Units on a best efforts basis, subject to prior sale, if, as and when issued by the Fund and accepted by the Agents in accordance with the conditions contained in the agency agreement between the Agents, the Fund, the Manager and the Portfolio Manager, and subject to the approval of certain legal matters on behalf of the Fund and the Manager by Osler, Hoskin & Harcourt LLP and on behalf of the Agents by McCarthy Tétrault LLP. See “Plan of Distribution”.

Subscriptions for Combined Units will be received subject to acceptance or rejection in whole or in part, and the right is reserved to close the subscription books at any time without notice. Closing is expected to occur on or about February 18, 2011, but no later than March 31, 2011. Registrations and transfers of Units and Warrants will be effected only through the book-entry only system administered by CDS Clearing and Depository Services Inc. Beneficial owners of Units or Warrants will not have the right to receive physical certificates evidencing their ownership of the Units or Warrants. See “Attributes of the Units and Warrants – Description of the Units – Book-Entry Only System” and “Attributes of the Units and Warrants – Description of the Warrants – Delivery Form and Denomination of the Warrants”.

The Portfolio Manager is incorporated, continued or otherwise governed under the laws of a foreign jurisdiction or resides outside Canada. Although the Portfolio Manager has appointed Macquarie Canada Services Ltd., c/o Brookfield Place, 181 Bay Street, Suite 3100, Toronto, ON M5J 2T3 as its agent for service of process in Canada, it may not be possible for investors to realize on judgements obtained in Canada against the Portfolio Manager. See “Risk Factors – Litigation against the Portfolio Manager”.

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## PROSPECTUS SUMMARY

*The following is a summary of the principal features of the Offering (as defined below) and should be read together with the more detailed information and financial data and statements contained elsewhere in this prospectus. Unless otherwise indicated, all references to dollar amounts in this prospectus are to Canadian dollars.*

**Issuer:** Macquarie Emerging Markets Infrastructure Income Fund (the “Fund”) is a closed-end investment trust established under the laws of the Province of Ontario on January 26, 2011. The manager (the “Manager”) of the Fund is Connor, Clark & Lunn Capital Markets Inc. See “Overview of the Legal Structure of the Fund”.

**Offering:** The Fund is offering combined units (“Combined Units”) of the Fund (the “Offering”).

**Maximum Issue:** \$100,000,008 (8,333,334 Combined Units)

**Minimum Issue:** \$25,000,008 (2,083,334 Combined Units)

**Price:** \$12.00 per Combined Unit

**Minimum Subscription:** 100 Combined Units (\$1,200)

**Combined Units, Units and Warrants:** Each Combined Unit consists of one transferable, redeemable unit (“Unit”) and one transferable warrant (“Warrant”) for one Unit. Each Warrant for one Unit entitles the holder to purchase one Unit at a subscription price of \$12.00 on or before January 31, 2012. **Warrants not exercised by January 31, 2012 will be void and of no value.**

If a holder does not exercise, or sells, its Warrants, then the value of the holder’s Units may be diluted as a result of the exercise of Warrants by others. The Units and the Warrants comprising the Combined Units will separate immediately following the earlier of the final closing of the exercise of the Over-Allotment Option (as defined below) or 30 days after the closing of the Offering (the “Closing”), and may be transferred separately thereafter. Within 30 days of the proper exercise of a Warrant, the Fund will pay a fee equal to \$0.18 to the dealer on behalf of the broker whose client is exercising the Warrant and \$0.12 per Warrant to the dealer employing such broker. See “Attributes of the Units and Warrants” and “Fees and Expenses – Warrant Exercise Fee”.

The value of Units will be reduced if the net asset value (“NAV”) per Unit exceeds \$11.70 and Warrants are exercised. In order for a holder of Units (a “Unitholder”) to maintain *pro rata* interest in the assets of the Fund, the Unitholder will be required to pay in connection with the exercise of the Warrants an additional amount equal to the amount originally invested by the Unitholder on the Closing. If a Unitholder does not exercise Warrants in such circumstances, the Unitholder’s *pro rata* interest in the assets of the Fund will be diluted. While a Unitholder may sell the Warrants acquired hereunder, no assurance can be given that the proceeds of such sale would compensate the Unitholder for such dilution. See “Attributes of the Units and Warrants – Description of the Warrants – Dilution to Existing Unitholders”.

**Investment Objectives:** The Fund’s investment objectives are to generate:

- (a) quarterly distributions for Unitholders initially targeted to be \$0.15 per Unit (\$0.60 per annum representing an annual cash distribution of 5.0% based on the \$12.00 per Combined Unit issue price); and
- (b) total return for Unitholders, consisting of dividend income and capital appreciation.

To achieve the Fund’s investment objectives, the net proceeds of the Offering will be invested in a

portfolio (the “Portfolio”) consisting of infrastructure equity securities issued by entities domiciled in emerging markets. See “Investment Objectives”.

**Rationale for the Fund:**

The Fund was established to take advantage of the expertise of Macquarie Group as Macquarie Capital Investment Management LLC, a global leader in the listed infrastructure sector, will act as the portfolio manager (the “Portfolio Manager”) of the Fund.

The Portfolio Manager believes there are three significant long-term growth drivers of companies that own, operate and/or are associated with the development of infrastructure assets in emerging markets.

- (a) **Economic growth:** Sustainable economic growth over the long term requires investment in new infrastructure and the maintenance of existing infrastructure assets. The Portfolio Manager therefore believes that the desire for economic growth in emerging markets is likely to spur infrastructure investments.
- (b) **Rising population and urban migration:** A growing population and urban migration place pressure on existing infrastructure and create demand for increased investment, particularly in basic services, such as power, water and sanitation. Domestic demand is expected to be a dominant driver of growth.
- (c) **Greater focus on competitiveness:** Quality of infrastructure is an important factor impacting a country’s competitiveness. The Portfolio Manager therefore believes higher government and private sector investment in infrastructure is required for any emerging economy to remain competitive and attract foreign direct investment.

Infrastructure assets are essential to emerging market economies because they provide the domestic population with the basic services for both social and economic development. Infrastructure assets typically provide essential services, such as fresh water, sanitation, roads, airports, utilities, power, communications, hospitals, schools and other social services. These assets provide exposure to the underlying economic growth of emerging markets. The Portfolio Manager believes such assets may exhibit a reduced business risk in comparison to some other sectors due to the more predictable cash flows of infrastructure assets.

The Portfolio Manager believes that the key features of infrastructure assets include:

- (a) **Essential services:** Many infrastructure issuers are the sole providers of an essential product or service (for example water/sanitation, power and transportation services) to a segment of the population and the product or service often retains this characteristic for an extended period of time.
- (b) **Strategic competitive advantages:** Many infrastructure assets are monopolistic or near monopolistic in nature and have high barriers to entry, thereby providing a strategic competitive advantage.
- (c) **Fixed and regulated returns:** Monopoly-type market environments may bring access to predictable returns through regulation or long term contracts.
- (d) **Fixed cost base:** Once an infrastructure asset is developed, ongoing operational maintenance expenditure may be relatively low and stable. As a result, increases in revenue may not result in proportionate increases in operating expenditure, thereby increasing free cash flow.
- (e) **Relatively inelastic demand:** Due to the essential service nature of infrastructure, demand for infrastructure-related products or services may be more stable and less

sensitive to changes in price compared with some other products or services.

- (f) **Inflation linkage:** The underlying revenue of infrastructure assets may be linked to inflation, sometimes directly through a regulatory framework or through concession agreements linking price growth to inflation.

**Investment Strategies:**

The Fund will invest in listed emerging markets infrastructure securities issued by entities that own, operate or provide infrastructure assets or services. These are emerging market domiciled entities that earn a substantial amount of their revenue or profits from owning, operating or providing infrastructure assets or services.

**General Emerging Markets vs. Emerging Markets Infrastructure**

The Portfolio Manager expects domestic demand to be a dominant driver of growth due to demographics trends and continued urbanization. By its very nature, the demand for infrastructure is driven by domestic demand. Infrastructure may be one of the main beneficiaries of growth in domestic demand as governments modernize and expand infrastructure to support this growth.

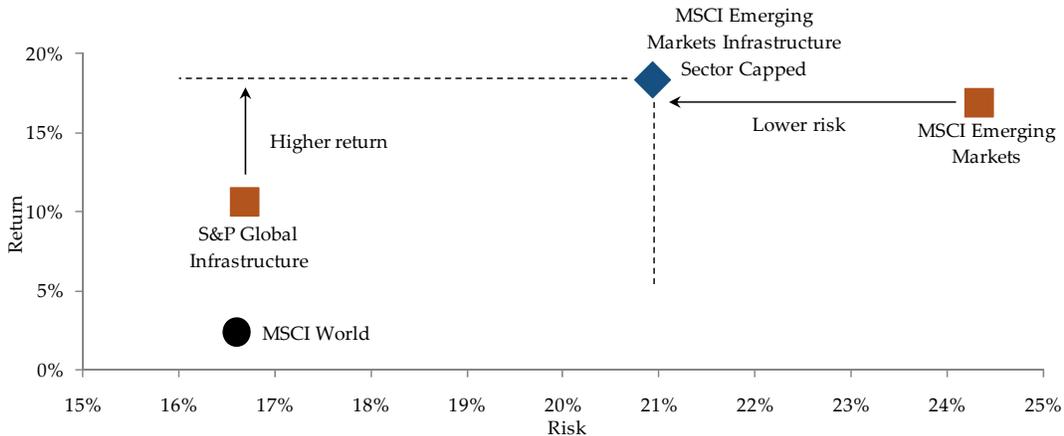
The Portfolio Manager believes that compared to a general emerging markets strategy, a portfolio of emerging markets infrastructure equities is ideally placed to benefit from the transition towards domestically focused growth in emerging markets. The predominantly export focussed sectors of Materials, Energy and IT are a significantly larger proportion of the broad MSCI EM Index, than of the MSCI EM Infrastructure Sector Capped Index.

**Risk vs. Return for Emerging Market Infrastructure Equities**

Historically, emerging markets infrastructure has provided higher returns and higher volatility compared to global infrastructure but lower volatility compared to emerging markets equities.

The chart below illustrates the risk vs. return relationship from November 2001 to September 2010.

Emerging Markets Infrastructure Return & Volatility

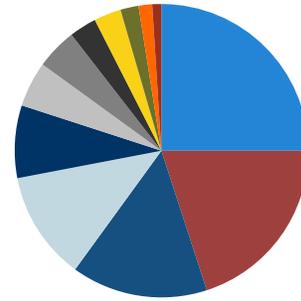
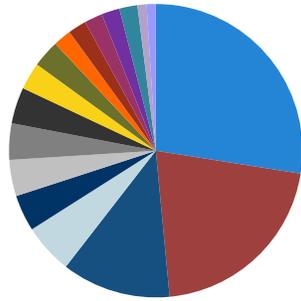


Return (in U.S. dollars): annualized compound monthly returns from November 2001 to September 2010.

Risk: annualized standard deviation of monthly returns from November 2001 to September 2010.

**Indicative Portfolio**

The following charts illustrate the breakdown of the indicative portfolio of the Fund, if it had been in existence as of December 3, 2010, by country and industry sector.



- |                     |                   |  |
|---------------------|-------------------|--|
| ■ China 28%         | ■ Brazil 21%      | ■ Electric Utilities 25%                   |
| ■ Thailand 12%      | ■ Mexico 6%       | ■ Highways & Railtracks 20%                |
| ■ Czech Republic 4% | ■ Malaysia 4%     | ■ Independent Power Producers 15%          |
| ■ Russia 4%         | ■ Taiwan 4%       | ■ Wireless Telecommunication Services 12%  |
| ■ Indonesia 3%      | ■ South Africa 3% | ■ Integrated Telecommunication Services 8% |
| ■ Chile 2%          | ■ Poland 2%       | ■ Water Utilities 5%                       |
| ■ Singapore 2%      | ■ South Korea 2%  | ■ Airport Services 5%                      |
| ■ Turkey 2%         | ■ India 1%        | ■ Industrial Conglomerates 3%              |
| ■ Philippines 1%    |                   | ■ Oil & Gas Storage & Transportation 3%    |
|                     |                   | ■ Railroads 2%                             |
|                     |                   | ■ Marine Ports & Services 2%               |
|                     |                   | ■ Gas Utilities 1%                         |

**Leverage:**

The Fund intends to establish a loan facility that may be used for various purposes including purchasing additional securities for the Portfolio, effecting market purchases of Units, funding distributions or redemptions and for cash flow requirements from time to time. Borrowings by the Fund thereunder may be in Canadian or U.S. dollars and shall not exceed 33% of the net assets of the Fund at the time of borrowing. The maximum amount of leverage that the Fund would employ is 1.33:1. The Fund expects that the terms, conditions, interest rates, fees and expenses of and under the loan facility will be typical for loans of this nature. See “Investment Strategies – Leverage”. See “Investment Strategies – Leverage”.

**Currency Hedging:**

The Portfolio Manager will take currency exposure into account in managing the total return of the Portfolio, including dividend yields, and may, from time to time, hedge all or any portion of the value of the Portfolio back to the Canadian dollar. The Portfolio is denominated in a range of emerging market currencies, some of which are linked to the U.S. dollar. Initially, the Portfolio Manager intends to hedge approximately 40% of the Portfolio’s foreign exposure back to the Canadian dollar including emerging market currencies linked to the U.S. dollar. See “Investment Strategies – Currency Hedging”.

**Use of Proceeds:**

The net proceeds from the issue of Combined Units, assuming the maximum offering (after payment of the Agents’ fees and expenses of the issue), are estimated to be \$94,000,008 and will be used to purchase securities for the Portfolio following the Closing. See “Use of Proceeds”.

**Risk Factors:**

An investment in the securities offered hereby will be subject to certain risk factors, including:

- (a) there can be no assurance that the Fund will be able to achieve its investment objectives;
- (b) the risks of investing in common shares including the general risks of equity investments, such as general economic conditions;
- (c) industry concentration and infrastructure industry risks;
- (d) emerging market risks;
- (e) risks relating to leverage;
- (f) the value of the Portfolio and the NAV per Unit will vary according to, among other things, the net asset value of the securities in the Portfolio and the dividends and distributions paid thereon;
- (g) the possibility that if a holder of Warrants does not exercise, or sells, the Warrants, then the value of the Units may be diluted as a result of the exercise of Warrants by others;
- (h) reliance on the Manager and the Portfolio Manager and the lack of certainty that the individuals who are principally responsible for providing management and investment advisory and portfolio management services will continue to be employed by the Manager and Portfolio Manager while they provide management and investment advisory and portfolio management services to the Fund in respect of the Portfolio;
- (i) the difficulties associated with litigation against the Portfolio Manager;
- (j) sensitivity to interest rates;
- (k) risks relating to foreign currency exposure;
- (l) risks relating to the use of derivative instruments;
- (m) risks relating to the trading price of the Units;
- (n) the lack of a market for the Units and Warrants and no assurance that one will develop;
- (o) the possibility of the Fund being unable to acquire or dispose of illiquid securities;
- (p) risks relating to substantial redemptions of Units;
- (q) the status of the Fund for securities law purposes as it is not a mutual fund subject to National Instrument 81-102 – *Mutual Funds*;
- (r) potential conflicts of interest;
- (s) new project risk;
- (t) liquidity and counterparty risks associated with the use of derivative instruments to

- hedge currency exposure;
- (u) counterparty risks associated with securities lending;
- (v) risks relating to the taxation and status of the Fund;
- (w) the Fund's lack of operating history and the current absence of a public trading market for the Units and the Warrants;
- (x) Unitholders will have no ownership interest in the securities comprising the Portfolio; and
- (y) the possible loss of an investment.

See "Risk Factors".

**Income Tax Considerations:**

A Unitholder will generally be required to include, in computing income for a taxation year, the amount of the Fund's net income for the taxation year, including net realized taxable capital gains, paid or payable to the Unitholder in the taxation year (whether in cash or Units). The Fund intends to make designations so that the portion of net realized taxable capital gains of the Fund that are distributed to Unitholders will be treated as taxable capital gains to Unitholders. Distributions by the Fund to a Unitholder in excess of the Unitholder's share of net income and the full amount of the Fund's net realized capital gains will reduce the adjusted cost base of the Unitholder's Units. Upon the disposition of Units held as capital property, Unitholders will realize a capital gain (or capital loss) to the extent that the proceeds of disposition of the Units exceed (or are less than) the adjusted cost base of such Units and any reasonable costs of disposition.

The exercise of a Warrant will not constitute a disposition of property for the purposes of the *Income Tax Act* (Canada) (the "Tax Act") and, consequently, no gain or loss will be realized upon the exercise of a Warrant. A Unitholder who holds Warrants as capital property will, upon the disposition of a Warrant other than pursuant to the exercise thereof, realize a capital gain (or capital loss) in the taxation year of the Unitholder in which the disposition occurs to the extent that the proceeds of disposition, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base of such Warrant to the Unitholder.

Each investor should satisfy himself or herself as to the federal and provincial tax consequences of an investment in the securities offered hereby by obtaining advice from his or her tax advisor.

See "Income Tax Considerations".

**Redemption of Units:**

Commencing in 2012, Units may be surrendered for redemption during the period from August 1 to 5:00 p.m. (Toronto time) on the tenth business day prior to the last business day in August 2012 or any year thereafter, subject to the Fund's right to suspend redemptions in certain circumstances, for a redemption price equal to the NAV per Unit of the Fund on that date less any costs of funding the redemption. Unitholders will receive the redemption payment on or before the 15<sup>th</sup> day following the redemption date. Units may also be redeemed on a monthly redemption date for a redemption price equal to the lesser of: (a) 95% of the Market Price (as defined herein) of a Unit; and (b) 100% of the Closing Market Price (as defined herein) less, in each case, any costs associated with the redemption, including brokerage costs, and less any net realized capital gains of the Fund that are distributed to a Unitholder concurrently with the proceeds of disposition on redemption, being the monthly redemption amount. See "Redemption of Units".

**Market Purchases:** The Fund has the right (but not the obligation), exercisable in its sole discretion, at any time, to purchase Units for cancellation at prices not exceeding the NAV per Unit, subject to any applicable regulatory requirements and limitations. It is expected that such purchases will be made as normal course issuer bids through the facilities and under the rules of the Toronto Stock Exchange (the “TSX”) or such other exchange or market on which the Units are then listed.

See “Attributes of the Units and Warrants – Description of the Units – Market Purchases”.

**Distribution Policy:** The Fund intends to provide a stable stream of quarterly distributions to Unitholders of record on the last business day of each calendar quarter (such date, a “Record Date”) initially equal to approximately \$0.15 per Unit (\$0.60 per annum representing an annual cash distribution of 5.0% based on the \$12.00 per Combined Unit issue price).

The Fund expects that the initial distribution will be payable to Unitholders of record on March 31, 2011 and will be prorated from the Closing. All distributions will be paid to Unitholders proportionately based on their respective holdings of Units within 15 days following the Record Date or paid in such other manner as may be agreed to by the Manager. The Manager will determine and announce at least annually commencing in February 2012 an indicative distribution amount (the “Indicative Distribution”) for the following year based upon prevailing market conditions and the Manager’s estimate of total returns from the Portfolio for the year. In determining the Indicative Distribution, the Manager does not intend to set the distribution rate above the expected total return of the Portfolio for that year. Any returns in excess of the Indicative Distribution will serve to increase NAV and will therefore provide an opportunity for capital appreciation.

Based on its initial anticipated composition, the Portfolio is expected to generate dividends and distributions of approximately 5.3% per annum (before taking into account fees and expenses, the effect of leverage and withholding taxes). Any portion of the quarterly distributions not funded from dividends and distributions is expected to be generated through the realization of capital gains. Assuming that the gross proceeds of the Offering are \$100 million, that fees and expenses are as described herein and leverage of 33% of net assets, the Portfolio would be required to appreciate at a rate of 1.6% per annum for the Fund to maintain a stable NAV for the Units while making quarterly cash distributions for the year at the initial Indicative Distribution rate. To ensure the Indicative Distribution for the year is maintained, to the extent necessary, the Manager may return a portion of the capital of the Fund to Unitholders.

To the extent that the Fund realizes net income and net capital gains in excess of the Indicative Distribution in a year, the Fund intends to distribute to Unitholders on or before December 31 of that year such portion of the excess as is necessary to ensure that it will not be liable for income tax thereon under the Tax Act. Such distributions will be made in Units and/or cash. To the extent that the Fund makes a distribution in Units, the number of outstanding Units of the Fund will be automatically consolidated such that each Unitholder of the Fund will hold after the consolidation the same number of Units of the Fund as it held before the distribution of additional Units.

See “Distribution Policy”.

**Termination:** The Fund does not have a fixed termination date, but may be terminated (the date on which such termination occurs being the “Termination Date”) upon not less than 90 days’ written notice to the Manager from the Trustee (as defined below) with the approval of the Unitholders by a two-thirds majority vote passed at a duly convened meeting of Unitholders called for the purpose of considering such termination, provided that Unitholders holding at least 10% of the Units outstanding on the record date of the meeting vote in favour of such termination.

The Manager may, in its discretion, terminate the Fund without the approval of Unitholders if, in the opinion of the Manager, the NAV of the Fund is reduced as a result of redemptions or otherwise so that it is no longer economically feasible to continue the Fund and it would be in the

best interest of the Unitholders to terminate the Fund.

Immediately prior to the Termination Date, the assets of the Fund will be converted to cash, to the extent possible, and the Trustee, after paying or making adequate provision for all of the Fund's liabilities, shall distribute the net assets of the Fund to Unitholders on a *pro rata* basis as soon as practicable after the Termination Date.

See "Termination of the Fund".

**Eligibility for Investment:**

Provided that the Fund qualifies and continues to qualify at all times as a mutual fund trust within the meaning of the Tax Act, or the Units are listed on a "designated stock exchange" for purposes of the Tax Act (which currently includes the TSX), the Units will be qualified investments for trusts governed by a registered retirement savings plan, a registered retirement income fund, a deferred profit sharing plan, a registered disability savings plan, a registered education savings plan and a tax-free savings account (each a "registered plan"). Provided that the Warrants are listed on a "designated stock exchange" for purposes of the Tax Act (which currently includes the TSX), or provided that at all times the Units are qualified investments for registered plans and the Fund is not, and deals at arm's length with each person who is, an annuitant, a beneficiary, an employer or a subscriber under, or a holder of, the relevant registered plan, the Warrants will be a qualified investment under the Tax Act for registered plans.

However, the holder of a tax-free savings account that governs a trust which holds Units or Warrants will be subject to a penalty tax if the holder does not deal at arm's length with the Fund for purposes of the Tax Act or if the holder has a significant interest (within the meaning of the Tax Act) in the Fund or in a corporation, partnership or trust with which the Fund does not deal at arm's length for purposes of the Tax Act. See "Income Tax Considerations – Eligibility for Investment".

**ORGANIZATION AND MANAGEMENT OF  
MACQUARIE EMERGING MARKETS INFRASTRUCTURE INCOME 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 over \$1.8 billion in assets. The Manager is part of the Connor, Clark & Lunn Financial Group. The registered office of the Manager is located at Suite 300, 181 University Avenue, Toronto, Ontario, M5H 3M7. See "Organization and Management Details of the Fund – The Manager" and "Organization and Management Details of the Fund – The Promoter".

**Trustee:**

RBC Dexia Investor Services Trust will act as the trustee (the "Trustee") of the Fund. The Trustee's office is located in Toronto, Ontario. See "Organization and Management Details of the Fund – The Trustee".

**Portfolio Manager:**

Macquarie Capital Investment Management LLC ("MCIM"), a member of Macquarie Group, is a global leader in the listed infrastructure sector and will act as the portfolio manager (the "Portfolio Manager") of the Fund. The Portfolio Manager is part of the Macquarie Funds Group ("MFG"), Macquarie Group's funds management business. MFG is Australia's largest asset manager with over \$300 billion globally in assets under management of which \$93 billion (inclusive of MCIM's affiliates) is invested in both listed and private or direct infrastructure mandates (as at September 30, 2010).

The principal office of the Portfolio Manager is located in New York, New York, however, a number of the services provided by the Portfolio Manager will be carried out in Sydney, Australia. See "Organization and Management Details of the Fund – The Portfolio Manager".

**Custodian:** RBC Dexia Investor Services Trust will act as the custodian (the “Custodian”) of the Fund. The Custodian is located in Toronto, Ontario. See “Organization and Management Details of the Fund – The Custodian”.

**Registrar and Transfer Agent:** Computershare Investor Services Inc., at its office in Toronto, Ontario, will maintain the securities registers of the Units and register transfers of the Units. Computershare Trust Company of Canada will act as registrar, transfer agent and distribution agent for the Warrants at its office in Toronto, Ontario. See “Organization and Management Details of the Fund – The Registrar and Transfer Agent”.

**Auditors:** PricewaterhouseCoopers LLP, Chartered Accountants, at its offices in Toronto, Ontario, will act as the auditors of the Fund. See “Organization and Management Details of the Fund – The Auditors”.

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

The Fund has granted the Agents the option (the “Over-Allotment Option”) in respect of the Combined Units, exercisable until 30 days after the Closing, to purchase up to 15% of the aggregate number of Combined Units issued at the Closing on the same terms set forth above solely to cover over-allotments, if any. If the Over-Allotment Option for the Combined Units is exercised in full, the total price to the public under the maximum Offering of Combined Units will be \$115,000,008, the Agents’ fees will be \$6,037,500 and the net proceeds to the Fund will be \$108,962,508. This prospectus qualifies the distribution of the Agents’ over-allocation position, including the Over-Allotment Option, and the Combined Units issuable on the exercise thereof. A purchaser who acquires Combined Units forming part of the Agents’ over-allocation position acquires such Combined Units under this prospectus, regardless of whether the over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases. See “Plan of Distribution”.

<u>Agents’ Position</u>	<u>Maximum Size</u>	<u>Exercise Period</u>	<u>Exercise Price</u>
Over-Allotment Option	1,250,000 Combined Units	Within 30 days following the date of the Closing	\$12.00 per Combined Unit

## SUMMARY OF FEES AND EXPENSES

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

Type of Fee	Description
<b>Fees payable to the Agents for selling Combined Units:</b>	\$0.63 per Combined Unit (5.25%).
<b>Expenses of issue:</b>	The Fund will pay the expenses incurred in connection with the Offering (estimated to be \$750,000) subject to a maximum of 1.5% of the gross proceeds of the Offering.
<b>Management and Portfolio Management Fees:</b>	<p>The Fund shall pay the Manager: (a) a fee equal to 1.40% of NAV per annum, calculated and paid monthly in arrears, together with any applicable taxes; plus (b) an amount equal to the Service Fee (as defined below) to be paid by the Manager to dealers, together with any applicable taxes. These amounts total 1.80% of NAV per annum plus taxes.</p> <p>The Portfolio Manager will be compensated for its services to the Fund by the Manager without any further cost to the Fund.</p>
<b>Operating Expenses:</b>	The Fund will pay for all ordinary expenses incurred in connection with the operation and administration of the Fund, estimated to be \$200,000 per annum. The Fund will also be responsible for commissions and other costs of securities transactions and any extraordinary expenses which may be incurred by it from time to time.
<b>Service Fee:</b>	<p>A service fee (the "Service Fee") will be payable by the Manager to each dealer whose clients hold Units at the end of a calendar quarter. The Service Fee will be calculated and payable on the last business day of each calendar quarter and will be equal to one quarter of 0.40% of the NAV per Unit of each Unit at such time.</p> <p>The Service Fee payable to registered dealers in respect of the quarter ending March 31, 2011, shall be paid on a <i>pro rata</i> basis from the date of the Closing.</p>
<b>Warrant Exercise Fee:</b>	Within 30 days of the proper exercise of a Warrant, the Fund will pay a fee equal to \$0.18 to the dealer on behalf of the broker whose client is exercising the Warrant and \$0.12 per Warrant to the dealer employing such broker.

## OVERVIEW OF THE LEGAL STRUCTURE OF THE FUND

Macquarie Emerging Markets Infrastructure Income Fund (the “Fund”) is a closed-end investment trust established under the laws of the Province of Ontario pursuant to a trust agreement dated as of January 26, 2011 (the “Trust Agreement”) between Connor, Clark & Lunn Capital Markets Inc. (the “Manager”) in its capacity as manager and RBC Dexia Investor Services Trust (the “Trustee”) as trustee of the Fund.

The principal place of business of the Fund and the registered office of the Manager is Suite 300, 181 University Avenue, Toronto, Ontario, M5H 3M7.

The Fund proposes to issue combined units (“Combined Units”) of the Fund at a price of \$12.00 per Combined Unit (the “Offering”). Each Combined Unit consists of one transferable, redeemable unit (“Unit”) and one transferable warrant (“Warrant”) for one Unit. Each Warrant for one Unit entitles the holder to purchase one Unit at a subscription price of \$12.00 on or before January 31, 2012. **Warrants not exercised by January 31, 2012 will be void and of no value.**

### Status of the Fund

The Fund is not considered to be a “mutual fund” under the securities legislation of the provinces and territories of Canada. As a result, some of the protections provided to investors in mutual funds under such laws will not be available to investors in the Units.

## INVESTMENT OBJECTIVES

The Fund’s investment objectives are to generate: (a) quarterly distributions for holders of Units (“Unitholders”) initially targeted to be \$0.15 per Unit (\$0.60 per annum representing an annual cash distribution of 5.0% based on the \$12.00 per Combined Unit issue price); and (b) total return for Unitholders, consisting of dividend income and capital appreciation.

To achieve the Fund’s investment objectives, the net proceeds of the Offering will be invested in a portfolio (the “Portfolio”) consisting of infrastructure equity securities issued by entities domiciled in emerging markets.

## RATIONALE FOR THE FUND

The Fund was established to take advantage of the expertise of Macquarie Group as Macquarie Capital Investment Management LLC (“MCIM”), a global leader in the listed infrastructure sector, will act as the portfolio manager (the “Portfolio Manager”) of the Fund. The Portfolio Manager is part of the Macquarie Funds Group (“MFG”), Macquarie Group’s funds management business. MFG is Australia’s largest asset manager with over \$300 billion globally in assets under management of which \$93 billion (inclusive of MCIM’s affiliates) is invested in both listed and private or direct infrastructure mandates (as at September 30, 2010).

The Portfolio Manager believes there are three significant long-term growth drivers of companies that own, operate and/or are associated with the development of infrastructure assets in emerging markets.

- (a) **Economic growth:** Sustainable economic growth over the long term requires investment in new infrastructure and the maintenance of existing infrastructure assets. The Portfolio Manager therefore believes that the desire for economic growth in emerging markets is likely to spur infrastructure investments.
- (b) **Rising population and urban migration:** A growing population and urban migration place pressure on existing infrastructure and create demand for increased investment, particularly in basic services, such as power, water and sanitation. Domestic demand is expected to be a dominant driver of growth.

- (c) **Greater focus on competitiveness:** Quality of infrastructure is an important factor impacting a country's competitiveness. The Portfolio Manager therefore believes higher government and private sector investment in infrastructure is required for any emerging economy to remain competitive and attract foreign direct investment.

Infrastructure assets are essential to emerging market economies because they provide the domestic population with the basic services for both social and economic development. Infrastructure assets typically provide essential services, such as fresh water, sanitation, roads, airports, utilities, power, communications, hospitals, schools and other social services. These assets provide exposure to the underlying economic growth of emerging markets. The Portfolio Manager believes such assets may exhibit a reduced business risk in comparison to some other sectors due to the more predictable cash flows of infrastructure assets.

Infrastructure assets provide the underlying foundation of basic services, facilities and institutions upon which the growth and development of a community depends. Infrastructure assets typically provide the necessities of everyday life, such as fresh water and sanitation, roads, airports, electricity and gas utilities, steam heating systems, hospitals, schools and other social services. Infrastructure assets include transportation corridors and facilities, communications networks, energy distribution systems, pipelines, and other institutions that are fundamental to the health of an economy.

The Portfolio Manager believes that the key features of infrastructure assets include:

- (a) **Essential services:** Many infrastructure issuers are the sole providers of an essential product or service (for example water/sanitation, power and transportation services) to a segment of the population and the product or service often retains this characteristic for an extended period of time.
- (b) **Strategic competitive advantages:** Many infrastructure assets are monopolistic or near monopolistic in nature and have high barriers to entry, thereby providing a strategic competitive advantage.
- (c) **Fixed and regulated returns:** Monopoly-type market environments may bring access to predictable returns through regulation or long term contracts.
- (d) **Fixed cost base:** Once an infrastructure asset is developed, ongoing operational maintenance expenditure may be relatively low and stable. As a result, increases in revenue may not result in proportionate increases in operating expenditure, thereby increasing free cash flow.
- (e) **Relatively inelastic demand:** Due to the essential service nature of infrastructure, demand for infrastructure-related products or services may be more stable and less sensitive to changes in price compared with some other products or services.
- (f) **Inflation linkage:** The underlying revenue of infrastructure assets may be linked to inflation, sometimes directly through a regulatory framework or through concession agreements linking price growth to inflation.

## **INVESTMENT STRATEGIES**

The Fund will invest in listed emerging markets infrastructure securities issued by entities that own, operate or provide infrastructure assets or services. These are emerging market domiciled entities that earn a substantial amount of their revenue or profits from owning, operating or providing infrastructure assets or services.

### **General Emerging Markets vs. Emerging Markets Infrastructure**

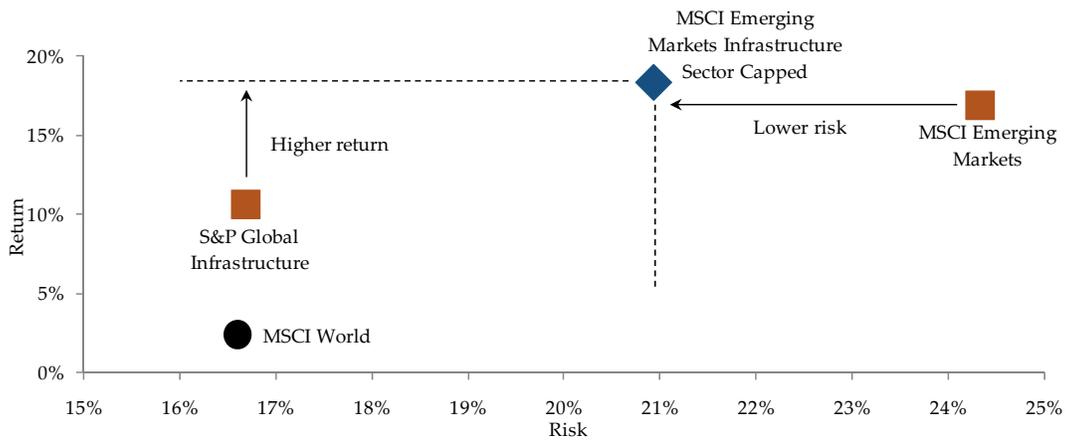
The Portfolio Manager expects domestic demand to be a dominant driver of growth due to demographics trends and continued urbanization in emerging markets. By its very nature, the demand for infrastructure is driven by domestic demand. Infrastructure may be one of the main beneficiaries of growth in domestic demand as governments modernize and expand infrastructure to support this growth.

The Portfolio Manager believes that compared to a general emerging markets strategy, a portfolio of emerging markets infrastructure equities is ideally placed to benefit from the transition towards domestically focused growth in emerging markets. The predominantly export focussed sectors of Materials, Energy and IT are a significantly larger proportion of the broad MSCI EM Index, than of the MSCI EM Infrastructure Sector Capped Index.

### Risk vs. Return for Emerging Market Infrastructure Equities

Historically, emerging markets infrastructure has provided higher returns and higher volatility compared to global infrastructure but lower volatility compared to emerging markets equities. The chart below illustrates the risk vs. return relationship from November 2001 to September 2010.

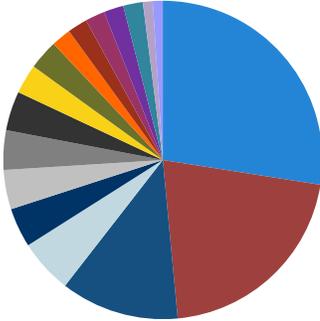
Emerging Markets Infrastructure Return & Volatility



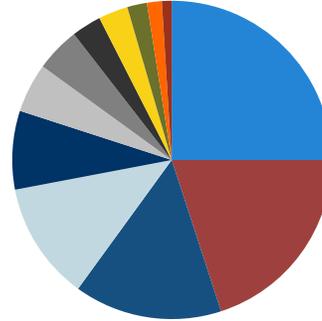
Return (in U.S. dollars): annualized compound monthly returns from November 2001 to September 2010.  
 Risk: annualized standard deviation of monthly returns from November 2001 to September 2010.

## Indicative Portfolio

The following charts illustrate the breakdown of the indicative portfolio of the Fund, if it had been in existence as of December 3, 2010, by country and industry sector.



■ China 28%	■ Brazil 21%
■ Thailand 12%	■ Mexico 6%
■ Czech Republic 4%	■ Malaysia 4%
■ Russia 4%	■ Taiwan 4%
■ Indonesia 3%	■ South Africa 3%
■ Chile 2%	■ Poland 2%
■ Singapore 2%	■ South Korea 2%
■ Turkey 2%	■ India 1%
■ Philippines 1%	



■ Electric Utilities 25%
■ Highways & Railtracks 20%
■ Independent Power Producers 15%
■ Wireless Telecommunication Services 12%
■ Integrated Telecommunication Services 8%
■ Water Utilities 5%
■ Airport Services 5%
■ Industrial Conglomerates 3%
■ Oil & Gas Storage & Transportation 3%
■ Railroads 2%
■ Marine Ports & Services 2%
■ Gas Utilities 1%

The table below sets out, as at December 3, 2010, the following information in respect of the expected top 10 holdings of the Fund: the name, domicile and sector of each equity security; the initial weighting, dividend yield and the market capitalization of each equity security.

<b>Top 10 Holdings</b>					
<b>Company</b>	<b>Domicile</b>	<b>Sector</b>	<b>Initial Weighting</b>	<b>Gross Dividend</b>	<b>Market Cap (US\$ mm)</b>
<i>Hopewell Highway</i>	<i>China</i>	<i>Highways &amp; Railtracks</i>	4.00%	5.47%	2,227
<i>Jiangsu Expressway</i>	<i>China</i>	<i>Highways &amp; Railtracks</i>	5.00%	3.85%	5,534
<i>Zhejiang Expressway</i>	<i>China</i>	<i>Highways &amp; Railtracks</i>	5.00%	4.57%	4,330
<i>AES Tiete</i>	<i>Brazil</i>	<i>Indep. Power Producers</i>	3.00%	9.79%	5,088
<i>Energias Do Brazil</i>	<i>Brazil</i>	<i>Electric Utilities</i>	5.00%	5.20%	3,331
<i>Tenaga Nasional BHD</i>	<i>Malaysia</i>	<i>Electric Utilities</i>	4.00%	6.93%	11,472
<i>Electricity Generating PCL</i>	<i>Thailand</i>	<i>Indep. Power Producers</i>	4.00%	5.48%	1,686
<i>Centrais Eletricas Bras-PR B</i>	<i>Brazil</i>	<i>Electric Utilities</i>	4.00%	6.89%	17,548
<i>Mobile Telesystems OJSC</i>	<i>Russia</i>	<i>Mobile Telecom.</i>	4.00%	4.64%	21,398
<i>CEZ</i>	<i>Czech Republic</i>	<i>Electric Utilities</i>	4.00%	6.93%	21,598
<b>Average (Top 10 Holdings)</b>				<b>5.98%</b>	<b>9,421</b>
<b>Average (Total Portfolio)</b>				<b>5.30%</b>	<b>10,872</b>

### Other Macquarie Funds Using a Similar Investment Strategy

The Fund will adopt a systematic, bottom up, fundamentals based stock selection approach. This approach will be complemented by a top down macro analysis to determine the cash level and country allocation of the Fund.

The Fund will use essentially the same approach and the same portfolio management team as the Macquarie Emerging Markets Infrastructure Securities Fund (an Australian based fund), except that the Portfolio Manager will place a greater emphasis on dividends in selecting securities for the Portfolio. As a result of this greater emphasis, when compared to the Macquarie Emerging Markets Infrastructure Securities Fund, the Fund will be expected to have a higher yield, lower volatility and lower growth. The following table sets forth a comparison of the compound returns of the Australian based fund and the benchmark.

	<b>For the Period Ended November 30, 2010<sup>(1)</sup></b>		
	<b>1-Year</b>	<b>2-Years</b>	<b>Since Inception</b>
Macquarie Emerging Markets Infrastructure Securities Fund <sup>(2)</sup> .....	11.19%	23.87%	21.96%
Benchmark <sup>(3)(4)</sup> .....	10.29%	22.50%	18.89%

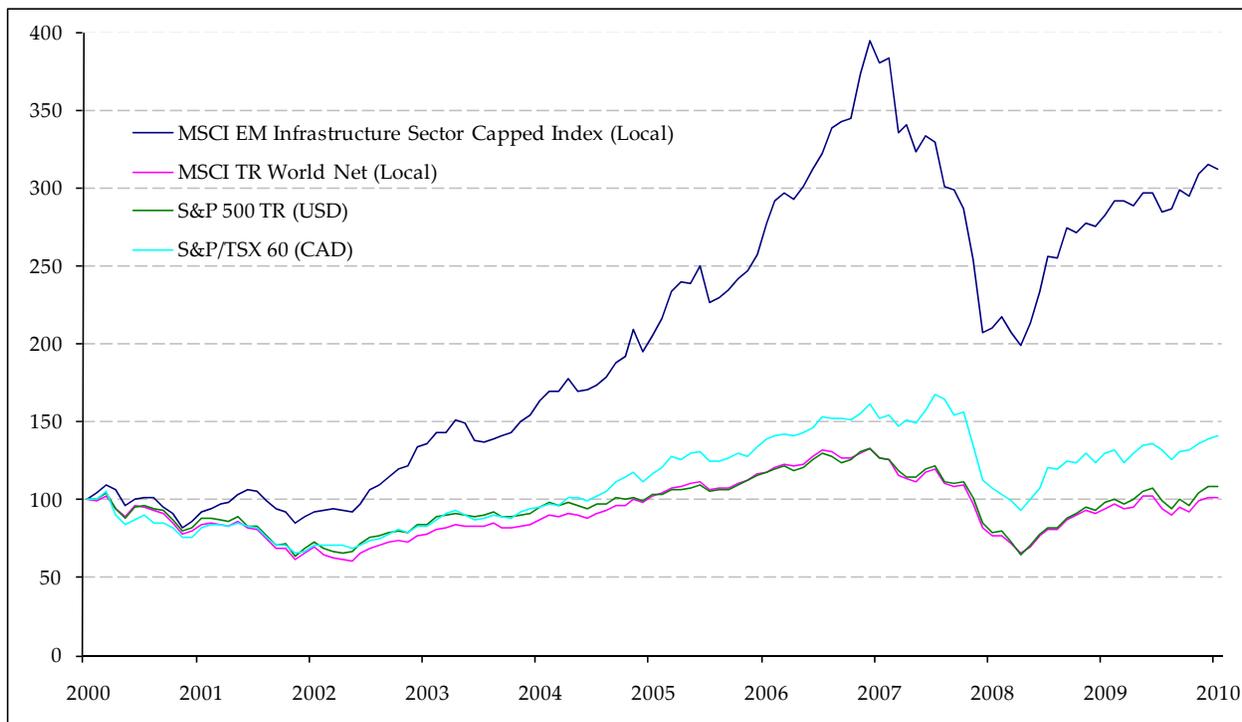
(1) Hedged back to AU\$. However, the Fund's returns may not, and initially will not, be fully hedged back to the Canadian dollar. Returns are expressed on a per annum basis.

(2) Net of fees and expenses. Inception date of October 17, 2008.

(3) Macquarie Emerging Markets Infrastructure and Development Index (AU\$ hedged) until 30 April 2010, thereafter the MSCI Emerging Markets Infrastructure Sector Capped Index (AU\$ hedged).

(4) Source: Macquarie.

The Macquarie Emerging Market Infrastructure Securities Fund has been in existence since October 17, 2008. The MSCI Emerging Markets Infrastructure Sector Capped Index has been in existence for a longer period of time and provides some indication of the performance of the emerging markets infrastructure sector through the recent global financial crisis. For that reason, the graph below illustrates the performance of that index together, for comparison purposes, with the performance of the broader S&P/TSX 60 Index and the S&P 500 Index for the period from November 30, 2000 until November 30, 2010.



**The information set forth above is historical and is not intended to be, nor should it be construed as, an indication as to future returns.**

### Leverage

The Fund intends to establish a loan facility that may be used for various purposes including purchasing additional securities for the Portfolio, effecting market purchases of Units, funding distributions or redemptions and for cash flow requirements from time to time. Borrowings by the Fund thereunder may be in Canadian or U.S. dollars and shall not exceed 33% of the net assets of the Fund at the time of borrowing. The maximum amount of leverage that the Fund would employ is 1.33:1. The Fund expects that the terms, conditions, interest rates, fees and expenses of and under the loan facility will be typical for loans of this nature. See “Investment Strategies – Leverage”.

### Currency Hedging

The Portfolio Manager will take currency exposure into account in managing the total return of the Portfolio, including dividend yields, and may, from time to time, hedge all or any portion of the value of the Portfolio back to the Canadian dollar. The Portfolio is denominated in a range of emerging market currencies, some of which are linked to the U.S. dollar. Initially, the Portfolio Manager intends to hedge approximately 40% of the Portfolio’s foreign exposure back to the Canadian dollar including emerging market currencies linked to the U.S. dollar.

### Securities Lending

To generate additional returns, the Fund may lend portfolio securities to securities borrowers acceptable to the Fund pursuant to the terms of a securities lending agreement between the Fund and any such borrower (a “Securities Lending Agreement”). Under a Securities Lending Agreement: (i) the borrower will pay to the Fund a negotiated securities lending fee and will make compensation payments to the Fund equal to any distributions received by the borrower on the securities borrowed; (ii) the securities loans shall qualify as “securities lending arrangements” for the purposes of the *Income Tax Act* (Canada) (the “Tax Act”); and (iii) the Fund will receive prescribed collateral

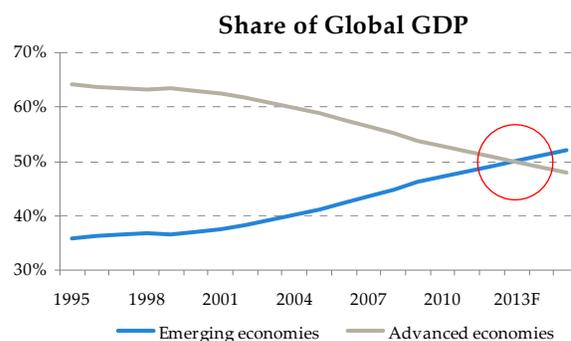
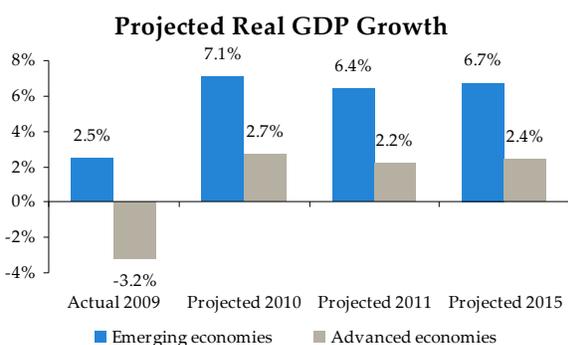
security. The Custodian (as defined below) may be responsible for the ongoing administration of the securities loans, including the obligation to mark-to-market the collateral on a daily basis.

## OVERVIEW OF THE SECTORS IN WHICH THE FUND INVESTS

To sustain economic growth over the long term requires investment in new infrastructure and the maintenance of existing infrastructure assets.

### *GDP Growth*

Over the next five years the International Monetary Fund projects emerging economies to grow at close to three times the rate of growth of advanced economies. The International Monetary Fund estimates that by 2013, emerging economies should contribute more towards global growth than developed ones, with this trend continuing in the foreseeable future. As developed market populations age, the International Monetary Fund believes that emerging market populations will slowly replace developed economies as the global growth engines. The following graphs illustrate projections of real GDP over the next five years and the contribution to global growth, as measured by share of global GDP, generated by emerging market economies.



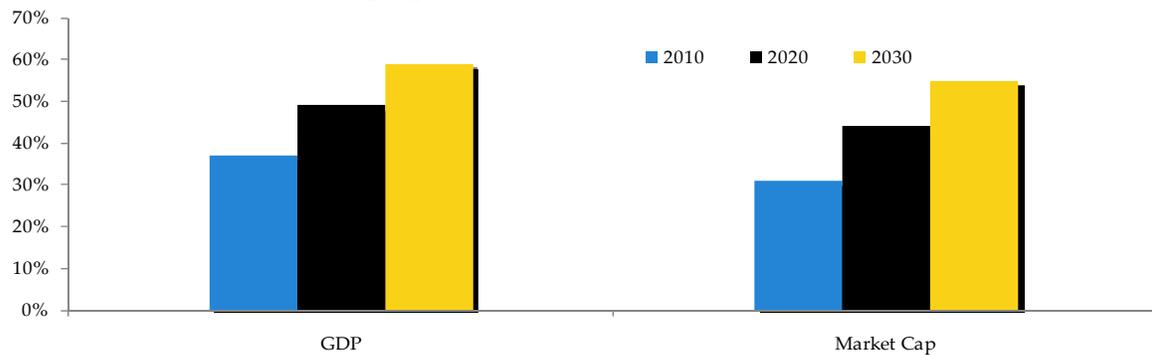
Source: World Economic Outlook (International Monetary Fund), October 2010

Source: IMF WEO Oct 2010

### *Greater Share of Global Market Capitalization*

The Portfolio Manager believes that the higher growth rate of emerging markets should also drive up their equity market capitalization. The chart below shows emerging markets' current and projected share of world GDP and market capitalization. Goldman Sachs projects emerging markets could represent 55% of global market capitalization by 2030. As more emerging markets companies meet the MSCI's market capitalization and liquidity criteria, the allocation to emerging markets within the MSCI All Country World Index should increase. It is expected that the emerging markets weight within the MSCI All Country World Index could increase from 13% today to almost 20% within the next 10 years. The Portfolio Manager believes that this higher allocation should drive pension funds, institutional and retail investors to increase their allocation to emerging market equities.

## Emerging Markets Share of GDP and Market Capitalization



Source: IMF, MSCI, Goldman Sachs ECS Research

### *A Wealthier Middle Class*

The World Bank defines “upper middle income” people as those with incomes greater than US\$3,946<sup>(1)</sup>. Research has shown that this threshold is where the demand for consumer durables can increase significantly. India, Indonesia and the Philippines are just reaching that threshold. These three countries alone account for 22% of the world population. As countries like Brazil and China become increasingly wealthy, more and more consumers will fall into the higher middle income range, which the Portfolio Manager expects will further support domestic demand in emerging markets.

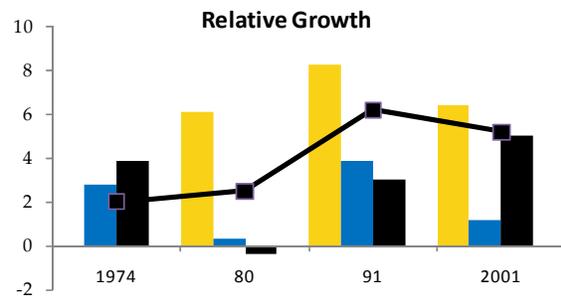
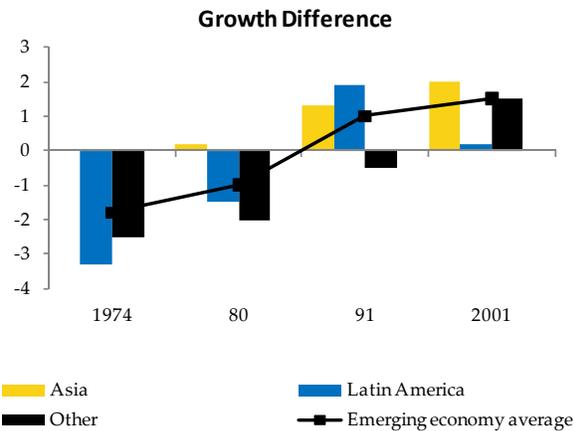
### Emerging and Developing Economies – GDP per Capita (based on PPP)

	1990	2000	2005	2010	2015F
GDP per Capita	\$2,072.87	\$3,121.76	\$4,305.20	\$6,082.00	\$8,456.51
Percentage Change		50.60%	37.91%	41.27%	39.04%

(1) Source: World Bank GNI per capita Operational Guidelines & Analytical Classifications.

### *Emerging Economies Becoming More Resilient*

Despite having become more integrated with, and their performance having become more correlated with that of, advanced economies, emerging economies have performed much better than developed economies after the more recent recessions when compared to the recessions in the 1970s and 1980s. The two charts below illustrate this decoupling. They show how emerging economies performed after four recessions in the advanced economies in 1974-1975, 1980-1983, 1991-1993 and 2001. The Growth Differences chart compares the average growth rate of emerging economies in the three years after the recession against the average growth rate three years before that recession. The pattern shows that the performance of emerging markets has improved after each subsequent recession in the advanced economies. The Relative Growth chart compares the average growth rate during the three years after the recession for emerging economies against the average for advanced economies (weighted by purchasing power parity). Although there is no assurance that such a trend would be repeated, the pattern shows that emerging markets experienced stronger growth than advanced economies post recessions.



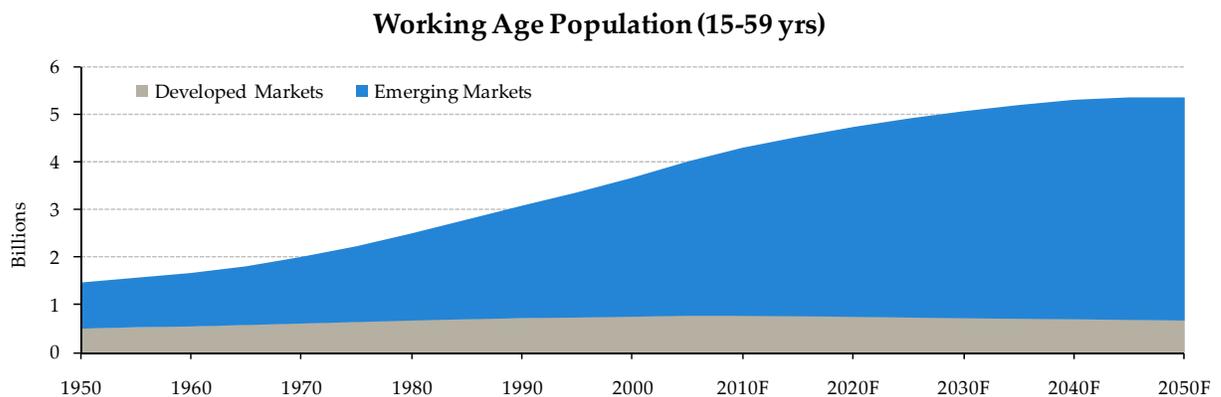
Source: IMF staff calculations

### *Rising Population and Urban Migration*

Growing populations and urban migration place pressure on existing infrastructure and create demand for increased investment, particularly in basic services, such as power, water and sanitation.

### *Demographic Trends*

The rate of population growth in emerging markets is projected to outpace that in the developed world. Emerging market countries should continue to provide an abundant and cheap labour force that will become wealthier as standards of living rise. As emerging economies continue to grow and prosper, disposable income should continue to increase and drive domestic demand, which the Portfolio Manager believes will be a strong contributor to growth in emerging markets.



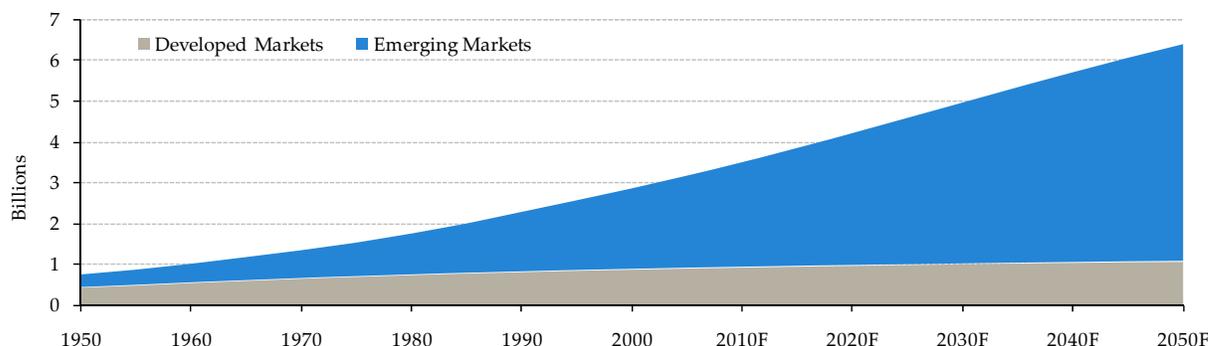
Source: Population Division of the Department of Economic and Social Affairs of the United Nations Secretariat, World Population Prospects: The 2008 Revision, <http://esa.un.org/unpp>, March 2009.

### *Urbanization*

The Portfolio Manager believes that these demographic trends are leading to a further urbanization of the emerging markets population. Emerging markets urbanization is set to far outpace that of developed markets. Urbanization is a key driver of infrastructure demand. It is estimated that up to one million people per week are being added to cities in the emerging markets due to rapid urbanization. The United Nations projects that by 2025,

21 of the 25 largest cities in the world will be in developing economies. A number of emerging market cities are already experiencing shortages in electricity, gas, transport (roads, rail, airports, ports) and sanitation (water/waste).

### Urban Population



Source: Population Division of the Department of Economic and Social Affairs of the United Nations Secretariat, World Population Prospects: The 2008 Revision, <http://esa.un.org/unpp>, March 2009.

### Greater Focus on Competitiveness

#### State of Infrastructure

The quality of infrastructure is an important factor impacting a country’s competitiveness. The large movement of population to cities is putting increased pressure on existing infrastructure which is already inadequate due to years of underinvestment. Higher government and private sector investment in infrastructure is required for any emerging economy to remain competitive and attract foreign direct investment. The following table shows the relative ranking of infrastructure in several of the larger emerging and developed countries.

Percentile ranking of infrastructure assets of 133 countries									
	US	Germany	Brazil	Mexico	China	India	Russia	South Africa	Turkey
Quality of overall infrastructure	89%	95%	26%	43%	56%	32%	41%	65%	47%
Quality of roads	92%	96%	17%	50%	62%	35%	22%	70%	59%
Quality of railroad infrastructure	87%	96%	35%	46%	79%	84%	76%	72%	48%
Quality of port infrastructure	90%	96%	8%	29%	59%	30%	43%	63%	34%
Infrastructure	85%	97%	24%	58%	44%	50%	34%	81%	59%
Quality of electricity supply	87%	95%	56%	35%	49%	19%	51%	24%	37%
Telephone lines	89%	98%	53%	49%	65%	20%	71%	32%	60%
OVERALL	94%	99%	41%	49%	65%	46%	56%	64%	50%

Source: World Economic Forum, BofA Merrill Lynch Global Research

### Importance of Infrastructure and Commitments by Governments

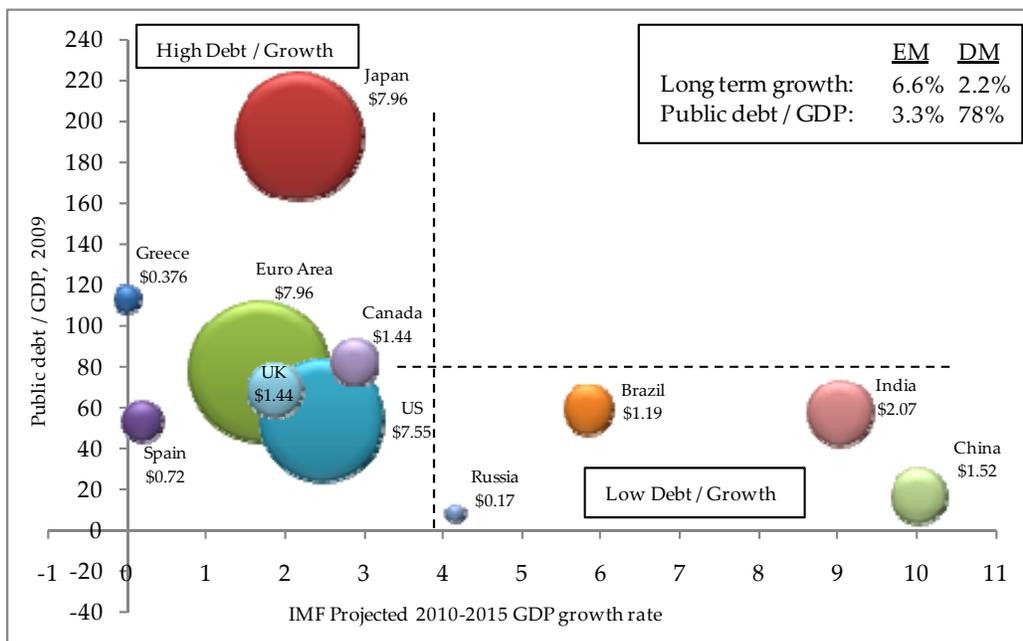
Infrastructure in emerging markets is an important secular theme because it is critical for sustained economic growth. According to the World Bank, major urban centres contribute a disproportionately large portion of a country’s GDP. Because infrastructure leads to higher output, infrastructure investment can be one of the most efficient uses of government funds. Realizing this, governments have responded by making infrastructure a priority and allocating significant resources. Bank of America Merrill Lynch Global Research projects infrastructure spending of US\$6 trillion, or about 6% of GDP, in aggregate, over the next three years. Transportation, energy and water is expected to account for more than 80% of the spending. The table below shows emerging markets infrastructure spending plans between 2010 and 2012 in billions of U.S. dollars.

Emerging Markets Infrastructure Spend (2010 – 2012)							
	Construction	Energy & Power	Transport & Logistics	Water & Environment	Housing	Other	Total
China	0	778	1,472	1,621	0	0	3,871
Russia							500
Middle East / Gulf	314	105	158	9	0	0	586
India	0	170	80	51	0	2	302
Brazil	0	251	56	17	150	43	517
Mexico	0	83	28	11	0	18	140
South Africa	0	54	13	2	6	40	115
Turkey	0	20	100	0	26	41	187
CEE	0	7	27	4	0	4	42
<b>Total</b>	<b>314</b>	<b>1,468</b>	<b>1,934</b>	<b>1,715</b>	<b>182</b>	<b>147</b>	<b>6,260</b>

Source: World Economic Forum, BofA Merrill Lynch Global Research

### Ability of Governments to Fund Infrastructure Spending

In order to fund higher investment in infrastructure, governments need healthy balance sheets and access to capital. Currently, the balance sheets of many emerging markets countries are healthier when compared to those of many advanced countries. High levels of domestic savings and positive balance of payment external accounts provide further support for infrastructure build out plans. The following chart shows the stronger growth forecasts and public debt position of a number of emerging market countries, relative to advanced countries.



Source: CIA World Factbook, IMF, BofA Merrill Lynch Global Research. Bubble size represents scale of absolute public debt burden.

### Infrastructure as an Asset Class

Infrastructure assets provide the underlying foundation of basic services, facilities and institutions upon which the growth and development of a community depends. Infrastructure assets typically provide the necessities of everyday life, such as fresh water and sanitation, roads, airports, electricity and gas utilities, hospitals, schools and other social services. Infrastructure assets include transportation corridors and facilities, communications networks, energy distribution systems, pipelines, and other institutions that are fundamental to the health of an economy.

### Categories of Infrastructure

Infrastructure assets can be broadly divided into four categories:

- (a) **Social Infrastructure:** Assets that provide basic social services to the community. *Examples:* courts, hospitals, schools and correctional facilities.
- (b) **Regulated Assets:** Assets that provide a product or service for which there are few viable alternatives and are regulated in the level of revenue earned, the charges imposed or the rates of return allowed. *Examples:* transmission, electricity and gas distribution, water and sewage pipelines.
- (c) **User Pay Assets:** Assets that depend on a form of user payment for their main revenue source. *Examples:* seaports, toll roads, airports and railways.
- (d) **Market Priced Assets:** Assets that compete in a market for the sale of a product or service and are therefore exposed to market risks (e.g. stability of prices or competitive pressures). *Examples:* non-contracted power generators and telecommunications.

### Key Features of Infrastructure Assets

Infrastructure assets typically provide stable and predictable income streams and demonstrate some of the following attributes:

Essential Services	Strong Strategic Position	Sustainable & Predictable Cash Flows	Potential for Consistent Growth
			
<ul style="list-style-type: none"> <li>▪ Daily usage, high volume</li> <li>▪ Large customer base – households, businesses, passengers, drivers</li> <li>▪ Low risk of technological obsolescence</li> <li>▪ Community focus</li> </ul>	<ul style="list-style-type: none"> <li>▪ Long life, high value, physical assets</li> <li>▪ Significant capital requirement for competitor development</li> <li>▪ Long-term contracts / concessions</li> <li>▪ High barriers to entry</li> <li>▪ Planning and approval requirements</li> </ul>	<ul style="list-style-type: none"> <li>▪ Concession arrangements</li> <li>▪ Long-term contracts</li> <li>▪ Captive markets</li> <li>▪ Pricing power, inelastic demand</li> <li>▪ Low operating costs</li> <li>▪ Prices and revenues often set by regulation</li> <li>▪ Operating track record and</li> </ul>	<ul style="list-style-type: none"> <li>▪ Long-term growth correlated with GDP</li> <li>▪ Inflation linked</li> </ul>

### INVESTMENT RESTRICTIONS

The Fund is subject to certain investment restrictions that limit the securities the Fund may acquire for the Portfolio. The Fund’s investment restrictions may not be changed without the approval of the Unitholders by way of an Extraordinary Resolution (as defined below). See “Unitholder Matters – Matters Requiring Unitholder Approval”. According to the Fund’s investment restrictions:

- (a) The Fund will restrict its investments in any one issuer to no more than 15% of its total assets at the time of investment.

- (b) The Fund will restrict its investments in any one Global Industry Classification Standard sub industry to no more than 40% of its total assets at the time of investment.
- (c) The Fund will restrict its investments in any one country to no more than 40% of its total assets at the time of investment.
- (d) The Fund may hold up to 50% of its total assets in cash for defensive purposes.
- (e) The Fund may not borrow or use other forms of leverage in excess of 33% of the net assets of the Fund.
- (f) Not more than 10% of the assets (determined at the time of purchase) of the Portfolio will be invested in “illiquid securities”. The term “illiquid securities” for this purpose means securities that cannot be disposed of within seven days in the ordinary course of business at approximately the amount at which the securities are valued for the Portfolio.
- (g) The Fund will not guarantee securities or obligations of another person or company other than the Manager, and then only in respect of the activities of the Fund.
- (h) The Fund will not purchase securities of an issuer for the purposes of exercising control over management of that issuer or if, as a result of such purchase, the Fund would be required to make a take-over bid that is a “formal bid” for the purposes of applicable securities laws.
- (i) The Fund will not make or hold any investment that would result in the Fund failing to qualify as a “mutual fund trust” within the meaning of the Tax Act.
- (j) The Fund will not acquire or hold any property that is “taxable Canadian property” within the meaning of the Tax Act or that will otherwise constitute “specified property” within the meaning of the proposed amendments to the Tax Act announced on September 16, 2004 (or amendments to such proposals, provisions as enacted into law or successor provisions thereto).
- (k) The Fund will not acquire any interest in a non-resident trust that is not an “exempt foreign trust”, as set forth in the proposed amendments to the Tax Act dealing with non-resident trusts contained in draft legislation released on August 27, 2010 by the Department of Finance (Canada) to implement certain tax measures from the 2010 federal budget (or amendments to such proposals, provisions as enacted into law or successor provisions thereto).
- (l) The Fund will not invest in any securities of any entity that would be a foreign affiliate of the Fund for purposes of the Tax Act.
- (m) The Fund will not make or hold any investment that would result in the Fund becoming a “SIFT trust” within the meaning of subsection 122.1(1) of the Tax Act.

Subject to the above investment restrictions, the Fund may from time to time invest in one or more Macquarie Group funds. Such an investment will only be made on the basis that the approval of the Independent Review Committee is obtained and that there will be no duplication in the fees payable to a Macquarie Group entity in connection with its investment in such a fund.

## **FEES AND EXPENSES**

### **Initial Expenses**

The Fund will pay the expenses incurred in connection with the Offering subject to a maximum of 1.5% of the gross proceeds of the Offering. The expenses of the Offering include the costs of creating and organizing the Fund, the costs of printing and preparing this prospectus, legal expenses of the Fund, marketing expenses, legal and other

out-of-pocket expenses incurred by the Agents and certain other expenses. The expenses of the Offering are estimated to be \$750,000. Agents' fees of \$0.63 for each Combined Unit sold will be paid out of the gross proceeds of the Offering.

### **Management Fee**

Pursuant to the terms of the Trust Agreement, the Manager is entitled to an annual fee equal to 1.40% of the net asset value of the Fund (the "Net Asset Value" or "NAV") per annum, calculated and paid monthly in arrears, plus any applicable taxes. The Manager will also be paid, as an additional fee, an amount equal to the Service Fee (as defined below), plus any applicable taxes, to be paid by the Manager to dealers. These amounts total 1.80% of NAV per annum plus taxes.

The Portfolio Manager will be compensated for its services to the Fund by the Manager without any further cost to the Fund.

### **Operating Expenses**

The Fund will pay for all ordinary expenses incurred in connection with its operation and administration. It is expected that these expenses will include, without limitation, mailing and printing expenses for periodic reports to Unitholders and other Unitholder communications including marketing and advertising expenses; fees payable to Computershare Investor Services Inc. for acting as registrar and transfer agent for the Units and Computershare Trust Company of Canada for acting as registrar, transfer agent and distribution agent for the Warrants and performing certain financial, record keeping, reporting and general administrative services; fees payable to the Trustee for acting as trustee of the Fund; any reasonable out-of-pocket expenses incurred by the Manager or its agents in connection with their ongoing obligations to the Fund; any additional fees payable to the Manager for performance of extraordinary services on behalf of the Fund; fees payable to the auditors and legal advisors; regulatory filing, stock exchange and licensing fees; any expenditures incurred upon the termination of the Fund; and fees payable to the members of the Independent Review Committee (as defined below). Such expenses will also include expenses of any action, suit or other proceedings in which or in relation to which the Manager is entitled to indemnity by the Fund. The aggregate annual amount of these fees and expenses is estimated to be \$200,000.

### **Service Fee**

A service fee (the "Service Fee") will be payable by the Manager to each dealer whose clients hold Units at the end of a calendar quarter. The Service Fee will be calculated and payable on the last business day of each calendar quarter and will be equal to one quarter of 0.40% of the Net Asset Value per Unit at such time.

The Service Fee payable to registered dealers in respect of the quarter ending March 31, 2011, shall be paid on a *pro rata* basis from the date of the closing of the Offering (the "Closing").

### **Warrant Exercise Fee**

Within 30 days of the proper exercise of a Warrant, the Fund will pay a fee equal to \$0.18 to the dealer on behalf of the broker whose client is exercising the Warrant and \$0.12 per Warrant to the dealer employing such broker.

## **RISK FACTORS**

The following are certain considerations which prospective investors should consider before making an investment in the securities offered hereby:

## **No Assurances on Achieving Objectives**

There is no assurance that the Fund will be able to achieve its total return or distribution objectives, nor that the NAV per Unit will be preserved or any capital appreciation attained. There is no assurance that the Fund will be able to pay quarterly distributions in the short or long term.

## **General Risks of Investments in Securities**

The value of securities in which the Fund may from time to time invest may fluctuate in accordance with changes in the financial condition of the issuers of such securities, the condition of equity markets generally and other factors. The identity and weighting of the securities comprising the Portfolio also may change from time to time. Distributions and dividends on those securities generally will depend upon the declaration of distributions and dividends from issuers but there can be no assurance that those issuers will pay distributions or dividends on their securities. The declaration of such distributions and dividends generally depends upon various factors, including the financial condition of the issuer and general economic conditions. At any time, the issuers in the Portfolio may decide to unexpectedly decrease or discontinue the payment of distributions and dividends on their securities.

The Fund will be subject to the risks inherent in investments in equity securities, including the risk that the financial condition of the issuers in which the Fund invests may become impaired or that the general condition of the stock markets may deteriorate. Equity securities are susceptible to general stock market fluctuations and to volatile increases and decreases in value as market confidence in, and perceptions of, the issuers change. These investor perceptions are based on various and unpredictable factors including: expectations regarding government, economic, monetary and fiscal policies, inflation and interest rates, economic expansion or contraction, and global or regional political, economic and banking crises.

In some circumstances, the issuers in which the Fund may invest may have limited operating histories. The value of the Portfolio will be influenced by factors beyond the control of the Fund, which may include the financial performance of the respective issuers, interest rates, exchange rates, and the hedging policies employed by such issuers.

## **Industry Concentration and Infrastructure Industry Risk**

The Portfolio will be invested in securities that are issued by issuers in the infrastructure sector. Given the concentration of the Fund's exposure to the infrastructure industry, the Fund will be more susceptible to adverse economic or regulatory occurrences affecting that industry than an investment fund that is not concentrated in a single industry. Infrastructure issuers, including utilities and companies involved in infrastructure projects, may be subject to a variety of factors that may adversely affect their business or operations, including high interest costs in connection with capital construction programs, high leverage, costs associated with environmental and other regulations, the effects of economic slowdown, surplus capacity, increased competition from other providers of services, uncertainties concerning energy costs (among other things), the effects of energy conservation policies and other factors. Infrastructure issuers may also be affected or subject to:

- (a) regulation by various government authorities;
- (b) government regulation of rates charged to customers;
- (c) service interruption due to environmental, operational or other events;
- (d) the imposition of special tariffs and changes in tax laws, regulatory policies and accounting standards;  
and
- (e) general changes in market sentiment towards infrastructure assets.

The infrastructure industry also has some special features that cause certain risks to be more prevalent than in other industry sectors. Below is a summary of these risks:

- (a) **Technology Risk.** This risk arises where a change could occur in the way a service or product is delivered rendering the existing technology obsolete. While the risk could be considered low in the infrastructure sector given the massive fixed costs involved in constructing assets and the fact that many infrastructure technologies are well established, any technology change that occurs over the medium term could threaten the profitability of an infrastructure issuer. If such a change were to occur, these assets have very few alternative uses should they become obsolete.
- (b) **Regional or Geographic Risk.** This risk arises where an infrastructure issuer's assets are not moveable. Should an event that somehow impairs the performance of an infrastructure issuer's assets occur in the geographic location where the issuer operates those assets, the performance of the issuer may be adversely affected.
- (c) **Through-put Risk.** The revenue of many infrastructure issuers may be impacted by the number of users who use the products or services produced by the infrastructure issuers' assets. Any change in the number of users may negatively impact the profitability of the issuer.

## Emerging Markets

The Fund will invest in countries that are considered to be emerging market countries at the time of purchase. Investments in the securities of issuers in emerging market countries could involve risks not associated with investments in the securities of issuers in developed countries. Emerging markets can be substantially more volatile, and substantially less liquid, than more developed markets such as Canada. Emerging markets could be subject to greater political and economic instability, uncertainty regarding the existence of trading markets and more governmental limitations on foreign investment than more developed markets.

There may be less information publicly available with regard to emerging market issuers and such issuers are not subject to the uniform accounting, auditing and financial reporting standards applicable to Canadian issuers. There may be no single centralized securities exchange on which securities are traded in emerging market countries and there may be a lack of established political, business and social frameworks to support the existing securities markets. In addition, the systems of corporate governance to which companies in emerging markets are subject may be less advanced than that to which Canadian issuers are subject, and therefore, shareholders in such companies may not receive many of the protections available to shareholders in Canada.

Securities laws in many emerging markets countries are relatively new and unsettled. In addition, laws regarding foreign investment in emerging market securities, securities regulation, title to securities and shareholder rights may change quickly and unpredictably. Further, the enforcement of systems of taxation at federal, regional and local levels in emerging market countries may be inconsistent, and subject to sudden change.

Investments in foreign markets also carry potential exposure to the risk of political upheaval, acts of terrorism and war, and/or expropriation by governments, all of which could have an adverse impact on the value of the securities.

## Leverage

The Fund intends to establish a loan facility and may use other forms of leverage, to a maximum of 33% of the net assets of the Fund at the time of borrowing. The maximum amount of leverage that the Fund would employ is 1.33:1. 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 the instruments in the Portfolio suffer a substantial decrease in value, the leverage component will cause a decrease in value of the Portfolio in excess of that which would otherwise be experienced. In addition, if the aggregate amount of leverage under the forms of leverage exceed at any time 33% of the net assets of the Fund, the Fund will be required to sell investments or enter into other transactions in order to reduce the aggregate amount of leverage to such 33% level. Such transactions may be required to be effected at prices or values or on terms that may adversely affect the value of the Portfolio and, consequently, the

return to the Fund. If a loan facility is called by a lender, the Fund may have to liquidate its assets to pay back debt at a time when market conditions are not favourable, resulting in a loss.

The expenses and fees incurred in respect of forms of leverage may exceed the incremental capital gains/losses and income generated by the incremental investments for the Portfolio. In addition, the Fund may not be able to renew a loan facility or other forms of leverage on acceptable terms at the expiry of its term or in the event of early termination. The Fund may utilize the maximum amount of leverage permitted by the investment restrictions.

There is a possibility that some of the interest paid on a loan facility may not be deductible by the Fund.

### **Fluctuations in Net Asset Value**

The NAV per Unit and the funds available for distribution will vary according to, among other things, the net asset value of the securities held in the Portfolio and the distributions paid thereon. Fluctuations in the market values of the securities held in the Portfolio may occur for a number of reasons beyond the control of the Fund.

### **Warrants**

If a holder of Warrants does not exercise, or sells, the Warrants, then the value of the Units may be diluted as a result of the exercise of Warrants by others.

The value of Units will be reduced if the Net Asset Value per Unit exceeds \$11.70 and Warrants are exercised. In order for a Unitholder to maintain *pro rata* interest in the assets of the Fund, the Unitholder will be required to pay in connection with the exercise of the Warrants an additional amount equal to the amount originally invested by the Unitholder on the Closing. If a Unitholder does not exercise Warrants in such circumstances, the Unitholder's *pro rata* interest in the assets of the Fund will be diluted. While a Unitholder may sell the Warrants acquired hereunder, no assurance can be given that the proceeds of such sale would compensate the Unitholder for such dilution.

### **Reliance on the Manager and the Portfolio Manager**

Unitholders will be primarily dependent on the Manager and the Portfolio Manager. There is no certainty that the individuals who are principally responsible for providing management and investment advisory and portfolio management services will continue to be employed by the Manager and the Portfolio Manager, respectively, while they provide management and investment advisory and portfolio management services to the Fund in respect of the Portfolio.

### **Litigation against the Portfolio Manager**

The Portfolio Manager is incorporated, continued or otherwise governed under the laws of a foreign jurisdiction or resides outside Canada. Although the Portfolio Manager has appointed Macquarie Canada Services Ltd., c/o Brookfield Place, 181 Bay Street, Suite 3100, Toronto, ON M5J 2T3 as its agent for service of process in Canada, it may not be possible for investors to realize on judgements obtained in Canada against the Portfolio Manager. In addition, because a substantial portion of the Portfolio Manager's assets will be located outside of Canada, it may be difficult to realize upon or enforce in Canada any judgment of a court of Canada against the Portfolio Manager.

### **Sensitivity to Interest Rates**

The market price of the Units may be affected by the level of interest rates prevailing from time to time. In addition, any decrease in the NAV resulting from an increase in interest rates may also negatively affect the market price of the Units. Unitholders will therefore be exposed to the risk that NAV per Unit or the market price of the Units may be negatively affected by interest rate fluctuations.

## **Foreign Currency Exposure**

Most of the securities included in the Portfolio, at any time, will be denominated in currencies other than the Canadian dollar and, accordingly, the value of the Portfolio will, when measured in Canadian dollars, be affected by fluctuations in the value of such currencies relative to the Canadian dollar and such fluctuations may be significant and adversely affect the Fund's Net Asset Value. The Fund may mitigate this risk by hedging the Fund's foreign currency exposure substantially back to the Canadian dollar. It is expected that initially approximately 40% of the Portfolio will be hedged back to the Canadian dollar.

## **Use of Derivatives**

The Fund may utilize derivatives for hedging purposes. Derivative instruments will only be used in ways that are consistent with the investment restrictions of the Fund. Such instruments may include but are not limited to futures, forwards, options and swaps.

The use of derivative instruments involves risks different from and possibly greater than, the risks associated with investing directly in securities and other traditional investments. Risks associated with the use of derivatives include: (a) hedging to reduce risk does not guarantee that there will not be a loss or that there will be a gain; (b) there is no guarantee that a market will exist when the Fund wants to complete the derivative contract, which could prevent the Fund from reducing a loss or making a profit; (c) securities exchanges may impose trading limits on options and futures contracts, and these limits may prevent the Fund from completing the derivative contract; (d) the Fund could experience a loss if the other party to the derivative contract is unable to fulfill its obligations; (e) if the Fund has an open position in an option, a futures contract or a forward contract with a dealer who goes bankrupt, the Fund could experience a loss and, for an open futures or forward contract, a loss of margin deposits with that dealer; and (f) if a derivative is based on a stock market index and trading is halted on a substantial number of stocks in the index or there is a change in the composition of the index, there could be an adverse effect on the derivative.

## **Trading Price of Units**

Units may trade in the market at a premium or discount to the NAV per Unit and there can be no guarantee that Units will trade at prices that reflect their Net Asset Value.

## **Illiquid Securities**

There is no assurance that an adequate market will exist for the securities held in the Portfolio. The Fund cannot predict whether the securities held by it will trade at a discount to, a premium to, or at their respective net asset values, if applicable. If the market for a specific security is particularly illiquid, including for example securities of private companies, the Fund may be unable to acquire or dispose of such securities or may be unable to acquire or dispose of such securities at an acceptable price.

## **Risks Related to Redemptions**

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

If a significant number of Units are redeemed, the trading liquidity of the Units could be significantly reduced. In addition, the expenses of the Fund would be spread among fewer Units resulting in a potentially lower distribution per Unit. The Manager has the ability to terminate the Fund if, in its opinion, it would be in the best interests of Unitholders to do so. The Manager may also suspend the redemption of Units in the circumstances described under "Redemption of Units – Suspension of Redemptions".

## **Status of the Fund for Securities Law Purposes**

The Fund is not a “mutual fund” for securities law purposes. As a result, some of the protections provided to investors in mutual funds under such laws will not be available to investors in the Units and restrictions imposed on mutual funds under Canadian securities laws, including National Instrument 81-102 – *Mutual Funds*, do not apply to the Fund.

## **Potential Conflicts of Interest**

The Manager and the Portfolio Manager, their respective directors and officers and their respective affiliates and associates may engage in the promotion, management or investment management of any other account, fund or trust which invests primarily in the securities held by the Fund.

Although officers, directors and professional staff of the Manager and the Portfolio Manager will devote as much time to the Fund as is deemed appropriate to perform their duties, the staff of the Manager and the Portfolio Manager may have conflicts in allocating their time and services among the Fund and the other funds managed by the Manager and the Portfolio Manager.

Macquarie Group, as a diversified international provider of specialist financial and investment banking services, is involved with a broad range of financial services, particularly in the infrastructure sector. As a result, it is possible that the Fund may make an investment in an issuer for which a member of Macquarie Group provides investment banking, operational, consulting or other similar services, or to which a member of Macquarie Group provides similar services with respect to specific assets owned by the issuer. Such members of Macquarie Group may earn fees from providing such services. As a result, each investment by the Fund in an issuer to which a member of Macquarie Group provides such services, or which holds an infrastructure asset to which a member of Macquarie Group provides such services, may be made only if the investment is made in accordance with applicable law. To the extent the Fund invests in such entity, the Fund may be limited in its ability to freely trade the security at a future point to the extent that person of the Portfolio Manager or of Macquarie Group have or may be deemed to have material, non-public information in regard to such entity. The application of these restrictions could limit the Fund’s ability to participate in certain investment opportunities.

## **New Project Risk**

Where the Fund invests in issuers involved in new infrastructure projects, it is likely to retain some residual risk that the project will not be completed within budget, within the agreed time frame and to the agreed specification. During the construction phase, the major risks include: a delay in the projected completion of the project and a resultant delay in the commencement of cash flow, an increase in the capital needed to complete construction; and the insolvency of the head contractor, a major subcontractor and/or a key equipment supplier. Construction costs may exceed estimates for various reasons, including inaccurate engineering and planning, labour and building material costs in excess of expectations and unanticipated problems with project start-up. Such unexpected cost increases may result in increased debt service costs and insufficient funds to complete construction. Such increases may result in the inability of project owners to meet the higher interest and principal repayments arising from the additional debt requirement. Delays in project completion can result in an increase in total project construction costs through higher capitalized interest charges and additional labour and material expenses and, consequently, an increase in debt service costs. It may also affect the scheduled flow of project revenues necessary to cover the scheduled operations phase debt service costs, operations and maintenance expenses and damage payments for late delivery.

## **Currency Hedging**

Currency hedges entail a risk of illiquidity and, to the extent that the foreign currencies appreciate in Canadian dollar terms, the risk that the use of hedges could result in losses greater than if the hedging had not been used. Hedging arrangements may have the effect of limiting or reducing the total returns to the Fund if the Portfolio Manager’s expectations concerning future events or market conditions prove to be incorrect. In addition, the costs associated with a hedging program may outweigh the benefits of the arrangements in such circumstances. Currency

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

### **Securities Lending**

The Fund may engage in securities lending as described under “Investment Strategies – Securities Lending”. Although the Fund will receive collateral for the loans and such collateral is marked to market, the Fund will be exposed to the risk of loss should the borrower default on its obligation to return the borrowed securities and the collateral is insufficient to reconstitute the portfolio of loaned securities.

### **Taxation of the Fund**

The Fund will be subject to certain tax risks generally applicable to investment funds that hold Canadian and/or non-Canadian securities, including the following noted below.

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

If the Fund ceases to qualify as a mutual fund trust under the Tax Act, the income tax considerations described under the heading “Income Tax Considerations” would be materially and adversely different in certain respects.

Currently, a trust will be deemed not to be a mutual fund trust if it is established or maintained primarily for the benefit of non-residents unless all or substantially all of its property is property other than taxable Canadian property as defined in the Tax Act. On September 16, 2004, the Minister of Finance (Canada) released tax proposals to the Tax Act which propose that a trust would lose its status as a mutual fund trust if the aggregate fair market value of all units issued by the trust held by one or more non-resident persons or partnerships that are not Canadian partnerships, or any combination thereof, is more than 50% of the aggregate fair market value of all units issued by the trust where, at that time or any previous time, more than 10% (based on fair market value) of the trust’s property is taxable Canadian property or certain other types of property (the “September 16<sup>th</sup> Tax Proposals”). If the September 16<sup>th</sup> Tax Proposals are enacted as proposed, and if these circumstances applied to the Fund, the Fund would thereafter cease to be a mutual fund trust and the income tax considerations as described under “Income Tax Considerations” would in some respects be materially different. The September 16<sup>th</sup> Tax Proposals do not currently provide any means of rectifying a loss of mutual fund trust status. On December 6, 2004, the Department of Finance (Canada) tabled a Notice of Ways and Means Motion which did not include these proposed changes pending further consultation with interested parties. Bill C-52, which received Royal Assent on June 22, 2007, amended the relevant provision of the Tax Act such that a trust is deemed not to be a mutual fund trust after any time when it can be reasonably considered that the trust was established or maintained primarily for the benefit of non-resident persons, unless at that time all or substantially all of its property is property other than taxable Canadian property. It is not clear whether this amendment supersedes the September 16<sup>th</sup> Tax Proposals. There can be no assurance that the September 16<sup>th</sup> Tax Proposals will be enacted in the form publicly announced or at all.

The Fund will use derivative instruments for hedging non-Canadian currency exposure back to the Canadian dollar. In accordance with the published administrative practice of the Canada Revenue Agency (the “CRA”), gains or losses realized on derivatives by virtue of the fluctuation of foreign currencies against the Canadian dollar will, where such derivatives are sufficiently linked with and hedge currency exposure in respect of, underlying securities, be treated and reported for purposes of the Tax Act on capital or income account depending on the nature of the

securities to which the hedge is linked and designations with respect to the Fund's income and capital gains will be made and reported to Unitholders on this basis. If any dispositions or transactions of the Fund are reported on capital account but are subsequently determined to be on income account, the net income of the Fund for tax purposes and the taxable component of distributions to Unitholders could increase.

Under the SIFT Rules, trusts or partnerships (defined as "SIFT trusts" and "SIFT partnerships", respectively) the securities of which are listed or traded on a stock exchange or other public market and that hold one or more "non-portfolio properties" (as defined in the Tax Act) are effectively taxed on income and capital gains in respect of such non-portfolio properties at combined rates comparable to the rates that apply to income earned and distributed by Canadian corporations. The Fund is formed to provide investors with exposure to portfolio investments and is subject to investment restrictions intended to ensure that it will not be a SIFT trust (as defined in the Tax Act). If the Fund were to qualify as a SIFT trust within the meaning of the Tax Act, the income tax considerations described under the heading "Income Tax Considerations" would be materially and adversely different in certain respects.

There can be no assurance that changes will not be made to the tax rules affecting the taxation of the Fund or the Fund's investments, or that such tax rules will not be administered in a way that is less advantageous to the Fund or the Unitholders.

### **Operating History**

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

### **No Ownership Interest**

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

### **Loss of Investment**

An investment in Units is appropriate only for an investor that can withstand distributions not being made on the Units for any period of time, and that can withstand a partial or total loss of its investment.

## **DISTRIBUTION POLICY**

The Fund intends to provide a stable stream of quarterly distributions to Unitholders of record on the last business day of each calendar quarter (such date, a "Record Date") initially equal to approximately \$0.15 per Unit (\$0.60 per annum representing an annual cash distribution of 5.0% based on the \$12.00 per Combined Unit issue price).

The Fund expects that the initial distribution will be payable to Unitholders of record on March 31, 2011 and will be prorated from the Closing. All distributions will be paid to Unitholders proportionately based on their respective holdings of Units within 15 days following the Record Date or paid in such other manner as may be agreed to by the Manager. The Manager will determine and announce at least annually commencing in February 2012 an indicative distribution amount (the "Indicative Distribution") for the following year based upon prevailing market conditions and the Manager's estimate of total returns from the Portfolio for the year. In determining the Indicative Distribution, the Manager does not intend to set the distribution rate above the expected total return of the Portfolio for that year. Any returns in excess of the Indicative Distribution will serve to increase NAV and will therefore provide an opportunity for capital appreciation.

Based on its initial anticipated composition, the Portfolio is expected to generate dividends and distributions of approximately 5.3% per annum (before taking into account fees and expenses, the effect of leverage and withholding taxes). Any portion of the quarterly distributions not funded from dividends and distributions is expected to be generated through the realization of capital gains. Assuming that the gross proceeds of the Offering

are \$100 million, that fees and expenses are as described herein and leverage of 33% of net assets, the Portfolio would be required to appreciate at a rate of 1.6% per annum for the Fund to maintain a stable NAV for the Units while making quarterly cash distributions for the year at the initial Indicative Distribution rate. To ensure the Indicative Distribution for the year is maintained, to the extent necessary, the Manager may return a portion of the capital of the Fund to Unitholders.

The Fund intends that the aggregate distributions of net income and net capital gains made in each year will be sufficient to ensure that the Fund will not be liable for non-refundable income tax thereon under the Tax Act. To the extent that the Fund realizes net income and net capital gains in excess of the Indicative Distribution paid to Unitholders in a year, the Fund intends to distribute to Unitholders on or before December 31 of that year such portion of the excess as is necessary to ensure that it will not be liable for income tax thereon under the Tax Act. Such distributions will be made in units and/or cash. To the extent that the Fund makes a distribution in Units, the number of outstanding Units of the Fund will be automatically consolidated such that each Unitholder of the Fund will hold after the consolidation the same number of Units of the Fund as it held before the distribution of additional Units.

Each Unitholder will be provided annually with the information necessary to enable such Unitholder to complete an income tax return with respect to amounts paid or payable by the Fund in respect of its preceding taxation year.

## **REDEMPTION OF UNITS**

### **Annual Redemptions**

Commencing in 2012, Units may be surrendered for redemption during the period from August 1 to 5:00 p.m. (Toronto time) on the tenth business day prior to the last business day in August 2012 or any year thereafter, subject to the Fund's right to suspend redemptions in certain circumstances, for a redemption price equal to the NAV per Unit on that date less any costs of funding the redemption. Unitholders will receive the redemption payment on or before the 15<sup>th</sup> day following the redemption date.

Any unpaid distribution payable on or before the redemption date in respect of Units tendered for redemption on such redemption date will also be paid on the same day as the redemption proceeds are paid. The NAV per Unit will vary depending on a number of market factors, including interest rates and volatility in the equity markets.

### **Monthly Redemptions**

In addition to the annual redemption right, Units may also be redeemed on a monthly redemption date, subject to certain conditions and, in order to effect such a redemption, the Units must be surrendered by no later than 5:00 p.m. (Toronto time) on the date which is the last business day of the month preceding the monthly redemption date. Payment of the redemption price will be made on or before the redemption payment date, subject to the Manager's right to suspend redemptions in certain circumstances. Concurrently with the payment of the redemption price, the Fund may pay to the redeeming Unitholder a cash distribution in the amount of the net realized capital gains of the Fund incurred by it to fund the payment of the redemption price.

Unitholders surrendering a Unit for redemption will receive a redemption price equal to the lesser of: (a) 95% of the Market Price (as defined below) of a Unit; and (b) 100% of the Closing Market Price (as defined below) of a Unit on the applicable monthly redemption date less, in each case, any costs associated with the redemption, including brokerage costs, and less any net realized capital gains of the Fund that are distributed to a Unitholder concurrently with the proceeds of disposition on redemption, being the monthly redemption amount. The Market Price is the weighted average trading price of the Units on the Toronto Stock Exchange (the "TSX") (or such other stock exchange on which the security is listed) for the ten trading days immediately preceding the monthly redemption date. The Closing Market Price in respect of a security on a monthly redemption date is the closing price of such security on the TSX on such monthly redemption date (or such other stock exchange on which such security is listed) or, if there was no trade on the relevant monthly redemption date, the average of the last bid and the last

asking prices of the security on the TSX on such monthly redemption date (or such other stock exchange on which the security is listed).

### **Exercise of Redemption Right**

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

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

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

### **Suspension of Redemptions**

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

## **INCOME TAX CONSIDERATIONS**

In the opinion of Osler, Hoskin & Harcourt LLP, counsel to the Fund, and McCarthy Tétrault LLP, counsel to the Agents, the following is, as of the date hereof, a summary of the principal Canadian federal income tax considerations generally relevant to investors who acquire Units and Warrants pursuant to this prospectus. This summary is applicable to a Unitholder who is an individual (other than a trust) and who, at all relevant times, for the purposes of the Tax Act, is resident in Canada, deals at arm’s length with the Fund, is not affiliated with the Fund, and holds Units and Warrants as capital property. Generally, Units and Warrants will be considered to be capital property to a Unitholder provided the Unitholder does not acquire or hold the Units or Warrants in the course of

carrying on a business or as part of an adventure or concern in the nature of trade. Certain Unitholders who might not otherwise be considered to hold their Units as capital property may, in certain circumstances, be entitled to have such Units (but not Warrants) and all other “Canadian securities” (as defined in the Tax Act) owned or subsequently acquired by them, treated as capital property by making an irrevocable election in accordance with subsection 39(4) of the Tax Act.

This summary is based on the current provisions of the Tax Act and the regulations thereunder, counsel’s understanding of the current administrative policies and assessing practices of the CRA published in writing prior to the date hereof and all specific proposals to amend the Tax Act and regulations thereunder publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (such proposals being referred to as the “tax proposals”). This summary also relies on certificates from the Manager and the Agents as to certain factual matters. Except for the tax proposals, this summary does not take into account or anticipate any changes in law, whether by legislative, governmental or judicial action, or any changes in the administrative policies and assessing practices of the CRA, nor does it take into account other federal or any provincial, territorial or foreign income tax legislation or considerations which may differ significantly from the tax considerations described herein. There can be no assurance that the tax proposals will be enacted in the form publicly announced or at all.

This summary is also based on the assumption that (i) the Fund will at all times comply with its investment restrictions; (ii) none of the issuers of securities held by the Fund will be or will be deemed to be a foreign affiliate of the Fund or any Unitholder; and (iii) none of the securities held by the Fund will be a “tax shelter investment” within the meaning of section 143.2 of the Tax Act. This summary also assumes that the Fund will at no time be a SIFT trust as defined in the Tax Act.

**This summary is not exhaustive of all possible Canadian federal tax considerations applicable to an investment in Units and Warrants. Moreover, the income and other tax consequences of acquiring, holding or disposing of Units and Warrants will vary depending on the investor’s particular circumstances including the province or provinces in which the investor resides or carries on business. Counsel express no views herein with respect to the deductibility of interest on any funds borrowed by a Unitholder to purchase Units and Warrants. This summary is of a general nature only and is not intended to be legal or tax advice to any investor. Investors should consult their own tax advisors for advice with respect to the income tax consequences of an investment in Units and Warrants, based on their particular circumstances.**

### **Status of the Fund**

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

### **Taxation of the Fund**

The Fund will be subject to tax in each taxation year under Part I of the Tax Act on the amount of its income for the year, including net realized taxable capital gains, less the portion thereof that it deducts in respect of the amount paid or payable to Unitholders in the year. Counsel have been advised that the Fund intends to deduct, in computing its income in each taxation year, the full amount available for deduction in each year and, therefore, provided the Fund makes distributions in each year of its net income and net realized capital gains as described under “Distribution Policy”, it will generally not be liable in such year for income tax under Part I of the Tax Act. The Fund will be entitled for each taxation year throughout which it is a mutual fund trust to reduce (or receive a “capital gains refund” in respect of) its liability, if any, for tax on its net realized capital gains by an amount determined under the Tax Act based on the redemptions of Units during the year. In computing its income for tax purposes (and subject to the October 31 Proposal, described below), the Fund may deduct reasonable administrative and other expenses incurred to earn income and not incurred for the purpose of generating capital gains. The Fund may generally deduct the costs and expenses of the Offering paid by the Fund, and any Warrant exercise fee if and when

paid by the Fund, in each case if not reimbursed, at a rate of 20% per year, pro-rated where the Fund's taxation year is less than 365 days.

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

The Fund's Portfolio will include securities that are not denominated in Canadian dollars. Proceeds of disposition of securities, distributions, costs, dividends, interest, interest expense and all other amounts will be determined for the purposes of the Tax Act in Canadian dollars. The Fund may realize gains or losses by virtue of the fluctuation in the value of foreign currencies relative to Canadian dollars.

Gains or losses realized upon dispositions of Portfolio securities of the Fund will constitute capital gains or capital losses of the Fund in the year realized unless the Fund is considered to be carrying on a business or the Fund has acquired the securities in a transaction or transactions considered to be an adventure or concern in the nature of trade. The Manager has advised counsel that the Fund will purchase Portfolio securities with the objective of earning distributions and income from such securities over the life of the Fund, and intends to treat and report transactions undertaken in respect of such securities on capital account. Accordingly, the Fund will treat gains (or losses) as a result of any disposition of Portfolio securities as capital gains (or capital losses).

The Fund will be subject to the suspended loss rules contained in the Tax Act. A loss realized on a disposition of capital property is considered to be a suspended loss when the Fund acquires a property (a "substituted property") that is the same or identical to the property disposed of, within 30 days before and 30 days after the disposition and the Fund owns the substituted property 30 days after the original disposition. If a loss is suspended, the Fund cannot deduct the loss from the Fund's capital gains until the substituted property is sold and is not reacquired within 30 days before and after the sale.

The Manager has informed counsel that, generally, the Fund will include gains and deduct losses on income account in connection with investments made through derivative securities, except where such derivatives are used to hedge, and are sufficiently linked with, Portfolio securities held on capital account, and will recognize such gains and losses for tax purposes at the time they are realized.

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

### **Taxation of Unitholders**

A Unitholder will generally be required to include, in computing income for a taxation year, the amount of the Fund's net income for the taxation year, including net realized taxable capital gains, paid or payable to the Unitholder in the taxation year (whether in cash or Units). The non-taxable portion of the Fund's net realized capital gains paid or payable to a Unitholder in a taxation year will not be included in the Unitholder's income for the year and, where appropriate designations are made by the Fund, will not reduce the adjusted cost base of the Unitholder's

Units. Any other amount in excess of the Fund's net income for a taxation year paid or payable to the Unitholder in the year will generally not be included in the Unitholder's income. Such amount, however, will generally reduce the adjusted cost base of the Unitholder's Units. To the extent that the adjusted cost base of a Unit would otherwise be less than zero, the negative amount will be deemed to be a capital gain realized by the Unitholder from the disposition of the Unit and the Unitholder's adjusted cost base will be increased by the amount of such deemed gain.

Provided that appropriate designations are made by the Fund, such portion of: (i) the net realized taxable capital gains of the Fund and (ii) income of the Fund from foreign sources, as is paid or payable to a Unitholder, will effectively retain its character and be treated as such in the hands of the Unitholder for purposes of the Tax Act. A taxable Unitholder will generally be entitled to foreign tax credits in respect of foreign taxes under and subject to detailed foreign tax credits rules under the Tax Act and depending upon other foreign source income or loss of and foreign taxes paid by the Unitholder.

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

One-half of any capital gain (a "taxable capital gain") realized on the disposition of Units will be included in the Unitholder's income and one-half of any capital loss (an "allowable capital loss") realized may generally be deducted from taxable capital gains in accordance with the provisions of the Tax Act. Subject to the detailed rules in the Tax Act, allowable capital losses in excess of taxable capital gains in the year of disposition may be applied to reduce net taxable capital gains of a Unitholder in any of the three years preceding the year of disposition or in any year following the year of disposition in accordance with the Tax Act.

### **Taxation of Warrants**

A reasonable allocation of the purchase price of the Combined Units between the Units and the Warrants will be required for tax purposes to determine the cost of each Unit and Warrant. The Fund will allocate \$0.46 to each Warrant and the balance to each Unit although the CRA may not agree with such allocation.

The exercise of a Warrant will not constitute a disposition of property for purposes of the Tax Act and, consequently, no gain or loss will be realized upon the exercise of a Warrant. A Unit acquired by a Unitholder upon the exercise of a Warrant will have a cost to the Unitholder equal to the aggregate of the subscription price for such Unit and the adjusted cost base, if any, to the Unitholder of the Warrant so exercised. The cost of a Unit acquired by a Unitholder upon the exercise of a Warrant will be averaged with the adjusted cost base to the Unitholder of all other Units held at that time as capital property to determine the adjusted cost base of each such Unit to the Unitholder.

Upon the disposition of a Warrant by a Unitholder, other than pursuant to the exercise thereof, the Unitholder will realize a capital gain (or capital loss) to the extent that the proceeds of disposition, net of reasonable costs of the disposition, exceed (or are less than) the adjusted cost base, if any, of the Warrant to the Unitholder. One-half of any capital gain realized on such a disposition of a Warrant will be included in the Unitholder's income as a taxable capital gain and one-half of any capital loss realized may be generally deducted from taxable capital gains in accordance with the provisions of the Tax Act.

Upon the expiry of an unexercised Warrant, a Unitholder will realize a capital loss equal to the adjusted cost base, if any, of the Warrant to the Unitholder.

## **Taxation of Registered Plans**

Amounts of income and capital gains distributed by the Fund to a trust governed by a registered retirement savings plan, registered retirement income fund, deferred profit sharing plan, registered education savings plan, registered disability savings plan or tax-free savings account (each a “registered plan”), and capital gains realized by a registered plan on a disposition of Units, are generally not taxable under Part I of the Tax Act while retained in a registered plan. See “Income Tax Considerations – Eligibility for Investment”. Unitholders should consult with their own advisors regarding the tax implications of establishing, amending, terminating or withdrawing amounts from a registered plan.

## **Taxation Implications of the Fund’s Distribution Policy**

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

## **Eligibility for Investment**

Provided that the Fund qualifies and continues to qualify at all times as a mutual fund trust within the meaning of the Tax Act, or the Units are listed on a “designated stock exchange” for purposes of the Tax Act (which currently includes the TSX), the Units will be qualified investments for registered plans. Provided that the Warrants are listed on a “designated stock exchange” for purposes of the Tax Act (which currently includes the TSX), or provided that at all times the Units are qualified investments for registered plans and the Fund is not, and deals at arm’s length with each person who is, an annuitant, a beneficiary, an employer or a subscriber under, or a holder of, the relevant registered plan, the Warrants will be a qualified investment under the Tax Act for registered plans.

However, the holder of a tax-free savings account that governs a trust which holds Units or Warrants will be subject to a penalty tax if the holder does not deal at arm’s length with the Fund for purposes of the Tax Act or if the holder has a significant interest (within the meaning of the Tax Act) in the Fund or in a corporation, partnership or trust with which the Fund does not deal at arm’s length for purposes of the Tax Act.

## **ORGANIZATION AND MANAGEMENT DETAILS OF THE FUND**

### **The Manager**

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 over \$1.8 billion in assets. The Manager is part of the Connor, Clark & Lunn Financial Group. The Manager was incorporated under the *Business Corporations Act* (Ontario) on January 15, 2001 and is wholly owned by CC&L Capital Markets Partnership. The registered office of the Manager is located at Suite 300, 181 University Avenue, Toronto, Ontario, M5H 3M7. The corporate secretary of the Manager is W. Neil Murdoch.

The Manager also acts as manager and/or investment advisor for the following investment funds: HBanc Capital Securities Trust, Australian Banc Capital Securities Trust, Connor, Clark & Lunn 2009 Flow-Through Limited Partnership, Connor, Clark & Lunn 2010 Flow-Through Limited Partnership, Connor, Clark & Lunn Real Return Income Fund, Connor, Clark & Lunn Conservative Income Fund, Connor, Connor, Clark & Lunn Global Financials Fund II, CANADIAN Financials & Utilities Split Corp., Focused Global Trends Fund, Canadian Banc Capital Securities Trust, CC&L Natural Resources Fund, Build America Investment Grade Bond Fund and North American Financials Capital Securities Trust.

### ***Duties and Services to be Provided by the Manager***

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

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

### ***Details of the Manager's Obligations under the Trust Agreement***

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

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

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

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

### ***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:

<b>Name and Municipality of Residence</b>	<b>Position with the Manager</b>	<b>Principal Occupation</b>
W. Neil Murdoch..... Oakville, Ontario	Director, President and Chief Executive Officer	Director, President and Chief Executive Officer, Connor, Clark & Lunn Capital Markets Inc.
Michael W. Freund..... Toronto, Ontario	Director, Chairman and Chief Financial Officer	Managing Partner, Connor, Clark & Lunn Financial Group
Darren N. Cabral..... Toronto, Ontario	Director, Vice-President	Vice-President, Connor, Clark & Lunn Capital Markets Inc.

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

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

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

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

### **The Portfolio Manager**

Macquarie Capital Investment Management LLC, an indirect, wholly-owned subsidiary of Macquarie Bank Limited, will provide investment advisory and portfolio management services to the Fund.

The Portfolio Manager is part of MFG, Macquarie Group's funds management business. MFG is Australia's largest asset manager with over \$300 billion globally in assets under management (as at September 30, 2010) of which \$93 billion (inclusive of MCIM's affiliates) is invested in both listed and private or direct infrastructure mandates (as at September 30, 2010). MFG is a full-service asset manager, offering a diverse range of products including securities investment management, infrastructure and real asset management and fund and equity-based structured products.

Infrastructure funds managed by the Portfolio Manager include Macquarie Global Infrastructure Total Return Fund Inc., Delaware Macquarie Global Infrastructure Fund and Macquarie/First Trust Global Infrastructure/Utilities Dividend & Income Fund.

The Portfolio Manager was established in January 2004 and is registered as an investment adviser with the U.S. Securities and Exchange Commission. The Portfolio Manager is not currently registered as an adviser with the Ontario Securities Commission or any other provincial or territorial regulatory authority in Canada. The Portfolio Manager provides investment advisory and portfolio management services to the Fund pursuant to the International Adviser exemption from the dealer registration requirement. The principal office of the Portfolio Manager is located

in New York, however, a number of the services provided by the Portfolio Manager will be carried out in Sydney, Australia.

Brad Frishberg and Jonathon Ong will be primarily responsible for the management of the Portfolio. David Dali will be the Senior Macro Strategist. Brad Frishberg, Jonathon Ong and David Dali have over 55 years of combined investment experience.

**Brad Frishberg** joined the MFG Infrastructure Securities team in December 2009 as a Senior Investment Officer and assumed the role of Chief Investment Officer in February 2010. Prior to joining Macquarie, Mr. Frishberg spent over 12 years at J.P. Morgan Asset Management, where he was responsible for managing portfolios and businesses in London, Tokyo, and New York. During his tenure, he established and managed the JPMorgan US Large Cap Value Fund, which he built into a US\$3.5 billion fund prior to his departure. Mr. Frishberg began his career at Aetna as an analyst and marketer in 1989.

**Jonathon Ong** joined Macquarie in January 2008 as the portfolio manager for Global Emerging Markets Infrastructure strategies. He has 17 years of investment experience in emerging markets through multiple investment cycles including some extreme market conditions, such as the Asia financial crisis 1997-1998. Prior to joining Macquarie, he was the lead portfolio manager of the Emerging Market Telecommunications Fund Inc., listed on the American Stock Exchange, with Credit Suisse Asset Management. Over the last decade, Mr. Ong primarily focused on the analysis of infrastructure related stocks within global emerging markets for Credit Suisse. Prior to that, he spent three years as an Asia-Pacific telecom analyst for Bankers Trust, having started his career as a sell-side analyst in Hong Kong for Kim Eng Securities.

**David Dali** is head of the Emerging Markets macro team in MFG, having joined the firm in October 2008. He co-manages the Macquarie Emerging Markets Infrastructure Securities Fund (an Australian based fund) and is the lead portfolio manager for several Emerging Market equity portfolios. In 1999, he co-founded a dedicated emerging markets investment company, OneWorld Investments, LP (“One World”), and was a Managing Partner at its successor company, Globalis Investments, LLC (“Globalis”). At OneWorld/Globalis, he held various portfolio management responsibilities including the co-management of the firm’s flagship fund until December 31, 2005, and the OneWorld Emerging Macro Fund. Mr. Dali began his career in emerging markets in 1989. He co-founded the Emerging Markets Sales, Trading and Research group at BancBoston Robertson Stephens (“BkB”) in 1995 and managed its extensive and large emerging market debt and equity proprietary trading books. Prior to joining BkB, he managed various emerging market trading books for Chase Manhattan Bank in New York including that firm’s substantial book of Brazilian external debt. He also spent five years at Bank of America in New York, Sao Paulo and Buenos Aires where he managed a diverse set of proprietary debt trading books.

#### ***Details of the Portfolio Management Agreement***

The Portfolio Manager is responsible for the execution of the Fund’s investment strategy pursuant to the portfolio management agreement (the “Portfolio Management Agreement”) between the Manager and the Portfolio Manager dated as of January 26, 2011. Decisions as to the purchase and sale of securities and as to the execution of all Portfolio and other transactions in connection with the Portfolio will be made by the Portfolio Manager pursuant to the Portfolio Management Agreement.

Under the Portfolio Management Agreement, the Portfolio Manager is required to act honestly, in good faith and in the best interests of Unitholders of the Fund and, in connection therewith, to exercise the degree of care, diligence and skill that a reasonably prudent portfolio manager would exercise in comparable circumstances. The Portfolio Management Agreement provides that the Portfolio Manager shall not be liable in any way for any default, failure or defect in, or any loss or diminution of value of any of the securities forming part of the Portfolio if it has fulfilled the duties and satisfied the standard of care, diligence and skill set forth above. The Portfolio Manager will incur liability in cases of wilful misconduct, fraud, bad faith, negligence or breach of its standard of care.

The Portfolio Management Agreement, unless terminated as described below, will continue in effect until the termination of the Fund. The Manager may terminate the Portfolio Management Agreement if the Portfolio Manager has committed certain events of bankruptcy or insolvency, has lost any registration, license or other authorization required to perform its services thereunder, 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 Portfolio Manager and the Trustee by the Manager or if the Portfolio Manager has acted with wilful misconduct, fraud, bad faith or negligence.

The Portfolio Manager may terminate the Portfolio Management Agreement upon 90 days' notice. In addition, the Portfolio Manager may terminate the Portfolio Management Agreement immediately in the event that the Manager has committed certain events of bankruptcy or insolvency, upon 20 business days' written notice if 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 the same to the Manager and to the Trustee or in the event that there is a material change in the investment restrictions of the Fund.

The Portfolio Management Agreement will not be subject to termination for material breach or default if such breach or default cannot be cured within the 20 business day period but the cure is commenced within the 20 business day period and is completed within 45 days thereof.

If the Portfolio Management Agreement is terminated, the Manager will promptly appoint a successor investment manager to carry out the activities of the Portfolio Manager until a meeting of Unitholders of the Fund is held to confirm such appointment.

The Portfolio Manager is entitled to fees for its services under the Portfolio Management Agreement and will be reimbursed for all reasonable costs and expenses incurred by the Portfolio Manager on behalf of the Fund. In addition, the Portfolio Manager and each of its directors, officers and employees will be indemnified by the Fund for all claims whatsoever brought against the Portfolio Manager for any act or omission, except those resulting from the Portfolio Manager's wilful misconduct, fraud, bad faith, negligence or breach of its standard of care.

### **Brokerage Arrangements**

The Portfolio Manager has a fiduciary duty to seek to obtain "best execution" on behalf of its clients by executing transactions so that the total cost to, or proceeds to the client in each transaction is the most favorable, over time, under the circumstances. In selecting an appropriate broker-dealer to effect a client trade, the Portfolio Manager considers the price of a security offered by the broker-dealer, as well as a broker-dealer's full range and quality of their services including, among other things, their facilities, reliability and financial responsibility, execution capability, commission rates, responsiveness to the Portfolio Manager, and brokerage and research services provided to the Portfolio Manager and its clients (for example, research ideas, analysis, special execution and block positioning capabilities, clearance, and settlement and custodial services). Reasonableness of commissions will be determined by comparison to current market standards taking into account the size, timing, nature and other characteristics of the trade. A semi-annual broker voting procedure is used to determine which brokers to execute trades through taking into consideration such factors as pricing, relationship metrics such as market colour and trustworthiness, corporate relationships including access to management, placements and research. A broker is not necessarily excluded from receiving business because it has not been identified as providing research products or services. At the end of each calendar quarter the Portfolio Manager holds a Best Execution Committee meeting that addresses trading prices, commission rates, brokerage allocation, broker performance and other related items.

The Portfolio Manager is permitted to pay higher commissions to certain broker-dealers than could have otherwise been negotiated in the market if it receives research or brokerage products or services from that broker-dealer in accordance with the Section 28(e) of the Securities Exchange Act of 1934 as amended (the "Exchange Act"). It is the Portfolio Manager's duty to disclose such arrangements to each affected client which it would do in Part II of its Form ADV or this Prospectus, or by way of another acceptable method of communication upon account inception and at least annually thereafter in accordance with National Instrument 23-102 – *Use of Client Brokerage Commissions*.

The Portfolio Manager may utilize Client Commission Arrangements ("CCA") or Commission Sharing Arrangements ("CSA") in obtaining client commission benefits. Under these types of arrangements, the Portfolio Manager can request that executing brokers allocate a portion of total commissions paid to a pool of "credits" maintained by the broker that can be used to obtain client commission benefits. After accumulating a number of credits within the pool, the Portfolio Manager may subsequently direct that those credits be used to pay appropriate

parties in return for eligible client commission benefits. The brokerage or research products and services that may be provided to the Portfolio Manager will be in accordance with the U.S. Securities and Exchange Commission requirements and other applicable regulations and substantially identical to the brokerage or research products and services for which the Portfolio Manager could utilize soft dollars as payment.

The goods and services described below are used by the Portfolio Manager in connection with its investment decision-making process with respect to one or more funds and accounts, and may or may not be used exclusively with respect to the fund or account generating the brokerage.

Because each product or service of the soft dollar arrangement must be classified as “brokerage” or “research” within the Section 28(e) safe harbour rule, this list of goods and services that might be provided includes mixed use products where the Portfolio Manager has determined that a research product or service has both a research and non-research use. In this case an allocation must be made between the research and non-research functions, with the portion allocable to research being paid with commission dollars, and the non-research portion being paid by the Portfolio Manager. An allocation of the cost of the product or service will be made according to its use (i.e., the component that provides assistance to the Portfolio Manager in the investment decision-making process versus the component that relates to non-research activities) and disclosure of the mixed-use allocation shall be disclosed to its clients. The allocation will generally be made on the basis of the percentage of time devoted to the Portfolio Manager’s use of the product for research versus non-research applications, or such other appropriate measure of the value of the product for each use as the Chief Compliance Officer determines to be appropriate, both initially and upon subsequent periodic review.

Below is a list of the items the Portfolio Manager utilizes, in whole or in part, for investment decision-making and currently pays for, in either whole or in part, with soft dollars:

- Fact Set – risk application system utilized to provide market fundamental and macroeconomic data required for the development of risk models;
- Bloomberg – subscription service which allows access to financial regulatory and market databases through their Bloomberg Terminals;
- APT (Arbitrage Pricing Theory) - risk model provider capable of providing portfolio risk drivers and user-defined risk factors;
- IRESS – market data platform that provides live prices, market depth and analysis tools for the Australian market;
- Reuters Knowledge – web-based information and analytics tool that provides access to broker research fundamental data, real-time estimates and market news and events;
- Index License Fees (i.e., S&P Global Infra Index) - used in the investment process;
- Investment Research provided by Broker/Dealers; and
- GTA (Global Trading Analytics) - best execution analysis.

Though the Portfolio Manager currently utilizes Macquarie Capital USA, Inc. (“MCUSA”), an affiliated US registered broker-dealer and its global affiliates, for trade execution, and evaluates this broker-dealer using the same guidelines as stated above, the Portfolio Manager has not entered into any soft dollar arrangements with MCUSA.

The Portfolio Manager will disclose the names of all broker-dealers and any other third party that provided the goods and/or services it received pursuant to its soft dollar arrangements as described above to the client upon request and pursuant to applicable regulations will maintain a record of the name of any broker-dealer or third party that provided the goods or services described above that the Portfolio Manager received pursuant to its soft dollar arrangements.

## **Conflicts of Interest**

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.

The investment management services provided by the Portfolio Manager to the Fund under the Portfolio Management Agreement are not exclusive and nothing in the Portfolio Management Agreement prevents the Portfolio Manager from providing similar services for its own account or to other investment funds and other clients (whether or not their investment objectives and policies are similar to those of the Fund) or from engaging in other activities. Investments in securities purchased by the Portfolio Manager on behalf of the Fund and other investment funds or trusts for which the Portfolio Manager provides investment management services will generally be allocated to the Fund and such other investment funds or trusts on a *pro rata* basis according to the size of the order and the applicable investment restrictions and policies of the Fund and the other investment funds or trusts.

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

## **The Independent Review Committee**

The Manager has appointed an independent review committee (the "Independent Review Committee") in accordance with National Instrument 81-107 – *Independent Review Committee for Investment Funds* ("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 Unitholders 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](http://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.

## **The Trustee**

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

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

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

The Trustee is entitled to receive fees from the Fund. 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.

## **The Custodian**

RBC Dexia Investor Services Trust will act as custodian (the "Custodian") of the assets of the Fund pursuant to the Trust Agreement, with the power to appoint sub-custodians. 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.

## **The Auditors**

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

## **The Registrar and Transfer Agent**

Computershare Investor Services Inc., at its office in Toronto, Ontario, will maintain the securities registers of the Units and register transfers of the Units. Computershare Trust Company of Canada will act as registrar, transfer agent and distribution agent for the Warrants at its office in Toronto, Ontario.

## **The Promoter**

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

## CALCULATION OF NET ASSET VALUE

### Calculation of Net Asset Value and NAV per Unit

The NAV per Unit on a particular date will be equal to the aggregate value of the assets of the Fund less the aggregate value of the liabilities of the Fund (the Warrants will not be treated as liabilities for these purposes) including any income, net realized capital gains or other amounts payable to Unitholders on or before such date expressed in Canadian dollars at the applicable exchange rate on such date.

The basic NAV per Unit on any day shall be calculated by dividing the NAV on such day by the total number of Units then issued and outstanding. Where as a result of such calculation the basic NAV per Unit is greater than \$11.70, the diluted NAV per Unit shall be calculated by adding to the denominator the total number of Warrants then outstanding and by adding to the numerator the product of such number of Warrants and \$11.70 and the diluted NAV per Unit shall be deemed to be the resulting quotient.

The basic and diluted NAV and NAV per Unit will be calculated as of 4:00 p.m. (Toronto time) or such other time the Trustee deems appropriate on each business day (each, a "Valuation Date"). If the Fund elects to have a December 31 year-end for tax purposes as permitted by the Tax Act, the basic and diluted NAV and NAV per Unit will also be calculated on December 31. The Fund will make available to the financial press for publication on a daily basis the NAV per Unit.

### Valuation Policies and Procedures

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

- (a) the value of any cash on hand or on deposit, bill, demand note, account receivable, prepaid expense, distribution, or other amount receivable (or declared to holders of record of securities owned on a date before the Valuation Date as of which the NAV is being determined, and to be receivable) and interest accrued and not yet received will be deemed to be the full amount thereof provided that if the valuation agent has determined that any such deposit, bill, demand note, account receivable, prepaid expense, distribution, or other amount receivable (or declared to holders of record of securities owned on a date before the Valuation Date as of which the NAV is being determined, and to be receivable) or interest accrued and not yet received is not otherwise worth the full amount thereof, the value thereof will be deemed to be such value as the valuation agent determines to be the fair market value thereof;
- (b) the value of any bonds, debentures and other debt obligations will be valued by taking the average of the bid and ask prices quoted by a major dealer or recognized information provider in such securities on a Valuation Date at such times as the valuation agent, in its discretion, deems appropriate. Short-term investments including notes and money market instruments will be valued at cost plus accrued interest;
- (c) the value of any security which is listed or traded upon a stock exchange (or if more than one, on the principal stock exchange for the security, as determined by the valuation agent) will be determined by taking the latest available sale price of recent date, or lacking any recent sales or any record thereof, the simple average of the latest available offer price and the latest available bid price (unless in the opinion of the valuation agent such value does not reflect the value thereof and in which case the latest offer price or bid price will be used), as at the Valuation Date on which the NAV is being determined, all as reported by any means in common use;
- (d) the value of any security which is traded over-the-counter will be priced at the average of the last bid and asked prices quoted by a major dealer or recognized information provider in such securities;
- (e) the value of any security or other asset for which a market quotation is not readily available will be its fair market value on the Valuation Date on which the NAV is being determined as determined by the

valuation agent (generally the valuation agent will value such security at cost until there is a clear indication of an increase or decrease in value);

- (f) any market price reported in currency other than Canadian dollars will be translated into Canadian currency at the rate of exchange available from the valuation agent on the Valuation Date on which the NAV is being determined;
- (g) listed securities subject to a hold period will be valued as described above with an appropriate discount as determined by the valuation agent and investments in private companies and other assets for which no published market exists will be valued at the lesser of cost and the most recent value at which such securities have been exchanged in an arm's length transaction which approximates a trade effected in a published market, unless a different fair market value is determined to be appropriate by the valuation agent;
- (h) the value of any forward contract or other derivatives, such as future contracts, swap contracts or options on financial futures, will be the value that would be realized by the Fund if, on the date on which the NAV is being determined, the forward contract or other derivatives were closed out in accordance with its terms; and
- (i) the value of any security or property to which, in the opinion of the valuation agent, the application of the above principles cannot be applied (whether because no price or yield equivalent quotations are available as above provided, or for any other reason) will be the fair market value thereof determined in good faith in such manner as the valuation agent determines in consultation with the Manager from time to time.

The Net Asset Value per Unit is calculated in Canadian dollars in accordance with the rules and policies of the Canadian Securities Administrators or in accordance with any exemption therefrom that the Fund may obtain. The Net Asset Value per Unit determined in accordance with the principles set out above may differ from 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](http://www.cclcapitalmarkets.com), and will also be available to Unitholders upon request, at no cost, by calling 1-888-276-2258.

## **ATTRIBUTES OF THE UNITS AND WARRANTS**

### **Description of the Units**

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.

The Fund proposes to offer Combined Units at a price of \$12.00 per Combined Unit. Each Combined Unit consists of one Unit and one transferable Warrant for one Unit. Each Warrant for one Unit entitles the holder to purchase one Unit at a subscription price of \$12.00 on or before January 31, 2012. **Warrants not exercised by January 31, 2012 will be void and of no value.**

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: (a) the trust is a reporting issuer under the *Securities Act* (Ontario); and (b) the trust is governed by the laws of Ontario. The Fund will be a reporting issuer under the *Securities Act* (Ontario) prior to the Closing and the Fund is governed by the laws of Ontario by virtue of the provisions of the Trust Agreement.

All Units have equal rights and privileges. At any meeting of Unitholders of the Fund, each Unitholder will be entitled to one vote for each Unit held by such Unitholder. Each Unitholder is entitled to participate equally with respect to any and all distributions made by the Fund, including distributions of net income and net realized capital gains, and distributions upon the termination of the Fund. Units are issued only as fully paid and are non-assessable. Unitholders will have no voting rights in respect of the securities held by the Fund.

The Trust Agreement provides that the Fund will not issue additional Units following completion of the Offering, except: (a) at a price that yields net proceeds of not less than 100% of Net Asset Value per Unit calculated as of the close of business on the business day immediately prior to the pricing of such offering; (b) by way of Unit distributions; (c) through the exercise of Warrants; or (d) with the approval of Unitholders.

### ***Market Purchases***

In addition, the Trust Agreement provides that the Fund has the right (but not the obligation), exercisable in its sole discretion, at any time, to purchase Units for cancellation at prices not exceeding the NAV per Unit, subject to any applicable regulatory requirements and limitations. It is expected that such purchases, if made, will be made as normal course issuer bids through the facilities and under the rules of the exchange or market on which the Units are listed, if applicable, as provided for in the Trust Agreement or as otherwise permitted by applicable securities laws.

### ***Book-Entry Only System***

Registration of interests in, and transfers of, the Units will be made only through the book-entry only system of CDS. Units must be purchased, transferred and surrendered for redemption only through a CDS Participant. All rights of an owner of Units must be exercised through, and all payments or other property to which such owner is entitled will be made or delivered by, CDS or the CDS Participant through which the owner holds such Units. Upon purchase of any Units, the owner will receive only the customary confirmation. References in this prospectus to a holder of Units means, unless the context otherwise requires, the owner of the beneficial interest in such Units.

The Fund, the Manager and the Agents will not have any liability for: (a) records maintained by CDS relating to the beneficial interests in the Units or the book-entry accounts maintained by CDS; (b) maintaining, supervising or reviewing any records relating to such beneficial ownership interests; or (c) any advice or representation made or given by CDS and made or given with respect to the rules and regulations of CDS or any action taken by CDS or at the direction of the CDS Participants.

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

The Fund has the option to terminate registration of the Units through the book-entry only system in which case certificates for Units in fully registered form will be issued to beneficial owners of such Units or to their nominees.

## **Description of the Warrants**

### ***Subscription Basis and Warrant Expiry Time***

Each Warrant for one Unit entitles the holder to purchase one Unit at a subscription price of \$12.00 on or before January 31, 2012. **Warrants not exercised on or before January 31, 2012 will be void and of no value.** The Units and the Warrants comprising the Combined Units will separate immediately following the earlier of the final closing of the exercise of the Over-Allotment Option (as defined below) or 30 days after the Closing, and may be transferred separately thereafter. Within 30 days of the proper exercise of a Warrant, the Fund will pay a fee equal to \$0.18 to the dealer on behalf of the broker whose client is exercising the Warrant and \$0.12 per Warrant to the dealer employing such broker.

### ***Subscription and Transfer Agent***

Computershare Trust Company of Canada (the “Subscription Agent”) will be appointed the agent of the Fund to receive subscriptions and payments from holders of Warrants, to act as registrar and transfer agent for the Warrants and to perform certain services relating to the exercise and transfer of Warrants pursuant to a warrant indenture (the “Warrant Indenture”) between the Manager, on behalf of the Fund, and the Subscription Agent, to be dated as of the date of the Closing. The Warrant Agent is entitled to a fee for its services under the Warrant Indenture. The Warrant Agent may resign upon at least 90 days’ notice to the Fund. The Fund may remove the Warrant Agent and appoint a new warrant agent on at least 90 days’ notice to the Warrant Agent.

### ***Delivery Form and Denomination of the Warrants***

All Unitholders hold their Units through a CDS Participant. The Fund expects that each purchaser of Combined Units under the Offering will receive a confirmation of the number of Warrants issued to it from its CDS Participant in accordance with the practices and procedures of that CDS Participant. CDS will be responsible for establishing and maintaining book-entry accounts for its participants holding Warrants.

None of the Fund, the Manager or the Subscription Agent will have any liability for: (a) the records maintained by CDS or CDS Participants relating to the Warrants or the book-entry accounts maintained by them; (b) maintaining, supervising or reviewing any records relating to such Warrants; or (c) any advice or representations made or given by CDS or CDS Participants with respect to the rules and regulations of CDS or any action be taken by CDS or its participants.

The ability of a person having an interest in Warrants held through a CDS Participant to pledge such interest or otherwise take action with respect to such interest (other than through a CDS Participant) may be limited due to the lack of a physical certificate.

Holders must arrange purchases or transfers of Warrants through CDS Participants. It is anticipated by the Fund that each such purchaser of a Warrant will receive a customer confirmation of issuance or purchase, as applicable, from the CDS Participant through which such Warrant is issued in accordance with the practices and policies of such CDS Participant.

### ***Subscription Right***

CDS Participants that hold Warrants for more than one beneficial holder may, upon providing evidence satisfactory to the Fund and the Subscription Agent, exercise Warrants on behalf of its accounts on the same basis as if the beneficial owners of the Units, as applicable, were holders of record on the date of exercise.

A subscriber may subscribe for the resulting whole number of Units as applicable, or any lesser whole number of such Units by instructing the CDS Participant holding the subscriber’s Warrants to exercise all or a specified number of such Warrants and forwarding \$12.00 per Warrant for each such Unit subscribed for in accordance with the terms of the Offering to the CDS Participant which holds the subscriber’s Warrants.

The subscription price is payable in Canadian funds by certified cheque, bank draft or money order drawn to the order of a CDS Participant, by direct debit from the subscriber’s brokerage account or by electronic funds transfer or other similar payment mechanism. All payments must be forwarded to the appropriate office of the CDS Participant. The entire subscription price for Units subscribed for must be paid at the time of subscription and must be received by the Subscription Agent prior to the expiry time on the applicable exercise date. Accordingly, a subscriber subscribing through a CDS Participant must deliver its payment and instructions sufficiently in advance of the expiry time on the applicable exercise date to allow the CDS Participant to properly exercise the Warrants on its behalf. Unitholders are encouraged to contact their broker or other CDS Participant as each CDS Participant may have a different cut-off time.

Payment of the subscription price will constitute a representation to the CDS Participant that the subscriber is not a citizen or resident of the United States of America, its territories or possessions or the agent of any such person and is not purchasing the Units for resale to any such person.

**Subscriptions for Units made through a CDS Participant will be irrevocable and subscribers will be unable to withdraw their subscriptions for Units once submitted.**

**Holders of Warrants who wish to exercise their Warrants and receive Units are reminded that, because Warrants must be exercised through a CDS Participant, a significant amount of time may elapse from the date of exercise and the date the Units issuable upon the exercise thereof are issued to the holder.**

#### *Sale or Transfer of Warrants*

Holders of Warrants in Canada may, instead of exercising their Warrants to subscribe for Units, as the case may be, sell or transfer their Warrants. Holders of Warrants through CDS Participants who wish to sell or transfer their Warrants must do so in the same manner in which they sell or transfer Units, namely, by providing instructions to the CDS Participant holding their Warrants in accordance with the policies and procedures of the CDS Participant.

#### *Dilution to Existing Unitholders*

If a Unitholder wishes to retain its current percentage ownership in the Fund and assuming that all Warrants are exercised, it should purchase all of the Units for which it may subscribe pursuant to the Warrants issued under the Offering. If that Unitholder does not do so and other holders of Warrants exercise any of their Warrants, that Unitholder's current percentage ownership in the Fund will be diluted.

The Warrants contain the following anti-dilution provisions, in that the subscription rights in effect under the Warrants of the Fund issuable upon the exercise of such Warrants shall be subject to adjustment from time to time if, prior to the expiry time on January 31, 2012 the Fund shall:

- (a) subdivide, re-divide or change its outstanding Units into a greater number of Units;
- (b) combine or consolidate its outstanding Units into a smaller number of Units;
- (c) distribute to holders of all or substantially all of the Fund's outstanding Units any securities of the Fund including rights, options or warrants to acquire Units of the Fund or securities convertible into or exchangeable for Units of the Fund or property or assets, including evidence of indebtedness (other than in connection with the distribution and exercise of the Warrants);
- (d) reclassify the Units or reorganize the capital of the Fund; or
- (e) consolidate, amalgamate or merge the Fund with or into any other trust or other entity, or sell or convey the property and assets of the Fund as an entirety or substantially as an entirety (other than in connection with the redemption of Units).

Each investor in this Offering will purchase Combined Units and each Combined Unit consists of one Unit and one Warrant. Following the final closing of the exercise of the Over-Allotment Option or 30 days after the Closing, the Units and Warrants may be dealt with separately by the investor with the result that the investor may retain both securities or may elect to sell some or all of their Units or Warrants.

The value of Units will be reduced if the Net Asset Value per Unit exceeds \$11.70 (being the Warrant exercise price minus the Warrant exercise fee of \$0.30 in the aggregate—see "Fees and Expenses – Warrant Exercise Fee") and if Warrants are exercised. If the Net Asset Value per Unit exceeds \$11.70 and other Warrant holders exercised their Warrants then a Unitholder will face dilution of its investment. If a Unitholder does not exercise Warrants in such circumstances, the Unitholder's *pro rata* interest in the assets of the Fund will be diluted.

As the number of Warrants equals the number of Units, the potential dilution per Unit is up to one half of all gains in the Net Asset Value per Unit of the Fund in excess of \$11.70. The potential dilution per Unit, assuming the Warrants are exercised in full, is illustrated in the following table:

Basic Net Asset Value of the Fund before the Exercise of Warrants .....	\$13.00	\$13.50	\$14.00	\$14.50
Dilution upon Exercise of Warrants .....	\$0.65	\$0.90	\$1.15	\$1.40

**Due to the dilutive effect on the value of the Units if the Net Asset Value per Unit exceeds \$11.70 when Warrants are exercised, an investor in this Offering should carefully consider the exercise of the Warrants or the sale of the Warrants, prior to the exercise date and the failure to take either such action in these circumstances will result in the loss of value to an investor. While a Unitholder may sell the Warrants acquired hereunder, no assurance can be given that the proceeds of such sale would compensate the Unitholder for such dilution. In order to maintain a Unitholder’s *pro rata* interest in the assets of the Fund, the Unitholder would be required to pay in connection with the exercise of the Warrants an additional amount equal to the amount originally invested by the Unitholder of the Closing. The factors that would be expected to influence the price of a Warrant include the difference between the exercise price of the Warrants and the fully diluted Net Asset Value per Unit, price volatility, distributions payable on the Units and the remaining time to expiry of the Warrant.**

## UNITHOLDER MATTERS

### Meetings of Unitholders

A meeting of Unitholders may be convened by the Trustee or the Manager by a written requisition specifying the purpose of the meeting, and must be convened by the Trustee if requisitioned by Unitholders holding not less than 10% of the then outstanding Units entitled to vote on the matter by a written requisition specifying the purpose of the meeting.

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

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

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

### Matters Requiring Unitholder Approval

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

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

- (b) any change of the Manager except where the new manager is an affiliate of the Manager or of the Portfolio Manager;
- (c) any increase in the management fee;
- (d) any amendment, modification or variation in the provisions or rights attaching to the Units;
- (e) any change in the frequency of calculating the Net Asset Value per Unit to less often than daily;
- (f) any merger, arrangement or similar transaction or the sale of all or substantially all of the assets of the Fund other than in the ordinary course;
- (g) any liquidation, dissolution or termination of the Fund except if it is determined by the Manager, in its sole discretion, to be in the best interest of the Unitholders or otherwise in accordance with the terms of the Trust Agreement;
- (h) the issuance of additional Units, other than: (i) upon the exercise of Warrants; (ii) for net proceeds equal to or greater than 100% of the most recently calculated Net Asset Value per Unit calculated immediately prior to the pricing of such issuance; or (iii) by way of Unit distributions; and
- (i) any amendment to the above provisions except as permitted by the Trust Agreement.

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

- (a) remove any conflicts or other inconsistencies which may exist between any terms of the Trust Agreement and any provisions of any law, regulation or requirements of any governmental authority applicable to or affecting the Fund;
- (b) make any change or correction in the Trust Agreement which is of a typographical nature or is required to cure or correct any ambiguity or defective or inconsistent provision, clerical omission, mistake or manifest error contained therein;
- (c) bring the Trust Agreement into conformity with applicable laws, rules and policies of Canadian securities regulators or with current practice within the securities or investment fund industries, provided such amendments do not in the opinion of the Manager adversely affect the pecuniary value of the interest of the Unitholders or restrict any protection for the Trustee or the Manager or increase their respective responsibilities;
- (d) maintain the status of the Fund as a “mutual fund trust” for the purposes of the Tax Act or to respond to amendments to such Act or to the interpretation or administration thereof; or
- (e) provide added protection or benefit to Unitholders.

### **Amendment to Trust Agreement**

Except as provided above, the Trust Agreement may be amended by a resolution approved by the affirmative vote of at least a majority of the votes cast at a meeting of Unitholders duly convened and held in accordance with the provisions 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’s fiscal year-end will be December 31. The Fund will make available to Unitholders such financial statements and other continuous disclosure documents as are required by applicable law, including: (a) unaudited

interim and audited annual financial statements of the Fund, prepared in accordance with Canadian generally accepted accounting principles; and (b) interim and annual management reports of fund performance in respect of the Fund. The Fund will make available to each Unitholder annually and within the time prescribed by law, information necessary to enable such Unitholder to complete an income tax return with respect to the amounts payable by the Fund.

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.

### **TERMINATION OF THE FUND**

The Fund does not have a fixed termination date but may be terminated (the date on which such termination occurs being the “Termination Date”) upon not less than 90 days’ written notice to the Manager from the Trustee with the approval of the Unitholders by a two-thirds majority vote passed at a duly convened meeting of Unitholders called for the purpose of considering such termination, provided that Unitholders holding at least 10% of the Units outstanding on the record date of the meeting vote in favour of such termination.

The Manager may, in its discretion, terminate the Fund without the approval of Unitholders if, in the opinion of the Manager, the Net Asset Value of the Fund is reduced as a result of redemptions or otherwise so that it is no longer economically feasible to continue the Fund and it would be in the best interest of the Unitholders to terminate the Fund. The Fund will provide Unitholders notice in writing through CDS no less than 30 days and no more than 60 days prior to such Termination Date and will issue a press release in respect thereof at least 10 business days in advance of such Termination Date. The Fund will include a description of the entitlement of the Unitholders in such notice and press release.

Immediately prior to the Termination Date, the assets of the Fund will, to the extent possible, be converted to cash and the Trustee, after paying or making adequate provision for all of the Fund’s liabilities, shall distribute the net assets of the Fund to Unitholders as soon as practicable after the Termination Date.

### **USE OF PROCEEDS**

The Fund will use the proceeds from the sale of Combined Units as follows:

	<b>Maximum Offering</b>	<b>Minimum Offering</b>
Gross proceeds to the Fund.....	\$100,000,008	\$25,000,008
Agents’ fees.....	\$5,250,000	\$1,312,500
Expenses of issue.....	\$750,000	\$375,000
Net proceeds to the Fund.....	\$94,000,008	\$23,312,508

The Fund will use the net proceeds of the Offering (including any net proceeds from the exercise of the Over-Allotment Option and any proceeds from the exercise of the Warrants) to invest in the Portfolio in accordance with the investment objectives, strategy and restrictions of the Fund.

### **PLAN OF DISTRIBUTION**

Pursuant to an agreement dated as of January 26, 2011 (the “Agency Agreement”) between RBC Dominion Securities Inc., CIBC World Markets Inc., BMO Nesbitt Burns Inc., National Bank Financial Inc., Scotia Capital Inc., Macquarie Private Wealth Inc., GMP Securities L.P., Canaccord Genuity Corp., HSBC Securities (Canada) Inc., Desjardins Securities Inc., Dundee Securities Corporation, Raymond James Ltd. and Wellington West Capital Markets Inc. (collectively, the “Agents”), the Fund, the Manager and the Portfolio Manager, the Agents have agreed

to offer the Combined Units for sale, as agents of the Fund, on a best efforts basis, if, as and when issued by the Fund. The Agents will receive a fee equal to \$0.63 for each Combined Unit sold and will be reimbursed for out-of-pocket expenses incurred by them. The Agents may form a sub-agency group including other qualified investment dealers and determine the fee payable to the members of such group, which fee will be paid by the Agents out of their fees. While the Agents have agreed to use their best efforts to sell the securities offered hereby, the Agents will not be obligated to purchase Units which are not sold.

The Fund has granted the Agents an option (the "Over-Allotment Option"), exercisable for a period of 30 days from the Closing, to offer up to 15% of the aggregate number of Combined Units issued at the Closing on the same terms set forth above. This prospectus qualifies the distribution of the Over-Allotment Option, and the Combined Units issuable on the exercise thereof. The Agents may exercise the Over-Allotment Option in whole or in part at any time on or before the close of business on the 30th day following the Closing. To the extent that the Over-Allotment Option is exercised, the additional Combined Units will be offered at the Offering price hereunder and the Agents will be entitled to a fee of \$0.63 per Combined Unit purchased.

If subscriptions for a minimum of 2,083,334 Combined Units (\$25,000,008) have not been received within 90 days following the date of issuance of a final receipt for this prospectus, the Offering may not continue without the consent of the Canadian securities regulators and those who have subscribed for Combined Units on or before such date. Under the terms of the Agency Agreement, the Agents may, at their discretion on the basis of their assessment of the state of the financial markets and upon the occurrence of certain stated events, terminate the Agency Agreement. In the event the minimum offering is not achieved by the Fund and the necessary consents are not obtained or if the Closing does not occur for any reason, subscription proceeds received from prospective purchasers will be returned to such purchasers promptly without interest or deduction. Subscriptions for Combined Units will be received subject to rejection or allotment in whole or in part. The right is reserved to close the subscription books at any time without notice. Closing will take place on February 18, 2011 or such later date as may be agreed upon by the Fund and the Agents that is on or before March 31, 2011.

There is currently no market through which the Units and the Warrants can be sold. Accordingly, the Offering price per Combined Unit was determined by negotiation between the Agents and the Manager on behalf of the Fund. The Units and the Warrants comprising the Combined Units will separate immediately following the earlier of the final closing of the exercise of the Over-Allotment Option or 30 days after Closing and may be transferred separately thereafter.

The TSX has conditionally approved the listing of the Combined Units, the Units and the Warrants. Listing is subject to the Fund fulfilling all of the requirements of the TSX on or before April 20, 2011.

Pursuant to policy statements of certain Canadian securities regulators, the Agents may not, throughout the period of distribution, bid for or purchase Units. The foregoing restriction is subject to certain exceptions, on the conditions that the bid or purchase not be engaged in for the purpose of creating actual or apparent active trading in, or raising the price of, the Units. Such exceptions include a bid or purchase permitted under applicable by-laws and rules of the relevant self-regulatory authorities relating to market stabilization and passive market making activities and a bid or purchase made for and on behalf of a customer where the order was not solicited during the period of distribution. Pursuant to the first mentioned exception, in connection with these Offering, the Agents may over-allot or effect transactions in connection with their over-allotted position. Such transactions, if commenced, may be discontinued at any time.

### **Non-Resident Unitholders**

At no time may: (a) non-residents of Canada; (b) partnerships that are not Canadian partnerships; or (c) a combination of non-residents of Canada and such partnerships (all as defined in the Tax Act) be the beneficial owners of a majority of the Units, and the Manager shall inform the registrar and transfer agent of the Fund of this restriction. The Manager may require declarations as to the jurisdictions in which a beneficial owner of Units is resident and, if a partnership, its status as a Canadian partnership. If the Manager becomes aware, as a result of requiring such declarations as to beneficial ownership or otherwise, that the beneficial owners of 40% or more of the Units then outstanding are, or may be, non-residents and/or partnerships that are not Canadian partnerships, or that such a situation is imminent, the Manager may make a public announcement thereof. If the Manager determines that

more than 40% of the Units are beneficially held by non-residents and/or partnerships that are not Canadian partnerships, the Manager may send a notice to such non-resident Unitholders and partnerships, chosen in inverse order to the order of acquisition or in such manner as the Manager may consider equitable and practicable, requiring them to sell their Units or a portion thereof within a specified period of not less than 30 days. If the Unitholders receiving such notice have not sold the specified number of Units or provided the Manager with satisfactory evidence that they are not non-residents or partnerships other than Canadian partnerships within such period, the Manager may on behalf of such Unitholders sell such Units and, in the interim, shall suspend the voting and distribution rights attached to such Units. Upon such sale, the affected holders shall cease to be beneficial holders of Units and their rights shall be limited to receiving the net proceeds of sale of such Units.

Notwithstanding the foregoing, the Manager may determine not to take any of the actions described above if the Manager has been advised by legal counsel that the failure to take any of such actions would not adversely impact the status of the Fund as a mutual fund trust for purposes of the Tax Act or, alternatively, may take such other action or actions as may be necessary to maintain the status of the Fund as a mutual fund trust for purposes of the Tax Act.

### **INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS**

The Manager will receive the fees described under “Fees and Expenses – Operating Expenses” for its services to the Fund and will be reimbursed by the Fund for all expenses incurred in connection with the operation and administration of the Fund. The Manager is the promoter of the Fund.

### **PROXY VOTING DISCLOSURE FOR PORTFOLIO SECURITIES HELD**

#### **Policies and Procedures**

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

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

On rare occasions, the Portfolio 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 Portfolio Manager will not vote proxies received for securities which are no longer held in the Portfolio or by the Fund as applicable.

#### **Proxy Voting Conflicts of Interest**

Where proxy voting could give rise to a conflict of interest or perceived conflict of interest, the Portfolio Manager has instituted procedures to help ensure the 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.

## **Disclosure of Proxy Voting Guidelines and Record**

A copy of the Portfolio Manager's proxy voting guidelines will be made available on the Internet at [www.cclcapitalmarkets.com](http://www.cclcapitalmarkets.com).

## **MATERIAL CONTRACTS**

The following contracts can reasonably be regarded as material to purchasers of Combined Units:

- (a) the Trust Agreement described under "Organization and Management Details of the Fund – The Manager – Details of the Manager's Obligations under the Trust Agreement";
- (b) the Agency Agreement described under "Plan of Distribution";
- (c) the Portfolio Management Agreement described under "Organization and Management Details of the Fund – The Portfolio Manager – Details of the Portfolio Management Agreement"; and
- (d) the Warrant Indenture referred to under "Attributes of the Units and Warrants – Description of the Warrants – Subscription and Transfer Agent".

Copies of the agreements referred to above after the execution thereof may be inspected during business hours at the principal office of the Fund during the course of distribution of the Units offered hereby.

## **EXPERTS**

The matters referred to under "Income Tax Considerations", including "Eligibility for Investment", and certain other legal matters relating to the securities offered hereby will be passed upon on behalf of the Fund and the Manager by Osler, Hoskin & Harcourt LLP, and on behalf of the Agents by McCarthy Tétrault LLP.

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

## **PURCHASERS' STATUTORY RIGHTS OF WITHDRAWAL AND RECISSION**

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

## **AUDITORS' CONSENT**

We have read the prospectus of Macquarie Emerging Markets Infrastructure Income Fund (the "Fund") dated January 26, 2011 relating to the sale and issuance of Combined Units of the Fund. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the inclusion in the above-mentioned prospectus of our report to the trustee of the Fund on the statement of financial position of the Fund as at January 26, 2011. Our report is dated January 26, 2011.

Toronto, Ontario  
January 26, 2011

(Signed) PricewaterhouseCoopers LLP  
Chartered Accountants,  
Licensed Public Accountants

## INDEPENDENT AUDITORS' REPORT

### To the Trustee of Macquarie Emerging Markets Infrastructure Income Fund

We have audited the statement of financial position of Macquarie Emerging Markets Infrastructure Income Fund (the "Fund") as at January 26, 2011, and a summary of significant accounting policies and other explanatory information.

#### Management's responsibility for the financial statement

Management is responsible for the preparation and fair presentation of this 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 financial statements that are free from material misstatement, whether due to fraud or error.

#### Auditor's responsibility

Our responsibility is to express an opinion on this 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 the 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 in our audit 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 January 26, 2011 in accordance with Canadian generally accepted accounting principles.

Toronto, Ontario  
January 26, 2011

(Signed) PricewaterhouseCoopers LLP  
Chartered Accountants,  
Licensed Public Accountants

**MACQUARIE EMERGING MARKETS INFRASTRUCTURE INCOME FUND  
STATEMENT OF FINANCIAL POSITION**

**January 26, 2011**

**ASSETS**

Cash .....	\$12.00
Total.....	<u>\$12.00</u>

**UNITHOLDER'S EQUITY (Note 1)**

Unitholder's equity (1 Unit) .....	<u>\$12.00</u>
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Approved on behalf of Macquarie Emerging Markets Infrastructure Income Fund by Connor, Clark & Lunn Capital Markets Inc., as Manager:

(Signed) W. NEIL MURDOCH  
Director

(Signed) MICHAEL FREUND  
Director

*The accompanying notes are an integral part of this Statement of Financial Position.*

**MACQUARIE EMERGING MARKETS INFRASTRUCTURE INCOME FUND**  
**NOTES TO STATEMENT OF FINANCIAL POSITION**

**1. UNITS AUTHORIZED AND OUTSTANDING**

*Establishment of the Fund and Authorized Units*

Macquarie Emerging Markets Infrastructure Income Fund (the “Fund”) was established under the laws of the Province of Ontario on January 26, 2011 by a trust agreement (the “Trust Agreement”) between Connor, Clark & Lunn Capital Markets Inc. (the “Manager”) in its capacity as manager and RBC Dexia Investor Services Trust (the “Trustee”) as trustee of the Fund. The Fund is authorized to issue an unlimited number of Units. On January 26, 2011 the Fund issued one Unit for \$12.00 cash.

*Redemption of Units*

Commencing in 2012, units (“Units”) of the Fund may be surrendered for redemption during the period from August 1 to 5:00 p.m. (Toronto time) on the tenth business day prior to the last business day in August 2012 or any year thereafter, subject to the Fund’s right to suspend redemptions in certain circumstances, for a redemption price per Unit equal to the net asset value (“NAV”) per Unit on that date less any costs of funding the redemption. Unitholders will receive the redemption payment on or before the 15<sup>th</sup> day following the redemption date (the “Redemption Payment Date”). Any unpaid distribution payable on or before the redemption date in respect of Units tendered for redemption on such redemption date will also be paid on the same day as the redemption proceeds are paid. The NAV per Unit will vary depending on a number of market factors, including interest rates and volatility in the equity markets.

Units may also be redeemed monthly for a redemption price per Unit based on the market price of the Units. Units may be redeemed on a monthly redemption date, subject to certain conditions and, in order to effect such a redemption, the Units must be surrendered by no later than 5:00 p.m. (Toronto time) on the date which is the last business day of the month preceding the monthly redemption date. Payment of the redemption price will be made on or before the Redemption Payment Date, subject to the Manager’s right to suspend redemptions in certain circumstances. Concurrently with the payment of the redemption price, the Fund may pay to the redeeming Unitholder a cash distribution in the amount of the net realized capital gains of the Fund incurred by it to fund the payment of the redemption price.

**2. AGENCY AGREEMENT**

The Fund has engaged RBC Dominion Securities Inc., CIBC World Markets Inc., BMO Nesbitt Burns Inc., National Bank Financial Inc., Scotia Capital Inc., Macquarie Private Wealth Inc., GMP Securities L.P., Canaccord Genuity Corp., HSBC Securities (Canada) Inc., Desjardins Securities Inc., Dundee Securities Corporation, Raymond James Ltd. and Wellington West Capital Markets Inc. (collectively, the “Agents”) to offer combined units (“Combined Units”) of the Fund for sale to the public at a price of \$12.00 per Combined Unit pursuant to a prospectus dated January 26, 2011 (the “Offering”). Each Combined Unit consists of one transferable, redeemable unit (“Unit”) and one transferable warrant (“Warrant”) for one Unit. Each Warrant for one Unit entitles the holder to purchase one Unit at a subscription price of \$12.00 on or before January 31, 2012. **Warrants not exercised on or before January 31, 2012 will be void and of no value.** In consideration for their services in connection with the Offering, the Agents will be paid a fee of \$0.63 per Combined Unit.

**3. COMMITMENTS**

*Management and Portfolio Management Fees*

As compensation for management services rendered to the Fund pursuant to the Trust Agreement, the Manager is entitled to receive: (a) an annual management fee payable by the Fund in an amount equal to 1.40% of the NAV of the Fund, calculated and paid monthly in arrears, together with applicable taxes; plus (b) an amount equal to the service fee (the “Service Fee”) to be paid by the Manager to each dealer whose clients hold Units at the end of a calendar quarter. These amounts total 1.80% of NAV per annum plus taxes.

The Service Fee will be calculated and payable by the Manager on the last business day of each calendar quarter and will be equal to one quarter of 0.40% of the NAV per Unit at such time. The Service Fee payable to registered dealers in respect of the quarter ending March 31, 2011, shall be paid on a *pro rata* basis from the date of the closing of the Offering.

Macquarie Capital Investment Management LLC (the “Portfolio Manager”), the portfolio manager, will be compensated for its services to the Fund by the Manager without any further cost to the Fund.

#### *Operating Expenses*

The Fund will pay for all ordinary expenses incurred in connection with its operation and administration. It is expected that these expenses will include, without limitation, mailing and printing expenses for periodic reports to Unitholders and other Unitholder communications including marketing and advertising expenses; fees payable to Computershare Investor Services Inc. for acting as registrar and transfer agent for the Units and Computershare Trust Company of Canada for acting as registrar, transfer agent and distribution agent for the Warrants and performing certain financial, record keeping, reporting and general administrative services; fees payable to RBC Dexia Investor Services Trust for acting as trustee of the Fund; any reasonable out-of-pocket expenses incurred by the Manager or its agents in connection with their ongoing obligations to the Fund; any additional fees payable to the Manager for performance of extraordinary services on behalf of the Fund; fees payable to the auditors and legal advisors; regulatory filing, stock exchange and licensing fees; any expenditures incurred upon the termination of the Fund; and fees payable to the members of the Independent Review Committee. Such expenses will also include expenses of any action, suit or other proceedings in which or in relation to which the Manager is entitled to indemnity by the Fund.

#### *Warrant Exercise Fee*

Within 30 days of the proper exercise of a Warrant, the Fund will pay a fee equal to \$0.18 to the dealer on behalf of the broker whose client is exercising the Warrant and \$0.12 per Warrant to the dealer employing such broker.

#### **4. INVESTMENT OBJECTIVES**

The Fund’s investment objectives are to generate: (a) quarterly distributions for Unitholders initially targeted to be \$0.15 per Unit (\$0.60 per annum representing an annual cash distribution of 5.0% based on the \$12.00 per Combined Unit issue price); and (b) total return for Unitholders, consisting of dividend income and capital appreciation.

To achieve the Fund’s investment objectives, the net proceeds of the Offering will be invested in a portfolio consisting of infrastructure equity securities issued by entities domiciled in emerging markets.

#### **5. LOAN FACILITY**

The Fund intends to establish a loan facility that may be used for various purposes including purchasing additional securities for the Portfolio, effecting market purchases of Units, funding distributions or redemptions and for cash flow requirements from time to time. Borrowings by the Fund thereunder may be in Canadian or U.S. dollars and shall not exceed 33% of the net assets of the Fund at the time of borrowing. The maximum amount of leverage that the Fund would employ is 1.33:1. The Fund expects that the terms, conditions, interest rates, fees and expenses of and under the loan facility will be typical for loans of this nature.

#### **6. DISTRIBUTION POLICY**

The Fund intends to provide a stable stream of quarterly distributions to Unitholders of record on the last business day of each calendar quarter initially equal to approximately \$0.15 per Unit (\$0.60 per annum representing an annual cash distribution of 5.0% based on the \$12.00 per Combined Unit issue price).

#### **7. ACCOUNTING TREATMENT OF ISSUE EXPENSES**

Agents’ fees and expenses relating to the Offering will be treated as a reduction in capital.

**CERTIFICATE OF THE FUND, THE MANAGER AND THE PROMOTER**

Dated: January 26, 2011

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

**CONNOR, CLARK & LUNN CAPITAL MARKETS INC.**

(as Manager and on behalf of Macquarie Emerging Markets Infrastructure Income Fund)

(Signed) W. NEIL MURDOCH  
Chief Executive Officer

(Signed) MICHAEL FREUND  
Chief Financial Officer

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

(Signed) W. NEIL MURDOCH  
Director

(Signed) MICHAEL FREUND  
Director

(Signed) DARREN CABRAL  
Director

**CONNOR, CLARK & LUNN CAPITAL MARKETS INC.**

(as Promoter)

(Signed) W. NEIL MURDOCH  
Director

**CERTIFICATE OF THE AGENTS**

Dated: January 26, 2011

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

RBC DOMINION SECURITIES INC.

By: (Signed) EDWARD V. JACKSON

CIBC WORLD MARKETS INC.

By: (Signed) MICHAEL SHUH

BMO NESBITT BURNS INC.

By: (Signed) ROBIN G. TESSIER

NATIONAL BANK FINANCIAL INC.

By: (Signed) TIMOTHY D. EVANS

SCOTIA CAPITAL INC.

By: (Signed) BRIAN D. MCCHESENEY

MACQUARIE PRIVATE WEALTH INC.

By: (Signed) RAY SAWICKI

GMP SECURITIES L.P.

By: (Signed) NEIL SELFE

CANACCORD GENUITY CORP.

By: (Signed) RON SEDRAN

HSBC SECURITIES (CANADA) INC.

By: (Signed) BRENT LARKAN

DESJARDINS SECURITIES  
INC.

By: (Signed) BETH SHAW

DUNDEE SECURITIES  
CORPORATION

By: (Signed) AARON  
UNGER

RAYMOND JAMES LTD.

By: (Signed) J. GRAHAM  
FELL

WELLINGTON WEST  
CAPITAL MARKETS INC.

By: (Signed) SCOTT LARIN