

Update on regulatory changes for investing in funds sold by Offering Memorandum (OM)

Effective May 5, 2015 the following rule changes come into effect:

1. Registered Portfolio Managers (PMs) acting on behalf of a fully managed account can subscribe on behalf of all clients

With the rule change, Ontario joins the other provinces in permitting registered PMs to invest in OM funds as the subscriber on behalf of clients with fully managed accounts. The underlying investors do not have to qualify as accredited investors themselves.

PMs relying on this exemption are required to: a) complete and sign-off on the subscription agreement as the Subscriber, and include the underlying investor information in the 'Principal Information' section; and b) complete an accredited investor certificate (Appendix I to the subscription agreement). PMs relying on this exemption does not need to complete the newly prescribed risk acknowledgement form (see below for more information).

2. New risk acknowledgement form required

Accredited investors who are individuals with less than \$5 million in financial assets are required to complete and sign a new risk acknowledgement form (see Appendix II to our subscription agreement) in addition to the subscription agreement and accredited investor certificate.

This form is mandatory for all OM funds, and does not consider the investment risk of the fund.

3. Non-accredited individual investors can no longer invest in OM funds based on the \$150,000 minimum amount exemption

The minimum amount exemption for non-accredited individual investors is being eliminated. The \$150,000 minimum exemption continues to be available for entities (non-individuals) purchasing as principal.

To comply with these new rule changes, we have prepared and attached a new OM and subscription agreement for our funds.

Our Interpretation of the rule changes

1. We view the ability of PMs in Ontario (and all other provinces) to subscribe on behalf of their clients to OM offered funds in fully managed accounts as a significant positive development.

This change enables registered PMs with fully managed accounts, to purchase the same investments across their entire client base (where suitable) as opposed to building different portfolios for clients who are accredited investors vs. non-accredited investors.

2. We view the new mandatory risk acknowledgement form as a negative as it paints all OM funds with a 'high risk' brush, regardless of the actual risk level of the underlying investment strategy.

Assessing Investment Risk

To help Advisors and investors better understand the risk of investing in our funds, we have included a new section in our OM on investment risk, and assigned each of our funds an investment risk rating, guided by the methodology recommended by the Fund Risk Classification Task Force of The Investment Funds Institute of Canada.

Below are the investment risk ratings for our OM funds:

<u>Fund</u>	<u>Investment Risk Rating</u>
CC&L Diversified Market Neutral Fund	Low-to-Medium
CC&L Absolute Return Fund	Medium-to-High
PCJ Absolute Return Fund*	Medium

3. We view the elimination of the rule allowing non-accredited individual investors to purchase units of OM funds based on the \$150,000 minimum amount exemption as largely inconsequential, as the vast majority of investors in our funds with greater than \$150,000 invested are accredited investors.

We will continue to build on our business of bringing proven and unique institutional-quality alternative investment strategies to the market, to provide tools to Advisors and investors to enhance the risk-adjusted return profile of their investment portfolios.

We are committed to complying with the new regulations, and to assist Advisors and their clients understand the benefits and risks of investing in our OM funds.

Please let us know if you have any questions or concerns relating to the rule changes or the contents of this note.

**The PCJ Absolute Return fund was launched on May 1, 2015. We will be sending out additional information on the fund shortly.*

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