

**If you are in doubt about the contents of this Prospectus, you should consult your stockbroker, bank manager, accountant, solicitor or other independent financial adviser.**

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## **Palos International Equity Income Fund plc**

### **Investment Manager**

Palos Management, Inc.

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The Company is an open-ended investment company with variable capital and a company incorporated with limited liability under the laws of Ireland with registered number 402076. The Company is authorised in Ireland as an investment company pursuant to the provisions of Part XIII of the Companies Act, 1990.

Dated: 1<sup>st</sup> November, 2007

## PRELIMINARY

### *The Prospectus*

*This Prospectus describes the Company, an open-ended investment company with variable capital incorporated in Ireland with limited liability and authorised by the Irish Financial Services Regulatory Authority (the "Financial Regulator") pursuant to the provisions of Part XIII of the Companies Act, 1990. Accordingly, the Company is supervised by the Financial Regulator.*

*The Company is authorised to be marketed solely to professional investors pursuant to notice NU 12.6 issued by the Financial Regulator as the minimum subscription for each investor shall not be less than €125,000 or its foreign currency equivalent. Accordingly, the requirements of the Financial Regulator which are deemed necessary for the protection of retail investors, in particular the conditions set down by the Financial Regulator in relation to investment and leverage, do not apply to the Company.*

*The directors of Palos International Equity Income Fund plc (the "Company"), whose names appear on pages 35 to 37 (the "Directors"), accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of the information.*

### *Stock Exchange Listing*

*Application has been made to the Irish Stock Exchange for the Shares of the US Dollar Class Shares, the Canadian Dollar Class Shares and the Euro Class Shares to be admitted to the Official List of the Irish Stock Exchange. The Directors do not expect that an active secondary market will develop in the Shares. It is expected that such listing will be effective and dealings will commence on or about 7<sup>th</sup> February, 2006. This document will constitute listing particulars ("Listing Particulars") for the purpose of the application for listing of the Shares of the Canadian Dollar, Euro and US Dollar Classes.*

*Neither the admission of the Shares to the Official List nor the approval of the Prospectus pursuant to the listing requirements of the Irish Stock Exchange Limited shall constitute a warranty or representation by the Irish Stock Exchange Limited as to the competence of the service providers to or any other party connected with the Company, the adequacy of information contained in the Prospectus or the suitability of the Company for investment purposes.*

*As of the date of this Prospectus, neither the Company nor the Trading Subsidiary has any loan capital (including term loans) outstanding or created but unissued, or any outstanding mortgages, charges, debentures or other borrowings or indebtedness in the nature of borrowings, including bank overdrafts, liabilities under acceptance (other than normal trade bills) or acceptance credits, obligations under finance leases, hire purchase commitments, guarantees or other material contingent liabilities.*

## *Irish Financial Services Regulatory Authority Authorisation*

*Authorisation of the Company is not an endorsement or guarantee of the Company by the Financial Regulator nor is the Financial Regulator responsible for the contents of the Prospectus.*

*The Financial Regulator shall not be liable by virtue of its authorisation of the Company or by reason of its exercise of the functions conferred on it by legislation in relation to the Company for any default of the Company. Authorisation of the Company does not constitute a warranty by the Financial Regulator as to the credit worthiness or financial standing of the various parties to the Company.*

*An investment in the Company is not suitable for all investors. A decision to invest in the Company should take into account your own financial circumstances and the suitability of the investment as a part of your portfolio. You should consult a professional investment advisor before making an investment.*

## *Restrictions on Distribution and Sale of Shares*

*This Prospectus does not constitute, and may not be used for the purposes of, an offer or solicitation to anyone in any jurisdiction in which such offer or solicitation is not authorised, or to any person to whom it is unlawful to make such offer or solicitation. The distribution of this Prospectus and the offer, issue or sale of Shares in certain jurisdictions may be restricted and, accordingly, persons into whose possession this Prospectus comes are required to inform themselves about, and to observe, such restrictions. Prospective investors should inform themselves as to (a) the legal requirements within their own jurisdictions for the purchase or holding of Shares, (b) any foreign exchange restrictions which may affect them, and (c) the income and other tax consequences which may apply in their own jurisdictions relevant to the purchase, holding or disposal of Shares.*

## *Redemption Charge*

*The Investment Manager is empowered to levy a redemption charge not exceeding 1% of the Net Asset Value of Shares being redeemed. The Investment Manager may deal with the proceeds of any redemption charge in such manner as it may decide in its sole discretion.*

## *Reliance on this Prospectus*

*Distribution of this Prospectus is not authorised after the publication of the latest half-yearly report of the Company unless it is accompanied by a copy of that report, and is not authorised after the publication of the first annual report of the Company unless it is accompanied by a copy of the latest annual report and any subsequent half-yearly report. Such reports will form part of this Prospectus.*

*No person is authorised to issue any advertisement or to give any information or to make any representations in connection with the offering, issue or sale of Shares, other than those contained in this Prospectus and, if issued, given or made, such advertisement, information or representations must not be relied upon as having been authorised by the Company. Neither the delivery of this Prospectus nor the offer, issue or sale of any of the Shares shall under any*

*circumstances create any implication or constitute a representation that the information given in this Prospectus is correct as of any time subsequent to the date hereof.*

*All holders of Shares are entitled to the benefit of, are bound by and are deemed to have notice of the Memorandum and Articles of Association of the Company, copies of which are available as mentioned herein.*

*Statements made in this Prospectus are based on the law and practice currently in force in Ireland and are subject to changes in that law.*

*The difference at any one time between the sale and redemption price of Shares means that investment should be viewed as medium to long term.*

*Subscriptions in the Company may be made at least on a monthly basis but redemptions may only effected on a quarterly basis.*

*Investors should note that because investments in securities can be volatile and that their value may decline as well as appreciate, there can be no assurance that the Company will be able to attain its objectives. The price of Shares as well as the income therefrom may rise as well as fall to reflect changes in the Net Asset Value of the Company. An investment should only be made by those people who could sustain a loss on their investment.*

#### *Risk Warnings*

*Attention is drawn to the section headed "Risk Warnings".*

#### *Translations*

*This Prospectus may also be translated into other languages. Any such translation shall only contain the same information and have the same meaning as the English language Prospectus. To the extent that there is any inconsistency between the English language Prospectus and the Prospectus in another language, the English language Prospectus will prevail, except to the extent (but only to the extent) required by the law of any jurisdiction where the Shares are sold, that in an action based upon disclosure in a prospectus in a language other than English, the language of the Prospectus on which such action is based shall prevail.*

*Shares may not currently be offered or sold, directly or indirectly to or for the account of persons who are Irish Resident or Ordinarily Resident in Ireland other than Exempt Irish Investors unless and to the extent that the Directors have resolved to admit such persons on such basis as they may from time to time determine. Any Shareholder intended to become Irish Resident or Ordinarily Resident in Ireland and who is not an Exempt Irish Investor is required to transfer his Shares prior to so becoming.*

## Palos International Equity Income Fund plc

### CONTENTS

	<b>Page</b>
DIRECTORS AND ADVISERS .....	6
INTERPRETATION .....	7
PRINCIPAL FEATURES .....	14
INVESTMENT OBJECTIVE AND POLICIES .....	16
INVESTMENT RESTRICTIONS .....	22
BORROWING RESTRICTIONS .....	25
RISK WARNINGS .....	26
MANAGEMENT AND ADMINISTRATION .....	34
PORTFOLIO TRANSACTIONS AND SHARE DEALING .....	39
CONFLICTS OF INTEREST .....	40
CHARGES AND EXPENSES .....	41
DIVIDENDS .....	43
TAXATION .....	44
SHARES .....	48
VALUATION OF ASSETS .....	57
MEETINGS AND REPORTS TO SHAREHOLDERS .....	61
TERMINATION OF THE COMPANY .....	62
GENERAL INFORMATION .....	63

# Palos International Equity Income Fund plc

## Directors and Advisers

<b>Registered Office of the Company</b>	Palos International Equity Income Fund plc 33 Sir John Rogerson's Quay Dublin 2 Ireland
<b>Directors of the Company</b>	Hubert R. Marleau Charles Marleau Stuart Dunn David P.M. Blair Sean McCreery
<b>Investment Manager</b>	Palos Management, Inc. 1812-1 Place Ville Marie, Montreal, Quebec, H3B 4A9 Canada
<b>Company Secretary</b>	Tudor Trust Limited 33 Sir John Rogerson's Quay Dublin 2 Ireland
<b>Custodian</b>	RBC Dexia Investor Services Bank S.A., Dublin Branch George's Quay House 43 Townsend Street Dublin 2
<b>Administrator, Registrar and Transfer Agent</b>	RBC Dexia Investor Services Ireland Limited George's Quay House 43 Townsend Street Dublin 2
<b>Legal Advisers and Listing Agent</b>	Dillon Eustace 33 Sir John Rogerson's Quay Dublin 2 Ireland
<b>Registered Auditors</b>	BDO Simpson Xavier Beaux Lane House Mercer Street Lower Dublin 2 Ireland

## INTERPRETATION

In this Prospectus: -

*"the Company"* means Palos International Equity Income Fund plc;

all references to a specific time of day are to Irish time;

all references to *"Canadian Dollars"* or *"CAN\$"* are to the Canadian Dollar, the currency of Canada;

all references to *"US Dollars"* or *"US\$"* are to the United States Dollar, the currency of the United States of America;

all references to *"Euro"* or *"€"* are to the lawful unit of single currency in certain states of the European Union;

*"Accounting Date"* means the date by reference to which the annual accounts of the Company shall be prepared and shall be 31<sup>st</sup> October in each year or such other date as the Directors may from time to time decide. The half-yearly reports shall be prepared as at 30<sup>th</sup> April in each year or such other date as the Directors may from time to time decide;

*"Accounting Period"* means a period ending on an Accounting Date and commencing (in the case of the first such period) from the date of incorporation of the Company and (in any other case) from the end of the last Accounting Period;

*"Act"* means the Irish Companies Acts 1963-2006 and every amendment or re-amendment of the same;

*"Administration Agreement"* means the administration agreement made between the Company, the Administrator and the Investment Manager dated 30<sup>th</sup> October, 2007;

*"Administrator"* means RBC Dexia Investor Services Ireland Limited or any successor company appointed by the company in accordance with the requirements of the Financial Regulator as administrator of the Company;

*"Application Form"* means any application form to be completed by subscribers for Shares as prescribed by the Company from time to time;

*"Articles"* means the Memorandum and Articles of Association of the Company, as amended from time to time in accordance with the requirements of the Financial Regulator;

*"Base Currency"* means Canadian Dollars;

*"Business Day"* means every day (except Saturday or Sunday) on which banks and stock exchanges are open for business in Dublin, Luxembourg and Quebec or such other day or days as the Directors may from time to time determine and notify to Shareholders in advance;

*"Class"* means a particular class of Shares issued by the Company;

*"Clear Days"* means in relation to a period of notice that period excluding the day when the notice is given or deemed to be given and the day for which it is given or on which it is to take effect;

*"Company's Investment Management Agreement"* means the investment management agreement made between the Company and the Investment Manager dated 19<sup>th</sup> December, 2005;

*"Custodian"* means RBC Dexia Investor Services Bank S.A., Dublin Branch or any successor company appointed by the Company with the prior approval of the Financial Regulator as custodian of the assets of the Company;

*"Custodian Agreement"* means the custodian agreement made between the Company, the Custodian and the Investment Manager dated 30<sup>th</sup> October 2007;

*"Dealing Day"* means in respect of subscription and conversions every Wednesday of every week or if such day is not a Business Day the immediately succeeding Business Day or such other day or days as the Directors may, in their absolute discretion, decide and notify to Shareholders in advance provided there are at least four Dealing Days per month and in respect of redemptions a Redemption Day;

*"Dealing Deadline"* means in respect of subscriptions and conversions 12.00 p.m. Irish time on the Business Day prior to the relevant Dealing Day and in respect of redemptions, the Redemption Deadline;

*"Directors"* means the board of directors of the Company or any duly authorised committee or delegate thereof;

*"EU"* means the European Union;

*"Exempt Irish Investor"*

- a pension scheme which is an exempt approved scheme within the meaning of Section 774 of the Taxes Act or a retirement annuity contract or a trust scheme to which Section 784 or 785 of the Taxes Act applies;
- a company carrying on life business within the meaning of Section 706 of the Taxes Act;
- an investment undertaking within the meaning of Section 739B(1) of the Taxes Act;
- a special investment scheme within the meaning of Section 737 of the Taxes Act;
- a charity being a person referred to in Section 739D(6)(f)(i) of the Taxes Act;
- a qualifying management company within the meaning of Section 734(1) of the Taxes Act;
- a unit trust to which Section 731(5)(a) of the Taxes Act applies;
- a specified company within the meaning of Section 734(1) of the Taxes Act;
- a qualifying fund manager within the meaning of Section 784A(1)(a) of the Taxes Act where the Ordinary Shares held are assets of an approved retirement fund or an approved minimum retirement fund;
- a qualifying savings manager within the meaning of Section 848B of the Taxes Act in

respect of Shares which are assets of a special savings incentive account within the meaning of Section 848C of the Taxes Act;

- a personal retirement savings account (“PRSA”) administrator acting on behalf of a person who is entitled to exemption from income tax and capital gains tax by virtue of Section 787I of the Taxes Act and the Shares are assets of a PRSA;
- a credit union within the meaning of Section 2 of the Credit Union Act, 1997;
- any other Irish Resident or persons who are Ordinarily Resident in Ireland who may be permitted to own Shares under taxation legislation or by written practice or concession of the Revenue Commissioners without giving rise to a charge to tax in the Company or jeopardising tax exemptions associated with the Company giving rise to a charge to tax in the Company;

provided that they have correctly completed the Relevant Declaration;

“*Financial Regulator*” means the Irish Financial Services Regulatory Authority;

“*Fixed Rate Note*” means a fixed rate note issued by the Trading Subsidiary only to the Company under the terms of which the Trading Subsidiary will be obligated to pay interest to the Company quarterly in arrears of an amount equal to a percentage of the value of the principal amount of the note as may be determined by the directors of the Trading Subsidiary in their sole discretion;

“*Initial Price*” means the initial issue price for a Share of US\$10.00 per US Dollar Class Share, CAN \$10.00 per Canadian Dollar Class Shares and €10.00 per Euro Class Shares;

“*Investment Manager*” means Palos Management, Inc or such other person, firm or corporation which may be appointed as successor thereto to act as investment manager of the assets of the Company in accordance with the requirements of the Financial Regulator;

“*Intermediary*”

means a person who:

- carries on a business which consists of, or includes, the receipt of payments from an investment undertaking on behalf of other persons; or
- holds shares in an investment undertaking on behalf of other persons;

“*Ireland*”

means the Republic of Ireland;

“*Irish Resident*”

- in the case of an individual, means an individual who is resident in Ireland for tax purposes.
- in the case of a trust, means a trust that is resident in Ireland for tax purposes.
- in the case of a company, means a company that is resident in Ireland for tax purposes.

An individual will be regarded as being resident in Ireland for a twelve month tax year<sup>1</sup> if he/she is present in Ireland: (1) for a period of at least 183<sup>2</sup> days in that twelve month tax year; or (2) for a period of at least 280<sup>3</sup> days in any two consecutive tax years, provided that the individual is resident in Ireland for at least 31<sup>4</sup> days in each twelve month period. In determining days present in Ireland, an individual is deemed to be present if he/she is in Ireland at the end of the day (midnight).

A trust will generally be Irish resident where the trustee is resident in Ireland or a majority of the trustees (if more than one) are resident in Ireland.

A company which has its central management and control in Ireland is resident in Ireland irrespective of where it is incorporated. A company which does not have its central management and control in Ireland but which is incorporated in Ireland is resident in Ireland except where:-

- the company or a related company carried on a trade in Ireland, and either the company is ultimately controlled by persons resident in EU Member States or in countries with which Ireland has a double taxation treaty, or the company or a related company are quoted companies on a recognised Stock Exchange in the EU or in a treaty country under a double taxation treaty between Ireland and that country;

or

- the company is regarded as not resident in Ireland under a double taxation treaty between Ireland and another country;

It should be noted that the determination of a company's residence for tax purposes can be complex in certain cases and potential investors are referred to the specific legislative provisions that are contained in Section 23A of the Taxes Act.

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1 The Irish tax year was being changed to a calendar basis with effect from 1 January 2002. A consequence of this change is that a short tax year applies from 6 April 2001 to 31 December 2001.

2 135 days for the tax year 6 April 2001 to 31 December 2001.

3 244 days in respect of the combined tax years, commencing on 6 April 2000 and 6 April 2001, and those commencing on 6 April 2001 and 1 January 2002.

4 22 days for the tax year 6 April 2001 to 31 December 2001.

*"Management Shares"* means Management Shares in the capital of the Company issued in accordance with the Articles and with the rights provided for under the Articles;

*"Member State"* means a member state of the EU;

*"Minimum Holding"* means Shares having a Net Asset Value of €125,000 or its foreign currency equivalent or such lesser amount as may be determined by the Directors acting in their sole discretion;

*"Minimum Subscription"* means €125,000 or its foreign currency equivalent;

*"Minimum Subsequent Subscription"* means €50,000 or its foreign currency equivalent or such other amount as the Directors may from time to time determine;

*"Net Asset Value"* means the Net Asset Value of the Company calculated as referred to herein;

*"Net Asset Value per Share"* means the Net Asset Value of the Company divided by the number of Shares issued rounded to four decimal places;

*"Notices"* means any notices issued by the Financial Regulator relating to investment companies established pursuant to Part XIII of the Companies Act, 1990, as amended;

*"Offering"* means the offering of Shares of the Company as provided for in this Prospectus and as referred to herein;

*"Ordinarily Resident in Ireland"*

- in the case of an individual, means an individual who is ordinarily resident in Ireland for tax purposes.
- in the case of a trust, means a trust that is ordinarily resident in Ireland for tax purposes.

An individual will be regarded as ordinarily resident for a particular tax year if he/she has been Irish Resident for the three previous consecutive tax years (i.e. he/she becomes ordinarily resident with effect from the commencement of the fourth tax year). An individual will remain ordinarily resident in Ireland until he/she has been non-Irish Resident for three consecutive tax years. Thus, an individual who is resident and ordinarily resident in Ireland in the tax year 1 January 2005 to 31 December 2005 and departs from Ireland in that tax year will remain ordinarily resident up to the end of the tax year 1 January 2008 to 31 December 2008. The concept of a trust's ordinary residence is somewhat obscure and linked to its tax residence;

*"Ordinary Resolution"* means a resolution of the Company or the Shareholders of a particular Class in general meeting passed by a simple majority;

*"Prospectus"* means the prospectus of the Company issued in accordance with the requirements of the Notices;

*"Redemption Day"* means every Wednesday of every week or if such day is not a Business Day the immediately succeeding Business Day and/or such other day or days as the Directors may, in their absolute discretion, decide and notify to Shareholders in advance provided there are at least four Redemption Days in each calendar month;

*"Redemption Deadline"* means with respect to the re-purchase of Shares proposed to be effected on each Redemption Day, 5 p.m. Irish time on the day which is 5 Business Days before the relevant Redemption Day;

*"Relevant Declaration"* means the declaration relevant to the shareholder as set out in Schedule 2B of the Taxes Act;

*"Shares"* means participating shares of no par value in the capital of the Company, which may be divided into different Classes of Shares within the Company;

*"Shareholder"* means a person who is registered as the holder of Shares in the register of shareholders for the time being kept by or on behalf of the Company;

*"Special Resolution"* means a special resolution of the Company or the Shareholders of a Class in general meeting passed in accordance with the Act;

*"Taxes Act"* means the Taxes Consolidation Act, 1997 (of Ireland) as amended;

*"Trading Subsidiary"* means Palos International Equity Income Trading (Ireland), a wholly owned subsidiary of the Company incorporated in Ireland as an unlimited liability company pursuant to the Companies Act 1963-2006 and established in accordance with the requirements of the Financial Regulator;

*"Trading Subsidiary's Investment Management Agreement"* means the investment management agreement made between the Trading Subsidiary and the Investment Manager dated 19<sup>th</sup> December, 2005;

*"United States"* or *"U.S."* means United States of America (including the States and the District of Columbia) its territories, possessions and all other areas subject to its jurisdiction;

*"US Dollar or US\$"* means the lawful currency of the United States of America;

*"US Person"* shall have the meaning ascribed to it in under the heading "Restricted Persons" on page 50 of this Prospectus;

*"Valuation Day"* means the Business Day prior to the relevant Dealing Day or such other Business Day(s) as the Directors may from time to time determine and notify to Shareholders provided that there shall be a Valuation Day for every Dealing Day;

*"Valuation Point"* means 5 p.m. Eastern Standard Time on the Valuation Day or such other time or times prior to dealing but after the relevant Dealing Deadline with respect to each Dealing Day

as may be determined by the Directors with the approval of the Custodian and as notified to Shareholders in advance; and

"VAT" means value added tax.

## PRINCIPAL FEATURES

The Company is an open-ended investment company with variable capital, incorporated in Ireland on 12 May, 2005 under the Act and authorised in Ireland by the Financial Regulator pursuant to the provisions of Part XIII of the Companies Act, 1990. This authorisation does not, however, constitute a warranty as to the performance of the Company and the Financial Regulator shall not be liable for the performance or default of the Company.

### Share Classes

The Directors may issue Shares of one or more Classes. The Shares of each Class of the Company will rank *pari passu* with each other in all respects provided that they may differ as to certain matters including currency of denomination, applied to the currency of a particular Class, dividend policy, the level of fees and expenses to be charged or the Minimum Subscription, Minimum Subsequent Subscription and Minimum Holding applicable. A separate portfolio of assets is not maintained for each Class.

The Company intends to invest the proceeds of subscription for Shares in the Trading Subsidiary. Notwithstanding the foregoing, the Company may retain such portion of the proceeds for subscription in Shares (the "Subscription Proceeds") as the Directors may in their sole discretion determine for the purposes of direct investment by the Company.

The Base Currency of the Company is Canadian Dollars. Any conversion from the designated currency of a particular Class to the Base Currency or otherwise shall take place at prevailing exchange rates as quoted by the Administrator. The value of any Share expressed in the designated currency of a particular Class will be subject to exchange rate risk in relation to the Base Currency. At the date of this Prospectus the Company has established the Classes of Shares listed below as Classes of Shares in the Company. The creation of further Classes must be effected in accordance with the requirements of the Financial Regulator.

Currency hedging may be undertaken to reduce the Company's exposure to the fluctuations of the currencies in which the Company's assets may be denominated against the Base Currency of the Company, but in any event such hedging will not exceed 100% of the Net Asset Value of the Company.

Class	Currency
Canadian Dollar Class Shares	Canadian Dollar
US Dollar Class Shares	US Dollar
Euro Class Shares	Euro

### Dealing

Shares can normally be purchased, redeemed or converted on application to the Company. Investors should be aware that Shares can only be redeemed once settlement proceeds and registration details as specified under the section "Applications for Shares" below have been received by the Company.

## **Trading Subsidiary**

The Trading Subsidiary has been incorporated in Ireland as an unlimited liability company and not as a collective investment scheme for the purpose of serving as an investment vehicle for the Company. The Company will primarily make investments through the Trading Subsidiary which is wholly owned by the Company. The Trading Subsidiary will invest the assets it receives from the Company in accordance with the Company's investment objectives, policies and restrictions. The Trading Subsidiary is financed by the Company investing in the Trading Subsidiary and the Trading Subsidiary issuing to the Company debt and equity securities on receipt of that portion of the Subscription Proceeds and any other assets of the Company as may be invested in the Trading Subsidiary in the sole discretion of the Directors. Initially it is intended that the Trading Subsidiary will issue equity securities and a Fixed Rate Note to the Company in such proportion of debt to equity as the directors of the Trading Subsidiary shall determine in their sole discretion. Pursuant to the terms of the initial Fixed Rate Note issued by the Trading Subsidiary to the Company, the Trading Subsidiary will be obligated to pay interest of an amount equal to 7.5 % per annum of the value of the principal amount of such Fixed Rate Note. The interest payable to the Company by the Trading Subsidiary in respect of the Fixed Rate Note will be payable quarterly in arrears. The remainder of the profits arising to the Trading Subsidiary on its investments will be taxed at the level of the Trading Subsidiary and the Trading Subsidiary shall distribute to the Company any remaining profit by way of dividend. Such dividend will be payable to the Company quarterly in arrears on the last day of March, June, September and December or if such day is not a Business Day the preceding Business Day. The rate of interest payable pursuant to the terms of any Fixed Rate Note issued by the Trading Subsidiary may be amended at the discretion of the directors of the Trading Subsidiary. The directors of the Trading Subsidiary are the Directors. The assets of the Trading Subsidiary will be held by the Custodian or any sub-custodian appointed by it. The Fixed Rate Notes issued to the Company by the Trading Subsidiary will also be held by the Custodian (as Custodian of the Company). The assets of the Trading Subsidiary will be valued by the Administrator on behalf of the Company in accordance with the valuation rules set out on page 57. The sole object of the Trading Subsidiary will be identical to the Company.

## **INVESTMENT OBJECTIVE AND POLICIES**

### **Investment Objective**

The Company's investment objective is to preserve capital and generate income as well as capital and trading gains by investing primarily in publicly traded equity income securities of income trusts including real estate investment trusts ("REITs"), limited partnerships, royalty trusts and in income deposit securities ("IDS") quoted and listed on exchanges in Canada, the U.S. and other major countries (hereafter referred to as "Income Trusts"). The Company may also invest in equity income securities on a global basis.

The Company believes that by investing in a dynamic sector within the context of an actively managed portfolio, superior returns can be achieved. In selecting Income Trusts for the portfolio, the Company will adhere to its guiding investment philosophy which emphasises value added research, a global perspective, diversified sector allocations and application of proprietary trading technologies.

### **Investment Policies**

The Company will seek to achieve its investment objective primarily by investing in a diversified portfolio of income generating securities such as securities issued by Income Trusts that are established mainly in Canada or, at the discretion of the Investment Manager, in other jurisdictions such as the U.S and Australia. The portfolio is expected to be widely diversified by investing in the securities of Income Trusts (1) across several economic sectors, such as oil and gas, real-estate, utilities, energy infrastructure, restaurants, media, retailing, consumer staples, financial services, healthcare, capital goods, commercial services, transportation, materials, telecommunications services, hotels, and leisure, (2) across geographic locations, and (3) by market capitalisation. The aforementioned securities are traded primarily on the Toronto Stock Exchange ("TSX"), the New York Stock Exchange ("NYSE") or other global stock exchanges as may be determined by the Investment Manager. In addition and subject to the investment restrictions set out below, the Company may also invest in exchange traded funds and closed-ended collective investment schemes which invest in Income Trusts. Such exchange traded funds and closed-ended schemes may be established in regulated or unregulated jurisdictions and may have indefinite lock-up periods. However, the Company will only invest in exchange traded funds and closed ended schemes the units of which are listed and traded on the TSX or NYSE. The Investment Manager deems the units of such schemes to be highly liquid and accordingly anticipates that the Company will be in a position to realise its investment in such assets promptly in order to meet any redemption requests. Neither the Company nor the Trading Subsidiary will invest in other open-ended collective investment schemes. Typically the exchange traded funds and closed-ended collective investment schemes invested in by the Company will not be leveraged. No more than 20% of net assets will be invested in exchange traded funds or closed-ended schemes. No more than 20% of net assets of the Company will be invested in any one Income Trust or the units of any one collective investment scheme.

An income trust security is a high yield equity of an investment trust that holds particular assets which are income producing. Income Trusts are regulated investment vehicles that own assets, royalties, or securities of an underlying operating business. The underlying businesses to which the relevant Income Trust will gain exposure will be corporations and businesses carrying out

activities in the relevant economic sector in Canada or the other country of domicile of the Income Trust. The markets in which Income Trusts participate are regulated i.e. Income Trusts are traded on regulated markets such as the TSX or NYSE. Furthermore, the Income Trust market is regulated by a number of securities commissions including but not limited to the Alberta Securities Commission, the Ontario Securities Commission, Autorité Des Marchés Financiers du Quebec, the British Columbia Securities Commission and the Securities and Exchange Commission in the U.S. Furthermore, they are subject to laws and regulations that typically apply to each Income Trust's individual operating business segment as well as provincial labour and employment laws that govern their relationship with employees. The income generated by Income Trusts is passed through to the unit holders.

In contrast to a collective investment scheme an Income Trust does not calculate a net asset value but has as its main goal the distribution of all or a significant portion of its cash flow to unitholders on a monthly or quarterly basis in a tax efficient manner. Additionally it does not invest in a diversified portfolio of securities or property in pursuance of a particular investment policy or objective but holds assets attributable to a particular underlying operating business or business sector such as real estate, utilities, energy, infrastructure, restaurants, media, retailing, consumer, staples, financial services, healthcare, capital goods, commercial services, transportation, materials, telecommunication services, hotels and leisure.

In particular REITs invest in real estate i.e. income producing properties and/or mortgage based securities, while business income trusts are individual companies that have converted some or all of their stock equity into an income trust capital structure for tax reasons. Business trusts are used in many sectors, such as manufacturing, food distribution, and power generation and distribution. The business trust structure may take the form of a limited partnership.

A royalty trust is an income trust that provides unitholders with income from royalties associated primarily with the sale of oil and/or gas, minerals or business services and products. The amount of distributions paid will vary from time to time based on production levels, commodity prices, royalty rates, costs and expenses and deductions.

A limited partnership is an organisation comprised of a general partner, who manages a fund, and limited partners, who invest money but have limited liability and are not involved with the day-to-day management of the organisation. The limited partners usually receive any combination of income, capital gains, royalties, and profits before tax, interest, return of capital and tax benefits. The limited partnerships invested in by the Company and the Trading Subsidiary do not operate as collective investment schemes but operate in the same way as the traditional income trust and/or royalty trust described above with interests therein traded on public securities exchanges. Such limited partnerships may be open-ended or closed-ended and may be established in unregulated jurisdictions. Typically, the limited partnerships invested in by the Company will not be leveraged.

In implementing the Company's investment policies, the Investment Manager will conduct investment research in order to find financially strong Income Trusts which it deems to be undervalued, or with significant potential for growth and will engage in short term strategies that employ proprietary trading technologies in order to enhance returns. These strategies shall include (1) taking advantage of market slippage; (2) engaging in bid/ask exploitation; (3) entering into dividend capturing play; (4) investing in market neutral "pairs trading" i.e. the simultaneous

purchase and sale of securities of Income Trusts within the same industry sector. The long purchase is made of a security considered to be undervalued and the short sale is made of a security within the same industry that is considered to be overvalued; (5) using option strategies on the securities of Income Trusts to generate additional income; (6) taking advantage of the mispricing of closed-ended collective investment schemes which invest in Income Trusts the securities of such collective investment schemes being listed and traded on the TSX; and (7) engaging in syndication trading. Syndication trading involves participation in the new issue market i.e. where there is an initial public offering (IPO) or secondary offering of the securities of an Income Trust, that Income Trust will engage an underwriter (or syndicate) to price its offering of securities. Typically, these offerings are made at a slight discount to the market price in order to make them attractive to new investors. The Company and/or the Trading Subsidiary will participate in such offerings by purchasing the initial and/or secondary offerings at the discounted price which in the opinion of the Investment Manager will provide value to the Company and or the Trading Subsidiary when selling the securities of that same Income Trust at the market price which will typically be higher than the offering price on the IPO and/or secondary offering.

The Company may also invest in fixed and floating rate corporate, government and convertible debt. Typically investment in debt instruments will not exceed 25% of total assets. In the case of corporate debt including convertible debt, these will take the form of investment in convertible debentures of Income Trusts traded primarily on the TSX. These debentures may or may not have ratings with the rating agencies (such as S&P, DBRS, etc.). The convertible debentures may be (1) directly rated, (2) indirectly rated i.e. the convertible debentures themselves may not be rated but the equity income security will be rated, and (3) without any rating at the current time. Where investment is made in debt other than in the form of convertible debentures, such debt securities may or may not have ratings with rating agencies.

A possible benchmark by which the Company may gauge its performance is the S&P/TSX Capped Income Trust Index, a modified market cap weighted index which represents a broad based composite index which may encompass any or all GICS (i.e. global industry classification system developed by Morgan Stanley Capital International) sectors of the Income Trust market. Each Income Trust comprised in the Index has its relative weights capped at 25%. The Index will act as a measure of overall market performance to which the performance of the Company and the Trading Subsidiary may be compared.

As referred to above, in addition to purchasing securities the Investment Manager believes to be undervalued, the Investment Manager may from time to time sell short securities believed to be overvalued. This technique involves the sale of securities not owned by the Company or the Trading Subsidiary in the expectation of being able to repurchase the same securities at a lower price at a later date. To finance a short selling position the Company and/or the Trading Subsidiary will go on margin and to make delivery, the Company or the Trading Subsidiary must borrow securities. All rights of ownership remain with the lender and the Company or the Trading Subsidiary is responsible to the lender for dividends or other distributions during the time the securities are borrowed. Cash is realised by the selling broker as a result of the short sale and in some instances the Company or the Trading Subsidiary may receive a negotiated portion of the interest on those funds. The Company or the Trading Subsidiary will incur a loss on such positions if the price of the securities involved increases between the date of the short sale and the date on which the Company or Trading Subsidiary “covers” its position by

purchasing the securities to replace those borrowed. The Company and/or the Trading Subsidiary will realise a gain if the securities decline in price between those dates.

The Investment Manager's general philosophy in respect of short sales is to identify Income Trusts that meet either long bullish or short bearish criteria. This strategy provides the Investment Manager with flexibility to take advantage of opportunities in both rising and declining markets. Short sales occur when there is bearish sentiment and an Income Trust or industry segment is overvalued, has weak management, and/or is of questionable financial condition. In such a case the Investment Manager will short sell in order to capture a gain from a decline in price.

The Company and the Trading Subsidiary will use short selling in one of two ways. 1) In order to take part in a market neutral pair trade. In such an instance, the Investment Manager will buy long an undervalued security and sell short an overvalued security within the same industry segment. 2) Where the Investment Manager identifies significant potential for decline in an industry sector or an individual Income Trust, the Investment Manager may chose to short sell a security in order to benefit from a decline in price.

Short sales are most commonly used with pair trades but may occur outside of a pair trading position. For a security which the Investment Manager believes has significant potential for decline in value, the Investment Manager may chose to sell short a single security and gain from any decline in value in this manner. Short sales will be conducted either over-the-counter or via a broker who trades on the relevant exchange on which short sales are to be executed.

The Company will primarily make investments through the Trading Subsidiary and the Investment Manager will manage the investments of the Trading Subsidiary. At the end of the initial offer period, the Investment Manager will allocate such portion of the Subscription Proceeds and any other assets of the Company as the Directors may from time to time determine in their sole discretion to the Trading Subsidiary. To the extent that the Company retains a portion of the Subscription Proceeds as may be determined by the Directors in its sole discretion, the Investment Manager may also effect investments directly on behalf of the Company in accordance with the investment objective and policy of the Company.

### **Efficient Portfolio Management**

Where considered appropriate, the Company and the Trading Subsidiary may utilise techniques and instruments for efficient portfolio management and/or to protect the Company and the Trading Subsidiary against exchange rate risks under the conditions and within limits of the Financial Regulator. The Company and the Trading Subsidiary may also employ techniques and instruments intended to provide protection against exchange rate risks in the context of the management of its assets and liabilities. These techniques and instruments may include (but are not limited to) financial futures contracts, options, forward foreign exchange contracts, interest and exchange rate swap contracts, stocklending, repurchase and reverse repurchase agreements and when issued and/or delayed delivery securities. Forward currency contracts may be used for the purposes of efficient portfolio management. The Company and the Trading Subsidiary may also use forward foreign exchange contracts to alter the currency characteristics of transferable securities held by the Company and the Trading Subsidiary in circumstances such as, but not limited to, where the Investment Manager considers it appropriate to retain the credit quality of a particular transferable security but wishes to obtain a currency exposure consistent with the Company's investment objective. Due to the fact that currency positions held by the Company

and the Trading Subsidiary may not correspond with asset positions held by the Company and the Trading Subsidiary, performance may be strongly influenced by movements in foreign exchange rates. Whilst it is not the current intention of the Company and the Trading Subsidiary to do so, foreign exchange transactions may be used to alter the currency exposure characteristics of transferable securities held by the Company and the Trading Subsidiary and will be disclosed in the investment policy section of the Prospectus and in subsequent periodic reports of the Company.

For the purposes of providing margin or collateral in respect of transactions in techniques and instruments, the Company and the Trading Subsidiary may transfer, mortgage, charge or encumber any assets or cash forming part of the Company. The Company and/or the Trading Subsidiary may purchase and sell stock options, stock index options and other derivative instruments that may from time to time trade on a national securities exchange as a substitute for or complement to the selling short or the purchase of securities.

In particular the Company and/or the Trading Subsidiary, when it is deemed appropriate will utilise options and stock index options, and may utilise futures and forward contracts (and options) thereon on stock indices and financial instruments and other securities, in each case to hedge existing long and short positions.

The Company and/or the Trading Subsidiary may also engage in a wide range of transactions designed to enhance the Company's return, such as securities lending and repurchase agreements. In securities lending transactions the Company or the Trading Subsidiary may temporarily transfer its securities to a borrower, with agreement by the borrower to return equivalent securities to the Company or the Trading Subsidiary at a pre-agreed time. In entering into such transactions the Investment Manager will endeavour to increase the returns on the Company and/or the Trading Subsidiary's portfolio of securities by receiving a fee for making its securities available to the borrower.

The Company and/or the Trading Subsidiary may also utilise repurchase agreements whereby one party sells the other a security at a specified price with a commitment to buy the security back at a later date for another specified price with a commitment to buy the security back at a later date for another specified price. The difference between the sale and repurchase prices paid for the security represents a return to the Company or the Trading Subsidiary similar to interest on a loan. Alternatively, repurchase agreements may be entered into where the Company and/or the Trading Subsidiary wish to briefly obtain use of a particular security.

## **General**

Pending investment of the proceeds of an Offering or where market or other factors so warrant, the assets of the Company and the Trading Subsidiary may, subject to the investment restrictions below, be invested on a temporary basis in ancillary liquid assets such as rated (investment grade) and unrated money market instruments; for example, certificates of deposit, commercial paper and bankers acceptances, treasury and local authority bills and cash deposits denominated in the Base Currency or such other currency as the Investment Manager may determine.

The return to Shareholders in the Company is determined by the performance of the portfolio of investments held by the Company and the Trading Subsidiary less the costs and expenses of the Company and the Trading Subsidiary.

The Directors, in consultation with the Investment Manager, are responsible for the formulation of the Company's investment policy and any subsequent changes to that policy in the light of political, economic and/or market conditions. Any such changes will be made in accordance with the requirements of the Financial Regulator. The policies of the Company, inclusive of the investment restrictions set out herein, may be amended from time to time by the Directors upon notification to Shareholders if and as they shall deem it to be in the best interests of the Company to do so and shall be notified to the Financial Regulator.

### **Adherence to Investment Objective and Policies**

Where the Shares of the Company have been listed on the Irish Stock Exchange, the Directors will ensure that, in the absence of unforeseen circumstances, the Company will adhere to its material investment objective and policies for at least three years following the admission of the Shares to the Official List of the Irish Stock Exchange.

Any changes in the investment objective or material changes to the investment policy will be subject to approval of the Shareholders by way of an Ordinary Resolution. Shareholders will be given reasonable notice prior to the implementation of any change to the investment objective and/or policies.

## INVESTMENT RESTRICTIONS

The following restrictions apply to the Company and the Trading Subsidiary:

- (a) neither the Company nor the Trading Subsidiary may invest more than 20% of its net assets in securities which are not listed on a stock exchange or market;
- (b) neither the Company nor the Trading Subsidiary may invest more than 20% of its net assets in securities issued by a single issuer;
- (c) neither the Company nor the Trading Subsidiary may invest in open-ended collective investment schemes;
- (d) neither the Company nor the Trading Subsidiary may invest more than 20% of its net assets in closed-ended collective investment schemes, the securities of which are listed and traded on a recognised exchange;
- (e) neither the Company nor the Trading Subsidiary may invest more than 20% of its net assets in exchange traded funds;
- (f) neither the Company nor the Trading Subsidiary may hold more than 20% of any class of security issued by any single issuer;
- (g) no more than 20% of the net assets of the Company or the Trading Subsidiary may be kept on deposit with any one institution. This limit is increased to 30% for deposits with, or securities evidencing deposits issued by, or securities guaranteed by the following:
  - (i) an EU credit institution;
  - (ii) a bank authorised in a member state of the European Economic Area (“EEA”) (Norway, Iceland, Liechtenstein);
  - (iii) a bank authorised by a signatory state, other than an EU member state, or a member state of EEA, to the Basle Capital Convergence Agreement of July, 1988 (Switzerland, Canada, Japan, United States);
  - (iv) a credit institution authorised in Jersey, Guernsey, the Isle of Man, Australia or New Zealand;
  - (v) the Custodian;
  - (vi) Related companies/institutions, within the meaning of section 140 (5) of the Irish Companies Act, 1990 are regarded as a single issuer for the purpose of this paragraph (f);
- (h) the Company and the Trading Subsidiary may hold ancillary liquid assets;
- (i) neither the Company nor the Trading Subsidiary will take or seek to take legal or management control over the issuers of securities in which it invests (other than the

Company's holding in the Trading Subsidiary);

- (j) Neither the Company nor the Trading Subsidiary may acquire shares carrying voting rights which would enable either to exercise significant influence over the management of the issuing body (other than the Company's holding in the Trading Subsidiary).

Where the Company invests in units of other collective investment schemes managed by the Investment Manager or with a company associated with the Investment Manager in accordance with the investment restrictions referred to above, the manager of the collective investment scheme in which the investment is being made must waive the preliminary/initial charge which it is entitled to charge for its own account in relation to the acquisition of units. Where the Investment Manager receives a commission by virtue of an investment in the units of another collective investment scheme, this commission must be paid into the property of the Company.

The above limits on investments are deemed to apply at the time of purchase of the investments. If those limits are subsequently exceeded for reasons beyond the control of the Company and the Trading Subsidiary or as a result of the exercise of subscription rights, the Investment Manager must adopt as a priority objective the remedying of that situation taking due account of the interests of its Shareholders.

It is intended that the Company should, subject to compliance with any applicable restrictions which are imposed by the Irish Stock Exchange, have the power to avail of any change in the investment restrictions laid down in the Notices which would permit investment by the Company and the Trading Subsidiary in securities, derivative instruments or in any other forms of investment in which investment is, as at the date of this Prospectus, restricted or prohibited under the Notices.

The Company and the Trading Subsidiary may derogate from the investment restrictions referred to in (a) – (f) above from six months from the date on which Shares are initially allotted provided that the Company and the Trading Subsidiary observe the principle of risk spreading.

### **Financing Counterparties**

The Company and the Trading Subsidiary may enter into OTC transactions including transactions relating to short selling with counterparties to OTC financial derivative instruments provided that:

- (a) any "over-the-counter" counterparty has a credit rating or an implied credit rating of A2/P2 as rated by Standard & Poor's/IBCA or Moody's or an equivalent rating provided by an internationally recognised rating agency. An implied credit rating arises where the Investment Manager determines that the Company and the Trading Subsidiary may transact with an unrated entity on the basis of the relationship between the counterparty and its rated parent, or where the counterparty has senior debt/long term rating but no short term rating;
- (b) risk exposure to an individual counterparty does not exceed 20% of the Net Asset Value of the Company and the Trading Subsidiary or 30% in the case of a credit institution which is:-

- a credit institution authorised in the European Economic Area (EEA);
- a credit institution authorised within a signatory state, other than a member state of the EEA, to the Basle Capital Convergence Agreement of July 1988 (Switzerland, Canada, Japan, United States); or
- a credit institution authorised in Australia, Guernsey, Isle of Man, Jersey or New Zealand.

The risk exposure of the Company and the Trading Subsidiary to a counterparty will be calculated by adding:

- (i) the value of securities issued by the counterparty held by the Company and the Trading Subsidiary;
- (ii) the outstanding indebtedness of the counterparty to the Company and the Trading Subsidiary (including any deposits held with the counterparty);
- (iii) any collateral passed by the Company and the Trading Subsidiary to the counterparty and deducting therefrom any outstanding indebtedness of the Company and the Trading Subsidiary to the counterparty; and
- (iv) any collateral passed to the Company and the Trading Subsidiary by the counterparty.

## **BORROWING RESTRICTIONS**

The Company and the Trading Subsidiary may from time to time borrow up to 100% of its net asset value if the Directors, in their absolute discretion, consider that such borrowing is necessary or desirable for liquidity purposes or the purposes of efficient portfolio management. The Company and the Trading Subsidiary may from time to time secure such borrowings by pledging, mortgaging or charging up to 100% of its assets.

## **RISK WARNINGS**

Potential investors should consider the following risks before investing in the Company. The Company's investment policies involve certain risks that a prospective investor should keep in mind. There is no assurance that the Company will achieve its investment objective.

### **General**

**The risks described herein should not be considered to be an exhaustive list of the risks which potential investors should consider before investing in the Company. Potential investors should be aware that an investment in the Company may be exposed to other risks of an exceptional nature from time to time. Investment in the Company carries with it a degree of risk. Prospective investors should review this Prospectus carefully and in its entirety and consult with their professional and financial advisers before making an application for Shares. Prospective investors are advised that the value of Shares and the income from them may rise and fall and, accordingly, an investor may not get back the full amount invested and an investment should only be made by persons who can sustain a loss on their investment. Past performance of the Company should not be relied upon as an indicator of future performance. The difference at any one time between the sale price (to which may be added a sales charge or commission) and the redemption price of Shares (from which may be deducted a redemption charge) means an investment should be viewed as medium to long term. The attention of potential investors is drawn to the taxation risks associated with investing in the Company. Please refer to the section of the Prospectus entitled "Taxation". The securities and instruments in which the Company invests are subject to normal market fluctuations and other risks inherent in investing in such investments and there can be no assurance that any appreciation in value will occur.**

### **Fluctuations in Value of Income Trusts and Distributions**

The value of the Shares will vary according to the value of the income trusts, real estate investment trusts, business trusts, royalty trusts, limited partnerships and income deposit securities included in the Company and Trading Subsidiary's portfolios, which will depend in part upon the performance of such income trusts, royalty trusts, limited partnerships and income deposit securities. The amount of distributions available for payment to Shareholders will depend on the amount of distributions paid by the income trusts etc. included in the Company's and Trading Subsidiary's portfolio. Some of the issuers included in the Company's and Trading Subsidiary's portfolio have limited operating histories. The amounts which such issuers have been distributing may not be sustainable and the forecast distributions of such issuers may not be realised. Income Trusts do not guarantee minimum distributions or even a return of capital. If the underlying operating business starts to lose money, the Income Trust can reduce or even eliminate distributions which are usually accompanied by sharp losses in the value of the securities of the Income Trusts. Some of the issuers in the Company and Trading Subsidiary's portfolios may have limited operating histories. The value of the Company and the Trading Subsidiary's portfolios will be influenced by factors which are not in the control of the Company, including the financial performance of the respective issuers, operational risks relating to the specific business activities of respective issuers, risks associated with investments in real property, quality of assets owned by respective issuers, commodity prices, exchange rates, interest rates, environmental risks, political risks, issuers relating to government regulation and other financial market conditions. A number of income trusts will be impacted by commodity

prices which may vary and are determined by supply and demand factors including weather and general economic and political conditions. A decline in commodity prices could have an adverse effect on the operations and financial conditions of certain income trusts held by the Company and the Trading Subsidiary and the amount of distributions paid on such income trusts. In addition certain commodity prices are based on a U.S dollar market price. Accordingly, a decrease in the value of the U.S. dollar against the Canadian Dollar could reduce the amount of distributions paid on such income trusts.

### **Diversification and Operating Risk**

In addition the composition of the Company's and Trading Subsidiary's portfolios taken as a whole may vary widely from time to time and may be concentrated by type of security, commodity, industry or geography, resulting in the Company and the Trading Subsidiary being less diversified than anticipated. Each Income Trust has an operating risk based on its underlying business.

### **Growth Risk**

As the majority of income derived from Income Trusts is passed on to the unitholders of those Income Trusts, rather than reinvested in the underlying operating business, in some cases the relevant Income Trust can become a wasting asset.

### **Regulatory Intervention Risk**

While REITs and royalty trusts are generally well established, single-company business trusts can cause significant losses in government tax revenue if they become too numerous. Accordingly, the appropriate government body may decide to intervene and remove some of the tax benefits. In addition, depending on local regulations, Income Trusts may be considered partnerships that do not provide the same limited liability protection as common equities.

### **Counterparty Risk**

The Company and the Trading Subsidiary will be subject to the risk of the inability of any counterparty to perform with respect to transactions, whether due to insolvency, bankruptcy or other causes. The Company and the Trading Subsidiary may pass cash or other assets to their counterparties as margin or collateral within the limits laid down by the Financial Regulator. At any one time, the Company and the Trading Subsidiary may be exposed to the creditworthiness of their counterparties in respect of all or part of such margin or collateral. In the event of the insolvency of a counterparty, the Company and the Trading Subsidiary might not be able to recover cash or assets of equivalent value in full. As the Company and the Trading Subsidiary will be investing primarily in exchange traded investments, the primary counterparty risk shall be the Canadian Depository System's unlikely inability to function.

### **Short Selling**

Short selling by the Company and the Trading Subsidiary will involve trading on margin and, accordingly, can involve greater risk than investments based on a long position. Since the borrowed securities sold short must later be replaced by market purchases, any appreciation in the price of the borrowed securities will result in a loss. Purchasing securities to close out the short

position can itself cause the price of the securities to rise further, thereby exacerbating the loss. Furthermore, a short seller may be prematurely forced out of a position if the lender from which the short seller borrowed stock, in order to effect settlement of a short sale, recalls such stock under circumstances in which such stock cannot be borrowed from other sources. There can be no guarantee that securities necessary to cover a short position will be available for purchase.

### **Trading Subsidiary Risk**

The success of the Company depends on the success of the Trading Subsidiary. It is possible that the Company will not recover any or all of the amount invested in the Trading Subsidiary. In certain circumstances the Company may, on the winding up of the Trading Subsidiary, be liable to pay to the liquidator of the Trading Subsidiary an amount equivalent to the whole or part of any or all of the debts provable in the winding up if the court is satisfied that the circumstances that gave rise to the winding up of the Trading Subsidiary are attributable to the actions or omissions of the Company and if the court considers that it is just and equitable to make such an order. However, the Directors believe that this is a remote possibility as the Company has delegated responsibility for investing and managing the cash and other assets of the Trading Subsidiary to the Investment Manager.

### **Undervalued/Overvalued Securities**

One of the objectives of the Company and the Trading Subsidiary is to identify and invest in undervalued and overvalued securities ("misvalued securities"). The identification of investment opportunities in misvalued securities is a difficult task, and there can be no assurance that such opportunities will be successfully recognised. While purchases of undervalued securities and short sales of overvalued securities offer opportunities for above-average capital appreciation, these investments involve a high degree of financial risk and can result in substantial losses. Returns generated from the Company and the Trading Subsidiary's investments may not adequately compensate for the business and financial risks assumed.

The Company and the Trading Subsidiary may make certain speculative investments in securities which the Investment Manager believes to be misvalued; however, there can be no assurance that the securities purchased and sold will in fact be misvalued. In addition, the Company and the Trading Subsidiary may be required to maintain positions in such securities for a substantial period of time before realising their anticipated value. During this period, a portion of the Company's and the Trading Subsidiary's capital may be committed to the securities, thus possibly preventing the Company and the Trading Subsidiary from investing in other opportunities. In addition, the Company and the Trading Subsidiary may finance any such purchases with borrowed funds and thus will have to pay interest on such funds during such waiting period.

### **Portfolio Currency Risk**

Assets of the Company and the Trading Subsidiary may be designated in a currency other than the Base Currency and changes in currency exchange rates or interest rates between the trade and settlement dates of specific securities transactions or anticipated securities transactions may lead to a depreciation of the value of those assets as expressed in the Base Currency. In particular the Company and the Trading Subsidiary may have a particular exposure to the Canadian dollar as a result of the particular emphasis of the Company on investment in securities of income trusts,

limited partnerships, IDS, royalty trusts and REITS established in Canada. It may not be possible or practical to hedge against such exchange rate risks. The Investment Manager may, but is not obliged to, mitigate this risk by using financial instruments.

The Investment Manager may, but is not obliged to, from time to time enter into currency exchange transactions either on a spot basis or by buying currency exchange forward contracts, in order to seek to protect (hedge) the assets of the Company and the Trading Subsidiary against such foreign exchange risks. Neither spot transactions nor forward currency exchange contracts eliminate fluctuations in the prices of the assets of the Company and the Trading Subsidiary or in foreign exchange rates, or prevent loss if the prices of these securities should decline.

The Investment Manager may enter into currency exchange transactions and/or use techniques and instruments to seek to protect against fluctuation in the relative value of its portfolio positions of the Company and the Trading Subsidiary as a result of changes in currency exchange rates or interest rates between the trade and settlement dates of specific securities transactions or anticipated securities transactions. Although these transactions are intended to minimise the risk of loss due to a decline in the value of hedged currency, they also limit any potential gain that might be realised should the value of the hedged currency increase. The precise matching of the relevant contract amounts and the value of the securities involved will not generally be possible because the future value of such securities will change as a consequence of market movements in the value of such securities between the date when the relevant contract is entered into and the date when it matures. The successful execution of a hedging strategy which matches exactly the profile of the investments of the Company and the Trading Subsidiary cannot be assured. It may not be possible to hedge against generally anticipated exchange or interest rate fluctuations at a price sufficient to protect the assets from the anticipated decline in value of the portfolio positions of the Company and the Trading Subsidiary as a result of such fluctuations.

### **Market Risk**

Some of the exchanges or markets on which the Company and the Trading Subsidiary may invest may prove to be illiquid or highly volatile from time to time and this may affect the price at which the Company and the Trading Subsidiary may liquidate positions to meet redemption requests or other funding requirements. Potential investors should also note that the Company and the Trading Subsidiary may have exposure to the securities of small capitalisation companies which are less liquid and this may result in fluctuations in the price of the Shares of the Company.

The Company, and the Trading Subsidiary, by virtue of participation in the business trust, real estate investment trust, oil and gas (resource)/royalty trust and utility sectors may be subject to interest rate as well as market and, for certain trust types, commodity price risk. The Investment Manager seeks to mitigate interest rate and commodity price risk by timely participation in royalty, income trust investments suitable for the relevant phase of interest rate and commodity price cycles. It is possible that due to declines in the market value of the assets of the Company and the Trading Subsidiary, the Company and the Trading Subsidiary will have insufficient assets to achieve in full the investment objectives of the Company.

### **Real Estate Investments**

Investments in real estate investment trusts ("REITs") are subject to the general risks associated with real property investments. Real property investments are affected by various factors including changes in general economic conditions (such as the availability of long term mortgage funds) and in local conditions (such as over supply of space or a reduction in demand for real estate in the area), the attractiveness of the properties to the market, competition from other valuable space and various other factors. The value of a real property and any improvements thereto may also depend on the credit and financial stability of the tenants. A REIT's income and funds available for distribution to its unitholders would be adversely affected if a significant number of tenants were to become unable to meet their obligations to the REIT or if the REIT were unable to lease a significant amount of available space in its properties on economically favourable terms.

### **Options**

Purchasing put and call options, as well as writing such options, are highly specialised activities and entail greater than ordinary investment risks. The purchase and sale of an option involves the payment or receipt of a premium by the investor and the corresponding right or obligation, as the case may be, to either purchase or sell the underlying security, commodity or other instrument for a specific price at a certain time or during a certain period. Purchasing options involves the risk that the underlying instrument will not change price in the manner expected, so that the investor loses its premium. Selling options, on the other hand, involves potentially greater risk because the investor is exposed to the extent of the actual price movement in the underlying security rather than only the premium payment received (which could result in a potentially unlimited loss). Over-the-counter options also involve counterparty insolvency risk.

### **Commodity Price Fluctuation**

The operations and financial conditions of resource based issuers including oil and gas royalty trusts, and the amount of distributions paid on their units, is dependent in part on commodity prices applicable to the commodities sold by such issuers. Prices for commodities will vary and are determined by supply and demand factors including weather general economic conditions and political conditions. A decline in commodity prices could have an adverse effect in the operations and financial conditions of such issues and the amount of distributions paid on their units. In addition central commodity prices are based on a US dollar price.

### **Settlement and Credit Risks**

The trading and settlement practices of some of the stock exchanges or markets on which the Company and the Trading Subsidiary may invest may not be the same as those in more developed markets, which may increase settlement risk and/or result in delays in realising investments made by the Company and the Trading Subsidiary. In addition, the Company and the Trading Subsidiary will be exposed to credit risk on parties with whom they trade and will bear the risk of settlement default. The Custodian may be instructed by the Investment Manager to settle transactions on a delivery free of payment basis where the Investment Manager believes that this form of settlement is appropriate. Shareholders should be aware, however, that this may result in a loss to the Company and the Trading Subsidiary if a transaction fails to settle and the Custodian will not be liable to the Company and the Trading Subsidiary or to the Shareholders for such a loss if the Custodian is acting pursuant to specific proper instructions.

## **Underlying Schemes Risk**

Investors should note that the Company and the Trading Subsidiary may invest in collective investment schemes which are unregulated and which will not provide a level of investor protection equivalent to schemes authorised by the Financial Regulator under Irish laws and subject to Irish regulations and conditions.

The Company may invest in closed ended collective investment schemes and/or limited partnerships and the portfolio managers of such schemes are expected to charge fees and expenses to their investors. These fees might or might not be based upon assets or upon profits or other performance measures, and there are no restrictions on the fees and expenses the Company may bear by investing in these schemes. Further, these fees and expenses may be substantial and will be in addition to any fees and expenses charged by the Investment Manager. The fees and expenses of these schemes will reduce the returns of the Company.

## **Valuation Risk**

The Company and the Trading Subsidiary may invest in unquoted securities or quoted securities for which there is no reliable price source available. Such investment will be valued at the probable realisation value as determined in accordance with the provisions set out in the section "Valuation of Assets". Estimates of the fair value of such investments are inherently difficult to establish and are the subject of substantial uncertainty. The Company and the Trading Subsidiary may, for the purpose of efficient portfolio management, invest in derivative instruments and there can be no assurance that the value as determined in accordance with the section "Valuation of Assets" reflects the exact amount at which those instruments may be "closed out".

## **Investment Manager Risk**

There is an inherent conflict of interest between the involvement of the Investment Manager in determining the valuation price of the Company and the Trading Subsidiary's investments and the Investment Manager's other duties and responsibilities in relation to the Company. Potential investors should also note that as the Investment Manager may value unlisted securities, the fees of the Investment Manager, based on Net Asset Value will increase as the Net Asset Value of the Company increases.

## **Over-the-Counter Markets Risk**

Where the Company and the Trading Subsidiary acquire securities on over-the-counter markets, there is no guarantee that the Company and the Trading Subsidiary will be able to realise the fair value of such securities due to their tendency to have limited liquidity and comparatively high price volatility.

## **Withholding Tax Risk**

The income and gains of the Company and the Trading Subsidiary from their securities and assets may suffer withholding tax which may not be reclaimable in the countries where such income and gains arise. See Section headed "TAXATION".

## **Taxation**

Potential investors' attention is drawn to the taxation risks associated with investing in the Company. See section headed "TAXATION". In addition investors should also be aware of the potential for changes in the tax regime applicable to Income Trusts. The current structure of income trusts which allows income to flow through to investors can only be taxed at the individual level could be challenged under existing laws or the tax laws could change. This would make investing in Income Trusts less attractive from the current yield standpoint.

### **Interest Rate Risk**

The fixed and floating rate securities in which the Company and the Trading Subsidiary may invest may be interest rate sensitive, which means that their value and, consequently, the Net Asset Value of the Company may fluctuate as interest rates fluctuate. An increase in interest rates will generally reduce the value of the fixed income securities. The Company's performance, therefore, will depend in part on the Investment Manager's ability to anticipate and respond to such fluctuations in market interest rates and to utilise appropriate strategies to maximise returns to the Company while attempting to minimise the associated risks to its investment capital.

### **Futures and Options Risk**

The Investment Manager may engage in various portfolio strategies on behalf of the Company and the Trading Subsidiary through the use of futures and options. Due to the nature of exchange traded futures and options trading, cash to meet margin requirements of an exchange will be held by a broker with whom the Company has an open position. In the event of the insolvency or bankruptcy of a broker, there can be no guarantee that such monies will be returned to the Company and the Trading Subsidiary.

### **Illiquidity**

It is not anticipated that there will be an active secondary market for the Shares and it is not expected that such a market will develop. Whilst Shareholders will normally be able to realise their investment in the Company by redeeming or transferring their Shares, the calculation of the Net Asset Value may be suspended in certain circumstances and the redemption of Shares may be suspended or deferred in certain circumstances.

### **Diversification**

Although the Company plans to seek diversification in the investment of its assets through the Trading Subsidiary, it is possible that, at times, the Trading Subsidiary's assets may be disproportionately concentrated in certain sectors or issuers.

### **Possible Effect of Substantial Redemptions**

Substantial redemption at the option of Shareholders may necessitate liquidation of investments. It is possible that losses may be incurred due to such liquidations which might otherwise not have been incurred.

The investment risks set out in this Prospectus do not purport to be exhaustive and potential investors should be aware that an investment in the Company may be exposed to risks of an exceptional nature from time to time.

## MANAGEMENT AND ADMINISTRATION

The Directors control the affairs of the Company and are responsible for the formulation of investment policy. The Directors have delegated certain of their duties to the Investment Manager, the Administrator and the Custodian. The Directors are also the directors of the Trading Subsidiary.

### Directors

The Directors of the Company are:

Hubert R. Marleau (Canadian)

Charles Marleau (Canadian)

Stuart Dunn (Canadian)

David Blair (Irish)

Sean McCreery (Irish)

#### *Hubert R. Marleau*

Hubert R. Marleau (Canadian) - Mr. Hubert Marleau, born in 1943, is Founder, President and Managing Partner of Palos Capital. With over 30 years of experience in the business and financial community, Mr. Marleau has raised funds privately and publicly for hundreds of emerging and mature companies, structured many mergers and acquisitions as well as designed and created numerous financial deals in Canada. Mr. Marleau has worked at the executive level of several large investment banks notably, Nesbitt Thomson Inc., Levesque Beaubien Inc., and Marleau, Lemire Inc., and has served on the Board of many publicly traded companies. He is a current board member of a US mutual fund company, called “Meridan Precious Metal Fund” (2003), and has served as a Governor of the Montreal Exchange (1983-1987), the Vancouver Exchange (1985-1990), has been a member of the Listing Committee of the Toronto Stock Exchange (1983-1987), and has been a Director of the Investment Dealers Association (IDA) of Canada (1986-1992). Mr. Marleau has completed the Canadian Securities Institute’s Canadian Securities Course and the Partner, Director & Officers exam, the NYSE Allied Member exam, as well as numerous other SEC and NASD exams.

#### *Charles Marleau*

Charles Marleau (Canadian) - Charles Marleau graduated from McGill University with a Bachelor degree in Economics in December 1998, and completed the Canadian Securities Course, the Conduct and Practice Course (Ethics Course), and the Trader Training Course. Mr. C. Marleau is also a Co-Founder, Principal and Director of Palos Capital Corporation, a private company which has been involved in the financial sector for approximately eight years. He is responsible for trading the L.P. funds managed by Palos Capital Corporation, which manages over \$175 millions CAD of private individual monies. He is also responsible for all back office, investor relations and record keeping system which has been implemented by him. As a registered money management firm he had to deal with a highly regulated industry. In addition, he’s been serving as a Board of Directors for numerous private companies and one public company listed in Canada. He is also a member of the Young Entrepreneurs Organisation (YEO), an organization which is well respected around the world.

### *Stuart Dunn*

Stuart Dunn (Canadian) - Stuart Dunn, born in 1946, is the Chairman and Co-Founder of Holdun Investment Management Inc., an independent money management firm located in Montreal, Canada. With over 35 years of experience in the Canadian Money Management Industry, Mr. Dunn is licensed as a portfolio manager with the Quebec and Ontario Securities Commissions as well as with the Securities and Exchange Commission in the United States. Prior to founding Holdun Investment Management Inc., Mr. Dunn was the one of the founders and managing partners of Gryphon Investment Counsel, a large Canadian institutional money manager, with offices in Montreal and Toronto. In 1980, Mr. Dunn founded Bladon Securities, a corporate finance firm located in Calgary, Alberta, which focused on the oil and gas industry. Prior to 1980, Mr. Dunn worked in various capacities with a number of brokerage firms in Montreal, including A.E. Ames, Osler, Wills, Bickle and Nesbitt Thomson. Mr. Dunn currently serves as a director of the Canadian Lyford Cay Foundation and is a member of its investment committee. In addition he is president of the family holding company, Holdun Investments, Inc.

### *David P.M. Blair*

Mr. Blair, born in 1950 is a Fellow of the Institute of Chartered Accountants in England and Wales. In 1976, he moved to Bermuda and was employed as a manager of the accounting services department of Ernst & Young. In 1982, he established Windsor Management Services Limited; a Bermuda registered company, to provide management and administration services to Bermuda exempt companies and investment funds. Mr. Blair sold his interest in Windsor in 1989 and returned to the United Kingdom. In early 1990, he was employed by Barings to establish their fund administration and custody operations in the International Financial Services Centre in Dublin. From 1990 to 1994, he was a Director of International Fund Managers (Ireland) Limited, the Barings fund administration company and then was appointed a Director of Barings (Ireland) Limited, the Barings entity providing custody services to investment funds. In 1996, he was appointed Managing Director of the Custom House Group of companies.

### *Sean McCreery*

Mr. McCreery graduated in 1987 with a Bachelor of Civil Law degree from University College Dublin. He qualified as a chartered accountant with KPMG in 1991 and specialized in International Tax. He joined Irish Food Processors Limited (“IFP”) from KPMG in 1993, which was at that time the largest beef processing group in Europe. The IFP group was in severe financial difficulties during that period and Mr. McCreery was part of a small corporate finance team assembled with the objective of restructuring the group, which he succeeded in doing with a syndicate of major international banks. On completion of the restructuring in 1996 Mr. McCreery joined a London based private investment group, Ganley Group, and was involved in business incubation and direct hands on management in portfolio companies. The capital for these ventures was raised from a variety of US based hedge funds and high net worth investors. In 1998 Mr. McCreery was involved in the establishment of a pan-European fixed wireless broadband business in partnership with Comcast (second largest US cable company). Mr. McCreery served as Chief Financial Officer from the incorporation of Broadnet in 1998 until 2001, where he oversaw the establishment of the headquarters in Belgium and the subsequent roll-out in Europe. During this period he had full responsibility for developing the financial systems, building the finance team, managing the financial reporting, budgeting and treasury. From 2001 to the end of 2002 Mr. McCreery acted as Chief Financial officer for an Eastern

European cable TV business, Cable Bulgaria, until he resigned to join Digital Project Developments Ltd (formerly Q Research), an independent telecommunications consultancy providing advisory services to Dublin City Municipality in relation to the establishment and development of a European Digital Hub. Mr. McCreery left in February 2004 to establish Novana Consulting Ltd, a company specializing in the provision of corporate financial services, where he works as their executive director. He also serves as non-executive director of a number of investment funds.

All of the Directors are non-executive.

The address of all the Directors, for the purposes of the Company, is the registered office of the Company.

None of the Directors have had any convictions in relation to indictable offences, been involved in any bankruptcies, individual voluntary arrangements, receiverships, compulsory liquidations, creditors voluntary liquidations, administrations, company or partnership voluntary arrangements, any composition or arrangements with its creditors generally or any class of its creditors of any company where they were a director or partner with an executive function, nor have any had any public criticisms by statutory or regulatory authorities (including recognised professional bodies) nor has any director ever been disqualified by a court from acting as a Director of a company or from acting in the management or conduct of the affairs of any company.

### **Custodian**

The Company has appointed RBC Dexia Investor Services Bank S.A., Dublin Branch to act as Custodian of its assets and the assets of the Trading Subsidiary pursuant to the Custodian Agreement.

The Custodian is a branch of RBC Dexia Investor Services Bank S.A. RBC Dexia Investor Services Bank S.A. is a company which was incorporated with limited liability in Luxembourg on 30<sup>th</sup> March 1994. It is 99.99% owned by RBC Dexia Investor Services Limited a joint venture between Royal Bank of Canada and Dexia S.A. The head office of RBC Dexia Investor Services Limited is 14, Porte de France, L-4360 Esch-sur-Alzette, Luxembourg. As of June 2007, RBC Dexia Investor Services Bank S.A. had approximately USD 2.5 trillion in assets under custody.

The principal duties of the Custodian include the safekeeping of the Company's and the Trading Subsidiary's assets, the maintenance of bank accounts and the timely settlement of all securities transactions. Under the Custodian Agreement, the Custodian must segregate, keep and maintain the assets of the Company and the Trading Subsidiary separate and apart from the assets of the Custodian and its affiliates. Under the terms of the Custodian Agreement, the Custodian has the full power to delegate the whole or any part of its custodial functions in relation to the assets of the Company and the Trading Subsidiary, in accordance with the requirements of the Financial Regulator, provided that the liability of the Custodian will not be affected by the fact that it has entrusted to a third party some or all of the assets of the Company and the Trading Subsidiary in its safekeeping. In order to discharge its liability under the Notices, the Custodian must exercise care and diligence in choosing and appointing a third party as a safe-keeping agent so as to ensure that the third party has and maintains the expertise, competence and standing appropriate to discharge the responsibilities concerned and must maintain an appropriate level of supervision

over the safe-keeping agent and make appropriate enquiries from time to time to confirm that the obligations of the agent continue to be competently discharged.

The Custodian Agreement provides for the indemnification of the Custodian for losses, liabilities, demands, damages, costs, claims or expenses which the Custodian suffers or incurs in acting as Custodian subject to exclusions in the case of negligence, wilful default, bad faith, recklessness or fraud in the performance of its duties. The liability of the Custodian is not affected by the fact that it has entrusted assets of the Company and the Trading Subsidiary to any third party. The Custodian shall also enquire into the conduct of the Company in each annual accounting period and report thereon to the Shareholders. The Custodian's report shall be delivered to the Company in good time to enable the Company to include a copy of the report in its annual report.

The Custodian's report shall state whether in the opinion of the Custodian, the Company has been managed in that period (i) in accordance with the limitations imposed on the investment and borrowing powers of the Company by the Articles and by the Financial Regulator by the Companies Act, 1990 Part XIII and (ii) otherwise in accordance with the provisions of the Articles and the Companies Act, 1990, Part XIII.

The Custodian Agreement shall continue in force until terminated by the Company or the Custodian on 90 days' notice in writing to the other party provided that such termination shall only take effect upon the appointment of a successor with the approval of the Financial Regulator or upon revocation of authorisation by the Financial Regulator. In addition, either the Company or the Custodian may terminate the relevant Custodian Agreement at any time (i) upon or after any other party going into liquidation, except voluntary liquidation for the purposes of reconstruction or amalgamation upon terms previously approved in writing by the other party, or a receiver or examiner is appointed to such party or the happening of a like event whether at the direction of an appropriate regulatory agency or court of competent jurisdiction or otherwise; (ii) if any other party commits any material breach of its obligations under the Custodian Agreement and fails to correct the breach within 30 days of the receipt of a notice served by the other party requiring it to do so. The Company may terminate the relevant Custodian Agreement at any time if the Custodian ceases to be authorised under applicable law to carry out its functions pursuant to the Custodian Agreement.

### **Investment Manager**

The Company has delegated its discretionary investment management function to Palos Management, Inc. a wholly owned subsidiary of Palos Capital Corporation. Palos Management, Inc. has also been appointed to act as investment manager of the Trading Subsidiary. Palos Management, Inc. is a Canadian company regulated by the Autorité Des Marchés Financier du Quebec ("A.M.F.Q.") with approximately US\$130 million under management. The Investment Manager was incorporated under the Canada Business Corporations Act, in September, 2002 and has its registered office at 1812 – 1 Place Ville Marie, Montreal, Quebec, H3B, 4A9, Canada. The Investment Manager is a Canadian investment management company and is licensed with the A.M.F.Q. – licence # 91806 and has received an "International Financial Centre License" (#184) from by the Minister of Finance in Quebec. The Investment Manager specialises in the equity income market in Canada, the US and other major countries i.e. publicly traded business income trusts including limited partnerships, royalty trusts, REITs, and convertible bonds.

The Investment Manager may also provide investment management services to other funds and unit trusts, institutional and private investors which may, on occasion cause a conflict of interest

with the Investment Manager's role with respect to the Company. The Investment Manager, having regard to its obligations to the Company, will endeavour to ensure that any such conflicts are resolved fairly.

The Company has appointed the Investment Manager, as discretionary investment manager to the Company pursuant to the Company's Investment Management Agreement. The Investment Manger has also been appointed to provide discretionary investment management services to the Trading Subsidiary, pursuant to the Trading Subsidiary's Investment Management Agreement. For further information, please see "Material Contracts" on page 66.

### **Administrator**

The Company has appointed RBC Dexia Investor Services Ireland Limited to act as administrator, registrar and transfer agent of the Company and the Trading Subsidiary with responsibility for performing the day to day administration of the Company and the Trading Subsidiary, including the calculation of the Net Asset Value and the net asset value of the Trading Subsidiary which will be carried out in the State, subject to the overall supervision of the Company.

RBC Dexia Investor Services Ireland Limited is a Company incorporated with limited liability in Ireland on 31<sup>st</sup> January 1997. It is a wholly owned subsidiary of RBC Dexia Investor Services Bank S.A. and is engaged in the business of, inter alia, providing fund administration services to and in respect of collective investment undertakings and investment companies.

The Administration Agreement shall be terminated by either the Company or the Administrator thereto on ninety days' notice in writing to the other party and may be terminated by either the Company or the Administrator immediately by notice in writing to the other party (the "Defaulting Party") if at any time (i) any other party hereto shall go into liquidation (except voluntary liquidation for the purpose of reconstruction or amalgamation upon terms previously agreed with the other party) or be unable to pay its debts or commit any act of bankruptcy under the laws of Ireland or if a receiver is appointed over any of the assets of such other party or if some event having an equivalent effect occurs; (ii) any party ceases to act in its current capacity under any applicable laws; (iii) any party shall commit any material breach of the relevant administration agreement which is either incapable of remedy or has not been remedied within thirty (30) days of the other party serving notice upon the Defaulting Party requiring it to remedy same; or (iv) an examiner, administrator or similar person is appointed to any such party. In the absence of negligence, willful default or fraud, the Administrator will not be liable for any loss arising as a result of the performance by the Administrator of its obligations and duties under the Administration Agreement. The Company has agreed to indemnify the Administrator against all actions, claims, costs, damages, liabilities and expenses ("Losses") incurred by the Administrator in the performance of its obligations and duties under the Administration Agreement, except for Losses arising out of the negligence, willful default, bad faith, recklessness or fraud of the Administrator in the performance of its obligations and duties under the Administration Agreement.

## **PORTFOLIO TRANSACTIONS AND SHARE DEALING**

The Investment Manager, the Custodian, the Administrator and any associate of the Investment Manager, the Custodian or the Administrator may: -

- (a) become the owner of Shares in the Company and hold, dispose of or otherwise deal with Shares as if that entity were not such an entity; or
- (b) deal in property of any description on that entity's individual account notwithstanding the fact that property of that description is included in the property of the Company or the Trading Subsidiary; or
- (c) act as principal or agent of a third party other than the Company or Trading Subsidiary in the sale or purchase of property to or from the Custodian for the account of the Company or the Trading Subsidiary without that entity having to account to any other such entity, to the Shareholders or to any of them for any profits or benefits made by or derived from or in connection with any such transaction:-

Provided that such transactions are carried out as if effected on normal commercial terms negotiated at arm's length and such transactions must be consistent with the best interests of Shareholders and are subject to:-

- (i) an entity approved by the Custodian (or in the case of a transaction with the Custodian, the Directors) as independent and competent certifying the price at which the transaction is effected is fair, or
- (ii) such transaction has been executed on best terms reasonably obtainable on organised investment exchanges under their rules, or
- (iii) where the conditions set out in (i) or (ii) above are not practical, the transaction is executed on terms which the Custodian is (or in the case of a transaction with the Custodian, the Directors are) satisfied conform with the principle outlined above.

The Investment Manager or an associated company of the Investment Manager may invest in Shares of the Company (seeding money) for the purposes of ensuring that the Company has a viable minimum size sufficient to enable an appropriate degree of diversification at a reasonable cost to be achieved. In such circumstances, the Investment Manager or an associated company of the Investment Manager may hold a high proportion of the Shares in issue. As the Company grows in size, such Shares may be redeemed.

## **CONFLICTS OF INTEREST**

The Directors, the Investment Manager, the Custodian, the Administrator and their respective affiliates, officers, directors, employees, agents and shareholders (collectively the "Parties") are or may be involved in other financial, investment and professional activities which may on occasion cause a conflict of interest with the management of the Company and the Trading Subsidiary and/or their respective roles with respect to the Company and the Trading Subsidiary.

These include managing or advising other funds, purchases and sales of securities, banking and investment management services, valuation of unlisted securities (in circumstances where fees may increase as the value of the assets increases), investment and management counselling, brokerage services, trustee and custodial services and serving as directors, officers, advisers or agents of other funds or other companies, including companies in which the Company may invest. In particular, it is envisaged that the Investment Manager may be involved in managing or advising on the investments of other investment funds which may have similar or overlapping investment objectives to or with the Company. Each of the Parties will use its reasonable endeavours to ensure that the performance of their respective duties will not be impaired by any such involvement that they might have and that any conflicts which may arise will be resolved fairly and in the best interests of Shareholders. The Investment Manager will endeavour to ensure a fair allocation of investments among each of its clients.

## CHARGES AND EXPENSES

### *The Investment Manager*

The Investment Manager's annual fees will not exceed 2.00% (plus VAT, if any) based on the Net Asset Value of the Company. The Investment Manager may in its sole discretion rebate out of its own fee a portion of the management fee payable up to a maximum of 0.5% of the Net Asset Value of the Company in the event that the Company fails to distribute on an annual basis dividends to Shareholders in an amount greater than or equal to 7.5 % of the Net Asset Value of the Company. The fees shall accrue daily, be calculated weekly and be paid monthly in arrears. The Investment Manager is also entitled to be paid out of the assets of the Company reasonable out-of-pocket expenses (plus VAT, if any).

### *The Custodian*

The Custodian is entitled to receive a fee as may be agreed between the Investment Manager and the Custodian from time to time and which shall be payable by the Investment Manager out of its own fee.

The Custodian shall be reimbursed for reasonable out of pocket expenses by the Investment Manager out of its own fee.

In the event that an Investment Manager fails due to administrative difficulties to discharge the fees of the Custodian within 15 days of the presentation of the relevant invoice, the Custodian shall be entitled to reimbursement by the Company and/or the Trading Subsidiary and the fee payable to the Investment Manager shall be reduced accordingly.

### *The Administrator*

The Administrator is entitled to receive administration and fund accounting fees as may be agreed between the Investment Manager and the Administrator from time to time and which shall be payable by the Investment Manager out of its own fee.

The Administrator shall be reimbursed for the reasonable out of pocket expenses by the Investment Manger out of its own fee.

In the event that the Investment Manager fails due to administrative difficulties to discharge the fees of the Administrator within 15 days of the presentation of the relevant invoice, the Administrator shall be entitled to reimbursement by the Company and the fee payable to the Investment Manager shall be reduced accordingly.

### **Other Fees**

The Investment Manager may charge a redemption fee not exceeding 1% of the Net Asset Value of the Shares redeemed which shall be retained by the Investment Manager for its sole use and benefit or as it may determine. The Investment Manager in its absolute discretion may waive, or differentiate between investors as to the amount of, any such redemption fee. The Directors may deal with the proceeds of any redemption charge in such manner as they may decide in their discretion.

The Directors shall be reimbursed for reasonable out-of-pocket expenses by the Investment Manager out of its own fee.

## **General**

The costs, charges and expenses which may be charged to the Company include, but are not limited to, all taxes which may be due on the assets and the income of the Company and the Trading Subsidiary, legal costs and fees, annual audit fees, the fees of the Investment Manager, and usual banking and brokerage charges and commissions due on transactions involving portfolio securities of the Company and the Trading Subsidiary (the latter to be included in the acquisition price and to be deducted from the selling price). The Investment Manager shall pay out of its own fee such additional costs, expenses and charges as may arise and which include but are not limited to the following: insurance, postage, telephone, facsimile and telex; the cost of obtaining valuation prices of investments; Directors' fees and remuneration of officers and employees of the Company and the Trading Subsidiary; Directors and officers liability insurance; remuneration and out-of-pocket expenses of the Custodian and the Administrator and of representatives in other jurisdictions where the shares are qualified for sale, and of all other agents employed on behalf of the Company; such remuneration may be based on the net assets of the Company and the Trading Subsidiary or on a transaction basis or may be a fixed sum; formation expenses; the payment of any initial and ongoing regulatory fees payable to the Financial Regulator; marketing and promotional expenses; the cost of printing certificates and proxies; the cost of incorporating the Company and the Trading Subsidiary and the preparation of all other documents concerning the Company and the Trading Subsidiary including registration statements and offering circulars with all authorities (including local securities dealers' associations) having jurisdiction over the Company or the offering of Shares; the cost of qualifying the Company for the sale of Shares in any jurisdiction or a listing on any stock exchange including the initial and annual costs of listing on the Irish Stock Exchange; the cost of preparing, printing and publishing in such languages as are necessary, and distributing annual and semi-annual reports and such other reports or documents as may be desirable or required under the applicable laws or regulations of the above-cited authorities; the cost of accounting and book keeping, the cost of calculating the Net Asset Value of Shares and the net asset value of the Trading Subsidiary, the cost of preparing, printing, publishing and distributing public notices and other communications, including but not limited to newspaper notices, to the Shareholders, legal and auditing fees; and all other similar charges and expenses in each case, plus any applicable VAT.

The cost of establishing the Company and the Trading Subsidiary and the expenses of this offer, which include the initial issue of Shares, the preparation of this Prospectus and the fees of all professionals relating to it, which are estimated not to exceed in aggregate €85,000 will also be paid by the Investment Manager.

## DIVIDENDS

The Articles of Association of the Company empower the Directors in their sole discretion to declare dividends in respect of any Participating Shares in the Company out of the net realised gains (i.e. realised gains net of realised and unrealised losses) or the net realised and unrealised gains (i.e. realised and unrealised gains net of realised and unrealised losses) or capital subject to certain adjustments as may in the discretion of the Company or its duly authorised delegate be deemed appropriate.

It is intended that dividends will be paid by the Company in an amount on an annual basis not less than 7.5% of the Net Asset Value of the Company. In the event that a dividend is declared and such dividend is less than 7.5% of the Net Asset Value of the Company, the Investment Manager may in its sole discretion rebate out of its own fee a portion of that fee up to 0.5% of the Net Asset Value of the Company. The Directors may determine in their sole discretion to declare and pay dividends at any time and from time to time as appropriate. Dividends, if declared, will normally be declared on a quarterly basis and will be paid within 30 days of declaration. The Company may in general meeting declare dividends but no dividend shall exceed the amount recommended by the Directors.

Dividends shall be paid out of the net realised and unrealised gains of the Company (i.e. realised and unrealised gains net of realised and unrealised losses of the Company) but in order to pursue the intended distribution policy set out above there may be circumstances in which dividends will be paid out of the capital of the Company. Otherwise all income and gains of the Company will be accumulated within the Company. Dividends which are not claimed or collected within six years of payment shall revert to and form part of the assets of the Company. Dividends will be paid by cheque or bank transfer at the expense of Shareholders or re-invested in the Company at the option of the Shareholders. Unless a Shareholder elects otherwise, dividends for distribution will be applied in the purchase of further Shares (or fractions thereof) as applicable.

**Shareholders are advised that where dividends are paid out of capital Shareholders may not receive back the full amount invested.**

## TAXATION

### General

**The information given is not exhaustive and does not constitute legal or tax advice. Prospective investors should consult their own professional advisers as to the implications of their subscribing for, purchasing, holding, switching or disposing of Shares under the laws of the jurisdictions in which they may be subject to tax. The following is a brief summary of certain aspects of Irish taxation law and practice relevant to the transactions contemplated in this Prospectus. It is based on the law and practice and official interpretation currently in effect, all of which are subject to change.**

Dividends, interest and capital gains (if any) which the Company receives with respect to its investments (other than securities of Irish issuers) may be subject to taxes, including withholding taxes, in the countries in which the issuers of investments are located. If this position changes in the future and the application of a lower rate results in a repayment to the Company the Net Asset Value will not be re-stated and the benefit will be allocated to the existing Shareholders rateably at the time of the repayment.

### Irish Taxation

The Directors have been advised that on the basis that the Company is resident in Ireland for taxation purposes the taxation position of the Company and the Shareholders is as set out below.

#### The Company

The Company will be regarded as resident in Ireland for tax purposes if the central management and control of its business is exercised in Ireland and the Company is not regarded as resident elsewhere. It is the intention of the Directors that the business of the Company will be conducted in such a manner as to ensure that it is Irish resident for tax purposes.

The Directors have been advised that the Company qualifies as an investment undertaking as defined in Section 739B of the Taxes Act. Under current Irish law and practice, it is not chargeable to Irish tax on its income and gains.

However, tax can arise on the happening of a “chargeable event” in the Company. A chargeable event includes any distribution payments to Shareholders or any encashment, redemption, cancellation or transfer of Shares. No tax will arise on the Company in respect of chargeable events in respect of a Shareholder who is neither Irish Resident nor Ordinarily Resident in Ireland at the time of the chargeable event provided that a Relevant Declaration is in place and the Company is not in possession of any information which would reasonably suggest that the information contained therein is no longer materially correct. In the absence of a Relevant Declaration there is a presumption that the investor is Irish Resident or Ordinarily Resident in Ireland. A chargeable event does not include:

- An exchange by a Shareholder, effected by way of an arms length bargain where no payment is made to the Shareholder, of Shares in the Company for other Shares in the Company;
- Any transactions (which might otherwise be a chargeable event) in relation to shares held in a recognised clearing system as designated by order of the Irish Revenue Commissioners;

- A transfer by a Shareholder of the entitlement to a Share where the transfer is between spouses and former spouses, subject to certain conditions; or
- An exchange of Shares arising on a qualifying amalgamation or reconstruction (within the meaning of Section 739H of the Taxes Act) of the Company with another investment undertaking.

If the Company becomes liable to account for tax if a chargeable event occurs, the Company shall be entitled to deduct from the payment arising on a chargeable event an amount equal to the appropriate tax and/or where applicable, to appropriate or cancel such number of Shares held by the Shareholder or the beneficial owner of the Shares as are required to meet the amount of tax. The relevant Shareholder shall indemnify and keep the Company indemnified against loss arising to the Company by reason of the Company becoming liable to account for tax on the happening of a chargeable event if no such deduction, appropriation or cancellation has been made.

Dividends received by the Company from investment in Irish equities may be subject to Irish dividend withholding tax at the standard rate of income tax (currently 20%). However, the Company can make a declaration to the payer that it is a collective investment undertaking beneficially entitled to the dividends which will entitle the Company to receive such dividends without deduction of Irish dividend withholding tax.

No stamp duty is payable in Ireland on the issue, transfer, repurchase or redemption of Shares in the Company. Where any subscription for or redemption of Shares is satisfied by the in specie transfer of securities, property or other types of assets, Irish stamp duty may arise on the transfer of such assets.

No Irish stamp duty will be payable by the Company on the conveyance or transfer of stock or marketable securities provided that the stock or marketable securities in question have not been issued by a company registered in Ireland and provided that the conveyance or transfer does not relate to any immovable property situated in Ireland or any right over or interest in such property or to any stocks or marketable securities of a company (other than a company which is a collective investment undertaking within the meaning of Section 734 of the Taxes Act) which is registered in Ireland.

To the extent any Shares are not held in a recognised clearing system at the time of a chargeable event, the following tax consequences will arise on a chargeable event.

### **Shareholders who are neither Irish Residents nor Ordinarily Resident in Ireland**

The Company will not have to deduct tax on the occasion of a chargeable event in respect of an Shareholder if (a) the Shareholder is neither Irish Resident nor Ordinarily Resident in Ireland, (b) the Shareholder has made a Relevant Declaration and (c) the Company is not in possession of any information which would reasonably suggest that the information contained therein is no longer materially correct. In the absence of a Relevant Declaration tax will arise on the happening of a chargeable event in the Company regardless of the fact that a Shareholder is neither Irish Resident nor Ordinarily Resident in Ireland. The appropriate tax that will be deducted is as described below.

To the extent that a Shareholder is acting as an Intermediary on behalf of persons who are neither Irish Resident nor Ordinarily Resident in Ireland no tax will have to be deducted by the Company

on the occasion of a chargeable event provided that the Intermediary has made a Relevant Declaration that he/she is acting on behalf of such persons and the Company is not in possession of any information which would reasonably suggest that the information contained therein is no longer materially correct.

Shareholders who are neither Irish Residents nor Ordinarily Resident in Ireland and who have made Relevant Declarations in respect of which the Company is not in possession of any information which would reasonably suggest that the information contained therein is no longer materially correct, will not be liable to Irish tax in respect of income from their Shares and gains made on the disposal of their Shares. However, any corporate Shareholder which is not Irish Resident and which holds Shares directly or indirectly by or for a trading branch or agency in Ireland will be liable to Irish tax on income from their Shares or gains made on disposals of the Shares.

Where tax is withheld by the Company on the basis that no Relevant Declaration has been filed with the Company by the Shareholder, Irish legislation provides for a refund of tax only to companies within the charge to Irish corporation tax, to certain incapacitated persons and in certain other limited circumstances.

### **Shareholders who are Irish Residents or Ordinarily Resident in Ireland**

Unless a Shareholder is an Exempt Irish Investor and makes a Relevant Declaration to that effect and the Company is not in possession of any information which would reasonably suggest that the information contained therein is no longer materially correct or unless the Shares are purchased by the Courts Service, tax at the standard rate of income tax (currently 20%) will be required to be deducted by the Company from a distribution (where payments are made annually or at more frequent intervals) to a Shareholder who is Irish Resident or Ordinarily Resident in Ireland. Similarly, tax at the standard rate plus 3% (i.e. currently 23%) will have to be deducted by the Company on any other distribution or gain arising to the Shareholder (other than an Exempt Irish Investor who has made a Relevant Declaration) on an encashment, redemption or transfer of Shares by a Shareholder who is Irish Resident or Ordinarily Resident in Ireland.

Shareholders (depending on their own personal tax position) who are Irish Resident or Ordinarily Resident in Ireland may still be required to pay tax or further tax on a distribution or gain arising on an encashment, redemption, cancellation or transfer of their Shares. Alternatively they may be entitled to a refund of all or part of any tax deducted by the Company on a chargeable event.

### **Capital Acquisitions Tax**

The disposal of Shares may be subject to Irish gift or inheritance tax (Capital Acquisitions Tax). However, provided that the Company falls within the definition of investment undertaking (within the meaning of Section 739B of the Taxes Act), the disposal of Shares by a Shareholder is not liable to Capital Acquisitions Tax provided that (a) at the date of the gift or inheritance, the donee or successor is neither domiciled nor Ordinarily Resident in Ireland; (b) at the date of the disposition, either the Shareholder disposing (“disposer”) of the Shares is neither domiciled nor Ordinarily Resident in Ireland or the disposition is not subject to Irish law; and (c) the Shares are comprised in the gift or inheritance at the date of such gift or inheritance and at the valuation date.

With regard to Irish tax residency for Capital Acquisition Tax purposes, special rules apply for non-Irish domiciled persons. A non-Irish domiciled donee or disponer will not be deemed to be resident or ordinarily resident in Ireland at the relevant date unless:

- (i) that person has been resident in Ireland for the 5 consecutive years of assessment immediately preceding the year of assessment in which the date falls; and
- (ii) that person is resident or ordinarily resident in Ireland on that date;

## SHARES

### Description of Shares

The Shares issued by the Company are freely transferable and entitled to participate equally in the profits and income of the Company and in its assets upon liquidation. The Shares, which are of no par value and which must be fully paid up on issue, carry no preferential or pre-emptive rights. All Shares of the Company will rank *pari passu*.

Where the amount subscribed is not equivalent to an exact number of Shares, fractions of Shares may be issued up to four decimal places. Shares in the Company may be issued in registered form on any Dealing Day. Shares will be evidenced by entries in the register of Shareholders.

### Pricing

Shares will first be issued at the Initial Price on the first Business Day after expiry of the initial offer period specified herein. Thereafter, Shares shall be issued at the Net Asset Value per Share.

### Applications for Shares

As at the date of this Prospectus, the Company has established three Classes of Shares, the Canadian Dollar Class Shares, the US Dollar Class Shares and the Euro Class Shares.

The minimum investment in the Company is €125,000 or its foreign currency equivalent. Subject to the discretion of the Directors, the minimum subsequent investment is USD 50,000 or its foreign currency equivalent.

#### *Application Procedure and General Provisions Concerning Issues of Shares*

Initial application for Shares should be addressed to the Company care of the Administrator and made in writing or by fax (the original of which should follow promptly to the Administrator together with all relevant anti-money laundering documentation), in such form as may be prescribed by the Administrator from time to time (in accordance with the requirements of the Financial Regulator). Subsequent applications may be made by fax.

#### *Initial Issue*

During the initial offer period which will be a period from 21<sup>st</sup> December, 2005 to 6<sup>th</sup> February, 2006 (unless extended or shortened at the discretion of the Directors), applications for Shares must be received by the Administrator at its registered office prior to 12.00 noon (Irish time) on the Business Day prior to the last day of the initial offer period. Cleared funds must be sent by the same deadline to such accounts as set out in the Application Form. Application Forms may be obtained from the Administrator or the Investment Manager.

#### *Subsequent Issues*

Thereafter all Applications Forms (save where otherwise agreed with the Investment Manager) must be received by the Company care of Administrator at its registered office no later than 12.00 p.m. (Irish time) on the Business Day prior to the relevant Dealing Day. Settlement for

subscriptions should normally be made by telegraphic transfer to such accounts as are set out in the Application Form by the same deadline. An Application Form received after the time aforesaid shall be deemed to be made in respect of the Dealing Day next following such relevant Dealing Day provided however that, in respect of applications received before the Valuation Point only, the Directors, in consultation with the Administrator, in their absolute discretion determine otherwise.

Subject to certain conditions listed below, the Directors may, on any Dealing Day, allot Shares in any Class on terms that settlement shall be made by the vesting in the Company of assets of the type in which the subscription monies for the relevant Shares may be invested in accordance with the investment objective, policy and restrictions of the Company.

- (i) No Shares shall be issued until the investments shall have been vested in the Custodian to the Custodian's satisfaction;
- (ii) Any such exchange shall be effected on terms that the number of Shares to be issued shall be that number which would have been issued for cash at the subscription price equal to the value of the investments transferred plus such sum as the Directors may consider represents an appropriate provision for charges which would arise on the acquisition of the investments by purchase for cash but minus such sum as the Directors may consider represents any charges to be paid out of the Company's assets in connection with the vesting of the investments;
- (iii) The investments to be transferred to the Company shall be valued on such basis as the Directors with the consent of the Custodian may decide so long as such value does not exceed the highest amount that would be obtained on the date of the exchange by applying the Company's rules relating to the valuation of investments in accordance with the provisions of the Articles as described herein under "Valuation of Assets"; and
- (iv) The Custodian shall be satisfied that the terms of any such exchange shall not be such as are likely to result in any material prejudice to the existing Shareholders.

Shares may not be issued during any period when the calculation of the Net Asset Value of the Company is suspended in the manner described under "Valuation of Assets" below. Applicants for Shares will be notified of such suspension and, unless withdrawn, their applications will be considered as at the next Dealing Day following the ending of such suspension.

The number of Shares will be rounded to four decimal places.

Investors should place orders for Shares in the currency applicable to the relevant Class as specified in the Application Form. However, the Company may accept payment in such other currencies as the Directors may agree at the prevailing exchange rate quoted by the Administrator.

All other methods of payment are subject to the prior approval of the Administrator.

Shares are issued in registered form. Share confirmations of ownership will be issued within 21 days after receipt of payment and all relevant documentation. Title to Shares will be evidenced by the entering of the investor's name on the Company's register of Shareholders and no certificates

will be issued. The Administrator shall not amend a Shareholder's registration details or payment instructions unless it receives original documentation requested by the Administrator.

### **Restricted Persons**

The Shares may not be offered, sold or transferred in the United States or to, or for the benefit of, directly or indirectly, any U.S. Person except pursuant to registration of the Shares under The United States Securities Act, 1933, as amended (the "1933 Act"), registration or an exemption therefrom. In addition, each prospective investor is required to certify that Shares are not being acquired directly or indirectly for the account or benefit of a "Restricted Person" and such applicants will not transfer or sell or offer to transfer or sell Shares to a Restricted Person unless the Company gives its prior approval. "Restricted Person" as used in this Prospectus currently means:

- (i) any person in breach of any law or requirement of any country or governmental authority or by virtue of which such person is not qualified to hold Shares and as a result the Company or its Shareholders incurs liability to taxation or suffers a pecuniary, taxation, regulatory or legal disadvantage which the Company or its Shareholders might not otherwise have suffered; or
- (ii) any person who is, or any person who has acquired Shares on behalf of or for the benefit of a US Person (as defined below);
- (iii) any person or person in circumstances (whether directly or indirectly affecting such person or persons and whether taken along or in conjunction with any other person or person connected or not, or any other circumstances appearing to the Directors to be relevant) which in the opinion of the Directors might result in the Company incurring any liability to taxation or withholding tax or suffering any legal, pecuniary, regulatory or material disadvantage which the Company might not otherwise have incurred or suffered or otherwise in circumstances which in the opinion of the Directors might be prejudicial to the interests of Shareholders; or
- (iv) Any person who has failed to provide any information or declaration required by the Directors within ten days or being requested to do so;
- (v) Any person who holds less than the Minimum Holding

The Company reserves the right to accept applications for Shares from certain qualified investors in the United States or a limited number of U.S. investors if the Company receives evidence satisfactory to it that the sale of Shares to such an investor is exempt from registration under the securities laws of the United States, that such sale will not require the Company to register under the 1933 Act, and, in all events, that there will be no adverse tax or other consequences to the Company or its shareholders, in the judgement of the Directors, as a result of such sale. If and when permitted, U.S. Persons subscribing on this basis will receive a supplemental disclosure document and will be required to complete a set of additional subscription documents.

A “U.S. Person” for purposes of this Prospectus is a person who is either a person included in the definition of “U.S. person” under Rule 902 of Regulation S under the 1933 Act or excluded from the definition of a “Non-United States person” as used in CFTC Rule 4.7. For the avoidance of doubt, a person is excluded from this definition of U.S. Person only if he or it does not satisfy any of the definitions of “U.S. Person” in Rule 902 and qualifies as a “Non-United States person” under CFTC Rule 4.7.

“U.S. Person” generally includes the following:

- (a) any natural person resident in the United States;
- (b) any partnership or corporation organised or incorporated under the laws of the United States;
- (c) any estate of which any executor or administrator is a U.S. Person;
- (d) any trust of which any trustee is a U.S. Person;
- (e) any agency or branch of a non-U.S. entity located in the United States;
- (f) any non-discretionary account or similar account (other than an estate or trust) held by a dealer or other fiduciary for the benefit or account of a U.S. Person;
- (g) any discretionary account or similar account (other than an estate or trust) held by a dealer or other fiduciary organised, incorporated or (if an individual) resident in the United States; and
- (h) any partnership or corporation if:
  - (i) organised or incorporated under the laws of any non-U.S. jurisdiction; and
  - (ii) formed by a U.S. Person principally for the purpose of investing in securities not registered under the 1933 Act, unless it is organised or incorporated, and owned, by accredited investors (as defined in Rule 501(a) of Regulation D under the 1933 Act) who are not natural persons, estates or trusts.

Notwithstanding the preceding paragraph, “U.S. Person” shall not include: (i) any discretionary account or similar account (other than an estate or trust) held for the benefit or account of a non-U.S. Person by a dealer or other professional fiduciary organised, incorporated, or (if an individual) resident in the United States; (ii) any estate of which any professional fiduciary acting as executor or administrator is a U.S. Person, if (A) an executor or administrator of the estate who is not a U.S. Person has sole or shared investment discretion with respect to the assets of the estate, and (B) the estate is governed by non-United States law; (iii) any trust of which any professional fiduciary acting as trustee is a U.S. Person, if a trustee who is not a U.S. Person has sole or shared investment discretion with respect to the trust assets and no beneficiary of the trust (and no settlor if the trust is revocable) is a U.S. Person; (iv) an employee benefit plan established and administered in accordance with the law of a country other than the

United States and customary practices and documentation of such country; (v) any agency or branch of a U.S. Person located outside the United States if (A) the agency or branch operates for valid business reasons, and (B) the agency or branch is engaged in the business of insurance or banking and is subject to substantive insurance or banking regulation, respectively, in the jurisdiction where located; and (vi) certain international organisations as specified in Rule 902(k)(2)(vi) of Regulation S under the 1933 Act.

CFTC Rule 4.7 currently provides in relevant part that the following persons are considered “Non-United States persons”:

- (a) A natural person who is not a resident of the United States;
- (b) A partnership, corporation or other entity, other than an entity organised principally for passive investment, organised under the laws of a non-U.S. jurisdiction and which has its principal place of business in a non-U.S. jurisdiction;
- (c) An estate or trust, the income of which is not subject to United States income tax regardless of source;
- (d) An entity organised principally for passive investment such as a pool, investment company or other similar entity *provided* that units of participation in the entity held by U.S. Persons who do not qualify as qualified eligible persons represent in the aggregate less than ten per cent. of the beneficial interest in the entity, and that such entity was not formed principally for the purpose of facilitating investment by persons who do not qualify as Non-United States persons in a pool with respect to which the operator is exempt from certain requirements of Part 4 of the CFTC’s regulations by virtue of its participants being non-U.S. Persons; and
- (e) A pension plan for the employees, officers or principals of an entity organised and with its principal place of business outside the United States.

An investor who is considered a “non-U.S. person” under Regulation S and “Non-United States person” under Rule 4.7 may nevertheless be subject to U.S. federal income tax based on his or her own circumstances. Such investors are encouraged to consult a tax advisor regarding an investment in the Company.

### **Anti Money Laundering Procedures**

Measures aimed towards the prevention of money laundering may require a detailed verification of the applicant's identity. Depending on the circumstances of each application, a detailed verification might not be required where (i) the applicant makes the payment from an account held in the applicant's name at a recognised financial institution or (ii) the application is made through a recognised intermediary. These exceptions will only apply if the financial institution or intermediary referred to above are within a country recognised by Ireland as having equivalent anti-money laundering regulations or satisfies other applicable conditions.

By way of example an individual may be required to produce a copy of a passport or identification card which may bear evidence of date of birth and be duly certified by a notary

public, together with evidence of his/her address such as a public utility bill or bank statement. In the case of corporate applicants this may require production of a certified copy of the certificate of incorporation (and any change of name), memorandum and articles of association (or equivalent), the names, occupations, dates of birth and residential and business addresses of all directors.

The Company and the Administrator reserve the right to request such information as is necessary to verify the identity of an applicant. In the event of delay or failure by the applicant to produce any information required for verification purposes, the Company may refuse to accept the application and subscription monies.

### **Redemption of Shares**

Redemption orders may not be placed until subscriptions have been settled, completed documents are in place and Shares have been allocated to the client's account.

Shares will be redeemed at the Net Asset Value per Share as at the Valuation Point prior to the relevant Redemption Day.

Redemption orders of Shares should be addressed to the Company care of the Administrator and may be made in writing or by fax and received by the Redemption Deadline. Redemption requests which, if accepted, would result in a Shareholder holding less than the Minimum Holding will, at the discretion of the Directors or their delegate, be treated as a request to redeem that Shareholder's entire holding.

Redemption orders received by the Administrator by the Redemption Deadline for the relevant Redemption Day will be dealt with on that Redemption Day. Redemption orders received after the Redemption Deadline will be dealt with on the next following Redemption Day provided however that, in respect of applications received before the relevant Valuation Point only, the Directors, in consultation with the Administrator, at their absolute discretion may determine otherwise.

Shareholders will normally be repaid in the currency of the Class of Shares being redeemed. If, however, a Shareholder requests to be repaid in any other freely convertible currency, the necessary foreign exchange transaction may be arranged by the Investment Manager and or the Administrator at the prevailing exchange rate quoted by the Administrator and the Investment Manager shall bear the cost of the transaction.

Redemption contract notes will normally be issued by the Administrator within five Business Days of the relevant Redemption Day. Settlement of redemption proceeds will be made by telegraphic transfer by the Administrator to the bank account specified in the Application Form completed by the Shareholder at the time of application for Shares (as amended from time to time by notice in writing to the Administrator) and normally within 5 Business Days of the Redemption Day. Redemption documentation should be in written form and signed by the relevant signatories. No redemption payment may be made until the original Application Form has been received from the Shareholder and all documentation required by the Company and the Administrator (including any documentation in connection with anti-money laundering procedures) and the anti-money laundering procedures have been completed.

Requests for redemption may not be withdrawn save with the written consent of the Company or its authorised agent or in the event of suspension of calculation of the Net Asset Value of the Company.

The Directors are entitled to limit the number of Shares redeemed on any Redemption Day to 25 per cent. of the total number of Shares in issue. In this event, the limitation will apply pro rata so that all Shareholders wishing to have Shares redeemed on that Redemption Day realise the same proportion of such Shares, and Shares not redeemed but which would have otherwise been redeemed, will be carried forward for redemption on the next Redemption Day, provided that requests for redemption that have been carried forward from any earlier Redemption Day shall (subject always to the foregoing limits) be complied with in priority to later requests until all the Shares to which the original request related have been redeemed. If requests for redemption are so carried forward, the Directors will inform the Shareholders affected.

The Directors may, with the consent of the individual Shareholders, satisfy any request for redemption of Shares by the transfer in specie to the Shareholders of assets of the Company having a value equal to the redemption price for the Shares redeemed as if the redemption proceeds were paid in cash less any redemption charge and other expenses of the transfer provided that any Shareholder requesting redemption shall be entitled to request the sale of any asset or assets proposed to be distributed in specie and the distribution to such Shareholder of the cash proceeds of such sale the costs of which will be borne by the relevant Shareholder. Subject to the approval of the Custodian the nature of the assets and the type of assets to be transferred to the relevant Shareholder shall be determined by the Directors in their sole discretion on such basis as the Directors shall deem equitable and not prejudicial to the remaining Shareholders. The Directors may in their sole discretion provide redemption in specie where the redeeming Shareholder requests redemption of a number of Shares that represent 5% or more of the Net Asset Value of the Company.

All of the aforementioned payments and transfers will be made gross subject to any withholding tax or other deductions which may apply in the jurisdiction of the Shareholder. In the case of a partial redemption of Shares where a shareholding tax or other deduction would apply the Directors may redeem some or all of the remaining holdings of the Shareholder to pay such withholding tax or deduction.

### **Compulsory Redemption or Transfer**

#### *Compulsory Redemption of Shares/Deduction of Tax*

Shareholders are required to notify the Administrator immediately if they become U.S. Persons (as hereinafter defined) or otherwise a Restricted Person and such Shareholders may be required to redeem or transfer their Shares. The Company may redeem any Shares which are or become owned, directly or indirectly, by or for the benefit of any Restricted Person. The Directors may at their discretion also redeem Shares where during a period of six years no cheque in respect of any dividend on the Shares has been cashed and no acknowledgement has been received in respect of any confirmation of ownership sent to the Shareholder. Any such redemption will be effected on a Redemption Day at the Net Asset Value per Share calculated on or with respect to the relevant Redemption Day on which the Shares are to be redeemed and may at the discretion of the Directors be subject to any redemption charge. The Company may apply the proceeds of such compulsory redemption in the discharge of any taxation or withholding tax arising as a result of

the holding or beneficial ownership of Shares by a Shareholder including any interest or penalties payable thereon. The attention of investors in relation to the section of the prospectus entitled "TAXATION" and in particular the section therein headed "Irish Taxation" which details circumstances in which the Company shall be entitled to deduct from payments to Shareholders who are Irish Resident or Ordinarily Resident in Ireland other than Exempt Irish Investors amounts in respect of liability of to Irish taxation including any penalties and interest thereon and/or compulsorily redeem Shares to discharge such liability. Relevant Shareholders will indemnify and keep the Company indemnified against loss arising to the Company by reason of the Company becoming liable to account for tax on the happening of an event giving rise to a charge to taxation.

#### *Total Redemption of Shares*

All of the Shares in the Company or in a particular Class may be redeemed:

- (a) on the giving by the Company of not less than four nor more than twelve weeks' notice expiring on a Redemption Day to Shareholders in the Company or of a particular Class of its intention to redeem such Shares; or
- (b) if the holders of 75% in value of the Shares of the Company or a particular Class resolve at a meeting of the Shareholders of the Company or the relevant Class duly convened and held that such Shares should be redeemed.

#### *Conversion of Shares*

Subject to the Minimum Subscription, Minimum Holding and minimum transaction requirements of the Company or relevant Classes, Shareholders may request conversion of some or all of their Shares in one Class ("the Original Class") to Shares in another Class ("the New Class") on any Dealing Day in accordance with the formula and procedures specified below. Applications for conversion of Shares should be made to the Administrator for onward transmission to the Company by facsimile or written communication or such other means as may be permitted by the Directors and should include such information as may be specified from time to time by the Directors or their delegate. Requests for conversion on any Dealing Day should be received prior to the Dealing Deadline. Any applications received after such time will be dealt with on the next Dealing Day which is a dealing day for the relevant Shares, unless the Directors in their absolute discretion otherwise determine provided always that conversion requests will be received prior to the Valuation Point. Conversion requests will only be accepted where cleared funds and completed documents are in place from original subscriptions.

Where a conversion request would result in a Shareholder holding a number of Shares of either the Original Class or the New Class which would be less than the Minimum Holding for the relevant Class, the Directors or their delegate may, if they think fit, convert the whole of the holding in the Original Class to Shares in the New Class or refuse to effect any conversion from the Original Class.

Fractions of Shares which shall not be less than 0.0001 of a Share may be issued by the Company on conversion where the value of Shares converted from the Original Class are not sufficient to purchase an integral number of Shares in the New Class and any balance representing less than 0.0001 of a Share will be retained by the Company in order to defray administration costs.

The number of Shares of the New Class to be issued will be calculated in accordance with the following formula:-

$$S = \frac{(R \times NAV \times ER) - F}{SP}$$

where

S is the number of Shares of the New Class to be allotted.

R is the number of Shares in the Original Class to be redeemed.

NAV is the Net Asset Value per Share of the Original Class at the Valuation Point on the relevant Dealing Day.

ER is the currency conversion factor (if any) as determined by the Administrator.

F is the conversion charge (if any) of up to 5% of the Net Asset Value of the Shares to be issued in the New Class.

SP is the Net Asset Value per Share of the New Class at the Valuation Point on the relevant Dealing Day.

#### *Conversion Fee*

It is not the current intention of the Directors to charge a conversion fee. However, the Directors may in their absolute discretion charge a conversion fee of up to 5% of the Net Asset Value per Share and may exercise their discretion in this respect on the giving of one month's notice to Shareholders. The Directors may differentiate between Shareholders by waiving or reducing the conversion fee chargeable to certain Shareholders.

#### *Withdrawal of Conversion Requests*

***Conversion requests may not be withdrawn save with the written consent of the Company or its authorised agent or in the event of a suspension of calculation of the Net Asset Value of the Company.***

## VALUATION OF ASSETS

The Company has delegated the determination of the Net Asset Value and the Net Asset Value per Share to the Administrator which shall be carried out in accordance with generally accepted accounting principles.

The Net Asset Value of the Company and the Net Asset Value per Share will be calculated as at the Valuation Point. The Net Asset Value of the Company is calculated by deducting the Company's liabilities (to include a provision of Duties and Charges as defined below) from the value of the Company's assets as at the Valuation Point.

The increase or decrease in the Net Asset Value of the Company over or under, as the case may be, the closing Net Asset Value of the Company on the immediately preceding Dealing Day is then allocated between the different Classes of Shares (if any) based on their pro rata closing Net Asset Values as of the immediately preceding Valuation Day as adjusted for subscriptions and redemptions executed at the prices calculated as the immediately preceding Dealing Day. The Investment Manager's fee is then applied to the different Classes of Share (if any). Thereafter, any amount accrued for payment as a distribution is deducted from the amount allocated to different Classes of Shares (if any) to calculate the Net Asset Value attributable to each Class. The Net Asset Value attributable to each Class of Share (if any) is then divided by the number of Shares in issue at the relevant Valuation Point to give the Net Asset Value attributable per Share per Class.

The Company's holding in the Trading Subsidiary will be valued by determining the net asset value of the Trading Subsidiary. The net asset value of the Trading Subsidiary will be determined as at the close of business on each Valuation Day or such other times as the Directors may determine provided always that the Net Asset Value of the Company and the net asset value of the Trading Subsidiary shall be valued simultaneously. The net asset value of the Trading Subsidiary will be equal to the value to its total assets and its total liabilities.

Duties and Charges means all stamp and other duties, taxes, government charges, valuation fees, agent's fees, brokerage fees, bank charges, transfer fees, registration fees, redemption fees and other charges which may become or will become payable in respect of or prior to or upon the occasion of any transaction dealing or valuation but does not mean commissions payable by the Shareholder to agents or brokers on the issue of Shares.

The method of calculating the value of the assets of the Company and the Trading Subsidiary is as follows:-

- (a) assets listed and regularly traded on an exchange and for which market quotations are readily available or traded on over-the-counter markets shall be valued at the closing bid price if held long by the Company and the Trading Subsidiary and at the closing offer price if sold short by the Company and the Trading Subsidiary on the principal exchange in the market for such investments as at the Valuation Point (other than those referred to at (j) below). The value of any investment listed on an exchange but acquired or traded at a premium or at a discount outside or off the relevant stock exchange or on an over-the-counter market may be valued taking into account the level of premium or discount as at the date of valuation of the investment with the prior approval of the Custodian;

- (b) the Directors or their delegate, in consultation with the Investment Manager and with the approval of the Custodian, may adjust or may instruct the Administrator to adjust the value of any assets if they consider such an adjustment is required to reflect the fair value thereof in the context of currency, marketability, dealing costs and/or such other considerations as are deemed relevant;
- (c) if for a specific asset the closing bid price or the closing offer price is not available or does not in the opinion of the Directors or their delegate, in consultation with the Investment Manager reflect its fair value, the value shall be estimated with care and in good faith by the Directors or their delegate, in each case approved for such purpose by the Custodian, in consultation with the Investment Manager with a view to establishing the probable realisation value for such assets as at the relevant Valuation Point. In determining the probable realisation value of any such investment, the Directors may accept a certified valuation thereof, provided by a competent third person, approved for such purposes, by the Custodian.
- (d) if the assets are listed or traded on several exchanges or over-the-counter markets, the closing price on the relevant exchange or over-the-counter market which, in the opinion of the Directors or their delegate, in consultation with the Investment Manager constitutes the main market for such assets, will be used;
- (e) in the event that any of the assets as at the Valuation Point are not listed or dealt on an exchange or over-the-counter market, such assets shall be valued by the Directors or their delegate (being competent people) with care and in good faith, in consultation with the Investment Manager and approved, for such purpose, by the Custodian at the probable realisation value. Such probable realisation value may be determined by using a quotation from a broker or brokers. Alternatively, the Directors, in consultation with the Investment Manager may use such probable realisation value as the Investment Manager or other competent professional appointed by the Directors for such purposes and approved for such purposes by the Custodian, may recommend. Due to the nature of such unquoted assets and the difficulty in obtaining a valuation from other sources, such competent professional may be related to the Investment Manager;
- (f) cash and other liquid assets will be valued at their face value with interest accrued, where applicable, as at the Valuation Point;
- (g) Notwithstanding paragraph (a) above shares or units in collective investment schemes will be valued at the latest available net asset value of the shares or units of the relevant collective investment scheme per unit or bid price as published by the relevant collective investment scheme or, if listed or traded on an exchange in accordance with paragraph (a) above;
- (h) any value expressed otherwise than in the Base Currency (whether of an investment or cash) and any borrowing in a currency other than the Base Currency shall be converted into the Base Currency at the exchange rate (whether official or otherwise) which the Directors or their delegate deems appropriate in the circumstances;
- (i) derivative instruments dealt in on a market will be valued at the settlement price for such instruments on such market. Where the settlement price is not available the value shall

be the probable realisation value estimated with care and in good faith by the Directors or their delegate in each such case a competent person approved for such purpose by the Custodian. Where such derivative instruments are not dealt in on a market, their value should be the weekly quotation from the counterparty provided that the valuation is verified monthly by a party independent of the counterparty appointed by the Investment Manager and approved for the purpose by the Custodian;

- (j) forward foreign exchange contracts will be valued by reference to the price at the Valuation Point at which a new forward contract of the same size and maturity could be undertaken.

In the event of it being impossible or incorrect to carry out a valuation of a specific asset in accordance with the valuation rules set out in paragraphs (a) to (j) above, or if such valuation is not representative of the asset's fair market value, the Directors or their delegate upon consultation with the Investment Manager are entitled to use such other generally recognised valuation methods in order to reach a proper valuation of that specific asset provided that any alternative method of valuation is approved by the Custodian.

In calculating the Net Asset Value of the Company, appropriate provisions will be made to account for the charges and fees payable by and other liabilities of the Company as well as accrued income on the Company's investments.

The value of an asset may be adjusted by the Directors or a delegate of the Company where such an adjustment is considered necessary in the context of currency, marketability, dealing costs and/or such other considerations as are deemed relevant.

### **Publication of Net Asset Value per Share**

Except where the determination of the Net Asset Value of a Class, the Net Asset Value per Share and the issue and redemption of Shares has been suspended in the circumstances described below, the Net Asset Value on each Dealing Day will be made available to the public at the registered office of the Administrator. The Net Asset Value of any Class whose Shares are listed will also be notified to the Irish Stock Exchange by the Administrator without delay.

### **Temporary Suspension of Calculation of Net Asset Value and of Issues, Redemptions and Conversions**

The Directors may with the consent of the Custodian temporarily suspend the calculation of the Net Asset Value of the Company and the issue, redemption and conversion of Shares in the following instances:-

- (a) during any period (other than ordinary holiday or customary weekend closings) when any market or stock exchange is closed and which is the main market or stock exchange for a significant part of the investments of the Company or the Trading Subsidiary, or in which trading thereon is restricted or suspended;
- (b) during any period when an emergency exists as a result of which disposal by the Company or the Trading Subsidiary of investments which constitute a substantial portion of their assets is not practically feasible; or it is not possible to transfer

monies involved in the acquisition or disposition of investments at normal rates of exchange; or it is not practically feasible for the Directors fairly to determine the value of any investments of the Company or the Trading Subsidiary;

- (c) during any breakdown in the means of communication normally employed in determining the price of any of the investments of the Company, or the Trading Subsidiary or of current prices on any market or stock exchange;
- (d) during any period when for any reason the prices of any investments of the Company or the Trading Subsidiary cannot be reasonably, promptly or accurately ascertained;
- (e) during any period when remittance of monies which will or may be involved in the realisation of, or in the payment for any of the investments or the Trading Subsidiaries' cannot, in the opinion of the Directors, be carried out at normal rates of exchange;
- (f) any period when proceeds of the issue or redemption of Shares cannot be transmitted to or from the Company's account or when the proceeds of the issue or redemption of shares in the Trading Subsidiary cannot be transmitted to or from the account of the Company; or
- (g) when a notice of a general meeting of the Company has been circulated to Shareholders at which the winding up of the Company or the Company is to be considered.

Any such suspension will be notified without delay to the Financial Regulator, the Irish Stock Exchange Limited, with respect to any Class which is listed, and the Custodian and shall be notified to Shareholders if in the opinion of the Administrator it is likely to exceed fourteen (14) days and will be notified to investors or Shareholders requesting issue, redemption or conversion of Shares by the Administrator at the time of application for such issue or filing of the written request for such redemption. Where possible, all reasonable steps will be taken to bring any period of suspension to an end as soon as possible.

## MEETINGS AND REPORTS TO SHAREHOLDERS

All general meetings of the Company shall be held in Ireland. In each year, the Company shall hold a general meeting as its annual general meeting. Twenty-one (21) Clear Days' shall be given in respect of each general meeting of the Company. The notice shall specify the venue and time of the meeting and business to be transacted at the meeting. A proxy may attend on behalf of any Shareholder.

Each Shareholder shall have one vote in relation to any matter relating to the Company which is submitted to Shareholders for a vote by show of hands. Each Share gives the holder one vote in relation to any matter relating to the Company which is submitted to Shareholders for a vote by poll.

The financial year end of the Company and the Trading Subsidiary is 31<sup>st</sup> October each year. The Company's annual report incorporating audited financial statements of the Company and the Trading Subsidiary will be published within four months after the end of the financial year and at least three weeks before the annual general meeting of Shareholders. The financial statements of the Company and the Trading Subsidiary are maintained in USD.

The Company will publish a semi-annual unaudited financial report up to 30<sup>th</sup> April each year, containing a list of holdings of the Company and the Trading Subsidiary and their market values, within two months of the date to which it is made up. The annual and semi-annual reports will be sent to Shareholders and, if a Class is listed, the Irish Stock Exchange, within four and two months respectively of the period to which they relate.

### Notices

Notices may be given to Shareholders and shall be deemed to have been duly given as follows:

MEANS OF DISPATCH		DEEMED RECEIVED
Delivery by Hand	:	The day of delivery or the next following Business Day if delivered outside normal business hours.
Post	:	5 Business Days after posting
Fax	:	Positive transmission receipt received

## **TERMINATION OF THE COMPANY**

The Company may be terminated by resolution of the Directors; if one year from the date of the first issue of Shares of the Company or at any date thereafter the Net Asset Value of the Company is below CAN\$10,000,000. In such event, notice of the termination of the Company will be given in writing to Shareholders and such Shareholders will be deemed to have given a request in writing for the redemption of their Shares pursuant to the Articles.

## GENERAL INFORMATION

### **Incorporation and Share Capital**

The Company was incorporated under the laws of Ireland on 12 May, 2005 as an investment company with variable capital with limited liability under registered number 402076.

At the date hereof the initial authorised share capital of the Company is €2 divided into 2 Management Shares of €1.00 and 500,000,000,000 Participating Shares of no par value initially designated as unclassified Shares. The Directors have the power to allot shares up to the authorised share capital of the Company. There are two Management Shares currently in issue which were taken by the subscribers to the Company and are held by the Investment Manager and its nominees.

Management Shares do not entitle the holders to any dividend and on a winding-up entitle the holder to receive the amount paid up thereon but not otherwise to participate in the assets of the Company.

### **Memorandum and Articles of Association**

The Memorandum of Association of the Company provides at Clause 3 that the sole object for which the Company is established is the collective investment of its funds in property of any kind with the aim of spreading investment risk and giving its members the benefit of the result of the management of its funds.

The following section is a summary of the principal provisions of the Articles of Association of the Company. Defined terms in this section bear the same meanings as defined in the Company's Articles.

#### *Variation of Share rights*

The rights attached to the Shares issued in any Class may, whether or not the Company is being wound up, be varied or abrogated with the consent in writing of the holders of three-fourths of the issued Shares of that Class, or with the sanction of an Special Resolution passed at a separate general meeting of the holders of the Shares of that Class. The provisions of the Articles relating to general meetings shall apply to every such separate general meeting except that the necessary quorum at any such meeting of that Class shall be two members of that Class present in person or by proxy holding or representing by proxy at least one third of the issued Shares of the Company or Class or at an adjourned meeting, one person holding Shares of the Company or Class in question or his proxy. Any two holders of Shares of that Class in question present in person or by proxy may demand a poll.

#### *Voting Rights*

The Articles provide that on a show of hands at a general meeting of the Company or of a Class, each Shareholder holding Shares who is present in person or by proxy shall have one vote and the Shareholder or Shareholders, as the case may be, holding Management Shares present in person or by proxy shall, in the aggregate, have only one vote in respect his entire holding of Management Shares. On a poll, every Shareholder present in person or by proxy shall be entitled

to one vote in respect of his entire holding of Management Shares and to one vote in respect of each whole Share held by him.

### *Change in Share Capital*

The Company may from time to time by Ordinary Resolution increase its authorised share capital by such amount as the resolution shall prescribe.

The Company may, by Ordinary Resolution, alter (without reducing) its authorised share capital by consolidating and dividing its share capital into Shares of a larger amount than its existing Shares, by sub-dividing its Shares into Shares of a smaller amount than that fixed by the Memorandum of Association of the Company, or by cancelling any Shares which, at the date of such Ordinary Resolution have not been taken, or agreed to be taken, by any person, and diminish the amount of its share capital by the amount of the Shares so cancelled.

The Company may by Special Resolution from time to time reduce its share capital.

### *Directors' Interests*

Provided that the nature of his interest is or has been declared by him at a meeting of the Directors in accordance with the Articles, no Director or intending Director shall be disqualified by his office from contracting with the Company nor shall any such contract or any contract or arrangement entered into by or on behalf of the Company in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason of such Director holding that office or of the fiduciary relationship thereby established. A Director may hold any other office or place of profit with the Company in conjunction with his office as Director on such terms as to tenure of office and otherwise as the Director may determine.

A Director shall not vote or be counted in the quorum present on any resolution in respect of his appointment (or the arrangement of the terms of appointment) to hold any office or place of profit with the Company or in respect of any contract or arrangement in which he is materially interested. This prohibition does not apply (in the absence of some other material interest than is indicated below), inter alia, to:

- (a) the giving of any security or indemnity to him in respect of money lent or obligations incurred by him for the benefit of the Company or any of its subsidiaries;
- (b) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which he himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security
- (c) any proposal concerning an offer of Shares or debentures or other securities of or by the Company or any of its subsidiaries for subscription or purchase in which offer he is or is to be interested as a participant in the underwriting or sub-underwriting thereof;
- (d) any proposals concerning any other company in which he is directly or indirectly interested and whether as an officer, shareholder, creditor or otherwise howsoever provided that he

is not the holder of or beneficially interested in one per cent or more of the issued share capital of any class of such company or of any third company through which his interest is derived or of the voting rights available to shareholders of the relevant company, (any such interest being deemed for the purpose of the Articles to be a material interest in all circumstances).

The Company may by Ordinary Resolution suspend or relax the provisions described above to any extent or ratify any transaction not duly authorised by reason of a contravention thereof.

The Directors shall be entitled to such remuneration for their services as the Directors may determine provided that the aggregate emoluments of each Director in respect of any twelve month period shall not exceed €15,000 plus reasonable out-of-pocket expenses, or such higher amounts as may be approved by the Company in general meeting.

Hubert Marleau, Charles Marleau and Stuart Dunn who are Directors of the Company, are also personnel of the Investment Manager and will not receive any remuneration for their roles as Directors of the Company.

#### *Borrowing Powers*

The Directors may exercise all the powers of the Company to borrow money (including the power to borrow for the purpose of repurchasing Shares), to mortgage or charge its undertaking, property, and assets or any part thereof.

#### *Retirement of Directors*

There is no provision for the retirement of Directors by rotation or on their attaining a certain age.

#### *Transfer of Shares*

The Shares of the Company are freely transferable and entitled to participate equally in the profits and dividends of the Company and in its assets upon liquidation.

The Directors have the power to impose such restrictions (other than restrictions on transfers as referred to specifically in the Articles) as they may think necessary for the purpose of ensuring that no Shares in the Company are acquired or held by any person in breach of the law or requirements of any country or governmental authority. The Directors may decline to recognise any transfer of Shares without assigning any reason therefore and unless all applicable taxes and/or stamp duties have been paid in respect of the instrument of transfer and the instrument of transfer is deposited at the registered office of the Company together with such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer.

#### *Winding Up*

The Articles contain provisions to the following effect:

- (a) If the Company shall be wound up the liquidator shall apply the assets of the Company in such manner and order as he thinks fit in satisfaction of creditors' claims.

- (b) The assets available for distribution among the Shareholders shall then be applied in the following priority:
- (i) Firstly, in the payment to the holders of the Shares of each Class of a sum in the currency in which that Class is designated (or in any other currency selected by the liquidator) as nearly as possible equal (at a rate of exchange determined by the liquidator) to the Net Asset Value of the Shares held by such holders respectively as at the date of commencement of the winding up;
  - (ii) Secondly, in the payment to the holders of the Management Shares of sums up to the nominal amount paid thereon provided that if there are insufficient assets to enable such payment in full to be made, no recourse shall be had to the assets of the Company;
  - (iii) Thirdly, in the payment to the holders of Shares of any balance then remaining in the Company, such payment being made in proportion to the number of Shares held in the relevant Class; and
  - (iv) Fourthly, any balance then remaining and not attributable to any Class shall be apportioned between the Classes pro rata to the Net Asset Value attributable to each Class immediately prior to any distribution to Shareholders and the amounts so apportioned shall be paid to Shareholders pro rata to the number of Shares in that Class held by them.

Provided that the Company shall be entitled to retain from any payment to any Shareholder any sums and/or appropriate and/or cancel such number of Shares necessary to offset any liability to taxation or withholding tax arising as a result of such Shareholder's holding of Shares or its beneficial ownership or disposal of them.

- (c) If the Company shall be wound up (whether the liquidation is voluntary, under supervision or by the court) the liquidator may, with the authority of a Special Resolution of the Company and any other sanction required by the Act, divide among the Shareholders (pro rata to the value of their respective shareholdings in the Company) in specie the whole or any part of the assets of the Company, whether or not the assets shall consist of property of a single kind, provided that a Shareholder may by notice in writing require that instead of the transferring of the assets in question that the liquidator dispose of those assets and remit to the Shareholder the net proceeds of sale less any costs incurred in such sale which will be borne by the Shareholder. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of Shareholders as the liquidator, with the like authority, shall think fit, and the liquidation of the Company may be closed and the Company dissolved, but so that no Shareholder shall be compelled to accept any assets in respect of which there is any liability.

### **Material Contracts**

The following contracts, not being contracts entered into in the ordinary course of business, have been entered into since the incorporation of the Company and are, or may be, material: -

## **Investment Management Agreement**

- (a) Pursuant to the investment management agreement dated 19<sup>th</sup> December, 2005, between the Company and the Investment Manager (the “Company’s Investment Management Agreement”) the Investment Manager will act as Investment Manager for the Company. The Company’s Investment Management Agreement provides that the appointment of the Investment Manager will continue in force unless and until terminated by either the Company or the Investment Manager giving the other party not less than three months written notice. The Company’s Investment Management Agreement may be terminated by either party immediately should either party go into liquidation (except for a voluntary liquidation for the purposes of reconstruction or amalgamation upon terms previously approved in writing by the other party), if a receiver is appointed over a substantial portion of the assets of either party or if an examiner is appointed to the Company pursuant to the Companies (Amendment) Act 1990 (as amended), or if either party commits a breach of the Company’s Investment Management Agreement and such a breach is not remedied within thirty days after the service of written notice requiring the breach to be remedied.
- (b) Pursuant to the investment management agreement dated 19<sup>th</sup> December, 2005, between Company, the Trading Subsidiary and the Investment Manager (the “Trading Subsidiary’s Investment Management Agreement”) the Investment Manager will act as Investment Manager for the Trading Subsidiary. The Investment Management Agreement provides that the appointment of the Investment Manager will continue in force unless and until terminated by either the Company or the Investment Manager giving the other party not less than three months written notice. The Trading Subsidiary’s Investment Management Agreement may be terminated by either the Company or the Custodian immediately should any party to the Trading Subsidiary’s Investment Management Agreement go into liquidation (except for a voluntary liquidation for the purposes of reconstruction or amalgamation upon terms previously approved in writing by the other party), if a receiver is appointed over a substantial portion of the assets of the Company, the Trading Subsidiary or the Custodian or if an examiner is appointed to the Company or the Trading Subsidiary pursuant to the Companies (Amendment) Act 1990 (as amended), or if any party commits a breach of the Trading Subsidiary’s Investment Management Agreement and such a breach is not remedied within thirty days after the service of written notice requiring the breach to be remedied.
- (c) Pursuant to the Company’s and the Trading Subsidiary’s Investment Management Agreements, the Investment Manager shall not be liable for any error of judgement or mistake of law, but indemnifies the Company and the Trading Subsidiary against all or any damages, losses, liabilities, actions, proceedings, claims, costs and expenses resulting from the Investment Manager’s fraud, negligence or wilful default, its failure to observe the investment objectives, policies or restrictions of the Company and the Trading Subsidiary as appropriate or its failure to exercise reasonable care in the choice or selection of any delegate.

## **Custodian Agreement**

Pursuant to an agreement between the Company and the Custodian (the “Custodian Agreement”) dated 30<sup>th</sup> October 2007, the Custodian will act as custodian and trustee of all of

the Company's and the Trading Subsidiary's assets. The Custodian will collect any income arising from the Company's assets on the Company's behalf. The Custodian will be entitled to receive a fee as described in "Charges and Expenses".

### **Administration Agreement**

Pursuant to an administration agreement dated 30<sup>th</sup> October, 2007, between the Company and the Administrator (the "Administration Agreement") the Administrator will provide certain administrative and registrar services to the Company and the Trading Subsidiary. The Administrator will be entitled to receive a fee as described in "Charges and Expenses".

### **Litigation and Arbitration**

Neither the Company nor the Trading Subsidiary are engaged in any legal or arbitration proceedings and no legal or arbitration proceedings are known to the Directors to be pending or threatened by or against the Company or the Trading Subsidiary.

### **Miscellaneous**

There are no service contracts in existence between the Company and any of its Directors, nor are any such contracts proposed.

The Directors of the Company hereby confirm that as at the date of this Prospectus, the Company has not yet commenced business, no distributions have been declared or paid and no accounts have been made up.

At the date of this document neither the Directors nor any persons connected with the Directors have any interest in the share capital of the Company or the Trading Subsidiary or any options in respect of such capital.

No share or loan capital of the Company is under option or is agreed conditionally or unconditionally to be put under option.

Save as disclosed herein under "Incorporation and Share Capital" no share or loan capital of the Company has been issued and no such share or loan capital is proposed to be issued.

No commission, discounts, brokerage or other special terms have been granted by the Company in relation to Shares issued or to be issued by the Company; on any issue or sale of Shares, the Investment Manager may, out of its own funds or out of the sales charges, pay commissions on applications received through brokers and other professional agents or grant discounts.

The Company does not have, nor has it had since its incorporation, any employees. The Company does not have a place of business in the United Kingdom.

### **Documents for inspection**

The following documents are available for inspection free of charge during normal business hours on weekdays (Saturdays, Sundays and public holidays excepted) at the registered office of the Company at 33 Sir John Rogerson's Quay, Dublin 2, Ireland:

- (a) Certificate of Incorporation of the Company and Memorandum and Articles of Association of the Company;
- (b) the material contracts referred to above;
- (c) the latest available annual and semi-annual reports;
- (d) Part XIII of the Companies Act, 1990 of Ireland (as amended from time to time) and the Financial Regulator's Notices; and
- (e) A list of the directorships and partnerships which the Directors of the Company have held in the last 5 years together with a indication as to whether they are still directors or partners.

Copies of the Memorandum and Articles (as amended from time to time) and the latest financial reports of the Company may be obtained, free of charge, upon request at the registered office of the Company.