



**NOTICE OF MEETING AND INFORMATION CIRCULAR
FOR THE SPECIAL MEETING OF UNITHOLDERS OF
NORTH AMERICAN FINANCIALS CAPITAL SECURITIES TRUST
TO BE HELD ON NOVEMBER 10, 2014**

October 9, 2014

Dear Unitholders:

You are invited to a special meeting (the “**Meeting**”) of holders (the “**Unitholders**”) of Class A Units and Class F Units (collectively the “**Units**”) of North American Financials Capital Securities Trust (the “**Trust**”) to be held on November 10, 2014 at 8:30 a.m. (Toronto time) at 77 King Street West, Suite 2110, Toronto-Dominion Centre, Toronto, Ontario.

The purpose of the Meeting is to consider and vote upon an extraordinary resolution to implement a proposed extension of the Trust (i) to extend the scheduled termination date of the Trust to November 30, 2019, (ii) to amend the investment objectives and strategies of the Trust to broaden the geographic scope and the type of securities that qualify for inclusion in the portfolio to be securities that are designed to comply with the new Basel III regulatory requirements and to enable the Trust to hold the portfolio of investments (the “**Portfolio**”) directly following the termination of the Forward Agreement referred to below, (iii) to remove the requirement to seek Unitholder approval for a change in auditors, (iv) to create a special redemption right which would enable Unitholders who do not wish to continue their investment to redeem their Units on December 1, 2014 on the same terms that would have applied had the Trust terminated and redeemed all Units on such date as originally contemplated; (v) to change the annual redemption date to the second last business day of November in each year; (vi) to remove the requirement to seek Unitholder approval for a permitted merger; and (vii) to enable the Trust to create and issue new classes of units (collectively, the “**Extension**”).

The Trust does not hold the Portfolio directly, but instead obtains exposure to the Portfolio through a forward purchase and sale agreement (the “**Forward Agreement**”) with The Bank of Montreal, as counterparty. As a result of changes to *the Income Tax Act (Canada)*, the Forward Agreement will terminate on or about the effective date of the Extension and the Trust will thereafter hold the Portfolio directly, and thereafter, distributions paid by the Trust will be characterized primarily as income for tax purposes to the extent they exceed available non-capital losses. See “*Canadian Federal Income Tax Considerations*” for a discussion of the income tax consequences of the Extension.

In order to become effective, the Extension must be approved by a two-thirds majority of those Unitholders voting at the Meeting. In addition, holders of at least 748,000 Class A Units (being approximately 55% of the issued and outstanding Class A Units currently outstanding) must retain their Units and not redeem them on December 1, 2014 in order for the Extension to proceed.

If you wish to continue your investment in the Trust after November 30, 2014, you should submit the enclosed voting instruction form or proxy form prior to 5:00 p.m. (Toronto time) on November 6, 2014, voting in favour of the extraordinary resolution of the Trust approving the Extension (the “**Extraordinary Resolution**”). You should also contact your broker or other intermediary through which your Units are held who may have earlier deadlines.

All Unitholders are encouraged to vote at the Meeting. **A vote in favour of the Extension will not deprive any Unitholder of the right to redeem Units as originally contemplated.** Unitholders who do not wish to continue their investment should vote in favour of the Extension and exercise their right to have their Units redeemed on December 1, 2014 pursuant to an additional special redemption right which will be established as part of the Extension (the “**Special Redemption Right**”). Unitholders who wish to exercise the Special Redemption Right must give notice of the redemption on or prior to 5:00 p.m. (Toronto time) on November 19, 2014. Unitholders redeeming their Units will still benefit from the Extension, since the Extension will enable such Unitholders to realize redemption proceeds that will not be reduced by any costs associated with the winding up of the Trust. Should the Extension not proceed the redemption proceeds paid to Unitholders would reflect a reduction relating to such wind-up costs. Accordingly, Aston Hill Capital Markets Inc., as manager of the Trust, recommends that you vote in favour of the Extraordinary Resolution, even if you wish to redeem your Units.

If the Extension is not approved, or fewer than 748,000 Class A Units remain outstanding upon the Extension, the Trust will redeem all of the Units on November 30, 2014 on the same terms as originally contemplated under the trust agreement governing the Trust. If the Extension is successful, all costs associated with the Extension will be borne by the Unitholders that remain after the Extension. Unitholders who elect to redeem their Units pursuant to the Special Redemption Right will not bear any of the costs associated with the Extension.

Attached is a Notice of Special Meeting of Unitholders and an information circular (the “**Circular**”) that contain important information relating to the Extension. You are urged to read the Circular carefully. If you are in doubt as to how to deal with the matters described in the Circular, you should consult your advisors.

Aston Hill Capital Markets Inc., as manager of the Trust, has determined that the Extension is in the best interests of the Trust and the Unitholders, and recommends that all Unitholders vote in favour of the Extraordinary Resolution to be considered at the Meeting. Reference is made to the disclosure under the heading “Recommendation of the Manager” in the attached Circular.

Sincerely,

(Signed) “W. Neil Murdoch”

W. NEIL MURDOCH
President, Chief Executive Officer and Director
Aston Hill Capital Markets Inc., as Manager of the Trust

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NOTICE OF SPECIAL MEETING OF UNITHOLDERS

TAKE NOTICE that a special meeting (the “**Meeting**”) of holders (the “**Unitholders**”) of Class A Units and Class F Units (collectively, the “**Units**”) of North American Financials Capital Securities Trust (the “**Trust**”) will be held on November 10, 2014 at 8:30 a.m. (Toronto time) at 77 King Street West, Suite 2110, Toronto-Dominion Centre, Toronto, Ontario, for the following purposes:

1. To consider and, if thought appropriate, approve, with or without variation, an extraordinary resolution in the form attached as Schedule “A” to the accompanying information circular (the “**Circular**”) authorizing, among other things, amendments to the trust agreement to:
 - (a) extend the scheduled termination date of the Trust and the scheduled redemption date of the Units to November 30, 2019;
 - (b) amend the investment objectives and strategies of the Trust to broaden the geographic scope and the type of securities that qualify for inclusion in the portfolio to be securities that are designed to comply with the new Basel III regulatory requirements and to enable the Trust to hold the portfolio of investments directly following the termination of the forward purchase and sale agreement with The Bank of Montreal;
 - (c) remove the requirement to call a meeting to seek approval of Unitholders if the Manager appoints a new auditor;
 - (d) provide Unitholders who do not wish to continue their investment with a special redemption right to enable such Unitholders to redeem their Units on December 1, 2014 on the same terms that would have applied had the Trust terminated and redeemed all Units as originally contemplated;
 - (e) provide that Unitholders who wish to exercise the special redemption right must give notice that they wish to exercise such right on or prior to 5:00 p.m. (Toronto time) on November 19, 2014;
 - (f) change the annual redemption date to the second last business day of November in each year;
 - (g) remove the requirement to call a meeting to seek Unitholder approval to enter into a permitted merger;
 - (h) enable the Trust to create and issue new classes of units; and
 - (i) make certain other amendments consequential to the foregoing;all as more fully described in the accompanying Circular.
2. To transact such other business as may properly come before the Meeting, or any adjournment or adjournments thereof.

DATED at Toronto, Ontario this 9th day of October, 2014.

BY ORDER OF THE BOARD

(Signed) “W. Neil Murdoch”

W. NEIL MURDOCH
President, Chief Executive Officer and Director
Aston Hill Capital Markets Inc., as Manager of the Trust

Note: Reference should be made to the accompanying Circular for details of the above matters. If you are unable to be present in person at the Meeting, you are requested to complete and sign the enclosed form of proxy or voting instruction form and to return it in the enclosed prepaid envelope provided for that purpose.

SUMMARY

The following is a summary of certain information contained elsewhere in this information circular (“Circular”), including the attached schedule. Certain capitalized terms used in this summary are defined in this Circular. This summary is qualified in its entirety by the more detailed information appearing elsewhere in this Circular.

Summary of Key Dates

Proxy Due Date	November 6, 2014 ⁽¹⁾
Meeting Date	November 10, 2014
Special Redemption Right Notice Date	November 19, 2014 ⁽¹⁾
Special Redemption Date	December 1, 2014

- (1) Unitholders should contact their broker or other intermediary through which their Units are held well in advance of the Meeting, as brokers and other intermediaries may set deadlines earlier than November 6, 2014 for the receipt of voting instruction forms or proxy forms and earlier than November 19, 2014 for the receipt of notices to exercise the Special Redemption Right.

Date, Time and Place of Meeting

A special meeting (the “**Meeting**”) of holders (the “**Unitholders**”) of Class A Units and Class F Units (collectively, the “**Units**”) of North American Financials Capital Securities Trust (the “**Trust**”) will be held on November 10, 2014 at 8:30 a.m. (Toronto time) at 77 King Street West, Suite 2110, Toronto-Dominion Centre, Toronto, Ontario.

Purpose of Meeting

The purpose of the Meeting is to consider, and if thought appropriate, to pass an extraordinary resolution in the form attached as Schedule “A” hereto (the “**Extraordinary Resolution**”) approving an extension (the “**Extension**”) which will include, among other things, amendments to the trust agreement (the “**Trust Agreement**”) to extend the Scheduled Termination Date (as defined in the Trust Agreement) (the “**Scheduled Termination Date**”) of the Trust to November 30, 2019.

In addition, the Extraordinary Resolution will provide Unitholders with an additional special redemption right (the “**Special Redemption Right**”) in order to provide those Unitholders who do not wish to continue their investment in the Trust with an opportunity to have their Units redeemed on December 1, 2014 (the “**Special Redemption Date**”) on the same terms as originally contemplated.

If the Extraordinary Resolution is approved, Unitholders who wish to redeem their Units on the Special Redemption Date must give written notice to the Trust no later than 5:00 p.m. (Toronto time) on November 19, 2014.

The Proposal

Unitholders are being asked to pass the Extraordinary Resolution to, among other things, approve the Extension to:

- (a) extend the Scheduled Termination Date of the Trust and the scheduled redemption date of the Units to November 30, 2019;
- (b) amend the investment objectives and strategies of the Trust to broaden the geographic scope and the type of securities that qualify for inclusion in the portfolio to be securities that are designed to comply with the new Basel III regulatory requirements and to enable the Trust to hold the portfolio of investments (the “**Portfolio**”) directly following the termination of the Forward Agreement referred to below;
- (c) remove the requirement to call a meeting to seek approval of Unitholders if the Manager appoints a new auditor;

- (d) provide Unitholders who do not wish to continue their investment with a special redemption right to enable such Unitholders to redeem their Units on December 1, 2014 on the same terms that would have applied had the Trust redeemed all Units on such date as originally contemplated;
- (e) provide that Unitholders who wish to exercise the special redemption right must give notice that they wish to exercise such right on or prior to 5:00 p.m. (Toronto time) on November 19, 2014;
- (f) change the annual redemption date to the second last business day of November in each year;
- (g) remove the requirement to call a meeting to seek Unitholder approval to enter into a permitted merger or other similar transaction which has the effect of combining the Trust or its assets with any other investment fund on a tax-deferred “rollover basis” with any other investment fund managed by the Manager (as defined below) or by an affiliate of the Manager that has investment objectives, valuation procedures and fee structures that a reasonable person would consider to be substantially the same as the Trust’s, that is completed without the Trust incurring any cost or expense, and on an exchange ratio based on the relative net asset values of such fund, subject to applicable law and to certain conditions;
- (h) enable the Trust to create and issue new classes of units; and
- (i) make certain other amendments consequential to the foregoing;

all as more fully described herein. See “*Details of the Extension*”.

Rationale and Benefits of the Proposed Extension for Unitholders

In proposing the Extension, the Manager considered, among other things, the following factors and their benefits to Unitholders:

- (a) The Trust has provided Unitholders with an annual compound return (based on net asset value (“NAV” or “Net Asset Value”)) of 9.23% per Class A Unit and 9.97% per Class F Unit since inception outperforming the FTSE TMX Canada Universe Bond Index by 3.97% and 4.71%, respectively.
- (b) The Trust has successfully provided Unitholders with regular quarterly distributions totalling \$7.40625 per Unit since the completion of its initial public offering on October 23, 2009, and has paid its targeted distributions of \$1.50 per annum per Unit. The current yield on the Class A Units is 5.68% (based on the closing price of the Class A Units on the Toronto Stock Exchange as of October 8, 2014) and the current yield on the Class F Units is 5.2% (based on the Class F Unit NAV as of October 3, 2014).
- (c) The investment mandate will be amended to broaden the geographic scope and the type of securities that qualify for inclusion in the Portfolio to be securities that are designed to comply with the new Basel III regulatory requirements. Specifically, the Portfolio will comprise subordinated capital instruments (excluding common equity) issued by Canadian and non-Canadian financial institutions that are designed to meet the regulatory requirements of the issuer’s regulator. The new mandate will be global in scope with a focus on North America. The Portfolio will include securities such as the Innovative Tier 1 notes that are currently in the Portfolio as well securities that are designed to comply with the new Basel III regulatory requirements. New Basel III capital securities will displace older, non-Basel III compliant securities in Canada, the United States and around the world, which will create new opportunities for investors, particularly as older securities are being phased out. The phase out of older non-Basel III compliant securities is only starting now in North America and is well underway internationally, particularly in Europe. Unitholders are expected to benefit from the expanded mandate due to the opportunities that are available outside of Canada as yields currently offered in the marketplace remain elevated by historical standards and offer attractive risk-return characteristics relative to other bonds, and the new Basel III compliant bonds should provide attractive investment opportunities.
- (d) As a result of changes to the *Income Tax Act* (Canada) (the “**Tax Act**”), the Forward Agreement (as defined below) will terminate on or about the effective date of the Extension and the Trust will

thereafter hold the Portfolio directly. See “*Canadian Federal Income Tax Considerations*” for a discussion of the income tax consequences of the Extension.

- (e) The removal of the requirement to call a meeting to seek Unitholder approval if the Manager appoints a new auditor will save the Trust the cost of holding a Unitholder meeting.
- (f) The implementation of the Extension will have no material effect on the ability of Unitholders to redeem their Units on the Special Redemption Date as originally contemplated.

Tax Considerations of Terminating the Forward Agreement

It is expected that the Trust will incur a capital gain as a result of the termination of the forward purchase and sale agreement (the “**Forward Agreement**”) with The Bank of Montreal which will occur whether the Extension occurs or not, or whether or not the Unitholder remains in the Trust or tenders its Units for redemption. If the Extension occurs, to the extent the Trust realizes a capital gain which cannot otherwise be sheltered, the Trust currently intends to declare a special capital gains distribution to Unitholders of record on December 1, 2014, rather than pay tax in the Trust (the “**Special Distribution**”). In such circumstances, the Manager intends that a portion of the Special Distribution will be paid in cash in order to offset all or part of the tax liability of Unitholders resulting from any such capital gains distribution. In addition, following the termination of the Forward Agreement, distributions paid by the Trust will be characterized primarily as income for tax purposes to the extent they exceed available non-capital losses. If the Extension does not occur, or if the Unitholders redeem their respective Units, the Forward Agreement will terminate, or in the case of a redemption will pre-settle, and the Unitholders will nonetheless be allocated the same capital gain as would Unitholders who remain in the Trust. See “*Canadian Federal Income Tax Considerations*”.

Recommendation of the Manager

Aston Hill Capital Markets Inc., the manager of the Trust (the “Manager”), has determined that the Extension is in the best interests of the Trust and the Unitholders and recommends that all Unitholders vote in favour of the Extraordinary Resolution to be considered at the Meeting. See “*Recommendation of the Manager*”.

Votes and Minimum Required Number of Units

The Extraordinary Resolution requires the approval of two-thirds of the votes of Unitholders voting at the Meeting. In addition, holders of at least 748,000 Class A Units (which represents approximately 55% of the Units currently outstanding) must retain their Units and not redeem them on the Special Redemption Date in order for the Extension to proceed.

If the Extension Does Not Proceed

If the Extension does not proceed, all Units will be redeemed by the Trust on November 30, 2014, as originally contemplated. The redemption proceeds paid to Unitholders will be funded by liquidating the specified portfolio of securities of Canadian public issuers that are “Canadian securities” for the purposes of the Tax Act which will be received by the Trust on the termination of the Forward Agreement and the funds received will be paid to Unitholders after all liabilities of the Trust have been paid and provided for. If the Extension is not implemented, the costs associated with this proposal will be borne by the Trust and therefore ultimately by all Unitholders. Such costs are estimated to be approximately \$0.05 per Unit (total of \$75,000).

For the purposes of the Tax Act, the amount distributed by the Trust to a Unitholder on redemption will consist of the Unitholder’s pro rata share of the Trust’s net income and net realized capital gains as determined under the Tax Act to the extent not previously distributed and the balance shall constitute proceeds of disposition of the Unitholder’s Units.

Costs of the Proposed Extension

If successful, all costs of the Extension, consisting primarily of estimated soliciting broker fees, as described below, expenses relating to the holding the Meeting and legal fees, will be borne by the Unitholders that remain in the Trust after the Extension as described in the table below.

	<u>Estimated Total Costs</u>	<u>Estimated Cost per Unit Outstanding</u>
If all Units remain outstanding after the Extension	\$444,460	\$0.32
If the minimum number of Class A Units (and no Class F Units) remain outstanding after the Extension	\$273,220	\$0.37

Note:

Above assumes solicitations fees are paid in respect of 50% of the Units outstanding.

If the Extension proceeds and a Unitholder redeems his or her Units pursuant to the Special Redemption Right, such Unitholder will not bear any costs of the Extension. See “*Expenses of the Extension*”.

Solicitation Fees

A solicitation fee will be paid by the Trust to properly designated brokers equal to \$0.53 per Class A Unit and \$0.58 per Class F Unit in respect of Units that are both (i) voted in favour of the Extraordinary Resolution; and (ii) not redeemed upon the implementation of the Extension, provided the Extension is completed. No fee will be payable to brokers whose clients do not vote, regardless of whether or not they redeem their Units.

Tax Consequences of the Extension

See “*Canadian Federal Income Tax Considerations*” for a description of the tax consequences of the Extension.

Unitholder Action

If you wish to continue your investment in the Trust after November 30, 2014, you should submit a voting instruction form or proxy prior to 5:00 p.m. (Toronto time) on November 6, 2014 voting in favour of the Extraordinary Resolution. If you wish your Units to be redeemed by the Trust on December 1, 2014, you should nevertheless complete and return the voting instruction form or proxy form. The Manager recommends that you vote in favour of the Extraordinary Resolution, even if you wish your Units to be redeemed by the Trust on the Special Redemption Date, since you will still be able to redeem your Units by exercising the new Special Redemption Right. Unitholders who wish to redeem their Units on the Special Redemption Date will still benefit from the Extension, since the Extension will enable such Unitholders to realize redemption proceeds that will not be reduced by any costs associated with the winding up of the Trust. Should the Extension not proceed the redemption proceeds for Unitholders would reflect a reduction relating to such wind-up costs.

If you wish to redeem your Units pursuant to the Special Redemption Right, you should contact your broker or intermediary in order to arrange for submission of written notice of such intention to Computershare Investor Services Inc. (“**Computershare**”) prior to 5:00 p.m. (Toronto time) on November 19, 2014.

Unitholders should also contact their broker or intermediary earlier than November 19, 2014 if they desire to exercise the Special Redemption Right.

Unitholders should contact their broker or other intermediary through which their Units are held well in advance of the Meeting, as brokers and other intermediaries may set deadlines earlier than November 6, 2014 for the receipt of voting instruction forms or proxies.

How Do I Vote?

All Unitholders other than CDS Clearing and Depository Services Inc. (“CDS”) are considered beneficial unitholders or non-registered unitholders (“**Non-Registered Unitholders**”) because their Units are held through a bank, trust company, securities broker or other intermediary.

As a Non-Registered (or Beneficial) Unitholder, there are two ways that you can vote your Units:

1. *By Providing Voting Instructions to Your Intermediary* — Your intermediary is required to seek voting instructions from you in advance of the Meeting. Accordingly, you will receive, or have already received, from your intermediary either a request for voting instructions for the number of Units you hold.

If you are a non-objecting beneficial owner (and have permitted the disclosure of your ownership information to Broadridge Financial Solutions Inc. (“**Broadridge**”), you will receive a voting instruction form which includes a 12-digit control number that allows you to provide your voting instructions by telephone, on the Internet, by mail or by fax. If you want to provide your voting instructions on the Internet, go to Broadridge’s website at www.proxyvote.com and follow the instructions on the screen. You will need your 12-digit control number, which you will find on your voting instruction form. If you want to provide your voting instructions by telephone, you may call 1-800-474-7493 (English) or 1-800-474-7501 (French). **You cannot vote on the telephone or Internet on the day of the Meeting.** Please contact your intermediary for instructions in this regard.

Alternatively, if you are an objecting beneficial owner (and have not permitted the disclosure of your ownership information to Broadridge), you may be a Non-Registered Unitholder and will receive from your intermediary a voting instruction form which: (i) is to be completed and returned as directed instructions provided; OR (ii) has been pre-authorized by your intermediary indicating the Units to be voted. This voting instruction form or proxy form must be completed, dated and signed and returned to Broadridge by mail or fax. Please contact your intermediary for instructions in this regard.

Every intermediary has its own procedures which should be carefully followed by Non-Registered Unitholders to ensure that their Units are voted at the Meeting. These procedures generally allow voting by telephone, on the Internet, by mail or by fax. Please contact your intermediary for instructions in this regard.

2. *By Attending the Meeting in Person* — We do not have access to the names or holdings of our Non-Registered Unitholders. This means that you can only vote your Units in person at the Meeting if you have previously appointed yourself as the proxyholder for your Units. If you wish to vote at the Meeting, write your own name in the space provided on the request for voting instructions or proxy form to appoint yourself as proxyholder. Once completed, sign, date and return the request for voting instructions or proxy form as directed on the voting instruction form or proxy form in the envelope provided. Since your vote will be taken at the Meeting, do not complete any other sections of the request for voting instructions or proxy form. Your voting instructions or proxy form must be received in sufficient time to allow your voting instruction form or proxy form to be received by Computershare by 5:00 p.m. (Toronto time) on November 6, 2014. Please contact your intermediary for instructions in this regard.

On the date of the Meeting, you should present yourself to a representative of Computershare so that you may be registered to vote at the Meeting.

All Non-Registered Unitholders who receive materials through an intermediary should carefully follow the instructions that accompany the form of proxy or the voting instruction form.

NORTH AMERICAN FINANCIALS CAPITAL SECURITIES TRUST

The Trust

North American Financials Capital Securities Trust (the “**Trust**”) is an investment fund established under the laws of the Province of Ontario and governed by a trust agreement dated as of September 28, 2009 (the “**Trust Agreement**”) between Aston Hill Capital Markets Inc. (formerly, Connor, Clark & Lunn Capital Markets Inc.), as manager (the “**Manager**”) and RBC Investor Services Trust (formerly, RBC Dexia Investor Services Trust), as trustee (the “**Trustee**”). The principal place of business of the Trust and the registered office of the Manager is located at 77 King Street West, Suite 2110, P.O. Box 92, Toronto, Ontario, M5K 1G8. The fiscal year-end of the Trust is December 31.

The Trust’s investment objectives are to provide holders of Units (“**Unitholders**”) with tax-advantaged quarterly cash distributions and return to Unitholders the original issue price of the Units upon termination of the Trust currently scheduled for November 30, 2014. Distributions are targeted to be \$1.50 per annum per Unit. In order to achieve the Trust’s investment objectives, the Trust obtains exposure, in a tax-efficient manner, to the performance of a portfolio (the “**Portfolio**”) of Canadian capital securities held by North American Portfolio Trust (the “**Portfolio Trust**”). Connor, Clark & Lunn Investment Management Ltd. (the “**Portfolio Manager**”), the Trust’s portfolio manager, actively manages the Portfolio. The Portfolio consists primarily of Canadian Innovative Tier 1 Capital Securities issued by banks or entities related to banks and U.S. Financials Capital Securities. The Portfolio Manager may also invest up to 15% of the Portfolio (measured at the time of investment) in other bonds with a minimum issuer rating of “A” by S&P.

The Trust does not hold the Portfolio directly but instead obtains exposure to the Portfolio through the forward purchase and sale agreement (the “**Forward Agreement**”) with The Bank of Montreal (“**BMO**”), as counterparty. Under the Forward Agreement, the Trust will receive, on termination, a specified portfolio consisting of securities of Canadian public issuers that are “Canadian securities” for the purposes of the Tax Act (“**Canadian Securities**”) in an amount equal to the value of Portfolio Trust.

As at October 8, 2014, there were 1,368,383 Class A Units and 23,580 Class F Units outstanding. The Class A Units are listed for trading on the Toronto Stock Exchange (the “**TSX**”) and had a closing price on October 8, 2014 of \$26.41. The most recently calculated NAV per Class A Unit was \$26.82 and the NAV per Class F Unit was \$29.05 as at October 3, 2014. Class F Units may be converted into Class A Units on a weekly basis.

Historical Performance

The following table shows the Trust’s annualized compound returns from inception, assuming all the distributions made by the Trust during the years shown were reinvested. Past performance is not necessarily indicative of future performance.

Total Returns to August 31, 2014

	Year to Date	Past Year	Past 2 Years (Annualized)	Past 3 Years (Annualized)	Past 4 Years (Annualized)	Since Inception (Annualized) ¹
Class A Units ³	7.32%	8.86%	7.08%	8.74%	8.22%	9.23%
Class F Units ³	7.54%	9.22%	7.50%	9.59%	9.02%	9.97%
FTSE TMX Canada Universe Bond Index ²	6.60%	7.57%	3.13%	4.29%	4.58%	5.26%

1. Inception date is October 23, 2009.
2. Formerly known as the Dex Universe Bond Index.
3. Performance is measured by the Net Asset Values of the Class A Units and Class F Units, respectively.

The Trust has paid quarterly distributions of 0.375 on the Units, with the exception of the first pro rata distribution of 0.28125, since the Trust's inception of October 23, 2009, totalling \$7.40625 per Unit. The current yield on the Class A Units is 5.68% (based on the closing price of the Class A Units on the TSX as of October 8, 2014) and the current yield on the Class F Units is 5.2% (based on the Class F Unit NAV as of October 3, 2014).

PROPOSED EXTENSION

The Proposal

Unitholders are being asked to consider the extraordinary resolution contained in Schedule "A" (the "**Extraordinary Resolution**") to, among other things, approve an extension (the "**Extension**") including amendments to the Trust Agreement to:

- (a) extend the Scheduled Termination Date (as defined in the Trust Agreement) (the "**Scheduled Termination Date**") of the Trust and the scheduled redemption date of the Units to November 30, 2019;
- (b) amend the investment objectives and strategies of the Trust to broaden the geographic scope and the type of securities that qualify for inclusion in the Portfolio to be securities that are designed to comply with the new Basel III regulatory requirements and to enable the Trust to hold the portfolio of investments directly following the termination of the Forward Agreement referred to below;
- (c) remove the requirement to call a meeting to seek approval of Unitholders if the Manager appoints a new auditor;
- (d) provide Unitholders who do not wish to continue their investment with a special redemption right to enable such Unitholders to redeem their Units on December 1, 2014 on the same terms that would have applied had the Trust redeemed all Units on such date as originally contemplated;
- (e) provide that Unitholders who wish to exercise the special redemption right must give notice that they wish to exercise such right on or prior to 5:00 p.m. (Toronto time) on November 19, 2014;
- (f) change the annual redemption date to the second last business day of November in each year;
- (g) remove the requirement to call a meeting to seek Unitholder approval to enter into a permitted merger or other similar transaction which has the effect of combining the Trust or its assets with any other investment fund on a tax-deferred "rollover basis" with any other investment fund managed by the Manager or by an affiliate of the Manager that has investment objectives, valuation procedures and fee structures that a reasonable person would consider to be substantially the same as the Trust's, that is completed without the Trust incurring any cost or expense and on an exchange ratio based on the relative net asset values of such fund, subject to applicable law and to certain conditions;
- (h) enable the Trust to create and issue new classes of units; and
- (i) make certain other amendments consequential to the foregoing;

all as more fully described herein.

Investment Objective and Strategy

The Portfolio currently consists primarily of Canadian Innovative Tier 1 Capital Securities issued by banks or entities related to banks and U.S. Financials Capital Securities. The Portfolio Manager may also invest up to 15% of the Portfolio (measured at the time of investment) in other bonds with a minimum issuer rating of "A" by S&P.

Under the Extension, the investment mandate will be amended to broaden the geographic scope and the type of securities that qualify for inclusion in the Portfolio to be securities that are designed to comply with the new Basel III regulatory requirements. Specifically, the Portfolio will comprise subordinated capital instruments (excluding common equity) issued by Canadian and non-Canadian financial institutions that are designed to meet the regulatory requirements of the issuer's regulator ("**Capital Securities**"). The new mandate will be global in scope with a focus on North America. The Portfolio will include securities such as the Innovative Tier 1 notes that are currently in the Portfolio as well securities that are designed to comply with the new Basel III

regulatory requirements. New Basel III capital securities will displace older, non-Basel III compliant securities in Canada, the United States and around the world, which will create new opportunities for investors, particularly as older securities are being phased out, including Innovative Tier 1 Capital Securities. The phase out of older non-Basel III compliant securities is only starting now in North America and is well underway internationally, particularly in Europe.

Forward Agreement

The Trust does not hold the Portfolio directly but instead obtains exposure to the Portfolio through the Forward Agreement with BMO, as counterparty. As a result of changes to the Tax Act, the Forward Agreement will terminate on or about the effective date of the Extension and the Trust will thereafter hold the Portfolio directly and thereafter, distributions paid by the Trust will be characterized primarily as income for tax purposes to the extent they exceed available non-capital losses. See “*Canadian Federal Income Tax Considerations*” for a discussion of the income tax consequences of the Extension.

Rationale and Benefits of the Proposed Extension for Unitholders

In proposing the Extension, the board of directors of the Manager considered, among other things, the following factors and their benefits to Unitholders:

- (a) The Trust has provided Unitholders with an annual compound return (based on NAV) of 9.23% per Class A Unit and 9.97% per Class F Unit since inception outperforming the FTSE TMX Canada Universe Bond Index by 3.97% and 4.71%, respectively.
- (b) The Trust has successfully provided Unitholders with regular quarterly distributions totalling \$7.40625 per Unit since the completion of its initial public offering on October 23, 2009, and has paid its targeted distributions of \$1.50 per annum per Unit. The current yield on the Class A Units is 5.68% (based on the closing price of the Class A Units on the TSX as of October 8, 2014) and the current yield on the Class F Units is 5.2% (based on the Class F Unit NAV as of October 3, 2014).
- (c) The investment mandate will be amended to broaden the geographic scope and the type of securities that qualify for inclusion in the Portfolio to be securities that are designed to comply with the new Basel III regulatory requirements. Specifically, the Portfolio will comprise Capital Securities. The new mandate will be global in scope with a focus on North America. The Portfolio will include securities such as the Innovative Tier 1 notes that are currently in the Portfolio as well as securities that are designed to comply with the new Basel III regulatory requirements. New Basel III capital securities will displace older, non-Basel III compliant securities in Canada, the United States and around the world, which will create new opportunities for investors, particularly as older securities are being phased out. The phase out of older non-Basel III compliant securities is only starting now in North America and is well underway internationally, particularly in Europe. Unitholders are expected to benefit from the expanded mandate due to the opportunities that are available outside of Canada as yields currently offered in the marketplace remain elevated by historical standards and offer attractive risk-return characteristics relative to other bonds and the new Basel III compliant bonds should provide attractive investment opportunities.
- (d) As a result of changes to the Tax Act, the Forward Agreement will terminate on or about the effective date of the Extension and the Trust will thereafter hold the Portfolio directly. See “*Canadian Federal Income Tax Considerations*” for a discussion of the income tax consequences of the Extension.
- (e) The removal of the requirement to call a meeting to seek Unitholder approval if the Manager appoints a new auditor will save the Trust the cost of holding a Unitholder meeting.
- (f) The implementation of the Extension will have no material effect on the ability of Unitholders to redeem their Units on the Special Redemption Date as originally contemplated.

RECOMMENDATION OF THE MANAGER AND THE INDEPENDENT REVIEW COMMITTEE

The Manager has determined that the Extension is in the best interests of the Trust and the Unitholders, and recommends that all Unitholders vote in favour of the Extraordinary Resolution to be considered at the Meeting. In arriving at such determination, consideration was given to, among other things, the factors set forth under “*Proposed Extension — Rationale and Benefits of the Proposed Extension for Unitholders*” and “*Risk Factors*”.

As required by National Instrument 81-107 (“**NI 81-107**”) of the Canadian Securities Administrators, the Manager presented the terms of the Extension which raise a conflict of interest for the purposes of NI 81-107 and the process proposed for completion of the Extension to the Trust’s Independent Review Committee for a recommendation. See “*Interest of Management and Others in the Extension*”.

The Independent Review Committee reviewed the proposed action with the Manager and after due consideration recommended that the proposal achieves a fair and reasonable result for the Trust.

DETAILS OF THE EXTENSION

Amendments in the Trust Agreement

Extension of Scheduled Termination Date

Currently, the Trust Agreement provides that any Units outstanding on November 30, 2014, the Scheduled Termination Date, will be redeemed by the Trust on such date. If the Extraordinary Resolution is approved, the scheduled redemption date will be extended to November 30, 2019.

Amendments to Investment Strategy of the Trust

The Trust Agreement will be amended to modify the investment objectives and strategy of the Trust to broaden the geographical scope and type of securities that qualify for inclusion in the Portfolio and to enable the Portfolio to be held directly by the Trust following the termination of the Forward Agreement which will occur on or about the effective date of the Extension, as more particularity described in Schedule “A” hereto.

The Ability to Enter into a Permitted Merger

Recent changes to applicable securities legislation now permit investment funds like the Trust to merge without requiring unitholder approval if certain conditions are satisfied. The Trust Agreement currently restricts such ability and, therefore, under the Extension, will be amended to give the Trust the ability, without obtaining Unitholder approval, to enter into a merger or other similar transaction which has the effect of combining the Trust or its assets with any other investment fund (a “**Permitted Merger**”), subject to the Trust complying with the relevant conditions set out in applicable securities legislation, including National Instrument 81-102 — *Investment Funds* (“**NI 81-102**”), which include:

- (a) The Permitted Merger is approved by the Trust’s independent review committee;
- (b) Written notice to the Unitholders is sent at least 60 days before the effective date of the Permitted Merger;
- (c) The Trust is being reorganized with, or its assets are being transferred to, another investment fund to which NI 81-102 and NI 81-107 — *Independent Review Committee for Investment Funds* apply and that:
 - (i) is managed by the Manager, or an affiliate of the Manager;
 - (ii) a reasonable person would consider to have substantially similar fundamental investment objectives, valuation procedures and fee structure as the Trust;
 - (iii) is not in default of any requirement of securities legislation; and
 - (iv) is a reporting issuer in the local jurisdiction;
- (d) The transaction is a “qualifying exchange” within the meaning of the Tax Act or is a tax-deferred transaction under the Tax Act;

- (e) The transaction contemplates the wind-up of the Trust as soon as reasonably possible following the transaction;
- (f) The portfolio assets of the Trust to be acquired by the other investment fund as part of the transaction:
 - (i) may be acquired by the other investment fund in compliance with this NI 81-102; and
 - (ii) are acceptable to the portfolio adviser of the other investment fund and consistent with the other investment fund's fundamental investment objectives;
- (g) The Trust has complied with Part 11 of National Instrument 81-106 — *Investment Fund Continuous Disclosure* in connection with the making of the decision to proceed with the transaction by the board of directors of the Manager or of the Trust;
- (h) The investment funds participating in the transaction bear none of the costs and expenses associated with the transaction;
- (i) All of the following apply:
 - (i) the Trust issues and files a news release that discloses the transaction;
 - (ii) securityholders of the Trust may redeem securities of the Trust at a date that is after the date of the news release referred to in subparagraph (i) and before the effective date of the transaction; and
 - (iii) the securities submitted for redemption in accordance with subparagraph (ii) are redeemed at a price equal to their Net Asset Value per security on the redemption date;
- (j) the consideration offered to Unitholders of the Trust for the transaction has a value that is equal to the Net Asset Value of Trust calculated on the date of the transaction.

The Ability to Create Classes of Units

The Trust Agreement will be amended to give the Trust the ability to issue more than two classes of Units. These amendments will facilitate future offerings and enable the Trust to issue different types of units if the Manager determines that it is in the best interests of the Trust to do so.

Special Redemption Right for December 1, 2014

The Trust Agreement will also be amended to provide Unitholders who wish to redeem their Units with the Special Redemption Right, allowing such Unitholders to redeem their Units on December 1, 2014 on the same terms that would have been applied had the Trust terminated on the Scheduled Termination Date and redeemed all Units as originally contemplated. For each Unit submitted for redemption pursuant to the Special Redemption Right, Unitholders will receive a cash amount equal to 100% of the Net Asset Value per Unit (calculated on the basis that the value of the Forward Agreement will be determined on the basis that any bonds, debentures and other debt obligations owed by the Portfolio Trust will be valued by taking the bid price on the valuation date) together with any unpaid distributions (including the Special Distribution, as defined herein) in respect of such Unit (payable to Unitholders of record on December 1, 2014), less any amount required to be withheld therefrom under applicable law. Such amount will be paid to redeeming Unitholders on or before December 15, 2014. For greater certainty, in calculating Net Asset Value for the purpose of the Special Redemption Right, the amount of the cash portion of the Special Distribution, which will be paid to redeeming Unitholders, will be deducted. The Trust may designate payable to redeeming Unitholders, as part of the redemption price, capital gains realized by the Trust in the current taxation year of the Trust. Such designation will have no impact on the aggregate amount of capital gains realized by a Unitholder who redeem Units pursuant to the Special Redemption Right.

A vote in favour of the Extraordinary Resolution does not deprive a Unitholder of the right to redeem its Units. Consequently, the board of directors of the Manager recommends that Unitholders who wish to have their Units redeemed on the Special Redemption Date also vote in favour of the Extraordinary Resolution. Such Unitholders can vote in favour of the Extraordinary Resolution and have their Units redeemed on the Special

Redemption Date by submitting written notice to the Trust no later than 5:00 p.m. (Toronto time) on November 19, 2014 (the “**Special Redemption Right Notice Date**”).

Redemption

Unitholders will continue to be entitled to redeem their Class A Units and Class F Units on an annual redemption date, which will be changed to the second last Business Day of November of each year and will receive a redemption price in an amount equal to 100% of the Net Asset Value per Unit of the relevant class less any costs associated with the redemption, including brokerage costs, and less any net realized capital gains to the Trust that are distributed to a Unitholder concurrently with the proceeds of disposition on redemption. In addition to the annual redemption right, the Class A Units and Class F Units may also be redeemed on a monthly redemption date, which will be changed to the second last Business Day of each month other than in the month of November. Concurrently with the payment of the proceeds of redemption, the Trust may pay to the redeeming Unitholder a cash distribution in the amount of the net realized capital gains of the Trust incurred by it to fund the payment of the redemption price.

Change of Auditor

Recent changes to applicable securities legislation permit an investment fund to change its auditor without unitholder approval provided the change is approved by its independent review committee and written notice is sent to unitholders at least 60 days before the effective date of the change. The Trust Agreement will be amended to remove the requirement to obtain Unitholder approval provided such conditions are satisfied.

Tax Considerations of Terminating the Forward Agreement

It is expected that the Trust will incur a capital gain as a result of the termination of the Forward Agreement which will occur whether the Extension occurs or not, or whether or not the Unitholder remains in the Trust or tenders its Units for redemption. If the Extension occurs, to the extent the Trust realizes a capital gain which cannot otherwise be sheltered, the Trust currently intends to declare a special capital gains distribution to Unitholders of record on December 1, 2014, rather than pay tax in the Trust (the “**Special Distribution**”). In such circumstances, the Manager intends that a portion of the Special Distribution will be paid in cash in order to offset all or part of the tax liability of Unitholders resulting from any such capital gains distribution. In addition, following the termination of the Forward Agreement, distributions paid by the Trust will be characterized primarily as income for tax purposes to the extent they exceed available non-capital losses. If the Extension does not occur, or if the Unitholders redeem their respective Units, the Forward Agreement will terminate, or in the case of a redemption will pre-settle, and the Unitholders will nonetheless be allocated the same capital gain as would Unitholders who remain in the Trust. See “*Canadian Federal Income Tax Considerations*”.

EXPENSES OF THE EXTENSION

If the Extension is successful, all costs incurred by the Trust will be borne solely by the Unitholders that remain in the Trust after the Extension.

A fee will be paid by the Trust to properly designated soliciting broker dealers, equal to \$0.53 per Class A Unit and \$0.58 per Class F Unit in respect of Units that are both (i) voted in favour of the Extraordinary Resolution and (ii) not redeemed upon the implementation of the Extension, provided the Extension is completed. No fee will be payable to brokers whose clients do not vote, regardless of whether or not they redeem their Units.

If the Extension is approved and implemented, all costs of the Extension, consisting primarily of estimated soliciting broker fees, as described below, expenses relating to the extension of the Scheduled Termination Date and scheduled redemption date, financial advisory fees and legal fees, will be borne by the Unitholders that remain in the Trust after the Extension as described in the table below.

	<u>Estimated Total Costs</u>	<u>Estimated Cost per Unit Outstanding</u>
If all Units remain outstanding after the Extension	\$444,460	\$0.32
If the minimum number of Class A Units remain outstanding after the Extension . .	\$273,220	\$0.37

Note: Above assumes solicitations fees are paid in respect of 50% of the Units outstanding.

A solicitation fee will be paid by the Trust to properly designated brokers equal to \$0.53 per Class A Unit and \$0.58 per Class F Unit in respect of Units that are both (i) voted in favour of the Extraordinary Resolution; and (ii) not redeemed upon the implementation of the Extension, provided the Extension is completed. No fee will be payable to brokers whose clients do not vote, regardless of whether or not they redeem their Units.

If the Extension is not implemented, the costs associated with this proposal will be borne by the Trust and therefore ultimately by all Unitholders. Such costs are estimated to be \$0.05 per Unit (total of \$75,000).

TERMINATION OF THE EXTENSION

The Extension may, at any time before or after the holding of the Meeting, but no later than the effective date of the Extension, be terminated by the Manager without further notice to, or action on the part of, Unitholders if the Manager determines, in its sole judgment, that it would be inadvisable for the Trust to proceed with the Extension.

IF THE EXTENSION DOES NOT PROCEED

If the Extension does not proceed, all Units will be redeemed by the Trust on November 30, 2014, on the same terms as originally contemplated in the Trust Agreement, or such later date as the Manager may fix in order to ensure that any tax liabilities of the Trust are satisfied prior to termination and thereupon will terminate and the net assets of the Trust will be distributed to the Unitholders. Following such distribution, the Trust will be wound up.

INTEREST OF MANAGEMENT AND OTHERS IN THE EXTENSION

If the Extension is implemented, the Manager will continue to receive an annual management fee equal to 0.50% per annum of the Net Asset Value which will be paid entirely by the Trust (currently paid 0.25% from the Trust and 0.25% from the Portfolio Trust), calculated and payable monthly in arrears, plus applicable taxes. The Manager is responsible for payment of the Portfolio Manager's fees out of its management fee.

CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

The following fairly summarizes the principal Canadian federal income tax considerations relating to the Extension that are generally applicable to a Unitholder who is an individual (other than certain trusts) and, for purposes of the *Income Tax Act* (Canada) (the "**Tax Act**"), is resident in Canada, holds Units as capital property, and deals at arm's length with, and is not affiliated with the Trust. Generally, Units will be considered to be capital property to a Unitholder provided the Unitholder does not hold the Units in the course of carrying on a business of trading or dealing in securities and has not acquired them in one or more transactions considered to be an adventure or concern in the nature of trade. Certain Unitholders whose Units might not otherwise qualify as capital property may be entitled to make the irrevocable election in the circumstances permitted by subsection 39(4) of the Tax Act to deem such Units (and all other Canadian securities owned by the holder) to be capital property. This summary does not apply to a Unitholder that has entered into a "derivative forward agreement" (as defined in the Tax Act) in respect of the Units. This summary is based on the assumptions that (i) the Trust currently qualifies as a "mutual fund trust" within the meaning of the Tax Act; and (ii) the Trust will at no time be a "specified investment flow through trust" within the meaning of the Tax Act.

This summary is based on the current provisions of the Tax Act, the regulations thereunder (the "**Regulations**"), all specific proposals to amend the Tax Act and Regulations publicly announced by or on behalf of the Minister prior to the date hereof and counsel's understanding of the current published administrative practices of the Canada Revenue Agency (the "**CRA**"). This summary is not exhaustive of all possible Canadian federal income tax considerations and, except as mentioned above, does not anticipate any changes in law, nor does it take into account provincial, territorial or foreign tax considerations, which may differ significantly from those discussed herein.

This summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice to any particular Unitholder and no representations with respect to the income tax consequences to any particular Unitholder are made. Accordingly, Unitholders should consult their own tax advisors for advice with respect to the tax consequences to them of the Extension, including the application and effect of the income and other tax laws of any country, province, state or local tax authority.

The Trust

The Extension will not affect the status of the Trust as a “mutual fund trust” under the Tax Act.

Extension of the Scheduled Redemption Date

The extension of the Scheduled Termination Date and scheduled redemption date for the Units for an additional term of five years and the other amendments to the Trust Agreement described herein should not result in the disposition of Units by a Unitholder.

Distributions Paid on Exercise of Special Redemption Right

A Unitholder who exercises the Special Redemption Right on December 1, 2014, will generally be required to include in income for the Unitholder’s taxation year any income received, including any net taxable capital gains of the Trust that are designated payable by the Trust on redemption to such Unitholder. The Manager has advised that it expects that there will be no income other than taxable capital gains allocated to Unitholders on redemption. Provided that appropriate designations are made by the Trust, that portion of its net taxable capital gains 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. The non-taxable portion of any net capital gains of the Trust that is paid to a Unitholder will not be included in computing the Unitholder’s income for the year.

Redemption, Retractions and Other Dispositions of Units

A Unitholder who disposes of or who is deemed to dispose of a Unit, including a disposition to the Trust (whether on retraction, redemption or otherwise), including on the exercise of the Special Redemption Right, will realize a capital gain (or capital loss) to the extent that the proceeds of disposition exceed (or are less than) the aggregate of such Unitholder’s adjusted cost base of such Unit and any reasonable costs of disposition. For this purpose, proceeds of disposition will not include any net taxable capital gains of the Trust that are designated payable by the Trust and required to be included in the Unitholder’s income, nor will it include an amount designated payable by the Trust that represents the non-taxable portion of such capital gain. Any capital gain or loss realized on the disposition of a Unit will be subject to the general rules relating to the taxation of capital gains described below.

Capital Gains and Capital Losses

One-half of any capital gain (a “**taxable capital gain**”) realized by a Unitholder and the amount of any net taxable capital gains allocated by the Trust in respect of a Unitholder will be included in such holder’s income as a taxable capital gain. One-half of any capital loss (an “**allowable capital loss**”) realized by a Unitholder must generally be deducted from taxable capital gains realized or considered to be realized by the holder (including any net taxable capital gains allocated by the Trust) in the taxation year, subject to and in accordance with the provisions of the Tax Act. Allowable capital losses not deducted in the taxation year in which they are realized may be carried back and deducted in any of the three preceding years or carried forward and deducted in any following year against capital gains realized in such years, to the extent and under the circumstances specified in the Tax Act. Capital gains realized by an individual may give rise to liability for alternative minimum tax.

Termination of the Forward Agreement

On December 12, 2013, certain measures were enacted into law (the “**Character Conversion Rules**”) that would affect the tax consequences to unitholders of investment funds, such as the Trust, that utilize forward purchase and sale agreements (such as the Forward Agreement) to obtain exposure to an underlying reference portfolio. As a result of certain grandfathering rules (the “**Grandfathering Rules**”), the Character Conversion Rules should not apply to the Forward Agreement provided that it is settled prior to the end of 2014. Provided that the Grandfathering Rules apply to the Forward Agreement, no amount will be included in computing the Trust’s income as a result of the acquisition of Canadian Securities Portfolio securities under the Forward Agreement when the Forward Agreement is settled on or about November 30, 2014. The cost to the Trust of such Canadian Securities Portfolio securities will be that portion of the aggregate amount paid by the Trust under the Forward Agreement attributable to such securities and any other costs of acquisition. Because the Trust has elected in accordance with the Tax Act to have each of its Canadian securities treated as capital property, gains or losses realized by the Trust on the sale of Canadian Securities Portfolio securities acquired under the Forward Agreement will be taxed as capital gains or capital losses.

Following the termination of the Forward Agreement, the Manager expects that it will liquidate the Canadian Securities Portfolio securities, and the Manager expects that such liquidation will result in the Trust realizing capital gains, which may be reduced by the Trust's outstanding non-capital losses. The Manager intends that a sufficient amount of any net capital gain will be distributed to Unitholders, in accordance with the Trust's distribution policy, so that the Trust will generally not be liable for income tax under Part I of the Tax Act in respect of such gains. If the Extension occurs, the Manager intends that a portion of the Special Distribution will be paid in cash in order to offset all or part of the tax liability of Unitholders resulting from any such capital gains distribution.

Nature of Distributions Following the Extension

Following the termination of the Forward Agreement, if the Extension occurs, the Manager intends that the Trust will hold the Portfolio directly. In computing its income for a taxation year, the Trust will be required to include in its income for a taxation year all interest that accrues (or is deemed to accrue) on any indebtedness 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 Trust before the end of that year, including on a redemption, conversion or repayment on maturity, except to the extent that such interest was included in computing the Trust's income for a preceding year and excluding any interest that accrued prior to the time of the acquisition of the indebtedness by the Trust.

The Trust intends to make distributions to Unitholders and to deduct, in computing its income in each taxation year, such amount as will be sufficient to ensure that the Trust 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 Trust in respect of such year by reason of the capital gains refund mechanism set out in the Tax Act. A Unitholder will generally be required to include, in computing income for a taxation year, the amount of the Trust's net income for the taxation year paid or payable to the Unitholder in the taxation year.

RISK FACTORS

Certain risk factors relating to the Trust are described below. Additional risks and uncertainties not currently known to the Trust, or that are currently considered immaterial, may also impair the operations of the Trust. If any such risks actually occur, the business, financial condition, or liquidity and results of operations of the Trust, and the ability of the Trust to make distributions on the Units, could be materially adversely affected.

General Risks of Investing in Capital Securities

Generally, Capital Securities will decrease in value when interest rates rise and increase in value when interest rates decline. The Net Asset Value of the Trust will fluctuate with interest rate changes and the corresponding changes in the value of the securities in the Portfolio. The value of Capital Securities is also affected by the risk of default in the payment of interest or non-payment of distributions and principal and price changes due to such factors as general economic conditions and the issuer's creditworthiness. Capital Securities may not pay interest or distributions or their issuers may default on their obligations to pay interest and/or principal amounts. Capital Securities may not pay interest or distributions or their issuers may default on their obligations to pay interest and/or principal amounts. Distributions may be discretionary or noncumulative which, if not paid on a scheduled date, may never be paid. Issuers are not allowed to settle missed distributions in shares or payment in kind securities. Some Capital Securities provide for deferral of the payment of the coupon at the option of the issuer and some Capital Securities provide for automatic conversion to common shares of the issuer on specified dates or circumstances, subject to certain conditions in the terms of the instruments. Most of the Capital Securities that may be included in the Portfolio from time to time may be unsecured, which will increase the risk of loss in case of default or insolvency of the issuer. Capital Securities are junior and subordinated to senior debt instruments and typically have ratings that are below that of senior debt securities and certain Capital Securities (and any common shares into which they may be exchanged) will contain no events of default or right to accelerated payment. Holders of Capital Securities will also rank subordinate to the claims of depositors and creditors of the issuer. Capital Securities may feature an early redemption option, meaning that the securities can be redeemed early at par or at the current principal amount upon a capital disqualification, tax or ratings methodology event. Issuers may not call Capital Securities at the first opportunity, and the instrument may be left outstanding into perpetuity.

Capital Securities Risk

The Portfolio will include Capital Securities, which encompasses Innovative Tier 1 Capital Securities. Capital Securities involve risk with respect to the performance and capital levels of Canadian banks. Capital Securities may include securities issued by special purpose vehicles established by the banks or other financial institutions or entities, and therefore investments in these securities create risks related to the solvency of such special purpose vehicles. Capital Securities generally provide a return on investment through the ownership by the special purpose vehicle of bank and other debt securities and deposit notes or other assets. Capital Securities may not pay interest or distributions or their issuers may default on their obligations to pay interest and/or principal amounts.

The holders of Capital Securities may be required to invest interest paid under the instruments in a new or existing series of the bank's preferred shares in the event of certain prescribed circumstances such as the bank failing to declare cash dividends on all of its outstanding preferred shares, or failing any preferred shares being outstanding, on all of the outstanding common shares in accordance with the bank's ordinary dividend practice, or for other reasons. Capital Securities may also be automatically exchanged for a new or existing series of bank preferred shares and/or common shares without the consent of the holders of the Capital Securities in certain circumstances, such as a decline in the performance and capital levels of the bank or upon the bank becoming insolvent or bankrupt. As such, the holders of Capital Securities could become shareholders of a Bank at a time when the bank's financial condition is deteriorating or when the bank has become insolvent or bankrupt or resolved to be wound-up or has been ordered wound-up or liquidated. There can be no guarantee that the common shares issued in such circumstances will pay a dividend, appreciate, or that there will be a liquid market for such common shares. All future capital instruments have a provision that requires such instruments, at the option of the relevant authorities or by contractual provision, to either be written off or converted into common equity upon the occurrence of a trigger event. There can be no guarantee that in such circumstances payment of interest or other distributions on the Capital Securities will resume. As a result, in such circumstances, were the Trust to become a holder of common shares of a European financial institution, it could receive substantially less than as a holder of Capital Securities that have not been exchanged for common shares, which in turn, could affect the ability of the Trust to meet its investment objectives, including paying targeted quarterly distributions. There can be no guarantee that any triggering events which require holders of Capital Securities, such as the Trust, to subscribe for common shares of the European financial institution will not change over time or will not vary from one Capital Security to another. The new bank series of preferred shares (or in some cases an existing series of preferred shares) issued due to either the insolvency or bankruptcy of the bank or its failure to pay dividends, or for any other reason, may rank equally with other preferred shares of the bank. Holders of the Capital Securities may in certain circumstances rank subordinate to the claims of depositors and creditors of the bank.

There can be no guarantee that the triggering events requiring holders of Capital Securities to subscribe for preferred shares of the bank will not change over time or will not vary from one Capital Trust Security to another. There can be no guarantee that the new series of preferred share (or existing preferred shares) will pay a dividend, appreciate, or that there will be a liquid market for such preferred shares. There can be no guarantee that the bank or entity issuing the Capital Securities will resume payment of interest on the Capital Securities, or necessarily redeem the instruments, and due to the long life of the instruments holders of the Capital Securities may continue to receive preferred shares rather than cash interest payments.

As a result, were the Portfolio to become a holder of a new or existing series of bank preferred shares, it could receive substantially less than as a holder of Capital Securities that have not been exchanged for a new or existing series of bank preferred shares, which in turn, could affect the ability of the Trust to meet its investment objectives, including paying targeted quarterly distributions.

Event of default provisions, including acceleration and subordination provisions, are not likely to be relevant to holders of Capital Securities in their capacity as creditors of entities that issue such securities since the Capital Securities will automatically be exchanged for preferred shares of the bank prior to the occurrence of several events that may otherwise have been considered events of default.

Reset Subordinated Debenture Risk

The Portfolio may include reset subordinated debentures (“**Reset Subordinated Debentures**”). Reset Subordinated Debentures involve risk with respect to the performance and capital levels of Canadian banks. Interest on the Reset Subordinated Debentures is reset periodically, which new interest rates are unlikely to be the same as, and may be lower than, the interest rates for the preceding periods.

In certain circumstances, including when a bank does not report cumulative consolidated net income for the immediately preceding four financial quarters or fails to declare any cash dividends on all of its outstanding preferred shares and common shares, a bank may defer interest payments on the Reset Subordinated Debentures. There is no limit on the number of times the bank may defer interest payments or, during the term of the Reset Subordinated Debentures, on the duration of the period or periods of such deferral. While interest payments are being deferred, interest will accrue but will not compound. Once deferred, there is no specific requirement as to when interest payments must resume and the bank may defer interest payments up until, but not beyond, maturity of the Reset Subordinated Debentures.

An investment in the Reset Subordinated Debentures may become an investment in preferred shares of the bank in certain circumstances, including when the Superintendent has taken control of the bank or its assets pursuant to the Bank Act, or a winding-up order in respect of the bank is applied for or granted. As a result, a holder of Reset Subordinated Debentures may become a shareholder of the bank at a time when the bank’s financial condition is deteriorating or when it has become insolvent or has been ordered to be wound-up or liquidated. In the event of the bank’s liquidation, the claims of its depositors and creditors (including holders of subordinated indebtedness) would be entitled to priority of payment over holders of preferred shares. If the bank were to become insolvent or be ordered to be wound-up or liquidated following the automatic conversion of the Reset Subordinated Debentures into preferred shares, a holder of preferred shares may receive, if anything, substantially less than such holder would have received as a holder of Reset Subordinated Debentures.

Event of default provisions, including acceleration and subordination provisions, are not likely to be relevant to holders of Reset Subordinated Debentures in their capacity as creditors of the bank since the Reset Subordinated Debentures will automatically convert into preferred shares of the bank effective as of the day before the occurrence of several events that may otherwise have been considered events of default.

Leverage Risk

The Trust’s exposure to the Portfolio may be increased by up to 25% at the time leverage is employed. As a result of fluctuations in the prices of the securities in the Portfolio, leverage may temporarily, and from time to time, exceed 25%. The addition of leverage has the potential to enhance returns but also involves additional risks. There can be no assurance that the leverage employed by the Trust will enhance returns. The use of leverage may reduce returns (both distributions and capital) to Unitholders. If there is a decline in the value of the securities in the Portfolio, the leverage will cause a decrease in the Net Asset Value of the Trust in excess of that which would otherwise be experienced. Under certain conditions, leverage may be reduced or discontinued.

Term Risk

The securities in the Portfolio may be perpetual in nature or have very long terms. Investors tend to value these securities based on the assumption that they will be called on the first date that the coupon will be reset. In the event that an issuer does not call a particular security on this date then it may affect the market value thereof.

Concentration Risk

The Portfolio will be concentrated in securities issued by, or related to the securities of, the banks and therefore the Net Asset Value of the Trust may be more volatile than the value of a more broadly diversified portfolio and may fluctuate substantially over short periods of time.

Illiquid Securities

There is no assurance that an adequate market will exist for the securities included in the Portfolio and it cannot be predicted whether the securities included in the Portfolio will trade at a discount to, a premium to, or

at their respective par or maturity values. Certain securities held in the Portfolio may trade infrequently if at all and may trade at a significant premium or discount to the last recorded trade.

Re-Investment Risk

A security in the Portfolio may include a call or redemption provision that permits the issuer of such security to “call” or redeem its securities. The existence of such provisions will, if exercised, require such a security to be removed from the Portfolio and replaced with new securities. These actions may have implicit costs to the Trust and may reduce the distributions paid to Unitholders. At any time that the Portfolio is re-adjusted in the discretion of the Manager or as a result of a redemption or call provision in the terms of a security in the Portfolio, the distributions available to Unitholders may be affected as, among other things, such security included in the Portfolio upon any such re-adjustment may not provide the same rate of return as the security replaced. In addition, if the call or redemption price of a security in the Portfolio is less than the price paid upon its inclusion in the Portfolio, and that security is redeemed, the Net Asset Value of the Trust will be negatively impacted.

Interest Rate Fluctuations

It is anticipated that the market price for the Units at any given time will be affected by the level of interest rates prevailing at such time. A rise in interest rates may have a negative effect on the market price of the Units. Unitholders who wish to redeem or sell their Units may, therefore, be exposed to the risk that the redemption price or sale price of the Units will be negatively affected by interest rate fluctuations.

Fluctuation in Value of Portfolio Securities

The value of the Units will vary according to the value of the securities included in the Portfolio. The value of the securities included in the Portfolio will be influenced by factors which are not within the control of the Manager or the Portfolio Manager, including the financial performance of the respective issuers, operational risks relating to the specific business activities of the respective issuers, quality of assets owned by the respective issuers, commodity prices, risks associated with issuers operating, or having exposure to assets, outside of Canada, exchange rates, interest rates, political risks, issues relating to government regulation, credit markets and other financial market conditions.

No Assurance in Achieving Investment Objectives or Making Distributions

There is no assurance that the Trust will be able to achieve their respective investment objectives. Furthermore, there is no assurance that the Trust will be able to pay distributions in the short or long term, nor is there any assurance that the Net Asset Value of the Trust will appreciate or be preserved. Changes in the relative weightings between the various types of securities making up the Portfolio can affect the overall yield to Unitholders.

Composition of Portfolio

The composition of the securities included in the Portfolio taken as a whole may vary widely from time to time, resulting in the securities included in the Portfolio being less diversified than anticipated. Overweighting investments in certain issuers, sectors or industries involves risk that Portfolio will suffer a loss because of declines in the prices of securities in those issuers, sectors or industries.

Use of Derivatives

The Trust may invest in and use derivative instruments for hedging purposes to the extent considered appropriate by the Manager taking into account factors including transaction costs. There can be no assurance that the Trust’s hedging strategies will be effective. The Trust is subject to the credit risk that its counterparty (whether a clearing corporation in the case of exchange-traded instruments or another third party in the case of over-the-counter instruments) may be unable to meet its obligations. In addition, there is a risk of loss by the Trust of margin deposits in the event of the bankruptcy of the dealer with whom the Trust has an open position in an option or futures or forward contract. Derivative instruments traded in foreign markets may offer less liquidity and greater credit risk than comparable instruments traded in North American markets. The ability of the Trust to close out its positions may also be affected by exchange imposed daily trading limits on options and

futures contracts. If the Trust is unable to close out a position, it will be unable to realize its profit or limit its losses until such time as the option becomes exercisable or expires or the futures or forward contract terminates, as the case may be. The inability to close out options, futures and forward positions could also have an adverse impact on the Trust's ability to use derivative instruments to effectively hedge the Portfolio.

Securities Lending

The Trust may engage in securities lending. Although the Trust will receive collateral for the loans and such collateral will be marked-to-market, the Trust 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.

Reliance on the Portfolio Manager

The Portfolio Manager will manage Portfolio in a manner consistent with the investment objectives and the investment restrictions of the Trust. The officers of the Portfolio Manager who will be primarily responsible for the management of the Portfolio have extensive experience in managing investment portfolios, however, there is no certainty that such individuals will continue to be employees of the Portfolio Manager until the termination of the Trust.

Changes in Legislation and Regulatory Risk

There can be no assurance that certain laws applicable to the Trust, including income tax laws, government incentive programs and the treatment of mutual fund trusts under applicable tax legislation will not be changed in a manner which adversely affects the Trust or Unitholders. Capital Securities are generally created based on current regulations affecting financial institutions and governmental agencies' interpretation of these regulations. If these regulations change, or the interpretation thereof changes, such changes could have a negative effect upon the value of the Portfolio and upon the investment opportunities available to the Portfolio.

Conflicts of Interest

The Manager and Portfolio Manager and their respective directors and officers engage in the promotion, management or investment management of one or more funds or trusts with similar investment objectives to those of the Trust. Although none of the directors or officers of the Manager or the Portfolio Manager will devote his or her full time to the undertaking and affairs of the Trust, each director and officer of the Manager and the Portfolio Manager will devote as much time as is necessary to supervise the management of (in the case of the directors) or to manage the undertaking and affairs of (in the case of officers) the Trust, the Manager and the Portfolio Manager, as applicable.

Status of the Trust

As the Trust is not a mutual fund as defined under Canadian securities laws, the Trust is not subject to the Canadian policies and regulations that apply to open-end mutual funds. It is intended that the Trust will be a mutual fund trust for purposes of the Tax Act.

Risks Relating to Redemptions

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

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

Equity Securities

The bank shares and life insurance company securities held in the Portfolio may consist of common and preferred shares that give the Trust part ownership in banks and life insurance companies. The value of such equity securities changes with the fortunes of the banks and life insurance companies that issue them. General market conditions and the health of the economy as a whole can also effect equity prices. Equity-related securities that provide indirect exposure to equity securities of an issuer, such as convertible debentures, can also be affected by equity risk.

PRINCIPAL UNITHOLDERS

To the knowledge of the directors and officers of the Manager, no person owns of record more than 10% of the Units of the Trust, except for CDS & Co., the nominee of CDS, which holds 100% of the Units as registered owner for various brokers and other persons on behalf of their clients and others, and the names of the beneficial owners of such Units are not known to the Trust.

THE MANAGER

The Manager, Aston Hill Capital Markets Inc., oversees, manages and implements the objectives of the Trust and the Portfolio Trust. The Manager is entitled to receive fees as compensation for management services rendered to the Trust and the Portfolio Trust.

The name, municipality of residence, position with the Manager and principal occupation of each of the directors and officers of the Manager are set out below:

<u>Name and Municipality</u>	<u>Position with the Manager</u>	<u>Principal Occupation</u>
W. NEIL MURDOCH Oakville, Ontario	Director, President and Chief Executive Officer	Director, President and Chief Executive Officer, Aston Hill Capital Markets Inc., and Chief Operating Officer, Aston Hill Financial Inc.
DARREN N. CABRAL Toronto, Ontario	Director, Vice President and Chief Financial Officer	Vice President and Chief Financial Officer, Aston Hill Capital Markets Inc.
ERIC TREMBLAY Calgary, Alberta	Director and Chairman	Chief Executive Officer, Aston Hill Financial Inc.
LARRY TITLEY Airdrie, Alberta	Director	Vice President and Chief Financial Officer, Aston Hill Financial Inc.
SASHA RNJAK Woodbridge, Ontario	Chief Compliance Officer and Corporate Secretary	Vice President, Fund Operations and Chief Compliance Officer, Aston Hill Asset Management Inc.

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

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

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

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

Sasha Rnjak: BA Economics, University of Western Ontario. Vice President, Fund Operations and Chief Compliance Officer, Aston Hill Asset Management Inc., since April 2011; prior thereto, Compliance Manager, CI Investments Inc., since September, 2007.

THE PORTFOLIO MANAGER

Connor, Clark & Lunn Investment Management Ltd. acts as portfolio manager to the Trust and the Portfolio Trust. The Portfolio Manager, part of the Connor, Clark & Lunn Financial Group, was established in March 1982, and has offices in Vancouver and Toronto.

The name, municipality of residence, position with the Portfolio Manager and principal occupation of each of the directors and the officers of the Portfolio Manager involved in managing the assets of the Trust or Portfolio Trust are set out below:

<u>Name and Municipality</u>	<u>Position with the Portfolio Manager</u>	<u>Principal Occupation</u>
LARRY R. LUNN Vancouver, British Columbia	Director, Chairman and President	Director, Chairman and President of the Portfolio Manager Clark & Lunn Investment Management Ltd.
MICHAEL W. FREUND Toronto, Ontario	Director	Managing Partner, Connor, Clark & Lunn Financial Group
MARTIN L. GERBER West Vancouver, British Columbia	Director and Commodity Advising Officer	Director and Commodity Advising Officer of the Portfolio Manager
BRIAN EBY West Vancouver, British Columbia	Director and Vice President	Director and Vice President of the Portfolio Manager
GORDON H. MACDOUGALL Vancouver, British Columbia	Director and Vice President	Director and Vice President of the Portfolio Manager
J. WARREN STODDART Toronto, Ontario	Director	Managing Partner, Connor, Clark & Lunn Financial Group
PHILLIP COTTERILL West Vancouver, British Columbia	Director and Vice President	Director and Vice President of the Portfolio Manager
GARY BAKER West Vancouver, British Columbia	Director	Director of the Portfolio Manager
DERRICK CROWE Vancouver, British Columbia	Compliance Officer	Compliance Officer of the Portfolio Manager

Connor, Clark & Lunn Investment Management Ltd., is primarily responsible for investing the Portfolio and the Canadian Securities Portfolio. The team of individuals working at the Portfolio Manager responsible for the Trust and the Portfolio Trust consists of five (5) individuals each of whom has significant experience in managing investment portfolios. The investment managers of the Portfolio Manager are Brian Eby, Jane Justice, Chris Kalbfleisch, Simon MacNair and David George.

The biographies of each of the principal members of the Portfolio Manager that is managing the Portfolio are as follows:

Brian Eby: CFA; MBA McMaster University. Mr. Eby is a partner of Connor, Clark & Lunn Investment Management Partnership, and head of the fixed income team responsible for fixed income management strategy and research. Mr. Eby has 29 years' experience covering three separate recessionary periods. His experience outside portfolio management includes advising in the structuring/restructuring of public debt programs and underwriting of corporate bonds.

S. Jane Justice: B.Mgmt. Capilano College. Ms. Justice is a partner of Connor, Clark & Lunn Investment Management Partnership and a member of the fixed income team responsible for bond trading and risk management.

Chris Kalbfleisch: CFA; MSc. Statistics University of Western Ontario. Mr. Kalbfleisch is a partner of Connor, Clark & Lunn Investment Management Partnership and is a member of the fixed income team. Mr. Kalbfleisch is a quantitative financial markets specialist and is responsible for research. In addition to his experience with the Portfolio Manager, Mr. Kalbfleisch is the team leader of the asset allocation team.

Simon MacNair: BA, University of British Columbia; PhD, University of Wisconsin-Madison. Mr. MacNair is a partner of Connor, Clark & Lunn Investment Management Partnership and is a member of the fixed income team, responsible for credit analysis, research and corporate security selection.

David George: CFA; BComm, University of British Columbia. Mr. David is a partner of Connor, Clark & Lunn Investment Management Partnership and a member of the fixed income team responsible for research and analysis.

TRUSTEE, AUDITOR, CUSTODIAN, TRANSFER AGENT AND REGISTRAR

RBC Investor Services Trust is the trustee of the Trust and the Portfolio Trust and, as such, is responsible for certain aspects of the day-to-day administration of the Trust and the Portfolio Trust, as described in their respective trust agreements, each dated September 28, 2009, including the Trust Agreement, which includes executing instruments on behalf of the Trust and the Portfolio Trust.

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

The register for the registration of the Units and transfer records are kept by Computershare at its principal office in Toronto.

RBC Investor Services Trust also acts as custodian (the "**Custodian**") of the assets of the Trust and the Portfolio Trust pursuant to the custodian agreement dated on or about October 23, 2009, among the Trust, the Portfolio Trust and the Custodian, as it may be amended from time to time (the "**Custodian Agreement**"). The Custodian, or an affiliate of the Custodian, also carries out certain aspects of the day-to-day administration of the Trust and the Portfolio Trust, including calculating NAV, net income and net realized capital gains of the Trust and maintaining the books and records of the Trust and the Portfolio Trust.

MATERIAL CONTRACTS

The Trust will enter into amendments to:

- a. the Trust Agreement;
- b. the management agreement dated on or about October 23, 2009, between the Manager and the Portfolio Manager, as it may be amended from time to time;
- c. the Custodian Agreement; and
- d. the registrar, transfer agency and distribution agency agreement dated on or about October 23, 2009, between the Trust and Computershare, as it may be amended from time to time.

to reflect the extension of the scheduled redemption of the Units and the other terms of the Extension, if the Extension is approved by the Unitholders, and implemented.

ADDITIONAL INFORMATION

The Manager will provide upon request, without charge to a Unitholder, a copy of the Trust's Annual Report to Unitholders containing the comparative financial statements for the year 2013 together with the Auditors' Reports thereon and Management's Discussion and Analysis, interim financial statements for subsequent periods and a copy of the Circular.

Any request for these documents should be made care of North American Financials Capital Securities Trust to Investor Relations, 77 King Street West, Suite 2110, P.O. Box 92, Toronto, Ontario M5K 1G8. This information and additional information on the Trust may also be accessed and obtained on SEDAR at www.sedar.com. Additional information can also be obtained on the Manager's website at www.astonhill.ca.

GENERAL PROXY INFORMATION

Information Circular

This Circular is furnished in connection with the solicitation by the Manager of proxies to be used at the Meeting to be held at the time and place and for the purposes set out in the Notice of Extraordinary Meeting accompanying this Circular. It is expected that the solicitation will be primarily by mail, but proxies may be solicited personally or by telephone by directors or officers of the Manager. The cost of solicitation will be borne by Unitholders that remain in the Trust after the Extension in the event that the Extension is implemented. See "*Expenses of the Extension*".

Voting Rights, Record Date and Proxy Information

To be used at the Meeting, a proxy form must be deposited with Computershare at its principal offices in Toronto at any time up to 5:00 p.m. (Toronto time) on November 6, 2014 or with the Chairman of the Meeting prior to the commencement of the Meeting on the day of the Meeting or the day of any adjournment of the Meeting.

As of October 8, 2014, there were 1,368,383 Class A Units and 23,580 Class F Units issued and outstanding. Only Unitholders of record at the close of business on October 6, 2014 will be entitled to vote in respect of the matters to be voted on at the Meeting, or any adjournment thereof, including without limitation, the Extraordinary Resolution, except that a person who has acquired Units subsequent to October 6, 2014 will be entitled to vote such Units upon making a written request to that effect and establishing that such person owns such Units to Computershare prior to commencement of the Meeting.

With respect to each matter properly before the Meeting, a Unitholder shall be entitled to one vote for each Unit held by such Unitholder. Pursuant to the Trust Agreement, a quorum at the Meeting will consist of two Unitholders present in person or represented by proxy holding not less than 5% of the Units then outstanding. If the quorum requirement is not satisfied when the Meeting is called, then the Meeting will be adjourned to such later time on that day or such time and place as may be designated by the Chairman of the Meeting. At the adjourned meeting, the business of the Meeting will be transacted by those Unitholders present in person or represented by proxy. It is the current intention that any adjourned Meeting which may be required should take place at the same location but one hour after the original time fixed for the Meeting.

As noted above, to the knowledge of the directors and officers of the Manager, no person owns of record more than 10% of the Units of the Trust, except for CDS & Co., the nominee of CDS, which holds 100% of the Units as registered owner for various brokers and other persons on behalf of their clients and others, and the names of the beneficial owners of such Units are not known to the Trust. See "*General Proxy Information — Advice to Beneficial Holders*".

Appointment of Proxyholders

Unitholders who are unable to be present at the Meeting may still vote through the use of proxies. If you are a Unitholder, you should complete, execute and return the enclosed proxy form as soon as possible, and in any event no later than the proxy deadline of 5:00 p.m. (Toronto time) on November 6, 2014. By completing and returning the enclosed proxy form, you can participate in the Meeting through the person or persons named on the form. **If you do not indicate a preference, the Units represented by the enclosed proxy form, if the same is executed in favour of the management appointees named in the proxy form and deposited as provided in the Notice of Meeting, will be voted in favour of all matters identified in such Notice of Meeting.**

Discretionary Authority of Proxies

The proxy form confers discretionary authority upon the appointees named therein with respect to such matters, including without limitation such amendment or variation to the Extraordinary Resolution, as, though not specifically set forth in the Notice of Meeting, may properly come before the Meeting. The Manager does not know of any such matter which may be presented for consideration at the Meeting. However, if any such matter is presented, the proxy will be voted thereon in accordance with the best judgment of the appointees named in the proxy form.

On any ballot that may be called for at the Meeting, all Units in respect of which the appointees named in the accompanying proxy form have been appointed to act will be voted in accordance with the specification of the Unitholder signing the proxy form. If no such specification is made, then the Units will be voted in favour of all matters identified in the Notice of Meeting.

Alternate Proxy

A Unitholder has the right to appoint a person other than the appointees designated on the accompanying proxy form by crossing out the printed names and inserting the name of the person he or she wishes to act as proxy in the blank space provided, or by completing another proxy form. Proxy forms which appoint persons other than the management appointees whose names are printed on the form should be submitted to Computershare and the person so appointed should be notified. A person acting as proxy need not be a Unitholder.

On any ballot that may be called for at the Meeting, all Units in respect of which the person named in a proxy form has been appointed to act must be voted or withheld from voting in accordance with the specification of the Unitholder signing such proxy form. If no such specification is made, then the Units may be voted in accordance with the best judgment of the person named in the proxy form. Furthermore, the person named in the proxy form will have discretionary authority with respect to any amendments to the Extraordinary Resolution and with respect to any other matters that may properly come before the Meeting, and will be voted on such amendments and other matters in accordance with the best judgment of the person named in such proxy form.

Revocation of Proxies

You can revoke a vote you made by proxy by sending a notice in writing executed by the Unitholder or his attorney authorized in writing, as well as in any other manner permitted by law. Any such notice revoking a proxy must either be deposited at the registered office of Computershare at 100 University Avenue, Toronto, Ontario, M5J 2Y1 at any time up to 5:00 p.m. (Toronto time) on November 6, 2014 or be deposited with the Chairman of the Meeting on the day of the Meeting or any adjournment thereof. If the notice of revocation is deposited with the Chairman on the day of the Meeting or any adjournment thereof, the notice will not be effective with respect to any matter on which a vote has already been cast pursuant to such proxy.

The cost of this solicitation of proxies will be borne by the Trust. The Trust will reimburse brokers, custodians, nominees and fiduciaries for the proper charges and expenses incurred in forwarding this Circular and related materials to beneficial owners of Units. In addition to solicitation by mail, officers and directors of the Manager may, without additional compensation, solicit proxies personally or by telephone.

Advice to Beneficial Holders

The information set forth in this section is of significant importance to beneficial holders of Units as the Units are held in the name of CDS & Co. (the nominee of CDS) and not in the name of the beneficial owners of the Units. Because the Trust utilizes the book-entry only system of registration, Unitholders do not hold their Units in their own name and are considered beneficial Unitholders (“**Non-Registered Unitholders**”). Non-Registered Unitholders should note that only proxies deposited by Unitholders whose names appear on the records of the Trust as the registered holders of Units can be recognized and acted upon at the Meeting. Units held by brokers or their nominees through CDS & Co. can only be voted upon the instructions of the Non-Registered Unitholder. Without specific instructions, CDS & Co. and brokers/nominees are prohibited from voting Units for their client(s). The Trust does not know for whose benefit the Units registered in the names of CDS & Co. are held. Therefore, Non-Registered Unitholders cannot be recognized at the Meeting for purposes of voting their Units in person or by way of proxy unless they comply with the procedure designated below.

Applicable regulatory policy requires intermediaries/brokers to seek voting instructions from Non-Registered Unitholders in advance of Unitholders’ meetings. Every intermediary/broker has its own mailing procedures and provides its own return instructions, which should be carefully followed by Non-Registered Unitholder in order to ensure that their Units are voted at the Meeting. Often, the form of proxy supplied to a Non-Registered Unitholder by its broker is identical to that provided to registered Unitholders. However, its purpose is limited to instructing the registered Unitholders how to vote on behalf of the Non-Registered Unitholders. The majority of brokers now delegate responsibility for obtaining instructions from clients to Broadridge. Broadridge typically prepares a voting instruction form which it mails to the Non-Registered Unitholders and asks Non-Registered Unitholders to complete and return directly to Broadridge. Broadridge then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of Units to be represented at the Meeting. **A Non-Registered Unitholder receiving a voting instruction form cannot use that form to vote Units directly at the Meeting; the voting instruction form must be returned to Broadridge well in advance of the Meeting in order to have the Units voted.**

How Do I Vote?

All Unitholders other than CDS are considered Non-Registered Unitholders because their Units are held through a bank, trust company, securities broker or other intermediary.

As a Non-Registered (or Beneficial) Unitholder, there are two ways that you can vote your Units:

- (a) *By Providing Voting Instructions to Your Intermediary* — Your intermediary is required to seek voting instructions from you in advance of the Meeting. Accordingly, you will receive, or have already received, from your intermediary either a request for voting instructions for the number of Units you hold.

If you are a non-objecting beneficial owner (and have permitted the disclosure of your ownership information to Broadridge, you will receive a voting instruction form which includes a 12-digit control number that allows you to provide your voting instructions by telephone, on the Internet, by mail or by fax. If you want to provide your voting instructions on the Internet, go to Broadridge’s website at www.proxyvote.com and follow the instructions on the screen. You will need your 12-digit control number, which you will find on your voting instruction form. If you want to provide your voting instructions by telephone you may call 1-800-474-7493 (English) or 1-800-474-7501 (French). **You cannot vote on the telephone or Internet on the day of the Meeting.** Please contact your intermediary for instructions in this regard.

Alternatively, if you are an objecting beneficial owner (and have not permitted the disclosure of your ownership information to Broadridge), you may be a Non-Registered Unitholder will receive from your intermediary a voting instruction form which: (i) is to be completed and returned as directed instructions provided; OR (ii) has been pre-authorized by your intermediary indicating the Units to be voted. This voting instruction form or proxy form must be completed, dated and signed and returned to Broadridge by mail or fax. Please contact your intermediary for instructions in this regard.

Every intermediary has its own procedures which should be carefully followed by Non-Registered Unitholders to ensure that their Units are voted at the Meeting. These procedures generally allow voting by telephone, on the Internet, by mail or by fax. Please contact your intermediary for instructions in this regard.

- (b) *By Attending the Meeting in Person* — We do not have access to the names or holdings of our Non-Registered Unitholders. This means that you can only vote your Units in person at the Meeting if you have previously appointed yourself as the proxyholder for your Units. If you wish to vote at the Meeting, write your own name in the space provided on the request for voting instructions or proxy form to appoint yourself as proxyholder. Once completed, sign, date and return the request for voting instructions or proxy form as directed on the voting instruction form or proxy form in the envelope provided. Since your vote will be taken at the Meeting, do not complete any other sections of the request for voting instructions or proxy form. Your voting instructions or proxy form must be received in sufficient time to allow your voting instruction form or proxy form to be received by Computershare by 5:00 p.m. (Toronto time) on November 6, 2014. Please contact your intermediary for instructions in this regard.

On the date of the Meeting, you should present yourself to a representative of Computershare so that you may be registered to vote at the Meeting.

All Non-Registered Unitholders who receive materials through an intermediary should carefully follow the instructions that accompany the form of proxy or the voting instruction form and should contact their broker or other intermediary through which their Units are held well in advance of the Meeting as brokers and other intermediaries may set deadlines earlier than November 6, 2014 for the receipt of voting instruction forms or proxies.

If you wish to continue your investment in the Trust after November 30, 2014, you should submit a voting instruction form or proxy form prior to 5:00 p.m. (Toronto time) on November 6, 2014 voting in favour of the Extraordinary Resolution.

Approval by the Manager

The contents and mailing to Unitholders of this Circular have been approved by the Manager.

Dated this 9th day of October, 2014.

BY ORDER OF THE BOARD

(Signed) "W. Neil Murdoch"

W. NEIL MURDOCH
President, Chief Executive Officer and Director
Aston Hill Capital Markets Inc., as Manager of the Trust

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SCHEDULE “A”
NORTH AMERICAN FINANCIALS CAPITAL SECURITIES TRUST
EXTRAORDINARY RESOLUTION

BE IT RESOLVED AS AN EXTRAORDINARY RESOLUTION THAT:

The Trust Agreement is hereby amended as follows and the Trustee and the Manager are hereby authorized to execute and deliver such amendments or amendments and restatements of the Trust Agreement to give effect to the following:

1. Section 1.1 entitled “Definitions” will be amended to:
 - a) Amend the definition of “Annual Redemption Date” of the Trust to be the second last Business Day of November in each year on which Units may be redeemed.
 - b) Add the definition of “Capital Securities” to mean subordinated capital instruments (excluding common equity) issued by financial institutions that are designed to meet the regulatory capital requirements of the issuer’s regulator.
 - c) Add the definition of “Permitted Merger” to be as ascribed thereto in Section 12.3.
 - d) Amend the definition of “Portfolio” to mean the portfolio of securities acquired and held by the Trust from time to time, consisting primarily of Capital Securities.
 - e) Amend the definition of “Scheduled Termination Date” of the Trust to be November 30, 2019.
2. Section 2.5 shall be amended to provide that on the Scheduled Termination Date, the Trust shall settle in full and terminate the Forward Agreement following which time the Trust’s undertaking will be restricted to holding and disposing of Portfolio Securities directly as well as holding Cash and Cash Equivalents from time to time.
3. Section 6.1 shall be amended to provide that the Manager may from time to time, with the prior consent of the Trustee but without the prior consent of the Unitholders, appoint another firm of chartered accountants qualified to practice in the Province of Ontario to act as the auditor of the Trust.
4. Section 8.1(a) shall be amended to remove the word “tax-advantaged” from the Trust’s investment objective to provide Unitholders with quarterly cash distributions.
5. Section 8.2 shall be deleted in its entirety and replaced with the following:

Section 8.2 Investment Strategy

The Trust will seek to achieve its investment objectives through direct investment in, and active management of, the Portfolio.

6. Section 8.3 shall be amended so that it reads:

Section 8.3 Investment Restrictions

The investment activities of the Trust will be conducted in accordance with the following investment restrictions, which provide that the Trust will not:

- (a) acquire and hold Portfolio securities that are not Capital Securities or Cash and Cash Equivalents;
- (b) purchase the securities of an issuer for the purposes of exercising control over management of that issuer or if, as a result of such purchase, the Trust would be required to make a take-over bid that is a “formal bid” for the purposes of applicable securities laws;
- (c) employ leverage exceeding 25% of the Trust Property (tested daily);
- (d) make or hold any investments in entities that would be “foreign affiliates” of the Trust for purposes of the Act;

- (e) 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 Trust would be required to include any significant amounts in income pursuant to section 94.1 of the Act; (ii) an interest in a trust (or a partnership which holds such an interest) which would require the Trust (or the partnership) to report income in connection with such interest pursuant to the rules in section 94.2 of the 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 Act (or pursuant to any amendments to such provisions);
 - (f) make any investment or conduct any activity that would result in the Trust failing to qualify as a “unit trust” or “mutual fund trust” within the meaning of the Act;
 - (g) acquire or hold any property that is “taxable Canadian property” within the meaning of the Act if the definition were read without paragraph (b) thereof (or any amendments to that definition) or “specified property” as defined in subsection 18(1) of the tax proposals released on September 16, 2004 if the fair market value of such property exceeds 10% of the fair market value of all property owned by the Trust;
 - (h) acquire or hold any “non-portfolio property” as defined in the SIFT Trust;
 - (i) enter into any arrangement where the result is a “dividend rental arrangement” for purposes of the Act;
 - (j) invest in any security that would be a “tax shelter investment” within the meaning of section 143.2 of the Act;
 - (k) pledge any of its assets, except in connection with the employment of permitted leverage and foreign exchange rate or interest rate hedging.
7. Section 9.1 shall be amended to enable the Manager to create other classes of Units, by authorizing the Trust to issue an unlimited number of transferable, redeemable units of such classes and having such attributes as the Manager may determine from time to time.
8. Section 12.3(g) shall be amended so that it reads:
- (g) any merger, arrangement or similar transaction or the sale of all or substantially all of the assets of the Trust other than in the ordinary course unless such merger, arrangement or similar transaction or sale is permitted to be undertaken without Unitholder approval by NI 81-102 — *Investment Funds*, as it may be amended, replaced or superseded from time to time.
9. Section 13.3 shall be amended to provide that the Trust will terminate on November 30, 2019, unless terminated earlier or later in accordance with the Trust Agreement. Section 13.3 shall also be amended to provide that the term of the Trust may also be extended to a later date at the discretion of the Manager in connection with a Permitted Merger.
10. Such other amendments as the Manager determines are desirable, consequential, or necessary, to give effect to any of the foregoing.

Notwithstanding the provisions hereof, the Manager of the Trust may revoke this Extraordinary Resolution at any time without further approval of the Unitholders of the Trust.

