

Brookfield

BROOKFIELD NEW HORIZONS INCOME FUND
(the “Fund”)

ANNUAL INFORMATION FORM
(“AIF”)

March 30, 2017

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FORWARD-LOOKING STATEMENTS

Certain statements made by the Fund in this AIF are “forward-looking statements”. Forward-looking statements include statements that are predictive in nature, depend upon or refer to future events or conditions, or include words such as “expects”, “anticipates”, “plans”, “believes”, “estimates”, “intends”, “targets”, “projects”, “forecasts” or negative versions thereof and other similar expressions, or future or conditional verbs such as “may”, “will”, “should”, “would” and “could”, and similar expressions. Forward-looking statements are based on expectations, estimates and projections at the time the statements were made and are subject to a number of risks and uncertainties that could cause actual results or events to differ materially from current expectations, including but not limited to, the investment risks inherent in the pursuit of the investments objectives and strategies of the Fund. See *“Risk Factors”*.

These and other factors should be considered carefully and readers should not place undue reliance on the Fund’s forward-looking statements. The forward-looking statements are made as of the date of this AIF, and the Fund does not undertake any obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless required to do so by applicable laws.

NAME, FORMATION AND HISTORY OF THE FUND

Brookfield New Horizons Income Fund (the “**Fund**”) is an investment fund established under the laws of the Province of Ontario pursuant to a Declaration of Trust dated March 1, 2011, as amended and restated by a declaration of trust dated June 1, 2013 (the “**Declaration of Trust**”). The amendments were made to appoint Brookfield Investment Management (Canada) Inc. (“**BIM Canada**” or the “**Manager**”) as trustee of the Fund. On November 7, 2014, the Declaration of Trust was further amended to change the annual redemption date from the last business day of March to the last business day of November and add a provision related to capital gains realized by the Fund as a result of any disposition of property undertaken to facilitate a redemption.

The Fund was originally created to: (a) provide Unitholders (as defined below) with tax advantaged quarterly cash distributions targeted through the use of a forward agreement (the “**Forward Agreement**”) between the Fund and a Canadian chartered bank (the “**Counterparty**”); and (b) to preserve the net asset value of the Fund (“**Net Asset Value**”). The Forward Agreement provided the Fund with exposure to a portfolio of securities held by New Horizons Master Fund (the “**Master Fund**”).

As a result of changes to the *Income Tax Act* (Canada) (together with the regulations thereunder, the “**Tax Act**”), the Manager determined that upon expiry of the Forward Agreement, the Fund would pursue its investment strategy without the Forward Agreement and announced its decision to do so by way of a press release dated February 17, 2016.

In connection with the foregoing, the Manager obtained exemptive relief from the Ontario Securities Commission from the requirement to obtain prior Unitholder approval before changing the investment objectives of the Fund in order to effect the Forward Amendments (as defined below). As a result, the Fund’s Declaration of Trust was amended on April 6, 2016 to remove all references to the use of the Forward Agreement, to delete references to “tax-advantaged” distributions and to clarify that the Fund will invest directly in securities similar to those held by the Master Fund (the “**Forward Amendments**”). The Fund physically settled the Forward Agreement on April 1, 2016 and on April 6, 2016 the portfolio of assets held by the Master Fund was transferred to the Fund.

On June 28, 2016 the Declaration of Trust was further amended to change the annual redemption date from the last business day of November to the last business day of July in order to align it with the annual redemption date of another fund that has a substantially similar investment strategy as the Fund and is also managed by the Manager. Subsequently, the Fund received tenders for the redemption of 11,423,776 Units (as defined below) with respect to the redemption on the last business day of July 2016. Of the Units redeemed on that date, the redemption of 11,050,000 Units, which were Units held by Partners Value Investments Inc., was satisfied through the delivery of portfolio assets of the Fund.

BIM Canada is the manager and investment manager of the Fund pursuant to the Management & Investment Management Agreement made as of March 1, 2011 between Caledon Trust Company and BIM Canada, as amended from time to time (the “**Management Agreement**”). The Manager is a wholly-owned subsidiary of Brookfield Asset Management Inc. (“**BAM**”). BIM Canada,

Brookfield Investment Management Inc. (“**BIM**”) and BAM are collectively referred to as “**Brookfield**”. The principal office of the Fund is located at Brookfield Place, 181 Bay Street, Suite 300, Toronto, Ontario M5J 2T3. The fiscal year-end of the Fund is December 31.

The Fund completed its initial public offering (the “**Offering**”) on April 1, 2011 issuing 13 million Units at a price of \$10.00 per Unit for gross proceeds of \$130 million and net proceeds of \$129.1 million after deducting issuance costs and expenses of \$0.9 million.

The beneficial interest in the net assets and net income of the Fund is dividend into units (“**Units**”), each of which represents an equal, undivided interest in the net assets of the Fund. The Units are listed for trading on the Canadian Securities Exchange (the “**CSE**”) under the symbol “BIF.UN”.

The amount of quarterly distributions may fluctuate from quarter to quarter and there can be no assurance that the Fund will make any distribution in any particular quarter or quarters. Amounts distributed on the Units that represent returns of capital are generally non-taxable to a holder of Units (“**Unitholder**”) but reduce the Unitholder’s adjusted cost base of the Units for Canadian federal income tax purposes. See “*Income Tax Considerations*”.

The Fund must comply with the requirements of National Instrument 81-102 *Investment Funds* (“**NI 81-102**”) applicable to non-redeemable investment funds, subject to any exemptions therefrom applicable to the Fund. For greater certainty, to the extent there is a conflict or inconsistency between the information in this annual information form and NI 81-102, the requirements of NI 81-102 shall govern the Fund, subject to any exemptions therefrom applicable to the Fund.

As at March 30, 2017, there were 803,389 Units issued and outstanding.

INVESTMENT OBJECTIVES, STRATEGIES AND RESTRICTIONS OF THE FUND

Investment Objectives

The Fund’s investment objectives are:

- (a) to provide Unitholders with quarterly cash distributions targeted at a rate of the average 10-Year Canadian Government Bond Yield plus 4.00%; and
- (b) to preserve the NAV of the Fund.

Investment Strategies

The Fund invests in a portfolio which focuses on, but is not limited to, investments in high yield corporate debt and publicly-listed securities in infrastructure and real estate companies, across a global universe (the “**Portfolio**”). In actively managing the Portfolio, BIM Canada, as investment manager of the Fund (the “**Investment Manager**”), draws upon its and its affiliates’ extensive experience across the three specialist asset classes set out above. In selecting securities, the Investment Manager seeks those companies that provide an attractive cash yield as well as

potentially providing a level of capital appreciation over the long term. The Fund may also invest in other fixed income and equity and derivative securities.

In executing its investment strategy for the Fund, the Investment Manager draws upon the internal expertise and knowledge within BIM which has in-depth knowledge of global infrastructure and global real estate securities and high yield corporate debt. Allocations across these asset classes are based on trends and return expectations, and the Investment Manager's assessment of the macro-economic environment and investment landscape. The Investment Manager also draws upon the internal expertise and knowledge within BAM and its affiliates, which provides extensive owner/operator insights into industry drivers and trends. In selecting investments for the Fund, the Investment Manager focuses on, but is not limited to, industries with which BAM is familiar.

The Investment Manager seeks to earn returns on the Portfolio by identifying and investing in companies whose securities are trading with attractive risk adjusted yields. Investment themes and asset allocations are based on the Investment Manager's own research and discussions with the investment advisory committee. The Investment Manager identifies and performs intensive bottom up analysis on individual investment opportunities.

As a result of the Investment Manager's investment approach, the Portfolio has less industry and issuer diversification than may be customary in investment portfolios managed by others. However, the Investment Manager believes its approach will produce better investment performance in seeking to achieve the Fund's objectives.

The Portfolio may take outright long or short positions in any of its investments. Investments may be global in nature and denominated in multiple currencies.

The Investment Manager may invest in or use derivative instruments for purposes consistent with the Fund's investment objectives and investment strategy and subject to its investment restrictions. For example, the Fund may use derivatives, including foreign exchange hedges with the intention of offsetting or reducing risks associated with an investment or group of investments. No assurance can be given that the Fund will be hedged from any particular risk from time to time.

The Fund may lend securities to securities borrowers acceptable to the Fund pursuant to the terms of a securities lending agreement between the Fund and any such borrower.

The Fund may enter into a loan facility with a Canadian chartered bank or may use a prime brokerage facility and margin purchases to borrow up to an amount not exceeding 25% of the value of the assets within the Portfolio.

The Portfolio may be exposed to a number of foreign currencies. The Investment Manager may take currency exposure into account in managing the Portfolio. From time to time, between 0% and 100% of the value of the Portfolio's non-Canadian currency exposure may be hedged back to the Canadian dollar, subject to the Portfolio's investment restrictions.

Investment Restrictions

The investment activities of the Fund are to be conducted in accordance with, among other things, NI 81-102 and the following investment restrictions which provide that the Fund will not:

- (a) purchase the securities of an issuer for the purpose of exercising control over management of that issuer;
- (b) borrow or enter into leverage transactions in respect of amounts exceeding 25% of the value of the assets of the Fund determined at the time such leverage is obtained;
- (c) guarantee the securities or obligations of any person other than the Manager, and then only in respect of the activities of the Fund;
- (d) purchase securities from, sell securities to, or otherwise contract for the acquisition or disposition of securities with the Manager or any of its affiliates, any officer, director or shareholder of the Manager, any person, trust, firm or corporation managed by the Manager or any of its affiliates or any firm or corporation in which any officer, director or shareholder of the Manager may have a material interest (which, for these purposes, includes beneficial ownership of more than 10% of the voting securities of such entity) unless, with respect to any purchase or sale of securities, any such transaction is effected through normal market facilities, pursuant to a non-pre-arranged trade, and the purchase price approximates the prevailing market price or is approved by the Manager's independent review committee or IRC (as defined below);
- (e) own securities of an issuer if as a result of such ownership the Manager would, either directly or indirectly, hold or exercise control or direction over greater than 19.99% of the securities of such issuer;
- (f) engage in securities lending that does not constitute a "securities lending arrangement" for purposes of the Tax Act;
- (g) invest in or hold (i) securities of or an interest in any non-resident entity, an interest in or a right or option to acquire such property, or an interest in a partnership which holds any such property if the Fund (or the partnership) would be required to include any significant amounts in income pursuant to section 94.1 of the Tax Act, (ii) an interest in a trust (or a partnership which holds such an interest) which would require the Fund (or the partnership) to report income in connection with such interest pursuant to the rules in section 94.2 of the Tax Act, or (iii) any interest in a non-resident trust (or a partnership which holds such an interest) other than an "exempt foreign trust" for the purposes of section 94 of the Tax Act;
- (h) invest in any security that is a "tax shelter investment" within the meaning of section 143.2 of the Tax Act;

- (i) invest in any security of an issuer that would be a “foreign affiliate” of the Fund for purposes of the Tax Act;
- (j) enter into any arrangement (including the acquisition of securities for the Portfolio) where the result is a “dividend rental arrangement” for the purposes of the Tax Act (including any amendment to such definition);
- (k) make any investment or conduct any activity that would result in the Fund failing to qualify or ceasing to qualify as a “mutual fund trust” for purposes of the Tax Act or acquire any property that would be “taxable Canadian property” of the Fund as such term is defined in the Tax Act (if the definition were read without reference to paragraph (b) thereof) (or any amendment to such definition); or
- (l) make or hold any investment that would result in the Fund itself being a “SIFT trust” for purposes of the Tax Act.

If a percentage restriction on investment or use of assets or borrowing or financing arrangements set forth above as an investment restriction is adhered to at the time of the transaction, later changes to the market value of the investment or aggregate fair value of the assets of the Fund will not be considered a violation of the investment restrictions (except for the restrictions in paragraphs (a), (b), (c), (g), (k) and (l) above which must be complied with at all times and which may necessitate the selling of investments from time to time). If the Fund receives from an issuer subscription rights to purchase securities of that issuer, and if the Fund exercises those subscription rights at a time when the Fund’s holdings of securities of that issuer would otherwise exceed the limits set forth above, the exercise of those rights will not constitute a violation of the investment restrictions if, prior to the receipt of securities of that issuer on exercise of these rights, the Fund has sold at least as many securities of the same class and value as would result in the restriction being complied with.

The Fund may also hold cash and cash equivalents from time to time.

Unitholder approval is required to change the investment restrictions and investment objectives 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. See *“Description of the Securities of the Fund – Meetings and Acts Requiring Unitholder Approval”*.

DESCRIPTION OF THE SECURITIES OF THE FUND

General

The Fund is authorized to issue an unlimited number of Units. Each Unit entitles a Unitholder to one vote at all meetings of Unitholders and to participate equally with respect to any and all distributions made by the Fund, including distributions of net income and net realized capital gains (other than distributions to a redeeming Unitholder of capital gains realized to facilitate the redemption), and distributions upon termination of the Fund. Units are issued only as fully paid

and are non-assessable. Subject to the Fund's right to suspend redemptions, Units may be surrendered for annual and monthly redemptions. See "*Redemption of Units*".

As at March 30, 2017, there were 803,389 Units issued and outstanding.

Distribution Policy

The Fund intends to continue making quarterly distributions to Unitholders of record on the last business day of March, June, September and December. Distributions are to be paid no later than the 15th business day of the following month. The Fund does not have a fixed quarterly distribution but distributions are currently targeted to be \$0.20 per Unit (\$0.80 per Unit per annum). The amount of quarterly distributions may fluctuate from quarter to quarter and there can be no assurance that the Fund will make any distributions in any particular quarter or quarters. See "*Risk Factors*".

The following table sets out the cash distributions per Unit announced by the Fund during 2016:

<u>Record Date</u>	<u>Distribution</u>
March 31, 2016	\$0.20
June 30, 2016	\$0.20
September 30, 2016	\$0.20
December 30, 2016	\$0.20

It is anticipated that returns on the Portfolio over the life of the Fund will be derived primarily from dividends, interest and other income received on the Portfolio Securities and net realized capital gains from the sale of the Portfolio Securities. Amounts distributed on the Units that represent returns of capital are generally non-taxable to a Unitholder but reduce the Unitholder's adjusted cost base of the Units for tax purposes. See "*Income Tax Considerations*".

If in any taxation year, after any quarterly distributions, there would otherwise remain in the Fund additional net income or net realized capital gains, the Fund will be required to pay or make payable one or more special year-end distributions of such portion of the remaining net income and net realized capital gains in such year to Unitholders as is necessary to ensure that the Fund will not be liable for income tax on such amounts under Part I of the Tax Act (after taking into account all available deductions, credits and refunds). Such special distributions may be paid in the form of Units and/or cash. Any special distributions payable in Units will increase the aggregate adjusted cost base of a Unitholder's Units. Immediately after a *pro rata* distribution of Units to all Unitholders in satisfaction of any non-cash distribution, the number of outstanding Units will be consolidated such that each Unitholder will hold, after the consolidation, the same number of Units as the Unitholder held before the non-cash distribution, except in the case of a non-resident Unitholder to the extent tax was required to be withheld in respect of the distribution. See "*Income Tax Considerations*".

A special distribution of \$0.546577 was paid to Unitholders of record on July 29, 2016. The special distribution was paid by the issuance of Units and immediately following the special distribution, the issued and outstanding capital of the Fund was consolidated such that the number of issued and outstanding Units did not change.

Meetings and Acts Requiring Unitholder Approval

While the Fund does not intend to hold annual meetings of Unitholders, a meeting of Unitholders may be convened by the Manager by a written requisition specifying the purpose of the meeting and must be convened if requisitioned by Unitholders holding not less than 10% of the Units then outstanding by a written requisition specifying the purpose of the meeting. Not less than 21 days' and not more than 50 days' notice must be given of any meeting of Unitholders.

The quorum at any meeting of all Unitholders is one Unitholder present in person or represented by proxy except for the purpose of any meeting called to consider item (e) below in which case the quorum shall be Unitholder(s) holding 15% of the outstanding Units. If no quorum is present at such meeting when called, the meeting, if called on the requisition of Unitholders, will be terminated and otherwise will be adjourned for not less than 10 days and at the adjourned meeting the Unitholders then present in person or represented by proxy will form the necessary quorum. At any meeting of Unitholders, each Unitholder will be entitled to one vote for each Unit registered in the Unitholder's name

In addition to requirements under NI 81-102, the following matters require the approval of Unitholders by resolution passed by at least 66 2/3% of the votes cast at a meeting called and held for such purpose (an "**Extraordinary Resolution**"), other than item (g), which requires approval of Unitholders by a simple majority vote at a meeting called and held for such purpose:

- (a) a change in the investment objectives of the Fund;
- (b) a change in the investment restrictions of the Fund;
- (c) any change in the basis of calculating fees or other expenses that are charged to the Fund which could result in an increase in charges to the Fund other than a fee or expense charged by a person or company that is at arm's length to the Fund;
- (d) a change of the Manager or Investment Manager, other than a change resulting in an affiliate of such person assuming such position;
- (e) a change in the trustee of the Fund, other than a change resulting in an affiliate of the Manager being appointed as trustee of the Fund;
- (f) a change in the auditors of the Fund;
- (g) a reorganization (other than a Permitted Merger (as defined below)) with, or transfer of assets to, a mutual fund trust, if
 - (i) the Fund ceases to continue after the reorganization or transfer of assets; and

- (ii) the transaction results in Unitholders becoming securityholders in the mutual fund trust;
- (h) a reorganization (other than a Permitted Merger) with, or acquisition of assets of, a mutual fund trust, if
- (i) the Fund continues after the reorganization or acquisition of assets;
 - (ii) the transaction results in the securityholders of the mutual fund trust becoming unitholders of the Fund; and
 - (iii) the transaction would be a significant change to the Fund;
- (i) a termination of the Fund, other than as described under “*Other Material Information – Termination of the Fund*” or in connection with a Permitted Merger;
- (j) an amendment, modification or variation in the provisions or rights attaching to the Units;
- (k) the issuance of additional Units, other than: (i) for net proceeds not less than 100% of the NAV per Unit calculated as of the close of business on the business day immediately prior to the pricing of such offering; or (ii) by way of Unit distribution; and
- (l) a reduction in the frequency of calculating the NAV per Unit.

In addition, the Manager may, without obtaining Unitholder approval, merge the Fund (a “**Permitted Merger**”) with another fund or funds, provided that it satisfies the requirements of NI 81-102 which provide, among other things, that:

- (a) the fund(s) with which the Fund is merged must be managed by the Manager or an affiliate of the Manager (the “**Affiliated Fund(s)**”);
- (b) Unitholders are permitted to redeem their Units at a redemption price equal to 100% of the NAV per Unit, less any costs of funding the redemption, including commissions prior to the effective date of the merger;
- (c) a reasonable person would consider the funds being merged to have substantially similar investment objectives;
- (d) the Manager must have determined in good faith that there will be no increase in the management expense ratio borne by the Unitholders as a result of the merger;
- (e) the merger of the funds is completed on the basis of an exchange ratio determined with reference to the net asset value per unit of each fund; and

- (f) the merger of the funds will be accomplished on a tax-deferred rollover basis for Unitholders.

If the Manager determines that a merger is appropriate and desirable and complies with NI 81-102, the Manager can effect the merger, including any required changes to the Declaration of Trust, without seeking Unitholder approval for the merger or such amendments. If a decision is made to merge, the Manager will issue a press release at least 60 days prior to the proposed effective date thereof disclosing details of the proposed merger. While the funds to be merged will have similar investment objectives, the funds may have different investment strategies, guidelines and restrictions and, accordingly, the units of the merged funds will be subject to different risk factors.

The Unitholders will also be permitted to vote on any modification, amendment, alteration or deletion of rights, privileges or restrictions attaching to the Units which would have a material adverse effect on the interest of the Unitholders. No amendment may be made to the Declaration of Trust which would have the effect of reducing the expenses reimbursable to the Manager.

Reporting to Unitholders

The Fund will deliver to Unitholders annual and interim financial statements of the Fund as may be required by applicable law.

Book-Entry Only System

Registration of interests in and transfers of the Units is made only through the book-based system administered by CDS Clearing and Depository Services Inc. (“CDS”). All rights of Unitholders must be exercised through, and all payments or other property to which such Unitholders are entitled will be made or delivered by CDS or the CDS participant through which such securities are held. Upon purchase of Units, the Unitholders will receive only a customer confirmation from the registered dealer which is a CDS participant and from or through which the Units are purchased.

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

VALUATION OF SECURITIES

Valuation Policies and Procedures of the Fund

For reporting purposes other than financial statements, the Net Asset Value of the Fund on a particular date will be equal to the aggregate fair value of the assets of the Fund, less the aggregate fair value of the liabilities of the Fund expressed in Canadian dollars. The net asset value per Unit on any day may be obtained by dividing the Net Asset Value of the Fund on such day by the number of Units then outstanding.

In determining the NAV of the Fund at any time:

- (a) the value of any cash on hand or on deposit, bill, demand note and account receivable, prepaid expense, distribution, dividend or other amount received (or declared to holders of record of securities owned by the Fund on a date before the Valuation Date (as defined below) as of which the NAV is being determined, and to be received) and interest accrued and not yet received shall be deemed to be the full amount thereof provided that if the Manager has determined that any such deposit, bill, demand note, account receivable, prepaid expense, distribution, dividend or other amount received (or declared to holders of record of securities owned by the Fund on a date before the Valuation Date as of which the NAV is being determined, and to be received) or interest accrued and not yet received is not otherwise worth the full amount thereof, the value thereof shall be deemed to be such value as the Manager determines to be the fair value thereof;
- (b) the value of any security that 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 Manager) and is freely transferable shall be determined by taking the latest available sale price of recent date or lacking any recent sales or any record thereof, at the “bid” price at the close of business on such day and if sold short at the “asked” price at the close of business on such day, plus, in the case of listed securities, for greater certainty, accrued interest, as calculated in accordance with market practice, as at the Valuation Date on which the NAV is being determined, all as reported by any means in common use;
- (c) the value of any security traded over the counter which is freely transferable shall be valued at the “bid” price at the close of business on such day if held long by a major dealer or an independent pricing service, and at the “asked” price at the close of business on such day if held short by a major dealer or an independent pricing service, unless included in the NASDAQ National Market System, in which case they are valued based upon their sales price (if such prices are available);
- (d) the value of any security or other asset for which a market quotation is not readily available will be its fair value at the Valuation Time (as defined below) on the Valuation Date on which the NAV is being determined as determined by the valuation agent of the Fund, with input from the Manager (generally the valuation agent of the Fund will value such security at cost until there is a clear indication of an increase or decrease in value);
- (e) the value of all assets of the Fund quoted or valued in terms of foreign currency, the value of all funds on deposit and contractual obligations payable to the Fund in foreign currency and the value of all liabilities and contractual obligations payable by the Fund in foreign currency shall be determined using the applicable rate of exchange current at, or as nearly as practicable to, the Valuation Time on the Valuation Date;
- (f) the value of any futures contract, or forward contract, shall be the gain or loss with respect thereto that would be realized if, at the Valuation Time on a

Valuation Date, the position in the futures contract, or the forward contract, as the case may be, were to be closed out in accordance with its terms unless daily limits are in effect in which case fair value shall be based on the current market value of the underlying interest;

- (g) the value of any swaps will be valued at a rate, determined at the Valuation Time on the Valuation Date provided by a pricing source selected by the Manager;
- (h) the value of any investment in an investment fund (excluding those that trade on a stock exchange) will be valued at the net asset value of the holding in such investment fund as provided by such investment fund at, or as nearly practicable to, the Valuation Time on the Valuation Date;
- (i) short term investments shall be valued at cost plus accrued interest which approximates fair value; and
- (j) listed securities subject to a hold period will be valued as described above with an appropriate discount as determined by the Manager and investments in private companies and other assets for which no published market exists will be valued at fair market value as determined by the Manager.

If a security cannot be valued under the foregoing principles or if the foregoing principles are at any time considered by the Manager to be inappropriate under the circumstances for any reason, then notwithstanding such principles, the Manager, as the case may be, may make such valuation as it considers fair and reasonable.

The valuation agent of the Fund calculates the value of the Fund's securities for which there exists a published market on the basis of quoted prices in such market. For this purpose, a published market means any market on which such securities are traded if the prices are regularly published in a newspaper or business or financial publication of general and regular paid circulation. The process of valuing investments for which no published market exists is based on inherent uncertainties and the resulting values may differ from values that would have been used had a ready market existed for the investments and may differ from the prices at which the investments may be sold.

CALCULATION OF NET ASSET VALUE OF THE FUND

The Net Asset Value per Unit is calculated as of 4:00 p.m. (Toronto time), or such other time as the Manager deems appropriate (the "**Valuation Time**") on each business day, and includes any other day on which the Manager elects, in its discretion, to calculate the NAV per Unit (each, a "**Valuation Date**"). The Net Asset Value per Unit and diluted Net Asset Value per Unit, if applicable, is available to the Unitholders at no cost at www.brookfield.com/en/Investors/Public-Securities.

PURCHASES OF UNITS

The Fund does not currently intend to issue additional Units on a continuous or regular basis. However, if the Manager determines that to do so would be in the best interests of the Fund and the Unitholders, the Fund is permitted to issue additional Units; provided, however, that in the absence of Unitholder approval by Extraordinary Resolution, the net proceeds per Unit to be received by the Fund shall not be less than the most recently calculated Net Asset Value per Unit prior to the pricing of such issuance.

REDEMPTION OF UNITS

Annual Redemptions

The Declaration of Trust was amended on June 28, 2016 to change the annual redemption date from the last business day of November to the last business day of July. As a result, Units may be surrendered annually for redemption during the period from the first business day in July until 5:00 p.m. (Toronto time) on the 15th business day in July of each year (the “**Notice Period**”) subject to the Fund’s right to suspend redemption in certain circumstances. Units properly surrendered for redemption during the Notice Period will be redeemed on the last business day in July of each year (the “**Annual Redemption Date**”) and the Unitholder will receive a redemption price per Unit equal to 100% of the NAV per Unit as determined on the Annual Redemption Date on or before the 15th business day of August, less any costs and expenses incurred by the Fund in order to fund such redemption, if any.

A total of 11,423,776 Units were redeemed in 2016 pursuant to the annual redemptions.

Monthly Redemptions

Units may be surrendered for redemption at any time by Unitholders for redemption on the second last business day of each month other than the month of the Annual Redemption Date (the “**Monthly Redemption Date**”), subject to certain conditions. In order to effect such a redemption, the Units must be surrendered by no later than 5:00 p.m. (Toronto time) on the date which is the 10th business day of the month preceding the Monthly Redemption Date. Payment of the redemption price will be made on or before the 15th business day following the Monthly Redemption Date, subject to the Manager’s right to suspend redemptions in certain circumstances. Unitholders surrendering a Unit for redemption, except in connection with the Annual Redemption Date, will receive a redemption price equal to the lesser of (i) 94% of the weighted average trading price of the Units on the principal exchange or market on which the Units are quoted for trading for the 10 business days immediately preceding the applicable Monthly Redemption Date; and (ii) 100% of the Closing Market Price (as defined below) on the applicable Monthly Redemption Date, less in each case any costs and expenses incurred by the Fund in order to fund such redemption, if any.

For these purposes, the “**Closing Market Price**” means, on a particular date: (i) an amount equal to the closing price of the Units on the principal exchange or market on which the Units are quoted for trading if there was a trade on such date and the exchange or market provides a closing price; (ii) an amount equal to the weighted average of the highest and lowest prices of the

Units if there was trading on such date on the principal exchange or market on which Units are quoted for trading and the exchange or market provides only the highest and lowest trading prices of the Units traded on such date; or (iii) the weighted average of the last bid and last asking prices if there was no trading on the date.

A total of 10 Units were redeemed in 2016 pursuant to monthly redemptions.

Allocations of Gains to Redeeming Unitholders

Pursuant to the Declaration of Trust, the Fund may allocate and designate as payable any capital gains realized by the Fund as a result of any disposition of property of the Fund undertaken to permit or facilitate the redemption of Units to a Unitholder whose Units are being redeemed. To the extent paid to the redeeming Unitholder, any such allocations and designations will reduce the redemption price otherwise payable to the redeeming Unitholder.

Exercise of Redemption Right

A Unitholder who desires to exercise redemption privileges must do so by causing the CDS Participant through which he or she holds his or her Units to deliver to CDS at its office in the City of Toronto on behalf of the Unitholder, a written notice of the Unitholder's intention to redeem Units by no later than 5:00 p.m. (Toronto time) on the applicable notice date 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 redemption deadline so as to permit the CDS Participant to deliver a notice to CDS by 5:00 p.m. (Toronto time) on the relevant notice date described above.

By causing a CDS Participant to deliver to CDS a notice of the Unitholder's intention to redeem Units, such 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 redemption date permit the withdrawal of a redemption notice on such terms and conditions as the Manager may determine, in its sole discretion, provided that 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 or the Manager to the CDS Participant or the Unitholder.

The Manager may, without the approval of Unitholders, change the redemption rights attached to the Units on not less than 30 days' notice to Unitholders by increasing the number of times in each year that Units may be redeemed by Unitholders (at a redemption price per Unit to be determined by the Manager), so long as such change does not result in the Fund being a mutual

fund for securities law purposes and provided that no such change may be made without Unitholder approval if it would eliminate the rights of Unitholders to redeem their Units on a Monthly Redemption Date.

Suspension of Redemptions

The Manager may suspend the redemption of Units or payment of redemption proceeds for a period not exceeding 30 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 shall apply to all requests for redemption received prior to the suspension, but as to which payment has not been made, as well as to all requests received while the suspension is in effect. All Unitholders making such requests shall be advised by the Manager of the suspension and that the redemption will be effected at a price determined on the first business day following the termination of the suspension. All such Unitholders shall have and shall be advised that they have the right to withdraw their requests for redemption. The suspension shall 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 governmental body having jurisdiction over the Fund, any declaration of suspension made by the Manager shall be conclusive.

RESPONSIBILITY FOR FUND OPERATIONS

Manager

BIM Canada acts as the trustee, manager and investment manager of the Fund. The principal office of BIM Canada is located at Brookfield Place, 181 Bay Street, Suite 300, P.O. Box 762, Toronto, Ontario M5J 2T3. Its telephone number is 855-777-8001, its e-mail address is funds@brookfield.com and its website address is www.brookfield.com/en/Investors/Public-Securities.

Duties and Services Provided

The Manager has been appointed to perform the management functions for the Fund as manager of the Fund and to provide portfolio management and investment advisory services to the Fund. As such, the Manager is responsible for managing the activities and day to day operations of the Fund, including providing and arranging for the provision of marketing and administrative services required by the Fund. The Manager, on behalf of the Fund, has engaged certain other parties to provide other services to the Fund, some of which are disclosed elsewhere in this AIF.

The Manager is required to exercise its powers and discharge its duties granted under the Management Agreement honestly, in good faith and in the best interests of the Fund and, in connection therewith, shall exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. The Manager and its directors, officers, employees, shareholders and agents shall be indemnified and save harmless by the Fund from and against all liabilities, costs and expenses incurred by the Manager in connection with

any action, suit or proceeding that is proposed or commenced, or any other claim made against such party, in the exercise of its duties as manager of the Fund, except those resulting from the Manager's wilful misconduct, bad faith, negligence, disregard of the Manager's standard of care or material breach or default by the Manager of its obligations under the Management Agreement.

The Manager will incur liability for any loss that arises out of the failure by the Manager, or of any person or company retained by the Manager to discharge any of the Manager's responsibilities to the Fund, to exercise the powers and discharge the duties of its office honestly, in good faith and in the best interests of the Fund or failure to satisfy the Manager's standard of care.

The services to be provided by the Manager under the Management Agreement are not exclusive and nothing in the Declaration of Trust or the Management Agreement prevents the Manager from providing similar services 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.

Directors and Officers of the Manager

Name and Municipality of Residence	Position with the Manager	Principal Occupation
Jonathan Tyras Port Washington, New York	Member of the Board of Directors and Chief Financial Officer, Treasurer and Secretary	Managing Director, Chief Financial Officer, General Counsel and Secretary, BIM and Chief Financial Officer, Treasurer and Secretary, BIM Canada
Gail Cecil, CFA Toronto, Ontario	Member of the Board of Directors and President, Chief Executive Officer and Managing Director	President, Chief Executive Officer and Managing Director, BIM Canada
Craig Noble, CFA Chicago, Illinois	Member of the of the Board of Directors and Chair of the Board of Directors	Chief Executive Officer and Chief Investment Officer, BIM

Jonathan Tyras is the Managing Director, Chief Financial Officer, General Counsel and Secretary of BIM and Chief Financial Officer, Treasurer and Secretary of BIM Canada. Mr. Tyras maintains responsibility for the Legal and Compliance, Human Resources, Finance & Accounting and Operations teams and is significantly involved in all aspects of business development and administration. Additionally, Mr. Tyras contributes to the establishment and implementation of corporate strategy and growth initiatives. Prior to joining Brookfield, Mr. Tyras spent eight years as a capital markets attorney with Paul Hastings LLP after beginning his career with Ernst & Young LLP. Mr. Tyras earned a Bachelor of Science in Business

Administration degrees in finance and accounting from Georgetown University and a Juris Doctorate from the University of Pennsylvania Law School.

Gail Cecil, CFA, is a Managing Director, President, Chief Executive Officer and Portfolio Manager of BIM Canada and is responsible for the establishment of portfolio objectives and strategies for its strategic income investment strategies. Ms. Cecil joined Brookfield in 2003 and was initially involved in the company's private equity investing and principal lending activities. Ms. Cecil manages investments in public securities across a broad range of industries and asset classes. Previously, Ms. Cecil worked for a Canadian investment bank in its mergers and acquisitions, corporate finance and equity capital markets groups. Ms. Cecil has a BA in Statistics from the University of Western Ontario, an HBA from the Richard Ivey School of Business and an MBA (with Honors) from the Wharton School. Ms. Cecil is a Chartered Financial Analyst charterholder.

Craig Noble, CFA, is a Senior Managing Partner of BAM and CEO and Chief Investment Officer of BIM as well as Portfolio Manager for the firm's global infrastructure securities business. Based in Chicago, Mr. Noble oversees all aspects of portfolio management and business development related to the firm's public equity and credit securities investment strategies. Additionally, Mr. Noble is a portfolio manager for the firm's global infrastructure securities platform, which he has led since its inception in 2008. Mr. Noble has over 19 years of investment experience and has held multiple positions within Brookfield over the last 11 years, including significant roles within capital markets activities and infrastructure investment. Prior to this, Mr. Noble spent five years with the Bank of Montreal, focused on credit analysis, corporate lending and corporate finance. Mr. Noble holds the Chartered Financial Analyst designation and has a Master of Business Administration degree from the Schulich School of Business at York University and a Commerce degree from Mount Allison University.

Termination of Manager

Unless the Manager resigns or is removed as described herein, the Manager will continue as manager of the Fund until the termination of the Fund. The Manager may resign as manager of the Fund (i) if the Fund is in breach or default of the provisions of the Management Agreement and, if capable of being cured, any such breach or default has not been cured within 30 days' notice of such breach or default to the Fund or (ii) on 60 days prior notice to the Fund and to the Unitholders, provided that a successor to the Manager has been approved by the Unitholders. The Fund may terminate the Management Agreement if (i) the Manager has been declared bankrupt or insolvent or has entered into liquidation or winding up, whether compulsory or voluntary, (ii) the Manager makes a general assignment for the benefit of creditors or otherwise acknowledges its insolvency, (iii) the assets of the Manager have become subject to seizure or confiscation by any public or governmental organization or (iv) the Manager is in material breach or default of the provisions of the Management Agreement and any such breach or default has not been cured within 30 days' notice of such breach or default to the Manager, provided that notice of such termination has been delivered to the Unitholders and such termination has been approved by two-thirds of the votes cast by Unitholders at a meeting duly called for that purpose.

Trustee

BIM Canada (the “**Trustee**”) is the trustee of the Fund pursuant to the provisions of the Declaration of Trust as it replaced Caledon Trust Company as the trustee effective June 1, 2013. The address of the Trustee is Suite 300, Brookfield Place, 181 Bay Street, Toronto, Ontario M5J 2T3.

Pursuant to the Declaration of Trust, the Trustee is required to exercise its powers and discharge the duties of its office honestly, in good faith and in the best interests of the Unitholders and to exercise the degree of care, diligence and skill that a reasonably prudent trustee would exercise in comparable circumstances. The Declaration of Trust provides that the Trustee will not be liable in carrying out its duties under the Declaration of Trust except in cases of wilful misconduct, bad faith, negligence or the disregard of its obligations or duties or breach of its standard and duty of care. The Trustee and each of its directors, officers and employees will be indemnified by the Fund for all liabilities and expenses reasonably incurred in connection with any action, suit or proceeding that is proposed or commenced or other claim that is made against the Trustee or any of its officers, directors or employees in the exercise of its duties under the Declaration of Trust, except those resulting from such person’s wilful misconduct, bad faith, negligence, disregard of such person’s obligations or duties or breach of their standard of care in relation to the matter in respect of which indemnification is claimed.

Unless the Trustee resigns or is removed, as described below, the Trustee will continue as trustee of the Fund until the termination of the Fund. The Trustee or any successor trustee may resign upon 60 days’ written notice to Unitholders, and the Trustee is deemed to have resigned in certain circumstances, including if the Trustee becomes bankrupt or insolvent or in the event the Trustee ceases to be resident in Canada for the purposes of the Tax Act or ceases to be qualified to act as trustee under the Declaration of Trust. The Trustee may not be removed other than by an Extraordinary Resolution in the event the Trustee is in material breach or default of the provisions of the Declaration of Trust and, if capable of being cured, such breach or default had not been cured within 20 business days’ notice of such breach or default; provided that an affiliate of the Manager may be appointed as trustee at any time. Any such resignation or removal shall become effective upon the appointment of a successor trustee. If the Trustee resigns or is removed by Unitholders, its successor must be approved by Unitholders. If, after the resignation or removal of the Trustee, no successor has been appointed within 90 days, the Trustee, the Manager or any Unitholder may apply to a court of competent jurisdiction for the appointment of a successor. If a successor trustee is not appointed, the Fund shall be terminated.

Custodian

RBC Investor Services Trust (the “**Custodian**”) acts as custodian of the Fund pursuant to a custodian agreement (the “**Custodian Agreement**”) between the Manager and the Custodian made as of July 18, 2013. The Custodian is located in Toronto, Ontario. The Custodian replaced CIBC Mellon Trust Company as custodian of the Fund effective July 18, 2013.

When carrying out its duties in respect of the safekeeping of and dealing with the assets of the Fund, the Custodian is to exercise, at a minimum, the degree of care, diligence and skill that a reasonably prudent person would exercise in the circumstances, or, if higher, the degree of care,

diligence and skill that the Custodian uses in respect of its own property of a similar nature in its custody.

The Custodian is to hold, or direct its sub-custodians to hold, for the account of the Fund, all securities, collateral security and other non-cash property (other than securities which are held in book-based system). The Custodian may employ sub-custodians as considered appropriate in the circumstances.

Pursuant to the Custodian Agreement, the Custodian is to be indemnified out of the Fund's assets in certain circumstances, including from and against any loss, damage or expense, including reasonable counsel fees and expenses, arising in connection with the Custodian Agreement except to the extent caused by a breach of its standard of care.

Auditor

The auditor of the Fund is Deloitte LLP at its principal office located at Suite 200, Bay Adelaide Centre, East Tower, 22 Adelaide Street West, Toronto, Ontario M5H 0A9.

Administrator

RBC Investor Services Trust is the administrator of the Fund and provides administrative services and calculates Net Asset Value of the Fund at its principal office located in Toronto, Ontario. RBC Investor Services Trust replaced Commonwealth Fund Services Ltd. as the administrator of the Fund effective July 18, 2013.

Transfer Agent and Registrar

Computershare Trust Company of Canada acts as transfer agent and registrar for the Units at its principal office located in Toronto, Ontario.

The Promoter

The Manager 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 sale of the Units.

CONFLICTS OF INTEREST

Ownership of the Fund

As at the date of this AIF, to the knowledge of the Manager, no person or company owns, beneficially, either directly or indirectly, more than 10% of the outstanding Units.

As at the date hereof, the directors and senior officers of the Fund as a group and the members of the Independent Review Committee as a group did not hold, directly or indirectly, more than 10% of the Units.

Ownership of the Manager

The Manager is an indirect wholly-owned subsidiary of BAM, an Ontario corporation.

Affiliated Entities

Except as disclosed in this AIF, no affiliated entities of the Manager provide services to the Fund.

Services Not Exclusive

The Manager and its affiliates are engaged in a variety of investment management, investment advisory and other business activities. The services of the Manager under the Management Agreement are not exclusive and nothing in the Management Agreement prevents the Manager or any of its affiliates from providing similar services to other investment funds and other clients (whether or not their investment objectives, strategies and policies are similar to those of the Fund) or from engaging in other activities. The Manager's decisions for the Fund will be made independently of those made for its other clients and independently of its own investments. The Manager will receive the fees described under "*Fees and Expenses Payable by the Fund*" for 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 amount of fees received by the Manager from the Fund will be disclosed in the audited financial statements of the Fund.

FUND GOVERNANCE

Independent Review Committee

National Instrument 81-107 - *Independent Review Committee for Investment Funds* ("NI 81-107") requires all publicly offered investment funds, including the Fund, to establish an independent review committee to whom the Manager must refer all conflict of interest matters for review or approval. NI 81-107 also requires the Fund to establish written policies and procedures for dealing with conflict of interest matters, maintaining records in respect of these matters and providing assistance to the independent review committee in carrying out its functions. The independent review committee is required to be comprised of a minimum of three independent members and is subject to requirements to conduct regular assessments and provide reports to the Manager and to the Unitholders in respect of its functions.

The Manager has established an independent review committee for its investment funds, including the Fund (the "**Independent Review Committee**" or "**IRC**"). Each member of the Independent Review Committee is independent of the Manager, the Fund and any other party related to the Manager as the term is defined under NI 81-107. The mandate of the Independent Review Committee is to review, and provide input on, the Manager's written policies and procedures that deal with conflict of interest matters and to review and, in some cases, approve conflict of interest matters. The members of the Independent Review Committee are John P. Barratt, James L.R. Kelly and Frank N.C. Lochan. The Fund shares its IRC with Brookfield Global Infrastructure Securities Income Fund, Brookfield High Yield Strategic Income Fund, High Yield Strategic Trust, Global Champions Split Corp., Global Resource Champions Split Corp., Partners Value Split Corp. and Brookfield Select Opportunities Income Fund. Each investment fund is responsible for all expenses associated with insuring and indemnifying the

IRC members as permitted under NI 81-107. The members of the IRC also serve as the IRC members of Brookfield Soundvest Capital Management Ltd. (group of funds), which is an affiliate of the Manager.

John P. Barratt serves as the Chief Financial Officer and Member of the Board of Advisors of Crystal Fountains Inc. and its parent and affiliated companies since 2008. Prior to this he served as Chief Operating Officer (2005 -2006) and then as the Board Liaison Officer (2006 – 2009) of The Caldwell Partners International. The Caldwell Partners International is a Canadian based human capital services company. From 2002 to 2007, Mr. Barratt acted as the court-appointed Responsible Person and Liquidation Manager of Beyond.com Corporation, Debtor-in-Possession, a US Chapter 11 Bankruptcy case, in which capacity Mr. Barratt reported to the court and the US Trustee's Office. From September 2000 until the date of its Chapter 11 bankruptcy filing (2002), Mr. Barratt acted in the capacity of Chief Operating Officer of Beyond.com Corporation, an electronic fulfillment provider.

Between 1996 and 2000, Mr. Barratt was partner in residence with the Quorum Group of Companies, an international investment partnership specializing in providing debt and/or equity capital coupled with strategic direction to emerging technology companies. Between 1988 and 1995, Mr. Barratt held a number of positions with Coscan Development Corporation, a real estate development company, the last position of which was Executive Vice-President and Chief Operating Officer. Mr. Barratt currently serves on a number of other boards of directors and advisory boards.

Mr. Barratt is the chair of the IRC.

James L.R. Kelly is President and principal owner of Earth Power Tractors and Equipment Inc., a farm and construction equipment company, a position he has held since 1998. Between 1994 and 1998, Mr. Kelly was self-employed as a management consultant providing management and financial services to clients in the financial sector. From 1990 to 1994, Mr. Kelly was Senior Vice President and Chief Financial Officer of Triathlon Leasing Inc. Prior to 1990, Mr. Kelly held senior management and finance positions with several large Canadian companies, including Xerox Canada where he was Controller and also General Manager of the leasing division. Mr. Kelly is a Chartered Professional Accountant.

Frank N.C. Lochan held various executive positions with Brookfield from 1974 until his retirement in 2005, when he was Executive Vice-President, Taxation. Mr. Lochan is currently Chairman or Director of a number of Canadian and international companies operating in the investment management and insurance sectors, and serves on various committees of those companies. Mr. Lochan also has significant community involvement including his current role as a member of the Stewardship Committee of the Oakville Hospital Foundation, and a member of the Finance Committee of the Centre for Addiction and Mental Health Foundation. He is also a member of the Board as well as of the Finance and Investment Committees at the Oakville Community Foundation. Mr. Lochan is also a sponsor and mentor for students in the Accounting and Taxation programmes at the University of Waterloo.

Mr. Lochan is a Fellow of the Institute of Chartered Accountants of England and Wales, and of the Association of Certified Chartered Accountants. He is also a member of the Chartered Professional Accountants of Ontario and of the Canadian Institute of Chartered Business

Valuators. He has a Masters degree in Finance from the London School of Economics and a Masters degree in Taxation from the University of Waterloo.

The Independent Review Committee prepares a report, at least annually, of its activities for Unitholders which is available on the Manager's website at www.brookfield.com/en/Investors/Public-Securities, or at the Unitholder's request at no cost by contacting the Manager at 855-777-8001.

Business Practices, Sales Practices, Risk Management Controls and Internal Conflicts of Interest

The Manager and its affiliates have developed a detailed policies and procedures manual to help ensure compliance with applicable laws and policies in respect of the oversight, operation, marketing, and administration of the Fund. The Manager's policies and procedures manual includes provisions regarding personal trading, standard of conduct, conflict of interest guidelines, and a code of ethics.

Securities Lending, Repurchase Transactions

In order to generate additional returns, the Fund may lend up to 100% of the securities held in the Portfolio (the "**Portfolio Securities**"). Any securities lending by the Fund must be pursuant to a securities lending agreement (a "**Securities Lending Agreement**") to be entered into between the Fund and a securities borrower acceptable to the Fund pursuant to which the Fund will loan the Portfolio Securities to the securities borrower pursuant to the terms of 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 must qualify as "securities lending arrangements" for the purposes of the Tax Act; and (iii) the Fund will receive collateral security. The Manager is responsible for setting and reviewing such Securities Lending Agreement. If a securities lending agent is appointed for the Fund, such agent will be responsible for the ongoing administration of the securities loans, including the obligation to mark-to- market the collateral on a daily basis.

Prior to the termination of the Forward Agreement, the portfolio of common shares of Canadian public companies (the "**Common Share Portfolio**") was subject to a securities lending program established with The Canadian Imperial Bank of Commerce (the "**Securities Agent**") as agent pursuant to a securities lending authorization agreement (the "**Securities Lending Authorization Agreement**"). The Securities Agent's principal address was in Toronto, Ontario. The Securities Lending Authorization Agreement provided that the value of the collateral to be delivered in respect of the securities lending transaction must represent 102.5% or such higher percentage of the market value of the securities loaned as the Securities Agent and the Fund may agree is appropriate having regard to the level of risk or type of relevant loan. See "Exemptions and Approvals".

Voting Securities of other Funds

The Fund did not hold securities of other investment funds during the year.

Short Term Trading

The Fund has no policies and procedures relating to the monitoring, detection and deterrence of short-term trades of Units by Unitholders.

Brokerage Arrangements

In selecting and monitoring dealers and negotiating commissions, the Manager considers the dealer's reliability, the quality of its execution services on a continuing basis and its financial condition. When more than one dealer is believed to meet these criteria, preference may be given to dealers who provide research or statistical material or other services to the Fund or the Manager. Such services include advice, both directly and in writing, as to the value of the securities; the advisability of investing in, purchasing or selling securities; and the availability of securities, or purchasers or sellers of securities; as well as analyses and reports concerning issues, industries, securities, economic factors and trends, portfolio strategy or the performance of accounts. Brokerage transactions may also be allocated to dealers affiliated with the Manager, on terms, including fees and commissions, not less favourable than would be offered to other similar clients of such affiliated dealers.

Proxy Voting

The proxies associated with the Portfolio Securities are voted by the Manager in accordance with the Manager's proxy voting policy (the "**Proxy Voting Policy**"). The objective in voting is to support proposals and director nominees that maximize the value of the Fund's investments – and those of its Unitholders – over the long term. In evaluating proxy proposals, information from many sources is considered, including management or shareholders of a company presenting a proposal and independent proxy research services. Substantial weight is given to the recommendations of a company's board, absent guidelines or other specific facts that would support a vote against management. The Manager has developed guidelines that address the following circumstances: election of directors; contested director elections; classified boards; director/officer indemnification; director ownership; approval of independent auditors; stock based compensation plans; bonus plans; employee stock purchase plans; executive severance agreements; shareholder rights plans; defences; cumulative voting; voting requirements matters related to shareholder meeting, among others.

While serving as a framework, the Proxy Voting Policy cannot contemplate all possible proposals with which the Fund may be presented. In the absence of a specific guideline for a particular proposal (e.g., in the case of a transactional issue or contested proxy), the Manager will evaluate the issue and cast the Fund's vote in a manner that, in the Manager's view, will maximize the value of the Fund's investment.

The current Proxy Voting Policy and procedures of the Manager are available to Unitholders at no cost at www.brookfield.com/en/Investors/Public-Securities. The Fund's proxy voting record for the annual period from July 1 to June 30 will be available at any time after August 31 of that year. The proxy voting record will also be available at www.brookfield.com/en/Investors/Public-Securities.

FEES AND EXPENSES PAYABLE BY THE FUND

Management Fees

The Fund pays to the Manager an annual management fee (the “**Management Fee**”) of 0.40% of the NAV of the Fund, calculated daily and payable monthly in arrears, plus applicable taxes.

Administrative, Marketing and Operating Expenses

The Fund also pays for all ordinary expenses incurred in connection with its operation, management and administration. These expenses include, without limitation: all costs of portfolio transactions, fees payable to third party service providers, legal, accounting, audit and valuation fees and expenses, fees and expenses of the members of the Independent Review Committee, expenses related to compliance with NI 81-107, fees and expenses relating to the voting of proxies by a third party, premiums for directors’ and officers’ insurance coverage for the members of the IRC, costs of reporting to Unitholders, registrar, transfer and distribution agency costs, printing and mailing costs, listing fees and expenses and other administrative expenses and costs incurred in connection with the continuous public filing requirements, website maintenance costs, taxes, brokerage commissions, costs and expenses of preparing financial and other reports, costs and expenses arising as a result of complying with all applicable laws, regulations and policies, extraordinary expenses that the Fund may incur and all amounts paid on account of indebtedness.

INCOME TAX CONSIDERATIONS

The following is, as of the date hereof, a summary of the principal Canadian federal income tax considerations under the Tax Act generally applicable to the acquisition, holding and disposition of Units by a Unitholder who is an individual (other than a trust) and who, for the purposes of the Tax Act and at all relevant times, is resident in Canada, deals at arm’s length and is not affiliated with the Fund and holds Units as capital property. Generally, the Units will be considered to be capital property to a Unitholder provided that the Unitholder does not hold the Units in the course of carrying on a business of buying and selling securities and has not acquired them in one or more transactions considered to be an adventure or concern in the nature of trade. Certain Unitholders who might not otherwise be considered to hold Units as capital property may, in certain circumstances, be entitled to have such Units and all other “Canadian securities” as defined in the Tax Act owned or subsequently acquired by them treated as capital property by making the irrevocable election permitted by subsection 39(4) of the Tax Act. Unitholders should consult their own tax advisors as to whether an election under subsection 39(4) of the Tax Act is available or advisable in their circumstances. This summary does not apply to a Unitholder who has entered or will enter into a “derivative forward agreement” as that term is defined in the Tax Act with respect to the Units.

This summary is based on the facts set out in this annual information form, the current provisions of the Tax Act, an understanding of the current administrative policies and assessing practices of the Canada Revenue Agency (“**CRA**”) published in writing prior to the date hereof and all specific proposals to amend the Tax Act publicly announced by or on behalf of the Minister of

Finance (Canada) prior to the date hereof (such proposals referred to hereafter as the “**Tax Proposals**”).

This summary assumes that the Tax Proposals will be enacted as currently proposed although no assurance can be given that the Tax Proposals will be enacted in the form publicly announced or at all. Except for Tax Proposals, this summary does not take into account or anticipate any changes in the law or administrative policy or assessing practice, whether by way of legislative, governmental or judicial decision or action, nor does it take into account other federal or any provincial, territorial or foreign tax legislation or considerations.

This summary also assumes that the Fund will comply with its investment restrictions at all times and that none of the issuers of the Portfolio Securities will be foreign affiliates of the Fund or of any Unitholders.

This summary is also based on the assumption that the Fund will at no time be a SIFT trust as defined in the rules in the Tax Act concerning the taxation of SIFT trust and SIFT partnerships (the “**SIFT Rules**”). Provided that the Fund does not hold “non-portfolio property” as defined in the SIFT Rules, it will not be a SIFT trust. Based upon its investment restrictions, as described under the heading “*Investment Restrictions*”, the Fund will not hold any “non-portfolio property”.

This summary is not exhaustive of all possible Canadian federal income tax considerations applicable to an investment in Units and does not describe the income tax considerations relating to the deductibility of interest on money borrowed to acquire Units. Moreover, the income and other tax consequences of acquiring, holding or disposing of Units will vary according to the status of the investor, the province or provinces in which the investor resides or carries on business and the investor’s particular circumstances. Accordingly, this summary is of a general nature only and is not intended to constitute advice to any particular investor. **Investors should consult their own tax advisors with respect to the income tax consequences of investing in Units, based on their particular circumstances.**

Status of the Fund

This summary is based on the assumptions that the Fund will qualify at all times as a “unit trust” and a “mutual fund trust” within the meaning of the Tax Act and that the Fund has not been and will not reasonably at any time be considered to be established or maintained primarily for the benefit of non-resident persons unless, at that time, substantially all of its property consists of property other than property that would be “taxable Canadian property” within the meaning of the Tax Act (if the definition of such term were read without reference to paragraph (b) of that definition).

To qualify as a mutual fund trust (i) the Fund must be a Canadian resident “unit trust” for purposes of the Tax Act, (ii) the only undertaking of the Fund must be (a) the investing of its funds in property (other than real property or interests in real property or an immovable or a real right in an immovable), (b) the acquiring, holding, maintaining, improving, leasing or managing of any real property (or interest in real property) or of any immovable (or real right in immovables) that is capital property of the Fund, or (c) any combination of the activities

described in (a) and (b), and (iii) the Fund must comply with certain minimum requirements respecting the ownership and dispersal of Units (the “**minimum distribution requirements**”). In this regard, the Manager intends to (i) cause the Fund to qualify as a unit trust throughout the existence of the Fund, and (ii) ensure that the Fund’s undertaking conforms with the above-mentioned restrictions for mutual fund trusts. The Manager has no reason to believe that the Fund will not comply with the minimum distribution requirements at all times.

If the Fund were not to qualify as a mutual fund trust at all times, the income tax considerations described below would, in some respects, be materially and adversely different.

Provided that the Fund qualifies as a “mutual fund trust” within the meaning of the Tax Act or the Units are listed on a “designated stock exchange” for purposes of the Tax Act (which currently includes the CSE), the Units will be qualified investments under the Tax Act for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans, registered disability savings plans, registered education savings plans and tax-free savings accounts (each a “**plan trust**”). See “*Income Tax Considerations – Taxation of Registered Plans*” for the consequences of holding Units in plan trusts.

Taxation of the Fund

The Fund will be subject to tax in each taxation year under Part I of the Tax Act on the amount of its income for the year, including dividends, if any, and net realized taxable capital gains, less the portion thereof that it claims in respect of the amount paid or payable to Unitholders in the year. The Fund intends to make distributions to Unitholders as described under “*Description of the Securities of the Fund – Distribution Policy*” and to deduct, in computing its income in each taxation year, such amount as will be sufficient to ensure that the Fund will not be liable for income tax under Part I of the Tax Act for each year other than such tax on net realized capital gains that will be recoverable by the Fund in respect of such year by reason of the capital gains refund mechanism.

With respect to an issuer that is a trust resident in Canada whose units are included in the Portfolio and held as capital property for the purposes of the Tax Act, and that is not subject in a taxation year to tax under the SIFT Rules, the Fund is required to include in its income such portion of the net income and the taxable portion of net realized capital gains of such issuer as is paid or becomes payable to the Fund in the year, notwithstanding that certain of such amounts may be reinvested in additional units of the issuer. Provided that appropriate designations are made by the issuer, any net taxable capital gains realized by the issuer, any foreign source income of the issuer and any taxable dividends received by the issuer from taxable Canadian corporations that are paid or become payable to the Fund will effectively retain their character as such in the hands of the Fund.

The Fund is generally required to reduce the adjusted cost base of the units of such issuer structured as a trust resident in Canada to the extent that all amounts paid or payable in a year by such issuer to the Fund exceed the sum of the amounts included in the income of the Fund for the year plus the Fund’s share of the non-taxable portion of capital gains of such issuer for the year, the taxable portion of which was designated in respect of the Fund in the year. To the extent that the adjusted cost base to the Fund of the unit of such issuer would otherwise be less than zero,

the negative amount is deemed to be a capital gain realized by the Fund and the Fund's adjusted cost base of such unit is increased by the amount of such deemed capital gain to zero.

With respect to an issuer that is a limited partnership whose securities are included in the Portfolio and held as capital property for the purposes of the Tax Act, and that is not subject in a taxation year to the tax under the SIFT Rules, the Fund is required to include or, subject to certain restrictions, is entitled to deduct, in computing its income, its share of the net income or loss for tax purposes of the issuer allocated to the Fund for the fiscal period of the issuer ending in the Fund's taxation year, whether or not a distribution is received. For purposes of determining the amount of the Fund's capital gain (including a deemed capital gain) or loss from the disposition of such securities, in general, the adjusted cost base of such securities is the cost of such securities to the Fund plus the share of the income and capital gains of the issuer allocated to the Fund for fiscal years of the issuer ending before the particular time less the share of losses and capital losses of the issuer allocated to the Fund for fiscal years of the issuer ending before the particular time, and less the Fund's share of any distributions received from the issuer before the particular time. If the adjusted cost base to the Fund of the securities of such an issuer would otherwise be less than zero at the end of the fiscal year of the limited partnership, the negative amount is deemed to be a capital gain realized by the Fund and the Fund's adjusted cost base of such securities is increased by the amount of such deemed capital gain to zero.

Under the SIFT Rules, each issuer in the Portfolio that is a "SIFT trust" or "SIFT partnership" as defined under the SIFT Rules (which generally includes income trusts, other than certain real estate investment trusts, and certain partnerships, the units of which are listed or traded on a stock exchange or other public market) is subject to a special tax in respect of (i) income from business carried on in Canada, and (ii) certain income and capital gains respecting "non-portfolio properties" (collectively, the "**Non-Portfolio Earnings**"). Non-Portfolio Earnings that are earned by a SIFT partnership or are distributed by a SIFT trust to its unitholders are taxed at a rate that is equivalent to the federal general corporate tax rate plus a prescribed amount on account of provincial tax. Any Non-Portfolio Earnings that become payable by a SIFT trust or are allocated by a SIFT partnership are taxed in the hands of its unitholders as a taxable dividend from a taxable Canadian corporation and are deemed to be an "eligible dividend" eligible for the enhanced gross-up and tax credit rules under the Tax Act.

With respect to indebtedness, including convertible debentures, the Fund is required to include in its income for a taxation year all interest thereon that accrues (or is deemed to accrue) to it to the end of that year (or until the disposition of the indebtedness in the year) or that has become receivable or is received by the Fund before the end of that year, including on a conversion, redemption or repayment on maturity, except to the extent that such interest was included in computing the Fund's income for a preceding year and excluding any interest that accrued prior to the time of the acquisition of the indebtedness by the Fund. Upon the actual or deemed disposition of indebtedness, the Fund will be required to include in computing its income for the year of disposition all interest that accrued on such indebtedness from the last interest payment date to the date of disposition except to the extent such interest was included in computing the Fund's income for that or another taxation year and such interest will not be included in the proceeds of disposition for purposes of computing any capital gain or loss.

The Fund is entitled to deduct an amount equal to the reasonable expenses that it incurs in the course of issuing Units. Such issue expenses paid by the Fund and not reimbursed, including agents' fees, are deductible by the Fund rateably over a five-year period subject to reduction in any taxation year which is less than 365 days. Generally, the Fund is also entitled to deduct reasonable administrative expenses incurred to earn income and interest payable by it on money borrowed to purchase Portfolio Securities. Any losses incurred by the Fund may not be allocated to Unitholders but may generally be carried forward and back and deducted in computing the taxable income of the Fund in accordance with the detailed rules in the Tax Act.

The CRA has expressed a view that, in certain circumstances, the deductibility of interest on money borrowed to invest in certain trusts may be reduced on a *pro rata* basis in respect of distributions from such trusts that are a return of capital and that are not reinvested for an income earning purpose. The Manager has been advised that, while the ability to deduct interest depends on the facts, based on the jurisprudence and the anticipated nature of distributions of such trusts, the CRA's view should not affect the Fund's ability to deduct interest on money borrowed to acquire units of such trusts included in the Portfolio. If the CRA's view were to apply to the Fund, part of the interest payable by the Fund in connection with money borrowed to acquire certain Portfolio Securities could be non-deductible, increasing the net income of the Fund for tax purposes and the taxable component of distributions to Unitholders.

Upon the actual or deemed disposition of a Portfolio Security, the Fund will realize a capital gain (or capital loss) to the extent the proceeds of disposition net of any amounts included as interest on the disposition of the security and any reasonable costs of disposition exceed (or are less than) the adjusted cost base of such security unless the Fund were considered to be trading or dealing in securities or otherwise carrying on a business of buying and selling securities or the Fund has acquired the security in a transaction or transactions considered to be an adventure or concern in the nature of trade. The Fund purchases Portfolio Securities with the objective of receiving distributions and income thereon and takes the position that gains and losses realized on the disposition thereof are capital gains and capital losses. The Fund has made an election under subsection 39(4) of the Tax Act so that all Portfolio Securities that are "Canadian securities" (as defined in the Tax Act), including Canadian securities acquired in connection with short sales, will be deemed to be capital property to the Fund.

Generally, subject to the DFA Rules discussed below, the Fund will include gains and deduct losses on income account in connection with investments made through certain derivatives, including certain short sales of securities that are not Canadian securities, except where such derivatives are used to hedge Portfolio Securities held on capital account in cases where there is sufficient linkage, and will recognize such gains or losses for tax purposes at the time they are realized by the Fund.

One-half of the amount of any capital gain (a "**taxable capital gain**") realized by the Fund in a taxation year on the disposition of Portfolio Securities that are capital property of the Fund must be included in computing the Fund's income for the year, and one-half of the amount of any capital loss (an "**allowable capital loss**") realized by the Fund in a taxation year must be deducted against any taxable capital gains realized by the Fund in the year. Allowable capital losses for a taxation year in excess of taxable capital gains for that year may be carried back and deducted by the Fund in any of the three preceding taxation years or carried forward and

deducted in any subsequent taxation year against net realized taxable capital gains in accordance with the provisions of the Tax Act.

The Fund will be entitled for each taxation year throughout which it is a mutual fund trust for purposes of the Tax Act to reduce (or receive a refund in respect of) its liability, if any, for tax on its net realized capital gains by an amount determined under the Tax Act based on the redemptions of Units during the year (the “**Capital Gains Refund**”). The Capital Gains Refund in a particular taxation year may not completely offset the tax liability of the Fund for such taxation year which may arise upon the sale or other disposition of Portfolio Securities in connection with the redemption of Units.

Premiums received on covered call options written by the Fund which are not exercised prior to the end of the year will constitute capital gains of the Fund in the year received, unless such premiums are received by the Fund as income from a business or the Fund has engaged in a transaction or transactions considered to be an adventure or concern in the nature of trade. The Fund purchases the Portfolio Securities with the objective of receiving dividends, interest and other distributions thereon over the life of the Fund and writes covered call options with the objective of increasing the yield on the Portfolio beyond the dividends, interest and other distributions received on the Portfolio. Having regard to the foregoing, and in accordance with the CRA’s published administrative policies, transactions undertaken by the Fund in respect of options on the Portfolio Securities are treated and reported by the Fund as arising on capital account.

Premiums received by the Fund on covered call options which are subsequently exercised will be added in computing the proceeds of disposition to the Fund of the Portfolio Securities disposed of by the Fund upon the exercise of such call options. In addition, where a covered call option is exercised after the end of the year in which it was granted, the Fund’s capital gain in the previous year in respect of the receipt of the option premium will be nullified.

The Tax Act contains rules (the “**DFA Rules**”) that target certain financial arrangements (described as “derivative forward agreements”) that seek to deliver a return based on an “underlying interest” (other than certain excluded underlying interests) for purposes of DFA Rules. The DFA Rules are broad in scope and could apply to other agreements or transactions (including, certain options and, subject to the Tax Proposals discussed below, forward currency contracts). If the DFA Rules were to apply to derivatives utilized by the Fund the gains in respect of which would otherwise be capital gains, gains realized on the property underlying such derivatives could be treated as ordinary income rather than capital gains. The Manager intends that the Fund will restrict the writing of call options so that the DFA Rules will not apply.

The Fund may enter into transactions denominated in currencies other than the Canadian dollar, including the acquisition of Portfolio Securities. The cost and proceeds of disposition of securities, interest and all other amounts are determined for the purposes of the Tax Act in Canadian dollars using the appropriate exchange rates determined in accordance with the detailed rules in the Tax Act in that regard. The amount of income, gains and losses realized by the Fund may be affected by fluctuations in the value of foreign currencies relative to the Canadian dollar. Subject to the DFA Rules discussed above and the Tax Proposals discussed below, gains or losses in respect of currency hedges entered into in respect of amounts invested

in the Portfolio will likely constitute capital gains and capital losses to the Fund if the Portfolio Securities are capital property to the Fund in cases where there is sufficient linkage. Certain Tax Proposals, if enacted as proposed, should clarify that the DFA Rules generally should not apply to such foreign currency hedges.

The Fund may derive income or gains from investments in countries other than Canada and, as a result, may be liable to pay income or profits tax to such countries. To the extent that such foreign tax paid 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 net income for the purposes of the Tax Act. To the extent that such foreign tax paid by the Fund does not exceed 15% of such amount and has not been deducted in computing the Fund's income, the Fund may designate in respect of a Unitholder a portion of its foreign source income that can reasonably be considered to be part of the Fund's income distributed to such 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.

A loss realized by the Fund on a disposition of capital property will be a suspended loss for purposes of the Tax Act if the Fund acquires a property (a "**substituted property**") that is the same as 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.

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 (whether in cash or in Units) in the taxation year. Provided that appropriate designations are made by the Fund, such portion of the net realized taxable capital gains of the Fund, the foreign source income of the Fund and the taxable dividends received or deemed to be received by the Fund on shares of taxable Canadian corporations 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. Amounts designated as taxable dividends from taxable Canadian corporations will be subject to the gross-up and dividend tax credit rules, including the enhanced gross-up and tax credit applicable to designated eligible dividends.

Under the Tax Act, the Fund is permitted to deduct in computing its income for a taxation year an amount that is less than the amount of its distributions of income for the year to the extent necessary to enable the Fund to utilize, in the taxation year, losses from prior years without affecting the ability of the Fund to distribute its income annually. Such amount distributed to a Unitholder but not deducted by the Fund will not be included in the Unitholder's income. However, the adjusted cost base of the Unitholder's Units will be reduced by such amount. The non-taxable portion of the Fund's net realized capital gains for a taxation year, the taxable portion of which was designated in respect of a Unitholder in the year, that is paid or payable (whether in cash or in Units) to the Unitholder in that taxation year will not be included in the

Unitholder's income for the year. Any other amount in excess of the Unitholder's share of the Fund's net income for a taxation year paid or payable to the Unitholder in the year (e.g. returns of capital) will not generally be included in the Unitholder's income, but 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 capital gain to zero.

Any losses of the Fund for purposes of the Tax Act cannot be allocated to, and cannot be treated as a loss of, a Unitholder.

On the disposition or deemed disposition of a Unit (whether on a sale, redemption or otherwise), a Unitholder will realize a capital gain (or capital loss) to the extent that the Unitholder's proceeds of disposition (which do not include any amount of capital gains made payable by the Fund to the Unitholder which represent capital gains realized by the Fund in connection with its disposition of Portfolio Securities in order to fund the redemption) exceed (or are less than) the aggregate of the adjusted cost base of the Unit and any reasonable costs of disposition. For the purpose of determining the adjusted cost base of Units to a Unitholder, when Units are acquired (including on a distribution in the form of Units), the cost of the newly acquired Units will be averaged with the adjusted cost base of all Units owned by the Unitholder as capital property immediately before that time. The cost of Units acquired as a distribution of income or capital gains from the Fund will generally be equal to the amount of the distribution. A consolidation of Units following a distribution paid in the form of additional Units will not be regarded as a disposition of Units. See "*Distribution Policy*". Any additional Units acquired by a Unitholder on the reinvestment of distributions will generally have a cost equal to the amount reinvested.

Pursuant to the Declaration of Trust, the Fund may allocate and designate as payable any capital gains realized by the Fund as a result of any disposition of property of the Fund undertaken to permit or facilitate the redemption of Units to a Unitholder whose Units are being redeemed. Any such allocations and designations will reduce the redemption price otherwise payable to the Unitholder and, therefore, the Unitholder's proceeds of disposition.

If, at any time, the Fund delivers Portfolio Securities to any Unitholder upon a redemption of a Unitholder's Units in connection with the termination of the Fund, the Unitholder's proceeds of disposition of the Units will generally be equal to the aggregate of the fair market value of the distributed property and the amount of any cash received, less any capital gain realized by the Fund on the disposition of such distributed property. The cost of any property distributed by the Fund *in specie* will generally be equal to the fair market value of such property at the time of the distribution less any amount that is deductible as interest accrued on such property to the date of distribution and not yet due. Such distributed property may or may not be a qualified investment for plan trusts. If such distributed property is not a qualified investment for plan trusts, such plan trusts (and, in the case of certain plan trusts, the annuitants, beneficiaries or subscribers thereunder or holders thereof) may be subject to adverse tax consequences including, in the case of registered education savings plans, revocation of such plan trusts. However, pursuant to Tax Proposals released on March 22, 2017, a registered education savings plan would no longer be revocable solely by virtue of holding securities that are not a qualified investment for the registered education savings plan.

One-half of any capital gain (a “**taxable capital gain**”) realized by a Unitholder or a taxable capital gain designated in respect of a Unitholder in a taxation year of the Unitholder will be included in the Unitholder’s income for that year and one-half of any capital loss (an “**allowable capital loss**”) realized by the Unitholder in a taxation year of the Unitholder must be deducted from taxable capital gains realized by the Unitholder or designated by the Fund in respect of the Unitholder in the taxation year in accordance with the detailed provisions of the Tax Act. Allowable capital losses for a taxation year in excess of taxable capital gains for that taxation year may be carried back and deducted in any of the three preceding taxation years or carried forward and deducted in any subsequent taxation year against net realized taxable capital gains in accordance with the provisions of the Tax Act.

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

Taxation of Registered Plans

Amounts of income and capital gains included in a plan trust’s income are generally not taxable under Part I of the Tax Act, provided that the Units are qualified investments for the plan trust. See “*Income Tax Considerations – Status of the Fund*”. Unitholders should consult their own advisors regarding the tax implications of establishing, amending, terminating or withdrawing amounts from a plan trust.

Notwithstanding the foregoing, the holder of a tax-free savings account or the annuitant under a registered retirement savings plan or registered retirement income fund will be subject to a penalty tax in respect of Units held by such tax-free savings account, registered retirement savings plan or registered retirement income fund, as the case may be, if such Units are a “prohibited investment” for such plan trusts for the purposes of the Tax Act. The Units will not be a “prohibited investment” for trusts governed by a tax-free savings account, registered retirement savings plan or registered retirement income fund unless the holder of the tax-free savings account or the annuitant under the registered retirement savings plan or registered retirement income fund, as applicable, (i) does not deal at arm’s length with the Fund for purposes of the Tax Act, or (ii) has a “significant interest” as defined in the Tax Act in the Fund. Generally, a holder or annuitant, as the case may be, will not have a significant interest in the Fund unless the holder or annuitant, as the case may be, owns interests as a beneficiary under the Fund that have a fair market value of 10% or more of the fair market value of the interests of all beneficiaries under the Fund, either alone or together with persons and partnerships with which the holder or annuitant, as the case may be, does not deal at arm’s length. In addition, the Units will not be a “prohibited investment” if the Units are “excluded property” as defined in the Tax Act for trusts governed by a tax-free savings account, registered retirement savings plan or registered retirement income fund. Pursuant to Tax Proposals released on March 22, 2017, the rules in respect of “prohibited investments” are also proposed to apply to (i) registered disability savings plans and the holders thereof and (ii) registered education savings plans and the subscribers thereof.

Holders, annuitants or subscribers should consult their own tax advisors with respect to whether Units would be prohibited investments, including with respect to whether the Units would be “excluded property” as defined in the Tax Act.

Tax Implications of the Fund’s Distribution Policy

The NAV per Unit will reflect any income and gains of the Fund that have accrued or have been realized but have not been paid or made payable at the time Units are acquired. A Unitholder who acquires Units, including on a distribution in the form of Units, may become taxable on the Unitholder’s share of such income and gains of the Fund notwithstanding that such amounts may have been reflected in the price paid by the Unitholder for the Units. The consequences of acquiring Units late in a calendar year will generally depend on the amount of quarterly distributions throughout the year and whether one or more special distributions to Unitholders are necessary to ensure that the Fund will not be liable for non-refundable income tax under Part I of the Tax Act.

REMUNERATION OF DIRECTORS AND OFFICERS, TRUSTEE AND INDEPENDENT REVIEW COMMITTEE

Directors and Officers

The officers of the Manager are employed by the Manager or its affiliates, and receive their remuneration from the Manager or its affiliates.

The Fund has no directors or officers.

Independent Review Committee

During the most recently completed financial year, each member of the Independent Review Committee was paid an aggregate fee of \$5,000 (plus HST) for serving on the IRC of the Fund. No expenses were reimbursed to any of the members of the Independent Review Committee during the most recently completed financial year.

MATERIAL CONTRACTS

The material contracts entered into by the Fund and in effect on the date hereof are as follows:

- (a) the Declaration of Trust;
- (b) the Custodian Agreement; and
- (c) the Management Agreement.

Copies of the foregoing documents are available under the Fund’s profile on SEDAR at www.sedar.com and may be inspected during business hours at the principal office of the Fund.

LEGAL AND ADMINISTRATIVE PROCEEDINGS

There are no ongoing legal or administrative proceedings material to the Fund, pursuant to which the Fund or the Manager is a party.

RISK FACTORS

The following are certain considerations relating to an investment in the Units which prospective investors should consider in deciding whether to purchase, sell or continue to hold any Units.

No Assurances of Achieving Distribution and Capital Preservation Objectives

There is no assurance that the Fund will be able to achieve its distribution and capital preservation investment objectives. The funds available for distribution to Unitholders will vary according to, among other things, the levels of dividends or distributions paid on the securities in the Portfolio and the value of the securities in the Portfolio. There is no assurance that the Portfolio will earn any return. No assurance can be given as to the amount of distributions in future years. No assurance can be given that the NAV per Unit will appreciate.

It is possible that, due to declines in the market value of the securities in the Portfolio, the Fund will have insufficient Portfolio assets to achieve in full its distribution and capital preservation investment objectives, including that of long-term total returns.

Loss of Investment

An investment in the Fund is appropriate only for investors who have the capacity to absorb a loss of some or all of their investment and who can withstand the effect of a distribution not being made in any period.

No Guaranteed Return

There is no guarantee that an investment in Units will earn any positive return in the short or long term.

Performance of the Portfolio

The NAV per Unit will vary as the fair value of the Portfolio Securities varies. The Fund and the Manager have no control over the factors that affect the fair value of the Portfolio Securities, including factors that affect the equity markets generally, such as general economic and political conditions and fluctuations in interest rates, and factors unique to each issuer included in the Portfolio, such as changes in management, changes in strategic direction, achievement of strategic goals, mergers, acquisitions and divestitures, changes in distribution policies and other events that may affect the value of its securities. Some global economies are experiencing significantly diminished growth and some are suffering a recession. No assurance can be given that diminished availability of credit and significant equity devaluations will not adversely affect the markets into which the Fund will invest in the near to medium term.

Equity Risk

Equity securities such as common shares or units of income trusts give the holder part ownership in a company or income trust, as applicable. The value of an equity security changes with the fortunes of the company that issued it. General market conditions and the health of the economy as a whole can also affect equity prices. Equity related securities that provide indirect exposure to the equity securities of an issuer, such as convertible debentures, can also be affected by equity risk. Present economic conditions may adversely affect global companies and the pricing of their securities. Further continued volatility or illiquidity could impair materially the profitability of these issuers.

High-Yield Securities

The Portfolio may hold “high-yield” bonds that are not investment grade. Securities in the lower rating categories are subject to greater risk of loss, as to timely repayment of principal and timely payment of interest or dividends than higher-rated securities. They are also generally considered to be subject to greater risk than securities with higher ratings in the case of deterioration of general economic conditions. The yields and prices of lower-rated securities may tend to fluctuate more than those for higher-rated securities.

In addition, adverse publicity and investor perceptions about lower-rated securities, whether or not based on fundamental analysis, may be a contributing factor in a decrease in the value and liquidity of the securities. High-yield securities that are rated BB or lower by Standard & Poor’s or Ba or lower by Moody’s Investors Services are often referred to in the financial press as “junk bonds” and may include securities of issuers in default. “Junk bonds” are considered by the ratings agencies to be predominantly speculative and may involve major risk exposures such as: (i) vulnerability to economic downturns and changes in interest rates; (ii) sensitivity to adverse economic changes and corporate developments; (iii) redemption or call provisions which may be exercised at inopportune times; and (iv) difficulty in accurately valuing or disposing of such securities.

Lack of Diversification

Under certain market conditions the Portfolio may hold a few, relatively large positions in relation to the capital of the Fund. Consequently, a loss in any such position could ultimately result in significant losses to the Portfolio and a proportionately higher reduction in the net asset value of the Fund than if its capital had been spread over a wide number of positions. Further, the Portfolio may be subject to more rapid change in value than would be the case if the Portfolio were required to maintain a wide diversification among industries, areas, types of financial instruments and issuers.

Foreign Market Exposure

The Portfolio’s investments will, at any time, include securities of issuers established in jurisdictions outside Canada and the United States. Although most of such issuers will be subject to uniform accounting, auditing and financial reporting standards comparable to those applicable to Canadian and U.S. companies, some issuers may not be subject to such standards and, as a result, there may be less publicly available information about such issuers than a Canadian or

U.S. company. Volume and liquidity in some foreign markets may be less than in Canada and the U.S. and, at times, volatility of price may be greater than in Canada or the U.S. As a result, the price of such securities may be affected by conditions in the market of the jurisdiction in which the issuer is located or its securities are traded. Investments in foreign markets carry the potential exposure to the risk of political upheaval, acts of terrorism and war, all of which could have an adverse impact on the value of such securities.

Suspension of Trading

For all securities traded on public exchanges, each exchange typically has the right to suspend or limit trading in all securities that it lists. Such a suspension could render it impossible to liquidate its positions and thereby expose the Portfolio to losses. In addition, there is no guarantee that non-exchange markets will remain liquid enough to close out positions.

Use of Leverage

The Fund may at times incur indebtedness in an amount up to 25% of the value of its total assets. The indebtedness is secured by the assets of the Fund. There can be no assurance that such a strategy will enhance returns and in fact the strategy may reduce returns (both distributions and capital). If the Portfolio Securities suffer a decrease in value, the leverage component will cause a decrease in NAV of the Fund in excess of that which would otherwise be experienced.

Market Disruptions

War and occupation, terrorism and related geopolitical risks may in the future lead to increased short-term market volatility and may have adverse long-term effects on world economies and markets generally. Those events could also have an acute effect on individual issuers or related groups of issuers. These risks could also adversely affect securities markets, inflation and other factors relating to the securities that may be held from time to time.

Global Financial Developments

Global financial markets have experienced a sharp increase in volatility in the last several years. While central banks as well as global governments have worked to restore growth to the global economies, no assurance can be given that the quantitative easing and financial reforms will continue. No assurance can be given that this stimulus will continue or that, if it continues, it will be successful or these economies will not be adversely affected by the inflationary pressures resulting from such stimulus or central banks' efforts to slow inflation. Further, market concerns about the economies of certain European countries, economic growth in China, military conflicts in the Middle East and Europe, an increase in interest rates by the U.S. Federal Reserve, an increase in the value of the U.S. dollar relative to other currencies, political changes and extended periods of historically low oil prices, may adversely impact global equity markets. These market conditions and further volatility or illiquidity in capital markets may also adversely affect the prospects of the Fund and the value of the Portfolio Securities. A substantial drop in the markets in which the Fund invests could be expected to have a negative effect on the Fund.

Commodity Price Risk

The operations and financial conditions of certain issuers and the amount of distributions or dividends paid on their securities, is dependent in part on commodity prices applicable to the commodities sold by such issuers. Prices for commodities may vary and are determined by supply and demand factors including weather and general economic and political conditions. A decline in commodity prices could have an adverse effect on the operations and financial condition of such issuers and on the amount of interest and distributions paid on their securities. In addition, certain commodity prices are based on a U.S. dollar market price. Accordingly, an increase in the value of the Canadian dollar against the U.S. dollar could cause reduction in the amount of distributions or dividends paid on the securities of such resource based issuers.

Reliance on the Manager and the Investment Manager

Unitholders are dependent on the ability of BIM Canada as Manager and Investment Manager of the Fund to effectively manage the Fund in a manner consistent with the investment objectives, strategy and restrictions of the Fund. Performance of the investments in the Portfolio is dependent on the Investment Manager, which provides portfolio management services to the Fund. There is no certainty that the individuals who are principally responsible for providing administration and investment management services to the Fund will continue to be employed by BIM Canada or that those who presently serve on the investment advisory committee of the Fund will continue to do so.

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 of the Fund 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 the NAV per Unit or the market price of the Units may be negatively affected by interest rate fluctuations.

Liquidity of the Securities in the Portfolio

Some of the securities in which the Fund invests or may invest in may trade infrequently and some may have no market at all including, but not limited to, the Fund's private investments. It is possible that the Fund may not be able to sell portions of such positions without facing substantially adverse prices. If the Fund is required to transact in such securities or other assets before their intended investment horizon, the performance of the Portfolio could suffer.

The market value of the Portfolio's investments may fluctuate with, among other things, changes in prevailing interest rates, general economic conditions, the condition of financial markets, developments or trends in any particular industry and the financial condition of the issuers of securities in which the Fund invests. During periods of limited liquidity and higher price volatility, the Fund's ability to acquire or dispose of their investments at a price and time that the Fund deems advantageous may be impaired. As a result, in periods of rising market prices, the Fund may be unable to participate in price increases fully to the extent that they are unable to acquire the desired positions quickly. The Fund's inability to dispose fully and promptly of

positions in declining markets will conversely cause the net asset value to decline as the value of unsold positions is marked to lower prices.

Concentration Risk

The Fund may concentrate its investments in specific industries, commodities or regions. This concentrated focus may constrain the liquidity and the number of investments available to the Portfolio. In addition, the investments of the Portfolio may be disproportionately exposed to the risks associated with the industries, commodities or regions in which the Portfolio concentrates its investments.

Short Sales

The Fund may sell securities short. A short sale is effected by selling a security which the Fund does not own. In order to make delivery to the buyer of a security sold short, the Fund must borrow the security. In so doing, it incurs the obligation to replace that security, whatever its price may be, at the time it is required to deliver it to the lender. The Fund must also pay to the lender of the security any dividends or interest payable on the security during the borrowing period and may have to pay a premium to borrow the security. This obligation must be collateralized by a deposit of cash or marketable securities with the lender. Short selling is subject to a theoretically unlimited risk of loss because there is no limit on how much the price of a security may appreciate before the short position is closed out. There can be no assurance that the securities necessary to cover the short position will be available for purchase by the Fund. In addition, purchasing securities to close out the short position can itself cause the price of the relevant securities to rise further, thereby increasing the loss incurred by the Fund. Furthermore, the Fund may prematurely be forced to close out a short position if a counterparty from which the Fund borrowed securities demands their return, resulting in a loss on what might otherwise have been ultimately a profitable position.

Market regulators in various jurisdictions have at times taken measures to impose restrictions on the ability of investors to enter into short sales, including a complete prohibition on taking short positions in respect of certain issuers. Such restrictions may negatively affect the ability of the Fund to implement its strategies and/or they could cause the Fund to incur losses. It cannot be determined how future regulations may limit the Fund's ability to engage in short selling and how such limitations may impact the Fund's performance.

Hedging Instruments

The Fund may enter into swaps and other negotiated principal transactions and sell securities short for hedging, leveraging or other purposes. Typically, these techniques involve one or more of the following risks: (i) imperfect correlation between the performance and value of the instrument and the value of the Fund securities or other objective of the Investment Manager; (ii) possible lack of a secondary market for closing out a position in such instrument; (iii) losses resulting from interest rate, spread or other market movements; (iv) the possible obligation to meet additional margin or other payment requirements, all of which could worsen the Fund's position; and (v) possible impediments to effective portfolio management or the ability to meet short-term obligations because of the percentage of a portfolio's assets segregated to cover its

obligations. The ability of the Fund to hedge successfully depends on the ability of the Investment Manager to predict pertinent market movements, which cannot be assured. The Investment Manager is not required to hedge and there can be no assurance that hedging transactions will be available or, even if undertaken, will be effective. In addition, it is not possible to hedge fully or perfectly against currency fluctuations affecting the value of securities denominated in non-Canadian currencies because the value of those securities is likely to fluctuate as a result of independent factors not related to currency fluctuations. Moreover, it should be noted that the Portfolio will always be exposed to certain risks that cannot be hedged practically. Finally, by hedging a particular position, any potential gain from an increase in value of such position may be limited.

Over-the-Counter Transactions

In addition to trading on U.S. and Canadian futures exchanges, the Fund trades other products, some of which may trade on non-U.S. and non-Canadian exchanges while others trade on the over-the-counter (“OTC”) market. These transactions present certain risks different from the risks of trading on U.S. and Canadian exchanges. The OTC market is unregulated and, accordingly, there are certain risks related to trading OTC instruments, including the absence of daily price limits and the risk of counterparty default, in addition to the risks of trading futures contracts.

Options and Other Derivative Instruments

Option and other derivative trading is speculative and involves a high degree of risk. The Fund may make use of various derivative instruments, including, but not limited to options, credit default swaps, convertible securities, futures, forwards and interest-rate, currency and equity swaps. The use of derivative instruments involves a variety of material risks, including the extremely high degree of leverage often embedded in such instruments. The primary risk associated with credit default swaps is that if a certain event were to occur with respect to the underlying entity which is the object of the swap (i.e., bankruptcy, debt restructuring or acceleration, or the failure to pay principal or interest when due), the Fund (if the seller) would have to pay the buyer of credit protection under the swap a premium which approximates the difference between the recovery value or market price of the reference security and par. The risks posed in investing in total return swaps are that the Investment Manager will inaccurately predict the future value of the referenced asset.

In addition, under credit default swaps and other synthetic securities, a contractual relationship only exists with the counterparty of such credit default swaps and other synthetic securities and not the reference obligor. The Fund generally will have no direct right to enforce compliance by the reference obligor with the terms of the reference obligation nor any rights of set-off against the reference obligor, nor any voting rights with respect to the reference obligations. The Fund will not directly benefit from the collateral supporting the reference obligation and will not have the benefit of the remedies that would normally be available to a holder of such reference obligation. In addition, in the event of the insolvency of the counterparty, the Fund will be treated as a general creditor of such counterparty and will not have any claim with respect to the reference obligation. Consequently, the Fund will be subject to the credit risk of the counterparty as well as that of the reference obligor. As a result, concentrations of credit default swaps and

other synthetic securities with any one counterparty expose the Fund to risk with respect to defaults by such counterparty in addition to the risk of default by any particular reference obligor.

The prices of many derivative instruments, including many options and swaps, are highly volatile. Price movements of option contracts and payments pursuant to swap agreements are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. The value of options and swap agreements also depends upon the price of the securities or currencies underlying them. The Fund is also subject to the risk of failure of any of the exchanges on which its positions trade or of their clearinghouses or of counterparties. The cost of options is related, in part, to the degree of volatility of the underlying securities. Accordingly, options on highly volatile securities may be more expensive than options on other securities.

Certain derivatives markets may be characterized by limited liquidity, which can make it difficult as well as costly to close out open positions in order either to realize gains or to limit losses. The pricing relationships between derivatives and the instruments underlying such derivatives may not correlate with historical patterns, resulting in unexpected losses. Certain of the derivatives that may be traded by the Fund may be principal-to-principal or OTC contracts between the Fund and third parties entered into privately, rather than on an established exchange. The risks posed by such instruments and techniques, which can be extremely complex and may involve leveraging of the Fund's assets, include: (i) credit risk (the exposure to the possibility of loss resulting from a counterparty's failure to meet its financial obligations); (ii) market risk (adverse movements in the price of a financial asset or commodity); (iii) legal risks (the characterization of a transaction or a party's legal capacity to enter into it could render the financial contract unenforceable, and the insolvency or bankruptcy of a counterparty could pre-empt otherwise enforceable contract rights); (iv) operational risk (inadequate controls, deficient procedures, human error, system failure or fraud); (v) documentation risk (exposure to losses resulting from inadequate documentation); (vi) liquidity risk (exposure to losses created by inability to terminate or trade out of the derivative, including the possibility of unusually wide "bid-ask" spreads); (vii) system risk (the risk that financial difficulties in one institution or a major market disruption will cause uncontrollable financial harm to the financial system); (viii) concentration risk (exposure to losses from the concentration of closely related risks such as exposure to a particular industry or exposure linked to a particular entity); and (ix) settlement risk (the risk faced when one party to a transaction has performed its obligations under a contract but has not yet received value from its counterparty).

Use of derivatives and other techniques such as short sales involves certain additional risks. See "*Hedging Instruments*", "*Short Sales*" and "*Leverage*".

Put options and call options typically have similar structural characteristics and operational mechanics regardless of the underlying instrument on which they are purchased or sold. A put option gives the purchaser of the option, upon payment of a premium, the right to sell, and the writer the obligation to buy, the underlying security, commodity, index, currency or other instrument at the exercise price. A call option, upon payment of a premium, gives the purchaser

of the option the right to buy, and the seller the obligation to sell, the underlying instrument at the exercise price.

If a put or call option purchased by the Fund were permitted to expire without being sold or exercised, the Fund would lose the entire premium it paid for the option. The risk involved in writing a put option is that there could be a decrease in the market value of the underlying security. If this occurred, the option could be exercised and the underlying security would then be sold to the Fund at a higher price than its current market value. The risk involved in writing a call option where the Fund holds the underlying security is that there could be an increase in the market value of the underlying security. If this occurred, the option could be exercised and the underlying security would then be sold by the Fund at a lower price than its current market value.

Purchasing and writing put and call options and, in particular, writing an option based on an underlying security not held by the Fund (an “uncovered call”) are highly specialized activities and entail greater than ordinary investment risks. In particular, the writer of an uncovered call option assumes the risk of a theoretically unlimited increase in the market price of the underlying security or currency above the exercise price of the option. This risk is enhanced if the security being sold short is highly volatile and there is a significant outstanding short interest. The securities necessary to satisfy the exercise of the call option may be unavailable for purchase except at much higher prices. Purchasing securities to satisfy the exercise of the call option can itself cause the price of the securities to rise further, sometimes by a significant amount, thereby exacerbating the loss. Accordingly, the sale of an uncovered call option could result in a loss by the Fund of all or a substantial portion of its assets.

Bank Loans

The Fund also may invest in bank loans and participations. Bank loans are not traded on regulated exchanges, are not registered with governmental authorities and are not subject to the rules of any self-regulatory organization. Investment in bank loans may be in the form of either a participation or an assignment. The special risks associated with these obligations include (i) the possible invalidation of an investment transaction as a fraudulent conveyance under relevant creditors’ rights laws, (ii) environmental liabilities that may arise with respect to collateral securing the obligations, (iii) adverse consequences resulting from participating in such instruments with other institutions with lower credit quality, and (iv) limitations on the ability of the Fund to directly enforce its rights with respect to participations (as discussed further below). The Investment Manager will balance the magnitude of these risks against the potential investment gain prior to entering into each such investment. Successful claims by third parties arising from these and other risks, absent bad faith, may be borne by the Fund.

Bank loan participations involve certain risks in addition to those associated with direct loans. A bank loan participant has no contractual relationship with the borrower of the underlying bank loan. As a result, the participant is generally dependent upon the lender to enforce its rights and obligations under the agreement in the event of a default and may not have the right to object to amendments or modifications of the terms of such agreement. A participant in a syndicated bank loan generally does not have voting rights, which are retained by the lender. In addition, a bank loan participant is subject to the credit risk of the lender as well as the borrower, since a bank

loan participant is dependent upon the lender to pay its percentage of payments of principal and interest received on the underlying loan.

In recent years, a number of judicial decisions have upheld the right of borrowers to sue lending institutions on the basis of various evolving legal theories (collectively, “**Lender Liability**”). Generally, Lender Liability is founded upon the premise that an institutional lender has violated a duty (whether implied or contractual) of good faith and fair dealing owed to a borrower or has assumed a degree of control over the borrower resulting in a creation of a fiduciary duty owed to the borrower or its other creditors or shareholders. In particular, it is anticipated that certain affiliates of the Investment Manager may originate or syndicate loans in which the Fund may participate. To the extent that an action is brought against an affiliate, a borrower may attempt to bring the Fund into such action.

In addition, under common law principles that in some cases form the basis for Lender Liability claims, if a lender or bondholder: (i) intentionally takes an action that results in the undercapitalization of an obligor to the detriment of other creditors of such obligor; (ii) engages in other inequitable conduct to the detriment of such other creditors; (iii) engages in fraud with respect to, or makes misrepresentations to, such other creditors; or (iv) uses its influence as a lender or bondholder to dominate or control an obligor to the detriment of such creditors, a court may elect to subordinate the claim of the offending lender or bondholder to the claims of the disadvantaged creditor or creditors, which remedial action is called “equitable subordination”.

The historical performance of the term loan market is not necessarily indicative of its future performance. Should increases in default rates occur with respect to the bank loans in which the Fund invests, the Fund will suffer greater losses or reduced profits.

The Fund may purchase loans that may be in default or are from borrowers in financial distress or bankruptcy proceedings. In addition, some loans that may be purchased by the Fund may not have any maturity in the case of a defaulted or bankrupt borrower. As with other types of debt instruments, loans involve the risk of loss in the case of default or insolvency of the borrower. Such loans may also be less liquid than are the debt instruments of publicly traded companies.

Securities Lending

The Fund may engage in securities lending. Although it will receive collateral for the loans and such collateral will be 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 be insufficient to reconstitute the portfolio of loaned securities.

Currency Exposure

As the Portfolio may be invested in securities traded in U.S. dollars and other foreign currencies, the NAV of the Fund, when measured in Canadian dollars, will, to the extent this has not been hedged against, be affected by changes in the value of the U.S. dollar and other foreign currencies relative to the Canadian dollar. The Fund may not be fully hedged and distributions received on the Portfolio will not be hedged and accordingly no assurance can be given that the Fund will not be adversely impacted by changes in foreign exchange rates or other factors. The use of hedges, if used, involves special risks, including the possible default by the other party to

the transaction, illiquidity and, to the extent the Investment Manager's assessment of certain market movements is incorrect, 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 Investment 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.

Redemptions

If holders of a substantial number of Units exercise their redemption rights, the number of Units outstanding and the NAV of the Fund could be significantly reduced. A significant number of redemptions would increase the management expense ratio of the Fund. Many closed-end funds, like the Fund, with a redemption feature have experienced significant redemptions and as a result, some have ceased to be economically feasible and have been terminated or merged with other funds.

Potential Conflicts of Interest

The Manager and its directors and officers and affiliates and associates may engage in the promotion, management or investment management of other accounts, funds or trusts which invest primarily in the securities held by the Fund.

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

Changes in Legislation

There can be no assurance that tax, securities and other laws or the administration thereof will not be changed in a manner which adversely affects the distributions received or gains realized by the Fund or by the Unitholders.

Taxation Matters Affecting the Fund

The Fund currently qualifies as a mutual fund trust under the Tax Act. If the Fund ceases to so qualify, 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 Canadian federal income tax laws and the administrative policies and assessing practices of the CRA respecting the treatment of mutual fund trusts will not be changed in a manner which adversely affects the Fund or the Unitholders.

The tax treatment of gains and losses realized by the Fund will depend on whether such gains or losses are treated as being on income or capital account, as described in this paragraph, all of which is subject to the DFA Rules discussed below. In determining its income for tax purposes, the Fund will treat gains or losses realized on the disposition of Portfolio Securities held by it as capital gains and losses. In addition, the Fund will treat option premiums received on the writing of covered call options and any losses sustained on closing out options as capital gains and losses

in accordance with the CRA's published administrative policies. Generally, the Fund will include gains and deduct losses on income account in connection with investments made through certain derivatives, including certain short sales of securities, except where such derivatives are used to hedge Portfolio Securities held on capital account in cases where there is sufficient linkage or the short sale is a short sale of "Canadian securities" for purposes of the Tax Act, and will recognize such gains or losses for tax purposes at the time they are realized by the Fund. The Fund also intends to take the position that gains or losses in respect of foreign currency hedges entered into in respect of amounts invested in the Portfolio will constitute capital gains and capital losses to the Fund if the Portfolio Securities are capital property to the Fund and there is sufficient linkage. Certain Tax Proposals, if enacted as proposed, should clarify that the DFA Rules discussed below generally should not apply to such foreign currency hedges. Designations with respect to the Fund's income and capital gains will be made and reported to Unitholders on the foregoing basis. The CRA's practice is not to grant advance income tax rulings on the characterization of items as capital gains or income and no advance income tax ruling has been requested or obtained. If these foregoing dispositions or transactions of the Fund are determined not to be on capital account, the net income of the Fund for tax purposes and the taxable component of distributions to Unitholders could increase. Any such redetermination by the CRA may result in the Fund being liable for unremitted withholding taxes on prior distributions made to Unitholders who were not resident in Canada for purposes of the Tax Act at the time of the distribution. Such potential liability may reduce the NAV and NAV per Unit.

The Tax Act contains rules, the DFA Rules, that target certain financial arrangements (described in the DFA Rules as "derivative forward agreements") that seek to deliver a return based on an "underlying interest" (other than certain excluded underlying interests) for the purposes of the DFA Rules. The DFA Rules are broad in scope and could apply to other agreements or transactions (including, certain options and, subject to the Tax Proposals discussed above, forward currency contracts and other derivatives). If the DFA Rules were to apply to any derivatives utilized by the Fund the gains in respect of which would otherwise be capital gains, gains realized on the property underlying such derivatives could be treated as ordinary income rather than capital gains. The Manager intends that the Fund will restrict the writing of call options so that the DFA Rules will not apply.

The CRA has expressed a view that, in certain circumstances, the deductibility of interest on money borrowed to invest in certain trusts may be reduced on a *pro rata* basis in respect of distributions from such trusts that are a return of capital and that are not reinvested for an income earning purpose. The Manager has been advised that, while the ability to deduct interest depends on the facts, based on the jurisprudence and the anticipated nature of distributions of such trusts, the CRA's view should not affect the Fund's ability to deduct interest on money borrowed to acquire units of such trusts included in the Portfolio. If the CRA's view were to apply to the Fund, part of the interest payable by the Fund in connection with money borrowed to acquire certain Portfolio Securities could be non-deductible, increasing the net income of the Fund for tax purposes and the taxable component of distributions to Unitholders.

The SIFT Rules will apply to a mutual fund trust that is a "SIFT trust" for the purposes of the Tax Act. The Fund should not be a SIFT trust for the purposes of these rules because the Fund should not hold "non-portfolio property", as defined in the SIFT Rules, based on its investment restrictions, as described under the heading "Investment Restrictions". If the SIFT Rules were to

apply to the Fund, they may have an adverse impact on the Fund including on distributions received by Unitholders.

The Fund intends to invest in foreign securities. Many foreign countries preserve their right under domestic tax laws and applicable tax conventions with respect to taxes on income and on capital (“**Tax Treaties**”) to impose tax on dividends and interest paid or credited to persons who are not resident in such countries. While the Fund intends to make its investments in such a manner as to mitigate the amount of foreign taxes incurred under foreign tax laws and subject to any applicable Tax Treaties, investments in selected foreign securities may subject the Fund to foreign taxes on dividends and interest paid or credited to the Fund or any gains realized on the disposition of such securities. Any foreign taxes incurred by the Fund will generally reduce the value of the Fund and amounts payable to Unitholders. 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 net income for the purposes of the Tax Act. To the extent that such foreign tax paid does not exceed 15% of such amount and has not been deducted in computing the Fund’s income and the Fund designates its income from a foreign source in respect of a Unitholder of the Fund, the Unitholder will, for the purposes of computing its foreign tax credits, be entitled to treat the Unitholder’s proportionate share of foreign taxes paid by the Fund in respect of such income as foreign taxes paid by the Unitholder. The availability of foreign tax credits to a Unitholder of the Fund is subject to the detailed rules in the Tax Act.

The after-tax return from an investment in Units to a Unitholder resident in Canada for the purposes of the Tax Act will depend in part on the Unitholder’s ability to recognize for purposes of the Tax Act foreign taxes in respect of income from Portfolio Securities paid by or on behalf of the Unitholder through foreign tax credits under the Tax Act (see “*Income Tax Considerations*”). A Unitholder’s ability to utilize for Canadian income tax purposes foreign taxes through foreign tax credits may be affected where the Unitholder does not have sufficient taxes otherwise payable under Part I of the Tax Act or sufficient foreign source income in the taxation year the foreign taxes are paid or where the Unitholder has other foreign sources of income or losses or has paid other foreign taxes. Furthermore, foreign tax credits will be dependent upon the Canadian federal and provincial tax rates and foreign tax rates that will prevail in future years to apply to applicable sources of income. Unitholders are therefore advised to consult their own tax advisors in regard to foreign tax credits.

A Unitholder that is a plan trust will not be entitled to a foreign tax credit or deduction under the Tax Act in respect of any foreign tax paid by the Fund and designated in respect of the plan trust (including any foreign withholding tax imposed on distributions paid to the plan trust).

Use of a Prime Broker to Hold Assets

Some or all of the assets of the Fund may from time to time be held in one or more margin accounts. The margin accounts may provide less segregation of customer assets than would be the case with a more conventional custody agreement. The prime broker may also lend, pledge or hypothecate the assets of the Fund in such accounts, which may result in a potential loss of such assets. As a result, the assets of the Fund could be frozen and inaccessible for withdrawal or subsequent trading for an extended period of time if the prime broker experiences financial

difficulty. In such case, the Fund may experience losses due to insufficient assets of the prime broker to satisfy the claims of its creditors, and adverse market movements while its positions cannot be traded, and which would adversely affect the total return to the Fund.

Not a Trust Company

The Fund is not a trust company and, accordingly, is not registered under the trust company legislation of any jurisdiction. Units are not “deposits” within the meaning of the *Canada Deposit Insurance Corporation Act* (Canada) and are not insured under provisions of that Act or any other legislation.

Nature of Units

The Units are neither fixed income nor equity securities. The Units represent a fractional interest in the net assets of the Fund. Units are dissimilar to debt instruments in that there is no principal amount owing Unitholders. Unitholders will not have the statutory rights normally associated with ownership of shares of a corporation including, for example, the right to bring “oppression” or “derivative” actions.

Liability of Unitholders

The Fund is a unit trust and as such its Unitholders do not receive the protection of statutorily mandated limited liability in some provinces as in the case of shareholders of most Canadian corporations. There is no guarantee, therefore, that Unitholders could not be made party to legal action in connection with the Fund. However, the Declaration of Trust provides that no Unitholder, in its capacity as such, will be subject to any liability whatsoever, in tort, contract or otherwise, to any person in connection with the Fund’s property or the obligations or the affairs of the Fund and all such persons are to look solely to the Fund’s property for satisfaction of claims of any nature arising out of or in connection therewith and only the Fund’s property will be subject to levy or execution.

Pursuant to the Declaration of Trust, the Fund will indemnify and hold harmless each Unitholder from any costs, damages, liabilities, expenses, charges and losses suffered by a Unitholder resulting from or arising out of such Unitholder not having limited liability. The Declaration of Trust also provides that the Trustee and the Manager shall use reasonable efforts to cause to be inserted in each material written agreement, undertaking and obligation signed by or on behalf of the Fund a provision to the effect that such agreement, undertaking or obligation will not be binding upon Unitholders personally.

As a result of the foregoing, it is considered that the risk of any personal liability of Unitholders is minimal in view of the nature of its activities. In the event that a Unitholder should be required to satisfy any obligation of the Fund, such Unitholder will be entitled to reimbursement from any available assets of the Fund.

OTHER MATERIAL INFORMATION

International Information Reporting

Pursuant to the Canada-United States Enhanced Tax Information Exchange Agreement entered into between Canada and the United States on February 5, 2014 (the “**IGA**”) and related Canadian legislation in the Tax Act, the dealers through which Unitholders hold their Units are required to report certain information with respect to Unitholders who are U.S. residents or U.S. citizens (including U.S. citizens who are residents and/or citizens of Canada), and certain other “U.S. Persons”, as defined under the IGA (excluding plan trusts, as defined above under *“Income Tax Considerations – Status of the Fund”*), to the CRA. The CRA is expected to provide the information to the U.S. Internal Revenue Service.

Pursuant to the provisions of the Tax Act that implement the Organization for Economic Co-operation and Development Common Reporting Standard (the “**CRS Provisions**”), “Canadian financial institutions” (as defined in the CRS Provisions) would be required to have procedures in place to identify accounts held by residents of foreign countries (other than the U.S.) or by certain entities the “controlling persons” of which are resident in a foreign country (other than the U.S.) and to report required information to the CRA. Such information would be exchanged on a reciprocal, bilateral basis with any countries that have agreed to a bilateral information exchange with Canada under the Common Reporting Standard and in which the applicable account holders or such controlling persons are resident. Under the CRS Provisions, after June 30, 2017, Unitholders will be required to provide certain information regarding their investment in the Fund for the purposes of such information exchange (which information exchange is expected to occur beginning in May 2018), unless the investment is held within plan trusts.

Termination of the Fund

The Fund does not have a fixed termination date. However, the Fund may be terminated by the Manager, in its sole discretion, at any time upon not less than 60 days’ written notice by the Manager. The Fund will also issue a press release at least 15 days’ and not earlier than 90 days’ prior to the termination date setting forth the details of the termination including the fact that, upon termination, the net assets of the Fund will be distributed to Unitholders on a *pro rata* basis. Immediately prior to the termination of the Fund the Manager will, to the extent possible, convert the assets of the Fund to cash and after paying or making adequate provision for all of the Fund’s liabilities, distribute the net assets of the Fund to the Unitholders as soon as practicable after the date of termination or any unliquidated assets may be distributed in specie rather than in cash, subject to compliance with any securities or other laws applicable to such distributions.

Brookfield

BROOKFIELD NEW HORIZONS INCOME FUND

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Additional information about the Fund is available in the Fund's most recently filed management reports of fund performance and financial statements. You can get a copy of these documents at no cost, by calling 855-777-8001, or from your dealer or by e-mail at funds@brookfield.com. These documents and other information about the Fund are also available on the Manager's website at www.brookfield.com/en/Investors/Public-Securities or at www.sedar.com.