

ANNUAL INFORMATION FORM

PREMIER CANADIAN INCOME FUND

March 30, 2010

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THE FUND

Premier Canadian Income Fund (the “Fund”) is an investment trust established under the laws of the Province of Ontario pursuant to a trust agreement dated as of August 30, 1999, as amended from time to time (the “Trust Agreement”), between Mulvihill Fund Services Inc. (“Mulvihill” or the “Manager”), as manager, and RBC Dexia Investor Services Trust (the “Trustee”), as trustee. Mulvihill is a wholly owned subsidiary of Mulvihill Capital Management Inc. (“MCM” or the “Investment Manager”), the investment manager of the Fund.

On September 13, 1999, the Fund completed its initial public offering of 4,400,000 units (“Units”) at a price of \$25.00 per Unit. The outstanding Units are listed on the Toronto Stock Exchange (“TSX”) under the symbol GIP.UN.

The principal offices of the Fund, of Mulvihill and of MCM are located at 121 King Street West, Standard Life Centre, Suite 2600, Toronto, Ontario, M5H 3T9. The phone numbers, website address and e-mail address of Mulvihill are (416) 681-3900 (toll-free at 1-800-725-7172), www.mulvihill.com and hybrid@mulvihill.com, respectively.

Reorganization of the Fund

The Trust Agreement was amended on October 26, 2009 to effect a reorganization (the “Reorganization”) of the Fund. The Reorganization was approved at a meeting of holders of Units (“Unitholders”) on October 26, 2009. In connection with the Reorganization, the Fund:

- (a) changed its investment strategy and investment restrictions. The Fund now invests in a portfolio principally consisting of common shares selected from the energy, materials and financials sectors of the S&P/TSX 60 Index. In addition, the Fund may invest up to 20% of its net assets in equity securities of other issuers selected from the S&P/TSX Composite Index;
- (b) amended its investment objectives. The Fund’s new investment objectives are (a) to maximize total returns for Unitholders including both long-term appreciation in net asset value (“NAV”) per Unit and distributions; and (b) to pay Unitholders monthly, tax-efficient distributions in an amount targeted to be 6.5% per annum on the NAV of the Fund;
- (c) changed the redemption provisions of its Units. Unitholders have an annual redemption right in November of each year at NAV per Unit and a monthly redemption right at a redemption price determined by reference to market price for Units redeemed on the last day of any other month;
- (d) amended certain voting rights attaching to its Units. For example, Unitholders were given the right to approve certain reorganizations and transfers of assets of the Fund;
- (e) extended its termination date to December 31, 2014 from December 31, 2009; and
- (f) may issue additional Units on a non-dilutive basis.

In connection with the Reorganization, the Fund changed its name from Global Plus Income Trust to Premier Canadian Income Fund and MCM agreed to reduce its fees from a total of 1.15% to 1.00% of the Fund’s NAV from and after October 26, 2009.

INVESTMENT OBJECTIVES AND STRATEGY

The Fund has been designed to generate attractive returns for investors by investing in a high quality portfolio of common shares of large-capitalization Canadian issuers selected from the S&P/TSX 60 Index. The Fund invests primarily in common shares of issuers in the energy, materials and financials sectors. The Investment Manager believes that Canada has world-leading companies in these sectors.

The Fund’s investment objectives are:

- (a) to maximize total returns for Unitholders including both long-term appreciation in NAV per Unit and distributions; and
- (b) to pay Unitholders monthly, tax-efficient distributions in an amount targeted to be 6.5% per annum on the NAV of the Fund.

Based upon existing capital loss carryforwards available to the Fund, the Fund expects that all or substantially all of the monthly distributions paid by it over its life will be return of capital distributions that are generally not subject to tax (returns of capital reduce the adjusted cost base of Units). Accordingly, these distributions should be tax efficient when compared with those made on units of an investment trust that depends solely on capital gains, interest, dividends and/or other sources of investment income (net of expenses, losses and loss carryforwards) to pay distributions.

The Fund seeks to achieve its objectives by investing in a high-quality portfolio principally consisting of common shares (the "Portfolio Universe Shares") selected from the energy, materials and financials sectors of the S&P/TSX 60 Index. In addition, the Fund may invest up to 20% of its net assets in equity securities of other issuers selected from the S&P/TSX Composite Index.

To generate additional returns above the distributions earned on its securities, the Fund may, from time to time, write covered call options in respect of some or all of the securities in its portfolio. The securities that may be subject to call options and the terms of such options will vary from time to time based on MCM's assessment of market conditions.

Other Hedging to Protect Portfolio Assets

The Fund may purchase put options on individual securities in its portfolio or indexed put options to protect it from declines in the market prices of the individual securities in its portfolio or in the value of its portfolio as a whole. The Fund may also, from time to time, write cash-covered put options to generate additional returns and to reduce the net cost of acquiring the securities subject to put options. The Fund may also enter into trades to close out positions in such derivatives, including purchasing put options and call options with the effect of closing out existing call options and put options written by the Fund.

Securities Lending

To generate additional returns, the Fund may lend portfolio securities to securities borrowers acceptable to the Fund pursuant to the terms of a securities lending agreement (a "Securities Lending Agreement") between the Fund and any such borrower. Under a Securities Lending Agreement: (a) the borrower will pay to the Fund a negotiated securities lending fee and will make compensation payments to the Fund equal to any distributions received by the borrower on the securities borrowed; (b) the securities loans shall qualify as "securities lending arrangements" for the purposes of the *Income Tax Act* (Canada) (the "Tax Act"); and (c) the Fund will receive prescribed collateral security. The Custodian (as defined below) may be responsible for the ongoing administration of the securities loans, including the obligation to mark-to-market the collateral on a daily basis.

Utilization of Cash Equivalents

The Fund may, from time to time, hold a portion of its assets in cash equivalents. The Fund may also, from time to time, utilize such cash equivalents to provide cover in respect of the writing of cash-covered put options or for other defensive purposes. The Fund may also, from time to time, write cash-covered put options to generate additional returns and to reduce the net cost of acquiring the securities subject to put options. Such cash-covered put options will only be written in respect of securities in which the Fund is permitted to invest.

The holder of a put option purchased from the Fund will have the option, exercisable during a specific time period or at expiry, to sell the securities underlying the option to the Fund at the strike price per security. By selling put options, the Fund will receive option premiums, which are generally paid within one business day of the writing of the option. The Fund, however, must maintain cash equivalents in an amount at least equal to the aggregate strike price of all securities underlying the outstanding put options that it has written. If at any time during the term of a put option or at expiry, the market price of the underlying securities is below the strike price, the holder of the option

may exercise the option and the Fund will be obligated to buy the securities from the holder at the strike price per security. In such case, the Fund will be obligated to acquire a security at a strike price that may exceed the then current market value of such security. If, however, the option is out-of-the-money at the expiration of the put option, the holder of the option will likely not exercise the option and the option will expire. In each case, the Fund will retain the option premium.

STATUS OF THE FUND

The Fund is not a mutual fund under the securities legislation and it differs from conventional mutual funds in a number of respects, most notably as follows: (a) while the Units of the Fund may be surrendered at any time for redemption, the redemption price is payable monthly whereas the securities of most conventional mutual funds are redeemable daily; (b) the Units of the Fund have a stock exchange listing whereas the securities of most conventional mutual funds do not; and (c) unlike most conventional mutual funds, the Units are not offered on a continuous basis.

DESCRIPTION OF THE UNITS

The Fund is authorized to issue an unlimited number of transferable, redeemable trust units of one class, each of which represents an equal, undivided interest in the net assets of the Fund.

All Units have equal rights and privileges. As set forth under “Unitholder Matters – Matters Requiring Unitholder Approval”, each whole Unit is entitled to one vote at all meetings of Unitholders and is entitled to participate equally with respect to any and all distributions made by the Fund, including distributions of net income and net realized capital gains and distributions upon the termination of the Fund. Units are issued only as fully paid and are non-assessable. Fractions of Units are proportionately entitled to all of these rights except voting rights. Holders of Units will have no voting rights in respect of the securities in the Fund’s investment portfolio. Such securities will be voted in accordance with the proxy voting guidelines of the Fund. See “Corporate Governance — Proxy Voting Policy”.

The provisions or rights attaching to the Units may only be modified, amended or varied with the consent of Unitholders given in accordance with provisions contained in the Trust Agreement as described herein under the heading “Unitholder Matters – Matters Requiring Unitholder Approval”.

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

The Fund may not issue additional Units except: (a) through the exercise of warrants (and any other rights or options that may be issued); (b) by way of private placement or public offering where the net proceeds per Unit to be received by the Fund are not less than the most recently calculated NAV per Unit prior to the date of the setting of the subscription price by the Fund; (c) pursuant to a distribution reinvestment plan; or (d) with the approval of Unitholders.

Distributions

Cash Distributions

The Fund will endeavour to make monthly cash distributions to Unitholders on the last day of each month in an amount targeted to be 6.5% per annum of the NAV of the Fund. The Fund has determined to base the distributions it pays on the NAV of the Fund in order to better facilitate the preservation and enhancement of the Fund’s NAV and to enable Unitholders to benefit from any increases in the NAV of the Fund through the resulting increased distributions. It is expected that all of the monthly cash distributions payable by the Fund over its life will be return of capital distributions. The monthly distributions will be determined using the last published NAV prior to the declaration date for the distribution.

There can be no assurance that the Fund will be able to make distributions at its targeted rate. The amount of distributions in any particular month will be determined by Mulvihill, as manager, having regard to the investment objectives of the Fund, the net income and net realized capital gains of the Fund during the month and in the year to date, the net income and net realized capital gains of the Fund anticipated in the balance of the year and distributions made in previous months.

If, in any year after making its targeted monthly distributions, there would otherwise remain in the Fund net income or net realized capital gains that are unsheltered by any loss carryforwards from prior years, the Fund intends to make, on December 31 of that year, a special distribution of such remaining net income and net realized capital gains as is necessary to ensure that the Fund will not be liable for income tax thereon under the Tax Act. See “Income Tax Considerations”.

Cash distributions will be payable in Canadian dollars to Unitholders of record at 5:00 p.m. (Toronto time) on the record date which will be on the 15th day of each month, unless such day is not a business day, in which case the record date will be the following business day. All cash distributions will be paid by cheque to Unitholders proportionately based on their respective holdings of Units and will be mailed to Unitholders at their addresses listed in the register of Unitholders to be maintained by the Fund’s registrar and transfer agent or paid in such other manner as may be agreed to by the Manager.

Each Unitholder will be mailed annually, no later than March 31, information necessary to enable such Unitholder to complete an income tax return with respect to amounts paid or payable by the Fund in respect of the preceding taxation year of the Fund. See “Income Tax Considerations”.

Distribution Reinvestment Plan

Under the Fund’s distribution reinvestment plan (the “Plan”), a Unitholder may elect to reinvest distributions received from the Fund in additional Units by notifying the Fund’s transfer agent that the Unitholder wishes to participate in the Plan. All distributions will be automatically reinvested on behalf of those Unitholders electing to participate in the Plan.

Distributions payable to participants in the Plan (the “Participants”) will be paid to Computershare Trust Company of Canada in its capacity as agent under the Plan (the “Plan Agent”) and applied to purchase Units. Such purchases will either be made from the Fund through the purchase of new Units or in the market. If the 20-day weighted average trading price of a Unit on the TSX for the 20 trading days preceding the distribution date (or, if the distribution date is not a business day, on the last business day before the distribution date) plus applicable commissions or brokerage charges (collectively, the “Market Price”) is less than the NAV per Unit as at that date, the Plan Agent will apply the distribution to purchase Units in the market. If the Market Price of the Units on the applicable distribution date is greater than the NAV per Unit, the Plan Agent will apply the distribution to purchase Units from the Fund through the issue of new whole Units at a price per Unit equal to the greater of (a) NAV per Unit on the distribution date; and (b) 95% of such Market Price on the distribution date.

Purchases in the market will be made during the 15 business day period next following the distribution date at such times as the Market Price of the Units is less than the NAV per Unit as at the distribution date. Upon the expiration of such period, the unused part, if any, of the distribution attributable to the Participants will be used to purchase Units from the Fund on the basis set forth above. The Units purchased in the market or from the Fund will be allocated to the Participants in proportion to their share of the distribution. The Plan Agent will furnish to each Participant a report of the Units purchased for the Participant’s account in respect of each distribution and the cumulative total of all Units purchased for that account. The Plan Agent’s charges for administering the Plan will be paid by the Fund. The reinvestment of distributions under the Plan will not relieve participants of any income tax applicable to such distributions.

Participants may terminate their participation in the Plan at any time by written notice to the Plan Agent and thereafter distributions payable to such Participants will be made in cash. The Trustee may terminate the Plan, in its sole discretion, upon not less than thirty days’ notice to the Participants.

Redemption of Units

Units may be surrendered at any time for redemption to Computershare Investor Services Inc., the Fund's registrar and transfer agent, but will be redeemed only on a Redemption Date (as defined below). Units surrendered for redemption by a Unitholder at least 20 business days prior to the last day in November of 2010 or any year thereafter (a "November Redemption Date") will be redeemed on such November Redemption Date. Units surrendered for redemption by a Unitholder at least 10 business days prior to the last day of any other month (a "Monthly Redemption Date" and, together with a November Redemption Date, "Redemption Dates"), will be redeemed on such Monthly Redemption Date. If a day that would otherwise be a Redemption Date is not a business day, the Redemption Date shall be the preceding business day. Unitholders will receive payment for the Units on or before the 15th day following such Redemption Date (the "Redemption Payment Date"). If a Unitholder surrenders Units after 5:00 p.m. (Toronto time) on the applicable cut-off date, the Units will be redeemed on the following Redemption Date.

Unitholders whose Units are redeemed on a November Redemption Date will be entitled to receive a redemption price per Unit equal to the NAV per Unit determined as of such date.

For Unitholders whose Units are redeemed on any other Redemption Date, the redemption price per Unit will be equal to the lesser of:

- (a) 95% of the Market Price. For such purposes, "Market Price" means the weighted average trading price of the Units on the principal stock exchange on which the Units are listed (or, if the Units are not listed on any stock exchange, on the principal market on which the Units are quoted for trading) for the 10 trading days immediately preceding the applicable Redemption Date, and
- (b) 100% of the Closing Market Price of the Units on the applicable Redemption Date, minus an amount equal to the aggregate of all brokerage fees, commissions and other costs incurred by the Fund in connection with such payment, including, but not limited to, costs incurred in liquidating securities held in the Fund's portfolio. For such purposes, the "Closing Market Price" means the closing price of the Units on the principal stock exchange on which the Units are listed (or, if the Units are not listed on any stock exchange, on the principal market on which the Units are quoted for trading) or, if there was no trade on the relevant date, the average of the last bid and the last asking prices of the Units on the principal stock exchange on which the Units are listed (or, if the Units are not listed on any stock exchange, on the principal market on which the Units are quoted for trading).

Any unpaid distributions payable on or before a Redemption Date in respect of Units tendered for redemption on such Redemption Date will also be paid on the applicable Redemption Payment Date.

The redemption right must be exercised by causing written notice to be given within the notice periods prescribed herein and in the manner described under "Exercise of Redemption Right" below. Such surrender will be irrevocable upon the delivery of notice to CDS Clearing and Depository Services Inc. ("CDS") through a participant in CDS (a "CDS Participant"), except with respect to those Units which are not paid for by the Fund on the relevant Redemption Payment Date.

The Fund may designate a portion of the redemption price of Units tendered for redemption as a distribution of income and capital gains to redeeming Unitholders.

Exercise of Redemption Right

An owner of Units who desires to exercise redemption privileges thereunder must do so by causing a CDS Participant to deliver to CDS (at its office in the City of Toronto) on behalf of the owner a written notice of the owner's intention to redeem Units, no later than 5:00 p.m. (Toronto time) on the relevant notice date. An owner who desires to redeem Units should ensure that the CDS Participant is provided with notice (the "Redemption Notice") of the Unitholder's intention to exercise the Unitholder's redemption privilege sufficiently in advance of the relevant notice date so as to permit the CDS Participant to deliver notice to CDS by the required time. The Redemption Notice will be available from a CDS Participant or Computershare Investor Services Inc., the Fund's registrar and

transfer agent. Any expense associated with the preparation and delivery of Redemption Notices will be for the account of the owner exercising the redemption privilege.

By causing a CDS Participant to deliver to CDS a Redemption Notice, an owner shall be deemed to have irrevocably surrendered the owner's Units for redemption and appointed such CDS Participant to act as the owner's exclusive settlement agent with respect to the exercise of the redemption privilege and the receipt of payment in connection with the settlement of obligations arising from such exercise.

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

Resale of Units Tendered for Redemption

The Fund has entered into an agreement (a "Recirculation Agreement") with RBC Dominion Securities Inc. (the "Recirculation Agent") whereby the Recirculation Agent has agreed to use commercially reasonable efforts to find purchasers for any Units tendered for redemption prior to the relevant Redemption Date, provided that the holder of the Units so tendered has not withheld consent thereto. The Fund may, but is not obligated to, require the Recirculation Agent to seek such purchasers and, in such event, the amount to be paid to the Unitholder on the applicable Redemption Payment Date will be an amount equal to the proceeds of the sale of the Units less any applicable commission, provided that such amount will not be less than the applicable redemption price described above.

Subject to the Fund's right to require the Recirculation Agent to use commercially reasonable efforts to find purchasers for any Units tendered for redemption prior to the relevant Redemption Date, any and all Units which have been surrendered to the Fund for redemption are deemed to be outstanding until (but not after) the close of business on the relevant Redemption Date, unless not redeemed thereon, in which event such Units will remain outstanding.

Suspension of Redemptions

Mulvihill may direct the Fund's registrar and transfer agent, with notice to the Trustee, to suspend the redemption of Units or payment of redemption proceeds: (a) during any period when normal trading is suspended on the TSX; or (b) with the prior permission of the securities regulatory authorities (if required), for any period not exceeding 120 days during which Mulvihill determines that conditions exist which render impractical the sale of assets of the Fund or which impair the ability of the Manager to determine the value of the assets of the Fund. The suspension may, in the discretion of the Manager, apply to all requests for redemption received prior to the suspension but as to which payment has not been made, as well as to all requests received while the suspension is in effect. All Unitholders making such requests shall be advised by Mulvihill of the suspension and that the redemption will be effected at a price determined on the first applicable Redemption Date following the termination of the suspension. All such Unitholders shall have and shall be advised that they have the right to withdraw their requests for redemption. The suspension shall terminate in any event on the first day on which the condition giving rise to the suspension has ceased to exist provided that no other condition under which a suspension is authorized then exists. To the extent not inconsistent with official rules and regulations promulgated by any government body having jurisdiction over the Fund, any declaration of suspension made by Mulvihill shall be conclusive.

Purchase for Cancellation

Subject to applicable law, the Fund may at any time or times purchase Units for cancellation at prices not exceeding the last published NAV per Unit immediately prior to such purchase.

Normal Course Issuer Bid

Under the terms of a normal course issuer bid that expired on May 8, 2009, the Fund could purchase up to a maximum of 80,093 Units. No Units were purchased by the Fund pursuant to the bid.

BOOK-ENTRY ONLY SYSTEM

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

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

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

UNITHOLDER MATTERS

Meetings of Unitholders

A meeting of Unitholders of the Fund may be convened by Mulvihill or the Trustee at any time and must be convened if requisitioned by the holders of not less than 10% of the Units then outstanding by a written requisition specifying the purpose of the meeting. Not less than 21 days’ notice will be given of any meeting of Unitholders. The quorum at any such meeting is two Unitholders present in person or by proxy and representing not less than 10% of the Units then outstanding. If no quorum is present at such meeting when called, the meeting, if called on the requisition of Unitholders, will be terminated and otherwise will be adjourned for not less than 10 days and at the adjourned meeting the Unitholders then present in person or represented by proxy will form the necessary quorum. At any such meeting, each Unitholder will be entitled to one vote for each whole Unit registered in the Unitholder’s name.

The Fund does not intend to hold annual meetings of Unitholders.

Matters Requiring Unitholder Approval

Pursuant to the Trust Agreement, the following matters require the approval of Unitholders by a two-thirds majority vote (other than items (e), (f) and (g) which require approval by a simple majority vote) at a meeting called and held for such purpose:

- (a) a change in the fundamental investment objectives of the Fund;
- (b) a change in the investment restrictions of the Fund;
- (c) any change in the basis of calculating fees or other expenses that are charged to the Fund which could result in an increase in charges to the Fund;
- (d) a change of the manager, any investment manager or trustee of the Fund, other than to an affiliate of such person and except as described herein;
- (e) a decrease in the frequency of calculating the NAV per Unit or of redeeming Units;
- (f) a reorganization with, or transfer of assets to, another investment fund, if:
 - (i) the Fund ceases to continue after the reorganization or transfer of assets; and
 - (ii) the transaction results in Unitholders becoming security holders in the other investment fund;

- (g) a reorganization with, or acquisition of assets of, another investment fund, if:
 - (i) the Fund continues after the reorganization or acquisition of assets;
 - (ii) the transaction results in the security holders of the other investment fund becoming Unitholders of the Fund; and
 - (iii) the transaction would be a material change to the Fund;
- (h) a termination of the Investment Management Agreement, except as described herein;
- (i) an extension of the Fund beyond December 31, 2014; and
- (j) an amendment, modification or variation in the provisions or rights attaching to the Units.

The auditors of the Fund may be changed without the prior approval of Unitholders provided that the independent review committee of the Fund approves the change and Unitholders are sent a written notice at least 60 days before the effective date of the change.

Amendments to the Trust Agreement

Mulvihill and the Trustee may, without the approval of or notice to Unitholders, amend the Trust Agreement for certain limited purposes specified therein, including to:

- (a) remove any conflicts or other inconsistencies which may exist between any terms of the Trust Agreement and any provisions of any law or regulation applicable to or affecting the Fund;
- (b) make any change or correction in the Trust Agreement which is of a typographical nature or is required to cure or correct any ambiguity or defective or inconsistent provision, clerical omission, mistake or manifest error contained therein;
- (c) bring the Trust Agreement into conformity with applicable laws, rules and policies of Canadian securities regulators or with current practice within the securities industry, provided that any such amendment does not adversely affect the pecuniary value of the interest of any Unitholder;
- (d) maintain the status of the Fund as a “mutual fund trust” for the purposes of the Tax Act; or
- (e) provide added protection to Unitholders.

Except for changes to the Trust Agreement which require the approval of Unitholders or the changes described above which do not require approval or prior notice to Unitholders, the Trust Agreement may be amended from time to time by Mulvihill and the Trustee upon not less than 30 days’ prior written notice to Unitholders.

Reporting to Unitholders

The Fund will furnish annual and semi-annual financial statements of the Fund to Unitholders in accordance with applicable laws.

INVESTMENT RESTRICTIONS

The Fund is subject to certain investment restrictions that, among other things, limit the securities it may acquire for its portfolio. The Fund’s investment restrictions may not be changed without the approval of Unitholders by a two-thirds majority vote at a meeting called for such purpose. See “Unitholder Matters – Matters Requiring Unitholder Approval”. The Fund’s investment restrictions provide that the Fund may:

- (a) purchase equity securities, provided that:

- (i) at least 80% of the net assets of the Fund are, at any time, invested in common shares of issuers (other than income trusts) selected from the energy, financials or materials sector of the S&P/TSX 60 Index, as such index may be modified, reconstituted or replaced from time to time;
- (ii) not more than 20% of the net assets of the Fund are, at any time, invested in securities of issuers (other than those described in (i), above) selected from the S&P/TSX Composite Index, as such index may be modified, reconstituted or replaced from time to time; and
- (iii) after such purchase, no more than 10% of the NAV of the Fund is invested in the securities of any one issuer;
- (b) purchase cash equivalents;
- (c) write a call option in respect of a security only if such security is actually held by the Fund at the time the option is written;
- (d) not dispose of any security that is subject to a call option written by the Fund unless such option has either terminated or expired;
- (e) write put options in respect of any security only if (i) the Fund is permitted to invest in such security, and (ii) so long as the options are exercisable, the Fund continues to hold cash equivalents sufficient to acquire the securities underlying the options at the aggregate strike price of such options;
- (f) reduce the total amount of cash equivalents held by the Fund only if the total amount of cash equivalents held by the Fund remains an amount not less than the aggregate strike price of all outstanding put options written by the Fund;
- (g) purchase put options on securities and indexed put options and purchase put options and call options with the effect of closing out existing call options and put options written by the Fund;
- (h) lend portfolio securities pursuant to the terms of a Securities Lending Agreement;
- (i) not undertake any activity, take any action, omit to take any action or make or hold any investment that would result in the Fund failing to qualify as a “mutual fund trust” within the meaning of the Tax Act;
- (j) not enter into any arrangement (including the acquisition of securities for its portfolio and the writing of covered call options in respect thereof) where the result is a dividend rental arrangement for the purposes of the Tax Act;
- (k) not make or hold any investment that would result in the Fund becoming a “SIFT trust” within the meaning of subsection 122.1(1) of the Tax Act;
- (l) not invest in any security that would be a “tax shelter investment” within the meaning of the Tax Act; and
- (m) not acquire or hold any property that is “taxable Canadian property” within the meaning of the Tax Act or that will otherwise constitute “specified property” within the meaning of the proposed amendments to the Tax Act announced on September 16, 2004 (or amendments to such proposals, provisions as enacted into law or successor provisions thereto).

The S&P/TSX 60 Index and the S&P/TSX Composite Index are maintained by Standard & Poor’s, a division of The McGraw-Hill Companies, Inc. (“Standard & Poor’s”). Standard & Poor’s is not under any obligation to maintain the S&P/TSX 60 Index or the S&P/TSX Composite Index. If either the S&P/TSX 60 Index or the S&P/TSX Composite Index ceases to be maintained, the Fund may take such action as the Manager, in its sole discretion, determines to continue to operate the Fund in accordance with its investment objectives and investment strategy, including

replacing the S&P/TSX 60 Index or the S&P/TSX Composite Index, as the case may be, with an equivalent substitute index.

CALCULATION OF NET ASSET VALUE

Calculation of Net Asset Value and NAV per Unit

The NAV of the Fund on a particular date will be equal to the aggregate value of the assets of the Fund less the aggregate value of the liabilities of the Fund, including any income, net realized capital gains or other amounts payable to Unitholders on or before such date which have not been paid as of such date. For greater certainty, any future tax assets of the Fund will not be treated as assets for these purposes.

The NAV per Unit on any day will be obtained by dividing the NAV of the Fund on such day by the number of Units then outstanding.

The Fund has obtained relief in each of the provinces of Canada from certain of the provisions of National Policy Statement No. 39 (“NP 39”) (the predecessor of NI 81-102 and National Instrument 81-106 – *Investment Fund Continuous Disclosure*), including section 11.05 thereof. At the time of the Fund’s initial public offering, section 11.05 of NP 39 required the net asset value of an investment fund that used permitted derivatives to be calculated on a daily basis. The decision provides that the Fund may calculate its NAV once each week.

In general, the NAV per Unit will be calculated as of 4 p.m. (Toronto time) every Thursday, other than the last week of the month, in which case the NAV per Unit will be calculated as of 4 p.m. (Toronto time) on the last day of the month. If a valuation date is not a business day, then the securities in the Fund’s portfolio will be valued as if such valuation date were the preceding business day.

Valuation Policies and Procedures

In determining the NAV of the Fund at any time:

- (a) the value of any security, index futures or index options thereon that is listed on any recognized exchange shall be determined by the closing sale price at the valuation time or, if there is no closing sale price, the average between the closing bid and the closing asked price on the day on which the NAV is being determined, all as reported by any report in common use or authorized as official by a recognized stock exchange; provided that if such stock exchange is not open for trading on that date, then on the last previous date on which such stock exchange was open for trading;
- (b) where a covered clearing corporation option, option on futures or over-the-counter option is written, the premium received by the Fund shall be reflected as a deferred credit that shall be valued at an amount equal to the current market value of the clearing corporation option, option on futures or over-the-counter option that would have the effect of closing the position. Any difference resulting from revaluation of such options shall be treated as an unrealized gain or loss on investment. The deferred credit shall be deducted in arriving at the NAV. The securities, if any, which are the subject of a written clearing corporation option, or over-the-counter option shall be valued at their then current market value;
- (c) purchased or written clearing corporation options, options on futures, over-the-counter options, debt-like securities and listed warrants shall be valued at the current market value thereof;
- (d) the value of any cash on hand, on deposit or on call, prepaid expenses, cash dividends declared and interest accrued and not yet received, shall be deemed to be the face amount thereof, unless the Fund determines that any such deposit or call loan is not worth the face amount thereof, in which event the value thereof shall be deemed to be such value as the Fund determines to be the reasonable value thereof;
- (e) the value of a futures contract or a forward contract shall be the gain or loss with respect thereto that would be realized if, at the valuation time, the position in the futures contract or the forward contract were to be closed out unless daily limits are in effect in which case fair value shall be based on the current market value of the underlying interest;

- (f) margin paid or deposited in respect of futures contracts and forward contracts shall be reflected as an account receivable and margin consisting of assets other than cash shall be noted as held as margin;
- (g) the value of any bonds, debentures, and other debt obligations shall be valued by taking the average of the bid and ask prices on the valuation date at such times as the Fund, in its discretion, deems appropriate. Short-term investments including notes and money market instruments shall be valued at cost plus accrued interest;
- (h) the value of any security, the resale of which is restricted or limited, shall be the lesser of the value thereof based on reported quotations in common use and that percentage of the market value of securities of the same class, the trading of which is not restricted or limited by reason of any representation, undertaking or agreement or by law, equal to the percentage that the Fund's acquisition cost was of the market value of such securities at the time of acquisition; provided that a gradual taking into account of the actual value of the securities may be made where the date on which the restriction will be lifted is known;
- (i) securities of any unlisted underlying fund held by the Fund will be valued at the net asset value of such securities as provided by such fund from time to time;
- (j) all Fund property valued in a foreign currency and all liabilities and obligations of the Fund payable by the Fund in foreign currency shall be converted into Canadian dollars by applying the rate of exchange obtained from the best available sources to the Fund, including, but not limited to, the Fund or any of its affiliates;
- (k) all expenses or liabilities (including fees payable to the Fund) of the Fund shall be calculated on an accrual basis; and
- (l) the value of any security or property to which, in the opinion of the Fund, the above valuation principles cannot be applied shall be the fair value thereof determined in such manner as the Fund from time to time provides.

The above principles are used to calculate NAV for all purposes other than financial statement reporting. With respect to financial reporting, the *Canadian Institute of Chartered Accountants Handbook* (the "CICA Handbook") requires that portfolio securities in an active market be valued using the latest available bid price. The primary differences between the valuation policy of the Fund and the approach in the CICA Handbook is that the Fund will generally determine the fair value of its equity securities traded on a stock exchange by using the closing price on the exchange. For bonds, debentures and other debt obligations (excluding money-market instruments), the Fund will generally use the average of the bid and ask prices to determine the fair value.

RESPONSIBILITY FOR OPERATIONS

The Manager

Pursuant to the Trust Agreement, Mulvihill is the manager of the Fund and, as such, is responsible for providing or arranging for required administrative services to the Fund including, without limitation: authorizing the payment of operating expenses incurred on behalf of the Fund; preparing financial statements and financial and accounting information as required by the Fund; ensuring that Unitholders are provided with financial statements (including interim and annual financial statements) and other reports as are required by applicable law from time to time; ensuring that the Fund complies with regulatory requirements and applicable stock exchange listing requirements; preparing the Fund's reports to Unitholders and the Canadian securities regulatory authorities; providing the Trustee with information and reports necessary for it to fulfil its fiduciary responsibilities; determining the amount of distributions to be made by the Fund; and negotiating contractual agreements with third-party providers of services, including registrars, transfer agents, auditors and printers.

Mulvihill shall exercise the powers and discharge the duties of its office honestly, in good faith and in the best interests of Unitholders, and in connection therewith, shall exercise the degree of care, diligence and skill that a reasonably prudent manager would exercise in similar circumstances.

Mulvihill may resign as manager of the Fund upon 60 days' notice to the Fund and to the Unitholders or upon such lesser notice period as the Trustee may accept. If Mulvihill resigns it may appoint its successor but, unless its successor is an affiliate of Mulvihill, its successor must be approved by Unitholders. If Mulvihill is in material default of its obligations under the Trust Agreement and such default has not been cured within 30 days after notice of the same has been given to Mulvihill, the Trustee shall give notice thereof to Unitholders and the Unitholders may direct the Trustee to remove Mulvihill and appoint a successor manager.

Mulvihill is entitled to fees for its services under the Trust Agreement and will be reimbursed for all reasonable costs and expenses incurred by Mulvihill on behalf of the Fund. In addition, Mulvihill and each of its directors, officers, employees and agents will be indemnified by the Fund for all liabilities, costs and expenses incurred in connection with any action, suit or proceeding that is proposed or commenced or other claim that is made against Mulvihill or any of its officers, directors, employees or agents in the exercise of its duties as manager, except those resulting from Mulvihill's wilful misconduct, bad faith, negligence or breach of its obligations under the Trust Agreement.

The management services of Mulvihill under the Trust Agreement are not exclusive and nothing in the Trust Agreement prevents Mulvihill from providing similar management services to other investment funds and other clients (whether or not their investment objectives and policies are similar to those of the Fund) or from engaging in other activities.

The Investment Manager

MCM manages the Fund's investment portfolio in a manner consistent with the investment objectives, strategy and criteria of the Fund pursuant to an investment management agreement (the "Investment Management Agreement") made between Mulvihill as manager and on behalf of the Fund and MCM dated August 30, 1999, as amended from time to time.

MCM was incorporated in 1984 by The Canada Trust Company under the name CT Investment Counsel Inc. ("CTIC") to manage the institutional pension fund business of The Canada Trust Company. In 1985, The Canada Trust Company and The Canada Permanent Trust Company amalgamated resulting in all of the pension assets managed by The Canada Permanent Trust Company being transferred to CTIC management. In addition, the investment professionals of The Canada Permanent Trust Company joined the CTIC team.

In February 1995, John P. Mulvihill purchased 100% of CTIC from The Canada Trust Company and changed CTIC's name to Mulvihill Capital Management Inc.

All the individuals on the team responsible for investment management at MCM have significant experience in managing investment portfolios. The officers of MCM who are primarily responsible for the management of the Fund's portfolio are John P. Mulvihill and John Germain. Also assisting in the management of the portfolio are Dylan D'Costa, Jeff Dobson, Peggy Shiu and Jack Way.

John P. Mulvihill, Chairman, President, Chief Executive Officer, Secretary and Sole Director of MCM, is the senior portfolio manager of MCM and has over 30 years of investment management experience. Prior to purchasing CTIC from The Canada Trust Company in 1995, Mr. Mulvihill had been Chairman of CTIC since 1988. At CTIC he had primary responsibility for the asset allocation and portfolio management of CTIC's pension and mutual fund assets.

John Germain, Senior Vice-President, has been with MCM and the Structured Products Team since March 1997. Prior to joining MCM, he had been employed at Merrill Lynch Canada Inc. since 1992. For the last two years of his employment at Merrill Lynch Canada Inc., he was a member of the Fixed Income Trading Group.

Dylan D'Costa, Portfolio Manager, has been with MCM and the Structured Products Team since January 2001 where he has worked extensively on valuing, pricing and trading equity options. Prior to joining MCM, he had been employed at CIBC Mellon where he worked with the valuations group.

Jeff Dobson, Portfolio Manager, joined MCM in April 2001 after nearly 16 years at Scotia Capital. He brings extensive experience in portfolio management, especially in the use of equity options. His most recent position prior to joining MCM involved managing a portfolio comprised of equity options, their underlying stocks, as well as equity index derivatives.

Peggy Shiu, Vice-President, has been with MCM since April 1995. She is a member of the investment management team and has extensive experience in the Canadian, U.S. and ADR (American Depository Receipt) equity markets.

Jack Way, Vice-President, has been with MCM since August 1998 and brings an extensive background in asset management with over 23 years of experience as an investment manager during which he spent considerable time working in the U.S. market.

Investment Management Agreement

The services provided by MCM pursuant to the Investment Management Agreement include making all investment decisions for the Fund and managing the call option writing and put option writing of the Fund, all in accordance with the investment objectives, strategy and criteria of the Fund. Decisions as to the purchase and sale of securities and as to the execution of all portfolio and other transactions will be made by MCM. In the purchase and sale of securities for the Fund and the writing of option contracts, MCM will seek to obtain overall services and prompt execution of orders on favourable terms.

Under the Investment Management Agreement, MCM is required to act at all times on a basis which is fair and reasonable to the Fund, to act honestly and in good faith with a view to the best interests of the Unitholders of the Fund and, in connection therewith, to exercise the degree of care, diligence and skill that a reasonably prudent portfolio manager would exercise in comparable circumstances. The Investment Management Agreement provides that MCM shall not be liable in any way for any default, failure or defect in any of the securities of the Fund, nor shall it be liable if it has satisfied the duties and standard of care, diligence and skill set forth above. MCM will, however, incur liability in cases of wilful misfeasance, bad faith, negligence or breach of its obligations under the Investment Management Agreement.

The Investment Management Agreement, unless terminated as described below, will continue in effect until the termination of the Fund on the Termination Date. The Trustee may terminate the Investment Management Agreement if MCM has committed certain events of bankruptcy or insolvency or is in material breach or default of the provisions thereof and such breach has not been cured within 30 days after notice thereof has been given to MCM by the Trustee. Except as described above, MCM cannot be terminated as investment manager of the Fund.

Except as set out below, MCM may not terminate the Investment Management Agreement or assign the same except to an affiliate of MCM, without Unitholder approval. MCM may terminate the Investment Management Agreement if the Fund is in material breach or default of the provisions thereof and such breach or default has not been cured within 30 days of notice of the same to the Trustee or if there is a material change in the fundamental investment objectives, strategy or criteria of the Fund.

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

MCM is entitled to fees for its services under the Investment Management Agreement and will be reimbursed for all reasonable costs and expenses incurred by MCM on behalf of the Fund. In addition, MCM and each of its directors, officers, employees and agents will be indemnified by the Fund for all liabilities, costs and expenses incurred in connection with any action, suit or proceeding that is proposed or commenced or other claim that is made against MCM or any of its officers, directors, employees or agents in the exercise of its duties as investment manager, except those resulting from MCM's wilful misconduct, bad faith, negligence or breach of its obligations under the Investment Management Agreement and provided the Fund has reasonable grounds to believe the action or inaction that gave rise to such claim was in the best interests of the Fund.

Independent Review Committee

National Instrument 81-107 – *Independent Review Committee for Investment Funds* (“NI 81-107”) requires all publicly offered investment funds, including the Fund, to establish an independent review committee to whom the manager of the fund must refer all conflict of interest matters for review or approval. NI 81-107 also imposes obligations upon the manager to establish written policies and procedures for dealing with conflict of interest matters, maintain records in respect of those matters and provide assistance to the independent review committee in carrying out its functions. The independent review committee is required to conduct regular assessments and provide reports to the manager and securityholders in respect of its activities.

The members of the independent review committee (the “IRC”) of the Fund and the other Funds managed by Mulvihill are Michael M. Koerner, Robert W. Korthals and Robert G. Bertram.

The Fund and the other investment funds managed by the Manager (collectively, the “Mulvihill Funds”) compensate the members of the IRC for their services. The Manager allocates such compensation among the Mulvihill Funds on an equitable and reasonable basis. The compensation paid by the Fund to the members of the IRC for the year ended December 31, 2009 was \$6,514.

The Advisory Board

The Fund has established an advisory board (the “Advisory Board”) currently consisting of five members appointed by Mulvihill to assist Mulvihill in performing its services under the Trust Agreement. The following are the names, municipalities of residence and principal occupations of each member of the Advisory Board of the Fund:

<i>Name and Municipality of Residence</i>	<i>Principal Occupation</i>
John P. Mulvihill Toronto, Ontario	Chairman, President, Chief Executive Officer, Secretary and Director, MCM
Michael M. Koerner ⁽¹⁾ Toronto, Ontario	President, Canada Overseas Investments, Ltd. (private investment company)
Robert W. Korthals ⁽¹⁾ Toronto, Ontario	Corporate Director
Robert G. Bertram ⁽¹⁾ Aurora, Ontario	Corporate Director
Sheila S. Szela Toronto, Ontario	Vice-President, Finance and Chief Financial Officer, MCM

(1) Independent of the Manager.

During the past five years all of the Advisory Board members have held the principal occupations noted opposite their respective names, or other occupations with their current employer or a predecessor company with the exception of Robert G. Bertram, who served as Executive Vice President of the Ontario Teachers’ Pension Plan Board from 1990 until 2008. The independent Advisory Board members are paid an annual fee of \$5,000 and a fee for each Advisory Board meeting attended of \$300. All fees and expenses of the Advisory Board are paid by the Fund.

Each member of the Advisory Board, other than Mr. Koerner, Ms. Szela and Mr. Bertram, has served as a member of the Advisory Board since its initial public offering. Mr. Koerner became an Advisory Board member on June 16, 2000, Ms. Szela became an Advisory Board member on November 23, 2004 and Mr. Bertram became an Advisory Board member on January 1, 2009. Each member of the Advisory Board has been appointed by the Manager and will serve until his or her successor is appointed.

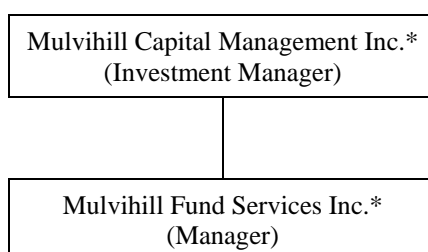
Directors and Officers of the Manager

The name and municipality of residence, position held with Mulvihill and current principal occupation of each of the directors and officers of Mulvihill are as follows:

<i>Name and Municipality of Residence</i>	<i>Office or Position with Mulvihill</i>	<i>Principal Occupation</i>
John P. Mulvihill Toronto, Ontario	Chairman, President, Chief Executive Officer, Secretary and Director	Chairman, President, Chief Executive Officer, Secretary and Director, MCM
Sheila S. Szela Toronto, Ontario	Chief Financial Officer and Director	Vice-President, Finance and Chief Financial Officer, MCM
John Germain Toronto, Ontario	Director	Senior Vice-President, MCM

Each of the foregoing individuals has held his or her current office or has held a similar office with Mulvihill or an affiliate during the five years preceding the date hereof.

MCM owns the sole outstanding share of Mulvihill, as shown below.



* Fees received by these entities from the Fund are disclosed in the audited financial statements of the Fund.

As of March 30, 2010, John P. Mulvihill owned of record and beneficially 95,073 shares (100%) of MCM Group Holdings Inc., the sole shareholder of MCM.

CORPORATE GOVERNANCE

The Advisory Board of the Fund is responsible for the overall stewardship of the Fund's business and affairs. Mulvihill, the Fund's manager, administers many functions associated with the operations of the Fund pursuant to the Trust Agreement. Under this agreement, the Manager is responsible for certain day to day operations of the Fund including the payment of distributions on its Units and attending to the redemption of Units in accordance with their terms.

The Advisory Board consists of five members, three of whom are independent of the Manager. The Fund believes that the number of Advisory Board members is appropriate for the Fund and only members independent of the Manager are compensated. Amounts paid as compensation are reviewed for adequacy to ensure that they realistically reflect the responsibilities and risk involved in being an effective member of the Advisory Board. Individual members may engage an outside advisor at the expense of the Fund in appropriate circumstances subject to the approval of the Fund.

The Advisory Board is responsible for developing the Fund's approach to governance issues and, together with the Investment Manager, is evolving a best practices governance procedure. The Fund maintains an Investor Relations line and website to respond to inquiries from Unitholders.

Mulvihill has adopted policies, procedures and guidelines concerning the governance of the Fund and to ensure the proper management of the Fund. These policies, procedures and guidelines aim to monitor and manage the business, risks and internal conflicts of interest relating to the Fund, and to ensure compliance with regulatory and corporate requirements.

In addition, MCM has an asset mix committee consisting of the following individuals: John Mulvihill, John Germain, Jack Way, Peggy Shiu and John Mulvihill, Jr. The investment process for the Fund begins at the asset mix committee. Members of this committee meet monthly to examine macro-economic variables and relationships among dominant economic factors. This process culminates in an outlook for the various capital markets around the world and provides the fundamental basis for MCM's long-term market outlook. These views are integrated into the investment decision making process at the portfolio management level. The asset mix committee of MCM oversees investment decisions made by the portfolio managers of the Fund and reports to John Mulvihill, the sole director and chairman, president, chief executive officer and secretary of MCM.

The Fund may use derivatives as permitted by the policies of Canadian securities authorities and consistent with the investment objectives and restrictions of the Fund and with the investment policies set by the asset mix committee of MCM. Policies, procedures and guidelines regarding investing in derivatives, including objectives and goals for derivatives trading and the risk management procedures applicable to such trading are reviewed by Mulvihill on a regular basis. If the Fund uses derivatives, it will hold enough assets to cover any obligations it has under the derivative contracts. The exposure of the Fund to derivatives is monitored daily by senior management.

Mulvihill and MCM also employ certain risk assessment tools including mark to market valuing of securities, reporting and monitoring of securities exposure and reconciliations of security transactions.

Because Unitholders may only redeem their Units on notice for payment not more frequently than monthly, they cannot engage in short-term trading of the Fund's securities with the Fund and the Fund has no policies and procedures in relation to such activities.

Proxy Voting Policy

The Fund has adopted the following proxy guidelines (the "Proxy Guidelines") with respect to the voting of proxies received by it relating to voting securities held by the Fund. The Proxy Guidelines establish standing policies and procedures for dealing with routine matters, as well as the circumstances under which deviations may occur from such standing policies. A general description of certain such policies is outlined below.

(a) *Auditors*

The Fund will generally vote for proposals to ratify auditors except where non-audit-related fees paid to such auditors exceed audit-related fees.

(b) *Board of Directors*

The Fund will vote for nominees of management on a case-by-case basis, examining the following factors: independence of the board and key board committees, attendance at board meetings, corporate governance positions, takeover activity, long-term company performance, excessive executive compensation, responsiveness to shareholder proposals and any egregious board actions. The Fund will generally withhold votes from any nominee who is an insider and sits on the audit committee or the compensation committee. The Fund will also withhold support from those individual nominees who have attended fewer than 75% of the board meetings held within the past year without a valid excuse for these absences.

(c) *Compensation Plans*

The Fund will vote on matters dealing with share-based compensation plans on a case-by-case basis. The Fund will review share-based compensation plans with a primary focus on the transfer of shareholder wealth. The Fund will generally vote for compensation plans only where the cost is within the industry maximum except where (i) participation by outsiders is discretionary or excessive or the plan does not include reasonable limits on participation or (ii) the plan provides for option re-pricing without shareholder approval. The Fund will generally also vote against any proposals to re-price options, unless such re-pricing is part of a broader plan amendment that substantially improves the plan and provided that (i) a value-for-value exchange is proposed; (ii) the top five paid officers are excluded; and (iii) exercised options do not go back into the plan or the company commits to an annual burn rate cap.

(d) *Management Compensation*

The Fund will vote on employee stock purchase plans (“ESPPs”) on a case-by-case basis. The Fund will generally vote for broadly based ESPPs where all of the following apply: (i) there is a limit on employee contribution; (ii) the purchase price is at least 80% of fair market value; (iii) there is no discount purchase price with maximum employer contribution of up to 20% of employee contribution; (iv) the offering period is 27 months or less; and (v) potential dilution is 10% of outstanding securities or less. The Fund will also vote on a case-by-case basis for shareholder proposals targeting executive and director pay, taking into account the issuer’s performance, absolute and relative pay levels as well as the wording of the proposal itself. The Fund will generally vote for shareholder proposals requesting that the issuer expense options or that the exercise of some, but not all options be tied to the achievement of performance hurdles.

(e) *Capital Structure*

The Fund will vote on proposals to increase the number of securities of an issuer authorized for issuance on a case-by-case basis. The Fund will generally vote for proposals to approve increases where the issuer’s securities are in danger of being de-listed or if the issuer’s ability to continue to operate is uncertain. The Fund will generally vote against proposals to approve unlimited capital authorization.

(f) *Constituting Documents*

The Fund will generally vote for changes to constituting documents that are necessary and can be classified as “housekeeping”. The following amendments will be opposed:

- (i) the quorum for a meeting of shareholders is set below two persons holding 25% of the eligible vote (this may be reduced in the case of a small organization where it clearly has difficulty achieving quorum at a higher level, but the Fund will oppose any quorum below 10%);
- (ii) the quorum for a meeting of the board of directors should not be less than 50% of the number of directors; and
- (iii) the chair of the board has a casting vote in the event of a deadlock at a meeting of directors if that chair is not an independent director.

The Proxy Guidelines also include policies and procedures pursuant to which the Fund will determine how to cause proxies to be voted on non-routine matters including shareholder rights plans, proxy contests, mergers and restructurings and social and environmental issues.

The Proxy Guidelines apply to proxy votes that present a conflict between the interests of Mulvihill, MCM or an entity related thereto, on the one hand, and the interests of the securityholders of the Fund, on the other.

The Fund has retained ISS Governance Services, a subsidiary of RiskMetrics Group to administer and implement the Proxy Guidelines for the Fund.

The Proxy Guidelines are available upon request at no cost by calling toll-free at 1-800-725-7172 or by e-mail at hybrid@mulvihill.com.

The Fund maintains annual proxy voting records for the period beginning July 1 and ending June 30 of each year. These records are available after August 31 of each year at no cost by calling toll-free 1-800-725-7172 or on Mulvihill's website at www.mulvihill.com.

BROKERAGE ARRANGEMENTS

The Investment Manager has been delegated authority to determine the brokerage arrangements of the Fund. Decisions that the Investment Manager may make as to the purchase and sale of portfolio securities and the execution of portfolio transactions for the Fund, including the selection of markets and dealers and the negotiation of commissions, are based on elements such as price, speed of execution, certainty of execution and total transactions costs.

During the year, certain companies provided investment decision-making services to the Manager and the Investment Manager. These included access to news wire services, real time and historical data, analyses and reports concerning various securities, company-specific research and opinions, quantitative and fundamental analyses, as well as trade execution and analyses through traditional and electronic trading platforms. The following companies provided such services: Bloomberg Tradebook Canada Company, Bloomberg Tradebook LLC, BMO Capital Markets Corp., CIBC World Markets Inc., Citigroup Global Markets Inc., International Strategy & Investment Group Inc., Merrill Lynch Canada Inc., National Bank Financial Inc., RBC Capital Markets Corporation, Sanford C. Bernstein & Co., LLC, TD Securities Inc. and UBS Securities Canada Inc.

TRUSTEE AND CUSTODIAN

RBC Dexia Investor Services Trust, as successor to The Royal Trust Company, is the trustee of the Fund and acts as custodian of the assets of the Fund under the Trust Agreement. Pursuant to the terms of the Trust Agreement, the assets of the Fund may also be held by subcustodians.

The Trustee is responsible for certain aspects of the day-to-day administration of the Fund as described in the Trust Agreement, including calculating NAV, net income and net realized capital gains of the Fund and maintaining the books and records of the Fund in relation to its portfolio.

The Trustee may resign upon 60 days' notice to Unitholders and Mulvihill or such lesser notice as Mulvihill may accept. The Trustee may be removed with the approval of a two-thirds majority vote cast at a meeting of Unitholders called for such purpose or by Mulvihill in the event the Trustee has committed certain events of bankruptcy or insolvency or is in material breach or default of its obligations under the Trust Agreement which breach has not been cured within 30 days after notice thereof has been given to the Trustee. Any such resignation or removal shall become effective only upon the acceptance of appointment by a successor. If the Trustee resigns or is removed by Mulvihill, its successor may be appointed by Mulvihill. The successor must be approved by Unitholders if the Trustee is removed by Unitholders. If no successor has been appointed within 60 days, the Trustee or any Unitholder may apply to a court of competent jurisdiction for the appointment of a successor.

The address of the Trustee is 155 Wellington Street West, Toronto, Ontario, M5V 3L3.

The Trustee receives fees from the Fund for acting as trustee and custodian of the assets of the Fund and performing certain administrative services under the Trust Agreement and is reimbursed for all expenses and liabilities which are properly incurred by the Trustee in connection with the activities of the Fund.

REGISTRAR AND TRANSFER AGENT

Computershare Investor Services Inc. at its principal offices in Toronto is the registrar and transfer agent for the Units. The register of the Fund is kept in Toronto, Ontario.

AUDITORS

The auditors of the Fund are Deloitte & Touche LLP, Bay Wellington Tower - Brookfield Place, 181 Bay Street, Suite 1400, Toronto, Ontario, M5J 2V1.

TERMINATION OF THE FUND

The Fund will terminate (the date on which the Fund is terminated being the “Termination Date”) on December 31, 2014. Unitholders may determine to continue the Fund by a majority vote at a meeting called for such purpose. In addition, the Manager, may, in its discretion, terminate the Fund without the approval of Unitholders if, in the opinion of the Manager after consulting with the Advisory Board, the NAV of the Fund has been reduced as a result of redemptions or otherwise such that it is no longer economically feasible to continue the Fund and it would be in the best interests of Unitholders to terminate the Fund. In such circumstances, the Manager will provide at least 30 and no more than 60 days’ notice to Unitholders of the Termination Date and will issue a press release at least 10 days in advance thereof.

The Fund will be terminated if the Manager resigns or is removed and no successor has been appointed within 60 days.

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

INCOME TAX CONSIDERATIONS

The following is, at the date hereof, a summary of the principal Canadian federal income tax considerations generally relevant to holders of Units who are individuals (other than trusts) and who, for purposes of the Tax Act, are resident in Canada, deal at arm’s length with the Fund, are not affiliated with the Fund, and hold their Units as capital property. Generally, Units will be considered to be capital property to a holder provided the holder does not hold the Units in the course of carrying on a business and has not acquired them in one or more transactions considered to be an adventure in the nature of trade. Certain holders who might not otherwise be considered to hold their Units as capital property may, in certain circumstances, be entitled to have their Units and all other “Canadian securities” owned or subsequently owned by them, treated as capital property by making an irrevocable election in accordance with the Tax Act.

This summary is also based on the assumption that the Fund will at all times comply with its investment restrictions and therefore assumes that the Fund will at no time be a SIFT trust as defined in the Tax Act.

This summary is based on the current provisions of the Tax Act and the regulations thereunder, the current published administrative policies and assessing practices of Canada Revenue Agency (“CRA”) and all specific proposals to amend the Tax Act and regulations thereunder publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (such proposals being referred to as the “Tax Proposals”). This summary does not otherwise take into account or anticipate any changes in law, whether by legislative, governmental or judicial action; nor does it take into account other federal or any provincial, territorial or foreign income tax legislation or considerations. There can be no assurance that the Tax Proposals will be enacted in the form publicly announced or at all.

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

Status of the Fund

This summary is based on the assumption that the Fund continues to qualify at all times as a “mutual fund trust” within the meaning of the Tax Act. To qualify as a mutual fund trust, (a) the Fund must be a Canadian resident “unit trust” for purposes of the Tax Act; (b) the only undertaking of the Fund must be the investing of its funds in property (other than certain real property or interests in certain real property); and (c) the Fund must comply with certain minimum requirements respecting the ownership and dispersal of Units.

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

Taxation of the Fund

The Fund will be subject to tax in each taxation year under Part I of the Tax Act on the amount of its income for the year, including net realized taxable capital gains, less the portion thereof that it claims in respect of the amount paid or payable to Unitholders in the year. An amount will be considered to be payable to a Unitholder in a taxation year if it is paid in the year by the Fund or the Unitholder is entitled in that year to enforce payment of the amount.

In computing its income for a taxation year, the Fund will be required to include all dividends received in the year on shares of corporations. It will also be required to include all interest on debt securities it holds that accrues or is deemed to accrue to it to the end of the year, or becomes receivable or is received by it before the end of the year, except to the extent that such interest was included in computing its income for a previous taxation year.

Generally, the Fund will include gains and deduct losses on income account in connection with investments made through derivative securities, except where such derivatives are used to hedge portfolio securities held on capital account, and will recognize such gains and losses for tax purposes at the time they are realized.

Gains or losses realized upon dispositions of portfolio securities of the Fund will constitute capital gains or capital losses of the Fund in the year realized unless the Fund is considered to be trading or dealing in securities or otherwise carrying on a business of buying and selling securities or the Fund has acquired the securities in a transaction or transactions considered to be an adventure in the nature of trade. Accordingly, the Fund will treat gains (or losses) as a result of any disposition of portfolio securities as capital gains (or capital losses) or, depending on the circumstances, may include the full amount of such gains in (or deduct the full amount from) income.

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

Premiums received on covered call options and cash-covered put options written by the Fund that are not exercised prior to the end of the year will constitute capital gains of the Fund in the year received, unless such premiums are received by the Fund as income from a business of buying and selling securities or the Fund has engaged in a transaction or transactions considered to be an adventure in the nature of trade. The Fund will purchase the Fund’s portfolio with the objective of earning dividends thereon over the life of the Fund, will write covered call options with the objective of increasing the yield on the Fund’s portfolio beyond the dividends received on the Fund’s portfolio and will write cash-covered put options to increase returns and to reduce the net cost of purchasing securities upon the exercise of put options. Thus, having regard to the foregoing and in accordance with the CRA’s published administrative practice, option transactions undertaken by the Fund in respect of securities in the Fund’s portfolio will be treated and reported by the Fund as arising on capital account.

Premiums received by the Fund on covered call (or cash-covered put) options that are subsequently exercised will be added in computing the proceeds of disposition (or deducted in computing the adjusted cost base) to the Fund of the securities disposed of (or acquired) by the Fund upon the exercise of such call (or put) options. In addition, where

the premium was in respect of an option granted in a previous year so that it constituted a capital gain of the Fund in the previous year, such capital gain may be reversed.

In computing its income for tax purposes, the Fund may deduct reasonable administrative and other expenses incurred to earn income and not incurred for the purpose of generating capital gains.

The Fund intends to deduct, in computing its income in each taxation year, the full amount available for deduction in each year and, therefore, provided the Fund makes distributions in each year of its net income and net realized capital gains as described under “Distribution Policy”, it will generally not be liable in such year for income tax under Part I of the Tax Act.

Taxation of Holders

A Unitholder will generally be required to include in computing income for a taxation year the amount of the Fund’s net income for the taxation year, including net realized taxable capital gains, paid or payable to the Unitholder in the taxation year including any portion of amounts paid on redemption treated as distributions of income or gains by the Fund. The non-taxable portion of the Fund’s net realized capital gains paid or payable to a Unitholder in a taxation year will not be included in the Unitholder’s income for the year. Any other amount in excess of the Fund’s net income for a taxation year paid or payable to the Unitholder in the year will not generally be included in the Unitholder’s income. Such other amount, however, will generally reduce the adjusted cost base of the Unitholder’s Units. To the extent that the adjusted cost base of a Unit would otherwise be less than zero, the negative amount will be deemed to be a capital gain realized by the Unitholder from the disposition of the Unit and the Unitholder’s adjusted cost base will be increased by the amount of such deemed capital gain.

Provided that appropriate designations are made by the Fund, such portion of: (a) the net realized taxable capital gains of the Fund and (b) dividends (including eligible dividends) received on shares of taxable Canadian corporations, as are paid or payable to a Unitholder will effectively retain their character and be treated as such in the hands of the Unitholder for purposes of the Tax Act. To the extent that amounts are designated as taxable dividends from taxable Canadian corporations, the normal gross-up and dividend tax credit rules applicable to such dividends (including eligible dividends) will apply.

Under the Tax Act, the Fund is permitted to deduct in computing its income for a taxation year an amount that is less than the amount of its distributions for the year. This will enable the Fund to utilize, in a taxation year, losses from prior years. The amount distributed to a Unitholder but not deducted by the Fund will not be included in the Unitholder’s income. However, the adjusted cost base of the Unitholder’s Units will be reduced by such amount.

On the disposition or deemed disposition of a Unit, including a redemption, the Unitholder will realize a capital gain (or capital loss) to the extent that the Unitholder’s proceeds of disposition excluding any portion of amounts paid on redemption treated as distributions of income or gains by the Fund exceed (or are less than) the aggregate of the adjusted cost base of the Unit and any reasonable costs of disposition. For the purpose of determining the adjusted cost base of Units to a Unitholder, when Units are acquired, the cost of the newly acquired Units will be averaged with the adjusted cost base of all Units owned by the Unitholder as capital property immediately before that time.

Where a holder that is a corporation or trust (other than a mutual fund trust) disposes of a Unit, any capital loss of the holder from the disposition will generally be reduced by the amount of dividends previously designated by the Fund to the holder, except to the extent that a loss on a previous disposition of a Unit has been reduced by those dividends. Analogous rules apply where a corporation or trust (other than a mutual fund trust) is a member of a partnership that disposes of Units.

One-half of any capital gains realized on the disposition of Units will be included in the Unitholder’s income and one-half of any capital loss realized may be deducted from taxable capital gains in accordance with the provisions of the Tax Act.

Eligibility for Investment

Provided that the Fund continues to qualify at all times as a mutual fund trust within the meaning of the Tax Act or Units are listed on a “designated stock exchange” for purposes of the Tax Act (which includes the TSX), Units will be qualified investments for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans, registered disability savings plans, registered education savings plans and tax-free savings accounts.

However, if the Units are a “prohibited investment” for a tax-free savings account, the holder of a tax-free savings account that governs a trust that holds Units will be subject to a penalty tax as set out in the Tax Act. An investment in the Units will not generally be a “prohibited investment” unless the holder of a tax-free savings account does not deal at arm’s length with the Fund for purposes of the Tax Act or if the holder has a significant interest (within the meaning of the Tax Act) in the Fund or in a corporation, partnership or trust with which the Fund does not deal at arm’s length for purposes of the Tax Act. Holders of tax-free savings accounts should consult their own tax advisors to ensure that their Units would not be a “prohibited investment” in their particular circumstances.

RISK FACTORS

An investment in the Fund may be deemed to be speculative and involves significant risks. Investors should review closely the investment objectives and investment strategies to be utilized by the Fund to familiarize themselves with the risks associated with an investment in the Fund. The following are certain considerations relating to an investment in the Fund which should also be considered before purchasing its securities.

No Assurances of Achieving Investment Objectives

There is no assurance that the Fund will be able to achieve its distribution or capital preservation objectives. There is no assurance that the Fund will be able to pay monthly distributions to its Unitholders. The funds available for distribution to Unitholders will vary according to, among other things, the dividends and distributions paid on the securities in the Fund’s portfolio, the level of option premiums received and the value of the securities in the Fund’s portfolio. Since the dividends and distributions received by the Fund will not be sufficient to meet the objectives of the Fund in respect of the payment of monthly distributions, the Fund will depend on the receipt of option premiums and the realization of capital gains to meet those objectives. Although many investors and financial market professionals price options based on the Black-Scholes Model, in practice actual option premiums are determined in the marketplace and there is no assurance that the premiums predicted by such a pricing model can be attained.

Portfolio Securities

NAV per Unit will vary as the value of the securities in the Fund’s portfolio varies. At any time, the issuers in the Fund’s portfolio may decide to decrease or discontinue the payment of distributions on their securities. Such a decrease could reduce or result in the cessation of the monthly distributions payable to Unitholders. The Fund has no control over the factors that affect the issuers in its portfolio, such as fluctuations in interest rates, changes in management or strategic direction, achievement of strategic goals, mergers, acquisitions and divestitures and changes in dividend and distribution policies.

Concentration Risk

The Fund will invest in a portfolio principally consisting of common shares selected from the energy, materials and financials sectors of the S&P/TSX 60 Index. The Fund’s holdings will be selected from Portfolio Universe Shares and the other issuers listed in S&P/TSX Composite Index and from time to time may not be diversified.

Equity Risk

Equities such as common shares give the holder part ownership in a company. The value of an equity security changes with the fortunes of the company that issued it. General market conditions and the health of the economy as a whole can also affect equity prices.

Commodity Exposure Risk

Some of the Fund's investments may provide it with indirect exposure to commodities markets. These investments may be subject to greater volatility than other investments of the Fund. The price of a commodity may be affected by changes in overall market movements, commodity index volatility, changes in interest rates, or factors affecting a particular industry or commodity such as drought, floods, weather, livestock disease, embargoes, tariffs and developments of an economic, political or regulatory nature.

Recent Global Financial Developments

Global financial markets have experienced a sharp rise in volatility during recent months. This has been, in part, the result of a revaluation of assets on the balance sheets of international financial institutions and related securities. This has contributed to a reduction in liquidity among financial institutions and has reduced the availability of credit to those institutions and to the issuers who borrow from them. Notwithstanding that central banks as well as global governments are attempting to restore liquidity to the world economy, no assurance can be given that these efforts will abate, in the near to medium term, the combined impact of the significant revaluations and constraints on the availability of credit on economies around the world. Some economies are experiencing diminished growth or a recession. Continuing adverse market conditions and unexpected volatility or illiquidity in financial markets may adversely affect the prospects of the Fund.

Use of Options and Other Derivative Instruments

The Fund is subject to the full risk of its investment position in the securities in its portfolio, including those securities that are subject to outstanding call options and those securities underlying put options written by the Fund, should the market price of such securities decline. In addition, the Fund will not participate in any gain on securities that are subject to outstanding call options above the strike price of the options.

The use of options may have the effect of limiting or reducing the total returns of the Fund if MCM's expectations concerning future events or market conditions prove to be incorrect. In such circumstances, the Fund may have to increase the percentage of the Fund's portfolio that is subject to covered call options to meet its targeted distributions. In addition, the premiums associated with writing covered call options may be outweighed by the foregone opportunity of remaining invested directly in the securities in the Fund's portfolio.

There can be no assurance that a liquid exchange or over-the-counter market will exist to permit the Fund to write covered call options or cash-covered put options on desired terms or to close out option positions should it desire to do so. The ability of the Fund to close out its positions may also be affected by exchange-imposed daily trading limits on options or the lack of a liquid over-the-counter market. If the Fund is unable to repurchase a call option that is in-the-money, it will be unable to realize its profits or limit its losses until such time as the option becomes exercisable or expires. In addition, upon the exercise of a put option, the Fund will be obligated to acquire a security at the strike price that may exceed the then current market value of such security.

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

Reliance on the Investment Manager

MCM will manage the investment portfolio of the Fund in a manner consistent with the investment objectives, strategies and restrictions of the Fund. The officers of MCM who will be primarily responsible for the management of the portfolio have extensive experience in managing investment portfolios, but there is no certainty that they will continue to be employees of MCM throughout the term of the Fund.

Interest Rate Fluctuations

It is anticipated that the market price of the Units will be affected by the prevailing level of interest rates. A rise in interest rates may have a negative effect on the market price of the Units.

Trading at a Discount

The Fund cannot predict whether the Units will trade above, at or below their NAV per Unit.

Significant Redemptions

Units are redeemable monthly based on market price and, commencing in November 2010, annually for a price based on NAV per Unit (which represents the value that the Fund is able to obtain in the market when it sells portfolio securities to fund the redemption). The purpose of the annual redemption right is to prevent the Units from trading at a substantial discount to the NAV per Unit and to provide Unitholders with the right to realize their investment once per year without any trading discount to such value. While the annual redemption right provides Unitholders the option of annual liquidity, there can be no assurance that it will reduce trading discounts. If a significant number of Units is redeemed, the trading liquidity of the Units could be significantly reduced. In addition, the expenses of the Fund would be spread among fewer Units potentially resulting in lower NAV per Unit. Other closed-end funds with annual redemption rights similar to the redemption rights in respect of the Units have experienced significant redemptions on annual redemption dates in the past.

No Ownership Interest

An investment in Units does not constitute an investment in the securities of the issuers in the Fund's portfolio. Holders of Units will not own the securities held by the Fund and will not have any voting or other rights with respect to such securities. Such securities will be voted in accordance with the proxy voting guidelines of the Fund. See "Corporate Governance — Proxy Voting Policy".

Status of the Fund for Securities Law Purposes

The Fund is not a "mutual fund" for Canadian securities law purposes. As a result, some of the protections provided to investors in mutual funds under such laws will not be available to Unitholders and restrictions imposed on mutual funds under Canadian securities laws, including NI 81-102, do not apply to the Fund. See "Investment Restrictions".

Securities Lending

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

Tax Changes

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

The Province of Ontario has taken steps to harmonize its existing provincial sales tax with the federal goods and services tax ("GST"). It is expected that, effective July 1, 2010, a harmonized sales tax of 13% will apply to management fees and investment management fees paid by the Fund, rather than the currently imposed 5% GST, which may increase the costs borne by the Fund and its investors.

Taxation of the Fund

The Fund will be subject to certain tax risks generally applicable to investment funds that hold Canadian securities, including the following.

On October 31, 2003 the Department of Finance announced a Tax Proposal (as defined below) relating to the deductibility of losses under the Tax Act. Under this Tax Proposal, a taxpayer will be considered to have a loss from a business or property for a taxation year only if, in that year, it is reasonable to assume that the taxpayer will realize a cumulative profit from the business or property during the time that the taxpayer has carried on, or can reasonably be expected to carry on, the business or has held, or can reasonably be expected to hold, the property. Profit, for this purpose, does not include capital gains or capital losses. If such Tax Proposal were to apply to the Fund, deductions

that would otherwise reduce the Fund's taxable income could effectively be denied, with after-tax returns to Unitholders reduced as a result. On February 23, 2005, the Minister of Finance (Canada) announced that an alternative proposal to replace such Tax Proposal would be released for comment. No such proposal has been released as of the date hereof. There can be no assurance that such an alternative proposal will not adversely affect the Fund.

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

Currently, a trust will be deemed not to be a mutual fund trust if it is established or maintained primarily for the benefit of non-residents unless all or substantially all of its property is property other than taxable Canadian property as defined in the Tax Act. On September 16, 2004, the Minister of Finance (Canada) released Tax Proposals which propose that a trust would lose its status as a mutual fund trust if the aggregate fair market value of all units issued by the trust held by one or more non-resident persons or partnerships that are not Canadian partnerships, or any combination thereof, is more than 50% of the aggregate fair market value of all units issued by the trust where, at that time or any previous time, more than 10% (based on fair market value) of the trust's property is taxable Canadian property or certain other types of property (the "September 16th Tax Proposals"). If the September 16th Tax Proposals are enacted as proposed, and if these circumstances applied to the Fund, the Fund would thereafter cease to be a mutual fund trust and the income tax considerations as described under "Income Tax Considerations" would in some respects be materially different. The September 16th Tax Proposals do not currently provide any means of rectifying a loss of mutual fund trust status. On December 6, 2004, the Department of Finance tabled a Notice of Ways and Means Motion which did not include these proposed changes pending further consultation with interested parties. Bill C-52, which received Royal Assent on June 22, 2007, amended the relevant provision of the Tax Act such that a trust is deemed not to be a mutual fund trust after any time when it can be reasonably considered that the trust was established or maintained primarily for the benefit of non-resident persons, unless at that time all or substantially all of its property is property other than taxable Canadian property. It is not clear whether this amendment supersedes the proposal released on September 16, 2004.

The Fund is formed to provide investors with exposure to portfolio investments and is subject to investment restrictions intended to ensure that it will not be a SIFT trust (as defined in the Tax Act). If the Fund were to qualify as a SIFT trust within the meaning of the Tax Act, the income tax considerations described under the heading "Income Tax Considerations" would be materially and adversely different in certain respects.

In determining its income for tax purposes, the Fund will treat option premiums received on the writing of covered call options and cash-covered put options and any losses sustained on closing out options as capital gains and capital losses in accordance with the published administrative practice of CRA. CRA's practice is not to grant advance income tax rulings on the characterization of items as capital or income and no advance income tax ruling has been applied for or received from CRA.

If some or all of the transactions undertaken by the Fund in respect of covered options and securities in the Fund's portfolio were treated on income rather than capital account, the net income of the Fund for tax purposes and the taxable component of distributions to Unitholders could increase.

MATERIAL CONTRACTS

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

- (a) the Trust Agreement; and
- (b) the Investment Management Agreement.

Copies of the foregoing agreements may be inspected during business hours at the principal office of the Fund.

ADDITIONAL INFORMATION

Additional information about the Fund is available in the Fund's management reports of fund performance and financial statements.

You can get a copy of these documents at no cost by calling toll-free at 1-800-725-7172 or by e-mail at hybrid@mulvihill.com.

These documents and other information about the Fund, such as information circulars and material contracts, are also available at www.sedar.com.

Mulvihill Fund Services Inc.
121 King Street West
Suite 2600
Toronto, Ontario
M5H 3T9
(416) 681-3900

PREMIER CANADIAN INCOME FUND