

## SIMPLIFIED PROSPECTUS

No securities regulatory authority has expressed an opinion about these units and it is an offence to claim otherwise.

February 23, 2023

TRUE EXPOSURE INVESTMENTS, INC.

Alternative Mutual Fund

**TruX Exogenous Risk Pool, Series F and N units**

(the “Pool”)

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## **INTRODUCTORY DISCLOSURE**

This document contains selected important information to help you make an informed investment decision and to help you understand your rights as an investor.

This document is divided into two parts. The first part, from pages 4 to 31, contains general information pertaining to TruX Exogenous Risk Pool. The second part, from pages 32 to 45, contains specific information about the Pool.

Additional information about the Pool is available in the following documents:

- The most recently filed Fund Facts document;
- The most recently filed annual financial statements;
- Any interim financial report filed after those annual financial statements;
- The most recently filed annual management report of fund performance; and
- Any interim management report of fund performance filed after that annual management report of fund performance.

These documents are incorporated by reference into this document, which means that they legally form part of this document just as if they were printed as a part of this document. You can get a copy of these documents, at your request, and at no cost, by calling toll-free 1-844-844-TRUX (8789), or from your dealer.

These documents are available on the Pool's designated website at [www.truxinvestments.com](http://www.truxinvestments.com), or by contacting the Pool at [contact@truxinvestments.com](mailto:contact@truxinvestments.com).

These documents and other information

about the Pool are available at [www.sedar.com](http://www.sedar.com).

## **RESPONSIBILITY FOR MUTUAL FUND ADMINISTRATION**

### **Manager**

The Manager of the Fund is True Exposure Investments, Inc. (**TruX** or the **Manager**). TruX is located at 130 King Street West, Suite 1800, Toronto, Canada, M5X 1E3. TruX can be reached by telephone at 1-844-844-TRUX (8789) or by email at [contact@truxinvestments.com](mailto:contact@truxinvestments.com).

TruX provides all management and administrative services required by the Pool, which includes providing or arranging to provide for all administrative and clerical duties in managing the Pool, including arranging for the distribution of securities of the Pool, (which is done through dealers) and is paid a management fee for performing its duties. As manager of the Pool, TruX also oversees the portfolio advisor to the Pool and ensures all Pool operations are in compliance with applicable law.

The directors and officers of TruX are:

Name and Municipality of Residence	Position with the Manager
James Fraser Toronto, Ontario	Director; President and Chief Executive Officer; Ultimate Designated Person
Amy Aubin Oakville, Ontario	Senior Vice-President and Chief Compliance Officer, Chief Financial Officer and Chief Operating Officer
Terry O'Sullivan Toronto, Ontario	Senior Vice-President, Sales
Eric Adelson Toronto, Ontario	Secretary

Pursuant to the management agreement dated January 14, 2022, between the Pool and TruX (the **Management Agreement**), the Manager may delegate any or all of its

duties and responsibilities to one or more agents to assist it in the performance of such duties and responsibilities. The Manager may resign as manager of the Fund on 90 days' prior written notice to unitholders, other than a resignation in connection with a corporate reorganization that results in no material change to the day-to-day management, administration or operation of the Pool. The Manager will appoint a successor manager of the Pool, and unless the successor manager is an affiliate of the Manager, such appointment must be approved by a majority of the unitholders of the Pool. If prior to the effective date of the Manager's resignation a successor manager is not appointed, or the unitholders of the Pool do not approve the appointment of the successor manager as required, the Pool will be terminated in accordance with the terms of the Declaration of Trust.

### **Portfolio Advisor**

The portfolio advisor of the Pool (the **Adviser**) is Inukshuk Capital Management Inc. (**Inukshuk**) of Toronto, Ontario.

The Adviser is independent of TruX.

As Adviser, Inukshuk makes the investment decisions for the Pool and executes on those decisions. Inukshuk is responsible for the investment performance of the Pool, although it is overseen by the Manager.

The following individuals employed by Inukshuk are responsible for the investment decisions of the Pool:

Name	Position
Christopher Keeley, CFA	Founder, Chief Executive Officer and Chief Investment Officer

Inukshuk provides portfolio advisory services pursuant to an investment management agreement dated January 14,

2022, between Inukshuk and TruX (the **Investment Management Agreement**). Either party may terminate the agreement by providing the other party with at least 90 days' written notice.

## Brokerage Arrangements

Decisions as to the purchase and sale of portfolio assets and portfolio securities, and the execution of portfolio transactions, including the selection of the market, the selection of the broker and the negotiation of commissions, are made by the Adviser. Where appropriate, the Adviser may execute trades with broker-dealers that provide goods or services in addition to order execution.

Factors considered when selecting a broker for a specific transaction may include brokerage services provided including execution capability, commission rate, willingness to commit capital, anonymity and responsiveness, the nature of the market for the security, the timing or size and type of the transaction, the reputation, experience and financial stability of the broker, the quality of the services rendered in other transactions, other goods and services provided (where appropriate), financial strength metrics, business continuity and trade settlement capabilities.

Notwithstanding the factors listed above, in effecting portfolio transactions, overall service and prompt execution of orders on favourable terms will be of primary consideration. In all circumstances, the Adviser will seek to obtain the best order execution for the Pool and to minimize transaction costs.

Securities transactions (including derivatives transactions) may be executed with brokers who provide brokerage and/or research services to the Adviser either directly or through a commission sharing arrangement.

Such services may include: advice as to the value of securities and the advisability of effecting transactions in securities; analyses and reports concerning securities, portfolio strategies or performance, issuers, industries, or economic or political factors and trends; quotation services; post trade matching services; access services to issuer management; and databases or software to the extent they are designed mainly to support these services. The Adviser has established procedures to assist in making a good faith determination that its clients, including the Pool, receive a reasonable benefit considering the value of research goods and services and the amount of brokerage commissions paid.

Since the last simplified prospectus of the Pool, Inukshuk has not used any of the above-noted services from brokers.

Where brokerage transactions involving client brokerage commissions of the Pool have been or might be directed to a broker in return for the provision of any good or service by the broker or a third party, other than order execution, the names of such dealers or third parties will be provided upon request by contacting the Manager at 1-844-844-TRUX (8789) or via email at [contact@truxinvestments.com](mailto:contact@truxinvestments.com).

## **Trustee**

TruX is the trustee of the Pool. For a list of the directors and executive officers of TruX, please see **Manager** on page 5.

## **Custodian**

The custodian of the Pool is National Bank Financial Inc. of Toronto, Ontario. The custodian is an investment dealer and provider of back-office services to, among others, mutual funds.

The custodian is independent of TruX.

The custodian holds the Pool's cash and assets on behalf of the Pool and is responsible for ensuring that they are safe and secure. All of such assets will be held by the custodian in the Province of Ontario with the exception of foreign portfolio securities, which may be held by the custodian at its branch offices, the offices of its subsidiaries, or at the offices of sub-custodians under arrangements made to the satisfaction and order of the custodian and in compliance with applicable regulatory requirements.

## **Auditor**

The auditor of the Pool is KPMG LLP of Toronto, Ontario.

## **Registrar**

The registrar of the Pool is SGGG Fund Services Inc. (**SGGG**) of Toronto, Ontario.

SGGG is independent of TruX.

The registrar keeps a record of all unitholders of the Pool, processes orders, and issues account statements and tax slips to unitholders.

## **Cash Lender**

The Manager, on behalf of the Pool, has entered into a prime brokerage agreement

with National Bank Financial Inc. (the **Prime Brokerage Agreement**). Pursuant to the terms of the Prime Brokerage Agreement, the Pool may borrow money for investment purposes and securities for entering into short positions in accordance with the Pool's investment objectives and strategies and in compliance with applicable law.

The prime broker is independent of the Manager.

## **Other Service Providers**

The Manager has an arrangement with SGGG for SGGG to provide fund accounting support services for the Pool, including calculating the daily Net Asset Value per unit (**NAV**) for the Pool.

The Manager has an arrangement with National Bank Independent Network division of National Bank Financial Inc. to provide investment management support services to the Pool.

## **Independent Review Committee and Fund Governance**

In accordance with National Instrument 81-107 *Independent Review Committee for Investment Funds (NI 81-107)*, an independent review committee (**IRC**) has been established for the Pool. The IRC complies with applicable securities legislation, including NI 81-107. The IRC is composed of three individuals, each of whom is independent of the Pool and the Manager. The current members of the IRC are as follows:

Supriya Kapoor (Chair)  
Jacqueline Sanz  
Ann Savege

The IRC has adopted a written charter that includes its mandate, responsibilities and functions, and the policies and procedures it

follows when performing its functions. Under NI 81-107, the Manager is required to have policies and procedures in place relating to conflicts of interest.

In accordance with NI 81-107, the mandate of the IRC is to consider and provide recommendations to the Manager on conflicts of interest to which the Manager is subject when managing the Pool. The Manager is required under NI 81-107 to identify conflicts of interest inherent in its management of the Pool and refer its proposed course of action in respect of any such conflict of interest matters to the IRC for its review. Certain matters require the IRC's prior approval, but in most cases, the IRC will provide a recommendation to the Manager as to whether or not, in the opinion of the IRC, the Manager's proposed action will provide a fair and reasonable result for the Pool. For recurring conflict of interest matters, the IRC can provide the Manager with standing instructions. The IRC is also authorized to approve a change in auditor and certain fund mergers, as long as 60 days' notice thereof is provided to unitholders.

The IRC prepares, at least annually, a report of its activities for unitholders and makes such reports available on the Fund's designated website at [www.truxinvestments.com](http://www.truxinvestments.com), or at the unitholders request and no cost, by contacting TruX at [contact@truxinvestments.com](mailto:contact@truxinvestments.com).

#### *Fund Governance*

TruX, as Manager of the Pool, is ultimately responsible for fund governance. Details of the directors and officers of the Manager are disclosed above under **Manager**.

The Manager has established appropriate policies, procedures and guidelines to ensure the proper management of the Pool. The systems implemented monitor and manage

the business and sales practices, risks and internal conflicts of interest relating to the Pool while ensuring compliance with regulatory and corporate requirements.

## **Policies and Practices**

### *Policies Relating to Short Selling*

The Pool will, from time to time, engage in short selling as permitted by applicable securities legislation, as modified by the regulatory exemption discussed in the section **Investment Restrictions** on page 34. Where the Pool engages in short selling, it will sell securities short and provide a security interest over fund assets with dealers as security in connection with such transactions. The Pool's use of short selling is subject to certain conditions including:

- (a) the securities are sold short only for cash;
- (b) the securities sold short will not be:
  - (i) a security that the Pool or underlying fund is otherwise not permitted by securities legislation to purchase at the time of the transaction;
  - (ii) "illiquid assets" as such term is defined in National Instrument 81-102 *Investment Funds (NI 81-102)*; or
  - (iii) a security of an investment fund (other than an index participation unit);
- (c) at the time the Pool sells the security short:
  - (i) the Pool has pre-arranged to borrow the securities from a lender for the purpose of such short sale;
  - (ii) the aggregate market value

- of all securities of the issuer of the securities sold short by the Pool does not exceed 50% of the total net asset value of the Pool, unless the securities sold short are index participation units (**IPUs**) of issuers of IPUs (**IPU Issuers**), in which case the aggregate market value of such securities may not exceed 100%; and
- (iii) the aggregate market value of all securities sold short by the Pool does not exceed 100% of the total net asset value of the Pool.

Written policies and procedures regarding objectives and risk management procedures (including trading limits and controls) have been adopted by the Manager and Adviser in connection with its short selling activities. The Manager and Adviser are responsible for setting and reviewing these policies and procedures. Such policies and procedures are monitored by the Manager and Adviser and are formally reviewed at least annually by the Manager, Adviser and their respective boards of directors. The authorization of short selling transactions and placing limits or other controls on short selling is the responsibility of portfolio managers of the Adviser with post-trade review conducted by the Manager's compliance department. No risk measurement procedures or simulations are used to test the portfolio under stress conditions.

#### *Policies Relating to Derivatives*

The Pool may use derivatives, including in options on indices and currency forward contracts as discussed under the heading **Investment Strategies**. The purpose of entering into options on indices is to gain

exposure to those indices in the most efficient manner. The purpose of entering into currency forward contracts by the Pool is to minimize the risk to the Pool from adverse changes in the relationship between the Canadian dollar and other currencies. A forward currency contract is an obligation to purchase or sell a specific currency for an agreed price at a future date that is individually negotiated and privately traded by currency traders and their customers. An option on indices is similar, except that the contract is traded on an exchange. The Pool must comply with the investment restrictions and practices in NI 81-102, subject to any exemptive relief obtained, in connection with its use of derivatives for hedging and non-hedging purposes. The Adviser has processes in place to ensure the Pool complies with such restrictions and practices when they use derivatives. The Adviser reviews the use of derivatives by the Pool on a daily basis, and monitors trading activities. Portfolio management software is also utilized to confirm that each security transaction complies with the investment guidelines and restrictions for the Pool.

The Adviser has written policies and procedures in place that set out the objectives and goals for derivatives trading and the risk management procedures applicable to those transactions by the Pool. The Adviser is responsible for setting and reviewing these policies and procedures, as applicable. These policies and procedures are reviewed at least annually by the Adviser and are approved by the board of directors of the Adviser. The Compliance Team of the Adviser monitors the risks associated with the use of derivatives independent of the individual portfolio managers. Currently, no risk measurement procedures or simulations are used to test the Pool's portfolios under stress conditions.

### *Policies Relating to the Use of Leverage*

The Pool may enter into lines of credit, credit agreements and other financing arrangements (including, without limitation, the establishment of one or more credit facilities), and may incur indebtedness for the purpose of (i) covering Pool expenses or other expenses payable by the Pool, (ii) financing investments and bridge investments (individually or on a portfolio basis), (iii) funding redemptions and (iv) any other purpose determined advisable by the Manager, in compliance with NI 81-102 and applicable law. Any such borrowings may be secured by the Pool's assets. The Pool's aggregate exposure to cash borrowing, short-selling and specified derivatives transactions shall not exceed 200% of the Pool's net asset value. The Pool's calculation of its outstanding leverage does not include derivatives entered into for hedging purposes.

### *Proxy Voting Policy*

The Adviser is wholly responsible for establishing, monitoring and amending (if necessary) the policies and procedures relating to the voting of proxies received in connection with the Pool's portfolio securities, as applicable.

The Pool invests in underlying funds, such as ETFs, managed by unrelated third parties; it does not invest in corporate issuers. As such, the Adviser may, but is not obliged to, vote the securities of the underlying fund.

In order to ensure the proxy voting process occurs in accordance with its proxy voting policy and to ensure that any potential conflicts of interest are addressed, the Adviser has a committee (**the Committee**), comprised of its chief compliance officer and its portfolio managers, that is charged with general proxy voting oversight responsibility, among its other investment department related duties. The Adviser has

responsibility for exercising all proxy votes and in doing so, for acting in the best interests of the Pool.

Upon receipt of a proxy circular, the chief compliance officer of the Adviser verifies that all securities are correctly listed. Thereafter, the individual portfolio manager decides whether or not circumstances exist that may give rise to a potential conflict of interest relative to a particular proxy voting matter.

If it is determined that a potential conflict of interest may exist, the portfolio manager submits a memorandum to the Committee detailing how the portfolio manager intends to vote and the reasons for such decision. The Committee then reviews the matter to determine what actions are necessary to ensure that the proxy is voted in the best interests of the Pool and provides its approval or denial.

If the Committee determines that there are no potential conflicts of interest, the chief compliance officer of the Adviser then gives a copy of the proxy summary to the affected portfolio manager and maintains a tracking list to ensure that all proxies are voted within the prescribed deadlines.

Once voting information has been received from the portfolio manager, voting instructions are sent electronically to the service provider who then forwards the instructions to the appropriate proxy voting agent or transfer agent. The external service provider retains on behalf of the Adviser a record of the votes cast.

A copy of the policies and procedures that the Pool follows when voting proxies relating to portfolio securities are available upon request, at no cost, by calling toll free at 1-844-844-TRUX (8789) or by writing to TruX at 130 King Street West, Suite 1800, Toronto, Ontario, M5X 1E3.

The Pool's proxy voting record for the most recent period ending June 30 of each year will be available free of charge to any unitholder of the Pool upon request at any time after August 31 of the same year. The proxy voting record is available on the Pool's designated website at [www.truxinvestments.com](http://www.truxinvestments.com).

## **Remuneration of Directors, Officers and Trustees**

Employees of TruX who act as directors or officers of TruX are not compensated by the Pool.

Each member of the IRC is currently entitled to an annual retainer of \$2,000 (\$2,500 for the Chair). Members are also entitled to be reimbursed for all reasonable expenses incurred in the performance of their duties. Expenses of the IRC include insurance premiums, travel expenses and reasonable out-of-pocket expenses.

For the financial year ended December 31, 2022, the following amounts in compensation and reimbursable expenses were paid to each member of the IRC:

Name	Amount
Supriya Kapoor (Chair)	\$2,500
Jacqueline Sanz	\$2,000
Ann Savege	\$2,000

## **Material Contracts**

### *Declaration of Trust*

The Pool was formed pursuant to a declaration of trust dated January 7, 2022, pursuant to the laws of the Province of Ontario. The Fund may be terminated by the trustee by providing 60 days' notice in writing to unitholders of the Fund.

### *Management Agreement*

Particulars of the Management Agreement are described under **Manager** on page 5.

### *Investment Management Agreement*

Particulars of the Investment Management Agreement are described under **Portfolio Advisor** on page 5.

### *Custodian Agreement*

The custodian agreement dated January 6, 2022, between TruX and National Bank Financial Inc., through its National Bank Independent Network Division, may be terminated by either party on 30 days' written notice. The custodial arrangements are more particularly described under **Custodian** on page 7.

### **Designated Website**

A mutual fund is required to post certain regulatory disclosure documents on a designated website. The designated website of the mutual fund to which this document pertains can be found at the following location: [www.truxinvestments.com](http://www.truxinvestments.com).

## **VALUATION OF PORTFOLIO SECURITIES**

In determining the fair value of the assets of the Pool the following rules apply:

- (a) the value of any cash on hand or on deposit, bills, demand notes, accounts receivable, prepaid expenses, cash dividends received (or to be received and declared to unitholders of record on a date before the date as of which the NAV of the Pool is being determined), any interest accrued and not yet received, shall be deemed to be the full amount thereof unless the Manager shall have determined that any such deposit, bill, demand note, account receivable, prepaid expense, cash dividend received or interest is not worth the full amount thereof, in which event the value thereof shall be deemed to be such value as the Manager shall determine to be the reasonable value thereof;
- (b) the value of any security that is listed or dealt in upon a stock exchange shall be determined by (1) in the case of a security that was traded on the day as of which the NAV of the Pool is being determined, the closing sale price; (2) in the case of a security that was not traded on the day as of which the NAV of the Pool is being determined, a price which is the average of the closing recorded bid and ask prices; or (3) if no bid or ask quotation is available, the price last determined for such security for the purpose of calculating the NAV of the Pool. The value of inter-listed securities shall be computed in accordance with directions laid down from time to time by the Trustee; and provided however that if, in the opinion of the Trustee, stock exchange or over-the-counter quotations do not properly reflect the prices that would be received by the Pool upon the disposal of shares or securities necessary to effect any redemptions of units, the Trustee may place such value upon such shares or securities as appears to the Trustee to most closely reflect the fair value of such shares or securities;
- (c) the value of any security, the resale of which is restricted or limited shall be the quoted market value less a percentage discount for illiquidity amortized over the length of the hold period;
- (d) a long position in an option or a debt-like security shall be valued at the current market value of the position;
- (e) for options written by the Pool (1) the premium received by the Pool for those options shall be reflected as a deferred credit and the option shall be valued at an amount equal to the current market value of the option that would have the effect of closing the position; (2) any difference resulting from revaluation shall be treated as an unrealized gain or loss on investment; (3) the deferred credit shall be deducted in calculating the NAV per security of the Pool; and (4) any securities that are the subject of a written option shall be valued at their current market value;
- (f) the value of a forward contract or swap shall be the gain or loss on the contract that would be realized if, on the date that valuation is made, the position in the forward contract or

- swap were to be closed out;
- (g) the value of gold and any other precious metals will be based upon the active spot price;
  - (h) the value of any security or other property for which no price quotations are available or in the opinion of the Trustee or the Manager, to which the above valuation principles cannot or should not be applied, shall be the fair value thereof determined from time to time in such manner as the Trustee or the Manager shall from time to time provide;
  - (i) the value of all assets and liabilities of the Pool valued in terms of a currency other than the currency used to calculate the Pool's NAV shall be converted to the currency used to calculate the Pool's NAV by applying the rate of exchange obtained from the best available sources to the Trustee;
  - (j) the value of standardized futures shall be (1) if daily limits imposed by the futures exchange through which the standardized future was issued are not in effect, the gain or loss on the standardized future that would be realized if, on the date that valuation is made, the position in the standardized future were to be closed out; or (2) if daily limits imposed by the futures exchange through which the standardized future was issued are in effect, based on the current market value of the underlying interest of the standardized future; and
  - (k) margin paid or deposited on standardized futures or forward contracts shall be reflected as an account receivable, and if not in the form of cash, shall be noted as held for margin.
- Pursuant to paragraph (h) above, the value of any bonds, debentures, and other debt obligations shall be valued by taking the average of the bid and ask prices on a valuation date at such times as the Manager, in its discretion, deems appropriate. For money market investments, such investments are valued at cost plus accrued interest and plus or minus amortization, including foreign currency translation, if applicable, which approximates market value.
- The liabilities of each Pool shall be deemed to include the following:
- (a) all bills and accounts payable;
  - (b) all administrative expenses payable and/or accrued;
  - (c) all obligations for the payment of money or property, including the amount of any declared but unpaid distributions;
  - (d) all allowances authorized or approved by the Trustee for taxes or contingencies; and
  - (e) all other liabilities of the Pool of whatever kind and nature, except liabilities represented by outstanding units.
- Portfolio transactions (investment purchases and sales) will be reflected in the first computation of the NAV per series unit made after the date on which the transaction becomes binding.
- The Manager may declare a suspension of the calculation of the NAV per unit for each series of the Pool in the circumstances described under the heading *Suspension of the right to redeem units* on page 18." There will be no calculation of NAV per unit for

each series during any suspension period and the Pool will not be permitted to issue further units or redeem any units during this period.

## CALCULATION OF NET ASSET VALUE

As at 4:00 p.m. (Eastern time) on each day that the Toronto Stock Exchange is open for business (a **Valuation Date**), the NAV per series of the Pool is calculated by subtracting from the series' proportionate share of the fair value of assets of the Pool its proportionate share of fair value of liabilities of the Pool and the fair value of liabilities attributable to that series. The NAV per series of the Pool is determined in Canadian dollars. To arrive at the NAV per unit for a series, the NAV of the series is divided by the number of outstanding units of that series.

The NAV per unit of a series is the basis for all purchases, switches, reclassifications and redemptions and for reinvestment of distributions.

The Manager will make available the NAV per unit for each series of the Pool on the Pool's website at [www.truxinvestments.com](http://www.truxinvestments.com). The NAV per unit of each series of the Pool is available at no charge by contacting the Manager at contact@truxinvestments.com.

## PURCHASES, SWITCHES AND REDEMPTIONS

### How to Purchase Units

The Pools are available in each of the provinces and territories of Canada. You may purchase units of the Pool by contacting your investment advisor. Your registered dealer is responsible for recommending the series most suitable for you. TruX does not monitor the appropriateness of any series of the Pool for any investor and makes no determination as to the appropriateness of any series of the Pool for any investor, including investors who hold the Pool in a discount brokerage account.

The series of units offered by the Pool are described in the section **Description of Securities Offered by the Pool** on page 34.

If you would like to purchase units of the Pool, please contact your dealer. Your dealer will either deliver your order to us with your payment in full, or place an order with us electronically, or by phone or fax, with payment to follow.

#### *How we process your purchase order*

Purchase orders that are deposited with a dealer will be forwarded by the dealer to SGGG, the Pool's registrar, on the same day on which the purchase order is received, or if received after 4:00 p.m. (Eastern time), on the next business day. The dealer must send an investor's purchase order by courier, priority post or telecommunications facility without charge to the investor.

We have the right to accept or reject any purchase order but must make a decision to reject an order within one business day after receiving the order. The payment received with a rejected order will be refunded immediately.

No certificates are issued for units

purchased, but an investor receives, following each purchase of units, a written statement indicating all relevant details of the purchase transaction, including the dollar amount of the purchase order, the net asset value per unit applied to the purchase order and the number of units purchased.

The purchase price of a unit of the Pool is the NAV per unit of a series prevailing at the time of purchase. Please see **CALCULATION OF NET ASSET VALUE** on page 15 for more information.

The Pool is valued in Canadian dollars and can be purchased in Canadian dollars. Series N units can also be purchased in U.S. dollars. Please see *U.S. dollar option* below.

You must pay your dealer when you buy units of the Pool. Your dealer must pay us within two business days, or such shorter period as may be determined by us in response to changes in applicable laws or general changes in settlement procedures in applicable markets, of delivering or placing your order.

If your dealer places your purchase order electronically and we do not receive payment for your units of the Pool within the periods given in the preceding paragraph, we will redeem your units of the Pool on the next business day. In accordance with securities regulations:

- if the proceeds are greater than the amount you owe us, the Pool will keep the difference; and
- if the proceeds are less than the amount you owe, your dealer will owe the difference to the Pool, in which case your dealer may be entitled to recover any losses from you.

### *Minimum purchase amounts*

The minimum initial investment in Series F units of the Pool is \$2,500. The minimum initial investment in Series N units of the Pool is \$2,500. The minimum subsequent investment in units of each series of the Pool is \$25. These minimum investment amounts may be adjusted or waived in the absolute discretion of the Manager. You must include payment with your purchase order.

### *Purchase options*

Units of the Pool are sold only on a no-load basis, meaning you do not pay any commissions at the time of the subscription or redemption fees at the time of redemption. Unitholders of the Pool will typically have accounts with a dealer where they pay the dealer a fee for the account.

### *U.S. dollar option*

All series of units of the Pool can be bought in U.S. dollars as well as Canadian dollars. The Canadian dollar NAV for the series of units is converted to U.S. dollars at the prevailing exchange rate for a valuation day in order to determine the applicable U.S. dollar NAV per unit.

For tax purposes, capital gains and losses are calculated in Canadian dollars. As a result, if you buy and redeem units under the U.S. dollar option, you need to calculate gains or losses based on the Canadian dollar value of your units when they were purchased and when they were sold. In addition, although distributions are made in U.S. dollars, they must be reported in Canadian dollars for Canadian tax purposes. Consequently, all investment income is reported to you in Canadian dollars for income tax purposes. You may want to consult your tax advisor regarding this.

Our U.S. dollar option is offered only as a convenience. It allows you to invest in units

of the Pool using your American money. If you buy your units in U.S. dollars, you receive U.S. dollars when you redeem them or receive distributions from the Pool. Buying your units in U.S. dollars does not affect the investment return of your Pool and, in particular, does not hedge – or protect – against losses caused by changes in the exchange rate between the Canadian and U.S. dollars.

## **How to Switch Units**

Switching of series of units of the Pool into units of a different series of the Pool is limited.

Holders of Series F units of the Pool may only switch to Series N units of the Pool if the holder is a client of the Adviser and holds their units of the Pool in an account with the Adviser.

Holders of Series N units of the Pool may only switch into Series F units of the Pool if the investor was, and has now ceased to be, a client of the Adviser.

No other switches are permitted.

A switch between series of units of the Pool will not be considered a disposition for tax purposes and, accordingly, you will not realize a capital gain or loss. Please see **INCOME TAX CONSIDERATIONS** on page 25. You may request a switch of your series of units by contacting your registered broker or dealer.

No fees are payable when you switch units of any series of the Pool.

## **How to Redeem Units**

You may redeem your units of the Pool by completing a redemption request and depositing it with your registered dealer approved by us. We may require that an investor's signature on any redemption request be guaranteed by a bank, trust

company, credit union or otherwise to our satisfaction.

#### *How we process your redemption order*

A redemption request received by SGGG before 4:00 p.m. (Eastern time) on a regular business day will receive the NAV per unit for the applicable series of units established as of the close of business on that day. A redemption request received by SGGG after 4:00 p.m. (Eastern time) or on a day that is not a regular business day in Toronto, Ontario will receive the NAV per unit for the applicable series of units established as of the close of business on the next regular business day. A dealer that receives a redemption request is required to transmit the redemption request to SGGG without charge to the investor and where practicable, by courier, priority post or telecommunications facility. The redemption payments will be made in Canadian dollars. SGGG will pay redemption proceeds within two business days after the receipt of your order, provided the written request for redemption submitted to your registered dealer is complete and your registered dealer has provided correct settlement instructions to SGGG.

If we don't receive your properly completed order within 10 business days of the sale, we will buy back the units you sold on the next valuation day. If we buy them back for less than you sold them for, the Pool keeps the difference. If we buy them back for more than you sold them for, we charge your dealer for the difference, plus any costs. Your dealer may make provision in arrangements that it has with you that will require you to compensate the dealer for any losses suffered by the dealer in connection with any failure of you to satisfy the requirements of the Pool or securities legislation for a redemption of units of the Pool.

#### *Redemptions initiated by us*

We have the right, upon 30 days' written notice to the investor, to redeem Series F or N units owned by an investor if the value of those units is less than \$500. An investor may prevent the automatic redemption by purchasing additional units to increase the value of the units to an amount equal to or greater than \$2,500 before the end of the 30-day notice period.

#### *Suspension of the right to redeem units*

Under extraordinary circumstances, the rights of investors to redeem units of the Pool may be suspended. This would most likely occur if normal trading is suspended in the market, within or outside Canada, that represents more than 50% by value, or underlying market exposure, of the total assets of the Pool (without any allowance for liabilities) and if the assets of the Pool cannot be traded in any other market that represents a reasonably practical alternative for the Pool. The Manager may also suspend the redemption of units of the Pool with the consent of any securities commission or regulatory body having jurisdiction.

### **Short-Term Trading**

Short-term trading in units of the Pool can have an adverse effect on the Pool. Such trading can increase brokerage and other administrative costs of the Pool and interfere with our long-term investment decisions.

We have adopted certain restrictions to deter short-term trading. We may restrict your purchases if you engage in such short-term trading. Our restrictions also include charging a fee of up to 2% of the NAV of the units of the Pool that are redeemed within 30 days of purchasing them. These fees are payable to the Pool.

The short-term trading fee will not be charged:

- (i) for a redemption of units acquired through automatic reinvestment of all distributions of net income or capital gains by the Pool;
- (ii) for a redemption of units in connection with a failed settlement of a purchase of units;
- (iii) as a result of switching units of the Pool from one series into another series of the Pool;
- (iv) for a redemption of units by another investment fund or investment product approved by us;
- (v) for a redemption of units as a result of regular payments made from registered retirement income funds and locked-in retirement income funds; or
- (vi) in the absolute discretion of the Manager.

Short-term trades are monitored by SGGG and reported to the Manager. Any waiver of a short-term trading fee is reported to the IRC of the Pool.

While these restrictions and our monitoring attempt to deter short-term trading, we cannot ensure that such trading will be completely eliminated. Please see **Short-Term Trading Fees** under *Fees and Expenses Payable Directly by You* on page 23.

## **OPTIONAL SERVICES**

Dealers may provide optional services to investors, including pre-authorized contribution plans, systematic withdrawal plans and automatic reinvestment plans. Please contact your dealer for details including any fees charged by your dealer for such services. The Pool may be purchased within registered retirement savings plans (**RRSPs**), registered retirement income funds (**RRIFs**), registered education savings plans (**RESPs**), tax-free savings accounts (**TFSAs**), deferred profit-sharing plans (**DPSPs**) and registered disability savings plans (**RDSPs**) (collectively, **Registered Plans**), which may be available through your dealer.

## FEES AND EXPENSES

The Pool's investments consist primarily of investments in exchange-traded funds (**ETFs**), which are a form of mutual funds. Any fees payable by the Pool to those ETFs are in addition to the fees and expenses detailed below. No management fee is payable by the Pool that, to a reasonable person, would duplicate a fee payable by an ETF for the same service. None of the ETFs are related to the Pool. No sales or redemptions fees are payable by the Pool in relation to its purchases or redemptions of

securities of the ETF that, to a reasonable person, would duplicate a fee payable by an investor in the Pool.

The following table lists the fees and expenses that you may have to pay if you invest in the Pool. You may pay some of these fees and expenses directly. The Pool may have to pay some of these fees and expenses, which will reduce the value of your investment in the Pool.

<i>Fees and Expenses Payable by the Pool</i>	
<b>Management Fees</b>	<p>The Pool pays a management fee to TruX. The management fee includes the portfolio advisory fee that TruX pays directly to the Adviser.</p> <p>The management fee is a fixed percentage of daily average net assets, though it is different for different series of units. It covers the investment management of the Pool, and the distribution, marketing and promotion of the Pool.</p> <p>The rate of the fee, excluding HST and any other applicable taxes, is as follows:</p> <p>Series F: 0.70%</p> <p>Series N: 0.30%</p> <p>The fee is accrued daily. The management fee is paid weekly, except at month-end when there may be an extra payment.</p>
<b>Operating Expenses</b>	<p><u>Series F</u></p> <p>For Series F Units of the Pool, TruX pays all of the operating expenses, except for certain costs described below in exchange for a fixed rate administration fee. The fixed rate administration fee is paid by the Pool in respect of Series F. The rate of the fee, excluding HST and any other applicable taxes, is 0.25%. The following costs remain the responsibility of the Pool:</p> <ul style="list-style-type: none"><li>• The fees and expenses of the IRC, which includes compensation paid to IRC members as an annual retainer, as well as per meeting attendance fees, and the reimbursement of applicable expenses of IRC members.</li><li>• Taxes, including income tax and HST on fees and expenses paid by the Funds.</li></ul>

- Portfolio transaction costs, including brokerage commissions and other securities transaction related expenses, including the costs of derivatives and foreign exchange transactions.
- Interest and borrowing costs.
- Any new fee related to external services that was not commonly charged in the Canadian mutual fund industry as of July 1, 2022.
- The costs of complying with any new regulatory requirement, including any new fee introduced after July 1, 2022.

Series F is responsible for its proportionate share of these common costs in addition to expenses that it alone incurs.

The operating expenses borne by TruX in exchange for the fixed rate administration fee include: transfer agency; pricing and bookkeeping fees, which include processing purchases and sales of Series F Units of the Pool and calculating the Pool's Unit price; legal, audit and custodial fees; administrative costs and trustee services relating to registered tax plans; filing fees; the costs of preparing and distributing the Pool's financial reports, simplified prospectus, fund facts, and the other investor communications that TruX is required to prepare to comply with applicable laws; and other expenses not otherwise included in the management and advisory fees.

The fixed-rate administration fee charged to the Pool for Series F Units may, in any particular period, exceed or be lower than the expenses TruX incurs in providing such services to the Pool.

TruX may waive a portion of the fixed-rate administration fee that it receives from the Pool in respect of Series F Units. As a result, the fixed-rate administration fee payable by the Pool in respect of Series F Units of the Pool may be lower than the fee shown above. TruX, in its sole discretion, suspend or cease to offer any waiver at any time without notice.

#### Series N

The Pool's operating expenses consist of the costs to operate the Pools, including, without limitation:

- Registrar and transfer agency fees;
- Accounting, audit and legal fees;
- Bank and interest charges;
- Insurance, safekeeping and custodial fees;
- Operating and administrative costs, fees and expenses;

	<ul style="list-style-type: none"> <li>• Costs of financial reports to investors;</li> <li>• Costs relating to investor meetings;</li> <li>• Costs of the prospectus relating to the sale of units of the Pool, as well as any other document required by securities regulation;</li> <li>• Fees and expenses payable in connection with the IRC (as described below);</li> <li>• Regulatory filing and other fees; and</li> <li>• HST and other taxes applicable to the operating expenses of the Pools.</li> </ul> <p>These expenses will not exceed 0.25% of the net asset value of Series N of the Pool annually, plus HST.</p> <p>In addition, the Pool incurs brokerage commissions and other portfolio transaction costs, including any HST and other taxes applicable to such costs and any applicable stamp taxes relating to the portfolio securities (<b>trading expenses</b>). Because they are not included in the management expense ratio, trading expenses are not included as part of operating expenses; rather, trading expenses are reflected in the cost base or proceeds of sale of securities in the Pool's investment portfolio.</p>
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#### *Fees and Expenses Payable Directly by You*

<b>Sales Charges</b>	There is no sales charge applicable to the purchase of Series F or N units.
<b>Switch Fees</b>	Switches of units of the Pool are not permitted except under the limited circumstances described on page 17.
<b>Redemption Fees</b>	No redemption fees apply when you redeem units of the Pool.
<b>Short-Term Trading Fees</b>	You may pay to the Pool 2% of the current value of the units of the Pool if you redeem or switch them within 30 days of purchase.

## **DEALER COMPENSATION**

### **Sales Commissions**

We do not pay your dealer a commission if you buy Series F or N units. Investors holding Series F or N units may pay a fee to their dealer for investment advice and other services.

### **Trailing Commissions**

We do not pay your dealer trailing commissions if you hold Series F or N units.

### **Marketing Support Programs**

We may pay your dealer up to 50% of their direct costs to:

- Publish and distribute sales communications; and
- Lead seminars to educate investors on mutual funds or the Pool.

We may also provide dealers with marketing materials and reports to help them promote the Pool and other TruX products or services.

In addition to co-operative marketing, we may also:

- Organize and present educational conferences for advisors, although the dealer decides who attends;
- Pay advisors' registration fees for educational conferences organized and presented by others;
- Pay industry organizations up to 10% of the direct costs of organizing and presenting educational conferences; and
- Pay dealers up to 10% of the costs of educational conferences they sponsor for their advisors.

## INCOME TAX CONSIDERATIONS

**This information is a general summary of tax rules and is not intended to be legal advice. For this discussion, we assume you are an individual (other than a trust), who, at all relevant times for the purposes of the *Income Tax Act (Canada)* (the Tax Act), is resident in Canada, deals at arm's length and is not affiliated with the Pool, and that you hold your units directly as capital property or within a Registered Plan.**

We have tried to make this discussion easy to understand. As a result, we cannot be technically precise, or cover all the tax consequences that may apply. We suggest that you consult your tax advisor for details about your individual situation.

### How the Pool Is Taxed

The Pool is established as a trust. Each year, the Pool pays out a sufficient amount of its income and realized capital gains (after deducting expenses) so that, generally, it doesn't have to pay ordinary income tax. This is known as a distribution.

Typically, foreign source income is subject to foreign withholding tax.

Generally, a gain or loss from a cash settled option, futures contract, forward contract, total return swap and other derivative instrument is treated on account of income rather than as a capital gain or loss unless the derivative is used by the Pool on an underlying fund as a hedge to limit its gain or loss on a specific capital asset or group of capital assets held by the Pool. Where the Pool uses derivatives to hedge exposure with respect to securities held on capital account and the derivatives are sufficiently linked to such securities, gains or losses realized on such derivatives will be treated as capital gains or losses.

The Pool will generally recognize gains or losses under a derivative contract when it is realized by the Pool upon partial settlement or upon maturity. This may result in significant gains being realized by the Pool at such times and such gains may be taxed as ordinary income. In general, gains or losses from short selling are treated as income rather than as a capital gain or loss unless the gain or loss is from short selling "Canadian securities" as defined in the Tax Act and the Pool has made a subsection 39(4) election under the Tax Act.

The derivative forward agreement rules in the Tax Act (the **DFA Rules**) target certain financial arrangements (described in the DFA Rules as "derivative forward agreements") that seek to reduce tax by converting, through the use of derivative contracts, the return on investments that would have the character of ordinary income to capital gains. The DFA Rules will generally not apply to derivatives used to closely hedge gains or losses due to currency fluctuations on underlying capital assets of the Pool. The DFA Rules are broadly drafted and could apply to other agreements or transactions. If the DFA Rules were to apply to derivatives used by the Pool, returns realized in respect of the property underlying such derivatives would be treated as ordinary income or losses rather than capital gains and capital losses.

### How You Are Taxed

The tax you pay on your mutual fund investment depends on whether you hold your units in a registered tax plan (a Registered Plan) or in a non-registered account.

*Pools held in your Registered Plan*

Generally, neither you nor your Registered

Plan are subject to tax on distributions paid on units held in your Registered Plan or on capital gains realized when those units are redeemed or switched. This assumes the units are a qualified investment and not a prohibited investment. Units of the Pool are expected to be a qualified investment for Registered Plans. However, even when units of the Pool are a qualified investment, you may be subject to tax if a unit held in your Registered Plan (other than a deferred profit-sharing plan (DPSP)) is a prohibited investment for your Registered Plan.

Under a safe harbour rule for new mutual funds, units of the Pool will not be a prohibited investment for your Registered Plan at any time during the first 24 months of the Pool's existence provided the Pool is a mutual fund trust or a registered investment under the Tax Act during that time and is in substantial compliance with NI 81-102 or follows a reasonable policy of investment diversification.

After that, units of the Pool should not be a prohibited investment for your Registered Plans if you and persons with whom you do not deal at arm's length and any trusts or partnerships in which you or persons with whom you do not deal at arm's length have an interest do not, in total own 10% or more of the net asset value of the Pool. Units of the Pool are also not a prohibited investment for your Registered Plan if they are "excluded property" under the *Tax Act*.

Investors should consult their own tax advisor for advice regarding the implications of acquiring, holding or disposing of any units of the Pool in their Registered Plan, including whether or not units of the Pool are at risk of being or becoming a prohibited investment under the Tax Act for their Registered Plans.

#### *Pools held in your non-registered account*

You must compute and report all income

and capital gains in Canadian dollars. If you hold your units in a non-registered account and receive a distribution during a year, we'll send you a tax slip for the year. It shows your share of the Pool's net income and net realized capital gains and your return of capital, if any, paid to you for the previous year, as well as any allowable tax credits. You must include the taxable portion of these amounts, as shown on the tax slip, as part of your annual income. This applies even if your distributions are reinvested in units of the Pool. Distributions paid by the Pool may include dividends from taxable Canadian companies, foreign income, capital gains and other income (such as interest and derivative income).

Dividends paid by Canadian companies will be taxed subject to the gross up and dividend tax credit. An enhanced gross up and dividend tax credit is available for certain eligible dividends paid by Canadian companies. The Pool may pay foreign withholding tax on its foreign income. Some or all of the foreign tax paid by the Pool may be credited against the Canadian income tax you pay. Capital gains distributed by the Pool will be treated as if you realized them directly as a capital gain.

Distributions of capital are not taxable. Instead, a return of capital reduces the adjusted cost base of your units of the Pool. If the adjusted cost base of your units is reduced to less than zero, you will realize a capital gain equal to the negative amount and your adjusted cost base will be increased to zero. Monthly distributions of the Pool are generally comprised of net income and/or return of capital.

Generally, fees paid by you to your dealer in respect of Series F or N units of the Pool held outside a Registered Plan should be deductible for income tax purposes from the income earned on the Pool to the extent that the fees are reasonable, represent fees for

advice to you regarding the purchase or sale of specific securities (including units of the Pool) by you directly or for services provided to you in respect of the administration or management of securities (including units of the Pool) owned by you directly, and the fees are paid by you to a dealer whose principal business is advising others regarding the purchase or sale of specific securities, or includes the provision of administration or management services in respect of securities.

You should consult your tax advisor regarding the deductibility of fees paid directly by you in your particular circumstances.

#### *Capital Gains and Losses When You Redeem You Units*

Switches between series of the Pool can be made without triggering a capital gain or loss.

You realize a capital gain if the amount you receive from redeeming or otherwise disposing of a unit is more than the adjusted cost base of the unit, after deducting any cost of redeeming or switching the unit. You will realize a capital loss if the amount you receive from a redemption or other disposition is less than the adjusted cost base, after deducting any cost of redeeming your units.

Generally, one-half of a capital gain is included in calculating your income as a taxable capital gain, and one-half of a capital loss can be deducted against taxable capital gains, subject to any applicable loss restriction rules under the Tax Act.

If you've bought units at various times, you will likely have paid various prices. The adjusted cost base of a unit is the average of the adjusted cost base of all the identical units you hold in the Pool. That includes units you got through reinvestments of

distributions.

#### *How to calculate adjusted cost base*

Here's how the total adjusted cost base of your units of a series of the Pool is generally calculated:

- Start with your initial investment, including any sales charges you paid.
- Add any additional investments, including any sales charges you paid.
- Add any distributions you reinvested, including returns of capital.
- Add the adjusted cost base of units received on a tax-deferred switch.
- Subtract the distributions that are described as return of capital.
- Subtract the adjusted cost base of any previous redemptions and switches.

To calculate adjusted cost base, you'll need to keep detailed records of the price you paid and received for your investments, and also keep the tax slips we send to you. They include distributions that are a return of capital. For more information, contact your tax advisor.

#### *Buying Units Late in the Year*

The price of a unit may include income and/or capital gains that the Pool has accrued, earned or realized, but not yet distributed. You will be taxed on distributions of the Pool's income and capital gains even if that income and capital gains is attributable to a time before you acquired the units and may have been reflected in the price you paid for the units. This could be particularly significant if you purchase units of the Pool late in the year, or on or before the date on which a distribution is paid.

## *Portfolio Turnover*

The higher the Pool's portfolio turnover rate is in a year, the greater the chance that you will receive a capital gains distribution. Any gains realized would be offset by any losses realized on portfolio transactions. There is not necessarily a relationship between a high turnover rate and the performance of the Pool. The Pool is not expected to have a high portfolio turnover rate.

## *International information reporting*

Generally, unitholders (or in the case of certain unitholders that are entities, the "controlling persons" thereof) will be required to provide their dealer with information related to their citizenship and tax residence and, if applicable, a foreign tax identification number. If a unitholder (or, if applicable, any of its controlling persons):

- is identified as a U.S. Person (including a U.S. resident or U.S. citizen);
- is identified as a tax resident of a country other than Canada or the U.S.; or
- does not provide the required information and indicia of U.S. or non-Canadian status are present,

details about the unitholder (or, if applicable, its controlling persons) and their investment in the Pool will be reported to the Canada Revenue Agency (**CRA**), unless the investment is held within a Registered Plan. The CRA will provide that information to the U.S. Internal Revenue Service (in the case of U.S. citizens or tax residents) or the relevant tax authority of any country that is a signatory of the Multilateral Competent Authority Agreement on Automatic Exchange of Financial Account Information or that has otherwise agreed to a bilateral information exchange with Canada under the Common Reporting Standard (in the

case of non-Canadian tax residents other than U.S. tax residents).

Investment income received by a Pool from sources within foreign countries may be subject to foreign income tax withheld at the source. Canada has entered into tax treaties with certain foreign countries that may entitle the Pool to a reduced rate of tax on such income. Some countries require the filing of tax reclaim or other forms, which could include requests for information about the Pool's unitholders, to receive the benefit of the reduced tax rate. A Pool may provide the required information about a Pool's unitholders to foreign tax authorities in order to reclaim foreign income tax owing to a Pool.

## **STATEMENT OF RIGHTS**

Under securities law in some provinces and territories, you have the right to:

- withdraw from an agreement to buy mutual funds within two business days after you received a simplified prospectus or Fund Facts document, or
- cancel your purchase within 48 hours after you receive confirmation of the purchase.

In some provinces and territories, you also have the right to cancel a purchase, or in some jurisdictions, claim damages, if the simplified prospectus, Fund Facts document or financial statements contain a misrepresentation. You must act within the time limits set by law in the applicable province or territory.

For more information, see the securities laws of your province or territory or ask a lawyer.

## ADDITIONAL INFORMATION

You will generally be required to provide your financial advisor with information related to your citizenship, tax residence, and, if applicable, your foreign tax identification number. If you are identified as a U.S. Person (including a U.S. resident or citizen) or a tax resident of a country other than Canada or the U.S., or do not provide the required information and indicia of U.S. or non-Canadian status are present, details about you and your investment in the Pool will generally be reported to the CRA, unless the units are held in a Registered Plan. The CRA will provide that information to the U.S. Internal Revenue Service (**IRS**) (in the case of U.S. citizens or tax residents) or the relevant tax authority of any country that is a signatory of the Multilateral Competent Authority Agreement on Automatic Exchange of Financial Account Information or that has otherwise agreed to a bilateral information exchange with Canada under the Common Reporting Standard (in the case of non-Canadian tax residents other than U.S. tax residents).

The IRS issued a clarification to a set of existing tax rules that resulted in Canadian mutual funds generally being classified as corporations for U.S. tax purposes. As a result, U.S. taxpayers (including Canadian residents who are U.S. citizens) who hold Canadian mutual funds generally are subject to the Passive Foreign Investment Company rules, known as **PFIC**, including an annual requirement to report each PFIC investment held directly or indirectly on a separate U.S. tax form. If you are a U.S. citizen, you should consult your tax advisor about the U.S. tax rules that apply to you and the advisability of making (or refraining from making) any U.S. tax election, such as a Qualified Electing Fund or **QEF election**.

Generally, the QEF election more closely

aligns the Canadian and U.S. tax treatment of an investment in Canadian mutual funds. To assist investors who choose to make QEF elections, TruX makes available PFIC annual information statements, referred to as AIS, for the Pool. Investors should consult their dealer or financial advisors about obtaining their AIS from TruX.

## **CERTIFICATE OF THE POOL AND THE MANAGER AND PROMOTER OF THE POOL**

This simplified prospectus and the documents incorporated by reference into the simplified prospectus, constitute full, true and plain disclosure of all material facts relating to the securities offered by the simplified prospectus, as required by the securities legislation of every province and territory of Canada and do not contain any misrepresentations.

Dated: February 23, 2023.

*“James Fraser”*

James Fraser  
President & Chief Executive Officer  
True Exposure Investments, Inc.

*“Amy Aubin”*

Amy Aubin  
Chief Financial Officer  
True Exposure Investments, Inc.

ON BEHALF OF THE BOARD OF DIRECTORS OF  
TRUE EXPOSURE INVESTMENTS, INC.  
THE TRUSTEE, MANAGER AND PROMOTER OF  
THE FUND

*“James Fraser”*

James Fraser  
Director

## SPECIFIC INFORMATION ABOUT TRUX EXOGENOUS RISK POOL

## SPECIFIC INFORMATION ABOUT TRUX EXOGENOUS RISK POOL

### What is a Mutual Fund and What Are the Risks of Investing in a Mutual Fund?

Mutual funds own different types of investments, depending upon their investment objectives. The value of these investments will change from day to day, reflecting changes in interest rates, economic conditions, and market and company news. As a result, the value of a mutual fund's units may go up and down, and the value of your investment in a mutual fund may be more or less when you redeem it than when you purchased it.

The full amount of your investment in any TruX mutual fund is not guaranteed.

Unlike bank accounts or GICs, mutual fund units are not covered by the Canada Deposit Insurance Corporation or any other government deposit insurer.

Under exceptional circumstances, a mutual fund may suspend redemptions. Please see *Suspension of the right to redeem units* on page 18.

#### General Investment Risks

Risk is the chance that your investment may not perform as expected. There are different degrees and types of risk, but, in general, the more investment risk you are willing to accept, the higher your potential returns and the greater your potential losses.

In addition to mutual funds not being guaranteed or insured, there is also a risk that redemptions may be suspended. Under exceptional circumstances, your right to redeem your shares or units may be suspended. See page 18 for details.

Each mutual fund also has specific risks as

described beginning on page **Error! Bookmark not defined..**

### Fund Details

Type of Fund	Alternative Equity Focused
Eligible for Registered Plans	Yes

### What Does the Fund Invest In?

#### Investment Objectives

The Pool's primary objective is to provide relative or absolute capital preservation during sudden societal-level shocks that can negatively impact equities, when traditional diversification may fail. The secondary objective is to generate returns that are competitive with equity markets over the longer-term, including periods between shocks. The Pool pursues a relatively defensive equity strategy at all times.

The Pool invests primarily in liquid, U.S. equity ETFs in industry sectors on both a long and short basis. To a lesser extent the Pool invests in liquid alternative assets, commodities and government bonds that may provide strong performance during societal level shocks.

The Pool is permitted to utilize leverage, (including through its use of derivatives, short selling and borrowing) which makes the Pool an alternative mutual fund under Canadian securities legislation. The Pool may use leverage as permitted for an alternative mutual fund, which will be aggregate exposure up to 200% of the Pool's net asset value.

## SPECIFIC INFORMATION ABOUT TRUX EXOGENOUS RISK POOL

The Pool's investment objectives cannot be changed unless approved by a majority of unitholders who vote at a special meeting called by the Pool for that purpose.

### *Investment Strategies*

The Pool has a layered risk mitigation approach with various investment risk states. The Portfolio Manager allocates dynamically based on proprietary trend indicators. There are three main components to the Pool:

- **Long and short US sectors<sup>1</sup>:** Typically holds up to 4 U.S. industry sector ETFs. These ETFs are held both as short positions and long positions. Gross exposure is 50-60%.
- **US equity and factors:** Comprised of broader index exposures such as the S&P 500 Index, the NASDAQ 100 Index and defensive factors such as value stocks, held through ETFs. Gross exposure is 45%-65%.
- **Liquid Alternatives:** Comprised primarily of the CBOE Volatility Index (VIX), gold bullion and US Treasury Bonds. The Portfolio Manager intends to use ETFs for these exposures, although it may use options on indices for exposure in certain circumstances. Gross exposure is 15%-30%.

<sup>1</sup>The Global Industry Classification Standard (GICS®) include U.S.-listed companies in eleven industry sectors, including: Communication Services, Consumer Discretionary, Consumer Staples, Energy, Financials, Industrials, Information Technology, Materials, Real Estate, Utilities.

Gross exposure is generally approximately 135%.

Component	Asset Classes	Active Range
Long and short	Long Sectors	25% to

US Sectors	Short Sectors	50% -30% to -5%
US Equity and Factors	S&P 500	30% to 40%
	Equity Factors	0% to 15%
	Nasdaq 100	5% to 15%
Liquid Alternative and Risk Hedges	Volatility Index	0% to 5%
	Gold	0% to 10%
	7-10 Year US Treasuries	5% to 20%

The Pool will use derivative instruments to hedge 50% of its exposure to the U.S. dollar.

The Pool may invest in precious metals and other physical commodities through commodity ETFs.

The Pool may invest in securities of ETFs that are selected in accordance with the Pool's investment strategies. None of the ETFs or the managers of the ETFs are related to the Pool or the Manager.

The Pool may borrow cash for investment purposes up to a maximum of 35% of the Pool's net asset value, where the combined use of short selling and cash borrowing by the Pool is subject to an overall limit of 50% of its net asset value.

The Pool's gross exposure, calculated as the sum of the following, must not exceed 200% of its net asset value: (i) the aggregate market value of securities sold short; (ii) the value of indebtedness under any borrowing arrangements for investment purposes; and (iii) the aggregate notional value of the Pool's derivatives positions excluding any derivatives used for hedging purposes.

Pursuant to regulatory approval, the Pool is permitted to engage in short selling strategies that are outside the scope of NI 81-102 applicable to both alternative mutual funds and conventional mutual funds.

## SPECIFIC INFORMATION ABOUT TRUX EXOGENOUS RISK POOL

Consistent with the Pool's objectives, the Pool may sell a single short ETF for up to 100% of the aggregate market value of the Pool. Compliance with regulatory limits is monitored on a daily basis.

The Adviser may actively trade the Pool's investments. This can increase trading costs, which lower returns. It also increases the possibility that you receive capital gains distributions, which are taxable if you hold the Pool in a non-registered account.

### *Investment Restrictions*

The Pool is subject to certain restrictions and requirements contained in securities legislation, including NI 81-102, that are designed in part to ensure that the investments of the mutual fund are diversified and relatively liquid and to ensure the proper administration of the mutual fund. The Pool is managed in accordance with these restrictions, subject to approval from the securities regulatory authorities to vary any of those restrictions as set forth below.

### **Enhanced Short Selling Relief**

The Pool has obtained regulatory approval (a) to enter into short sales of up to 100% of the Pool's net asset value and (b) to borrow cash or sell securities with a combined market value of up to 100% of the Pool's net asset value. The following conditions must be met:

- (a) The only securities that the Pool will sell short resulting in the aggregate market value of the securities of that issuer sold short by the Pool exceeding 10% of the Pool's net asset value at the time of sale will be "index participation units" (**IPUs**) of index participation unit issuers (**IPU Issuers**);
- (b) The relief only applies in respect of

the Pool's short sales of IPUs of an IPU Issuer and the Pool will comply with the restriction on short sales applicable to single issuers of 10% of the Pool's net asset value in respect of its exposure to the securities held by each IPU Issuer the IPUs of which the Pool sells short;

- (c) The Pool may sell an IPU of an IPU issuer short or borrow cash only if, immediately after the transaction (1) the aggregate market value of all securities sold short by the Pool does not exceed 100% of the Pool's net asset value and (2) the aggregate market value of securities sold short by the Pool combined with the aggregate value of cash borrowing by the Pool does not exceed 100% of the Pool's net asset value;
- (d) The Pool will otherwise comply with all of the requirements applicable to alternative mutual funds in sections 2.6.1 and 2.6.2 of NI 81-102;
- (e) The Pool's aggregate exposure to short selling borrowing and specified derivatives will not exceed 300% of the Pool's net asset value;
- (f) Each short sale will be made consistent with the Pool's investment objectives and investment strategies; and
- (g) The Pool's prospectus discloses that the Pool is able to sell short IPUs of one or more IPU Issuers in an amount up to 100% of the Pool's net asset value at the time of sale.

### **Description of Securities Offered by the Pool**

The Pool offers one class of units, issuable in series. The Pool offers the following series of units:

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Series	Eligibility
F	Available to all investors
N	Available only to clients of the Adviser and seed capital investors approved by the Manager

### *Distributions*

Series F and N distribute a stable monthly amount that can be reviewed and adjusted by the Manager each January. Currently, the distribution is set at 3% of the initial net asset value per unit of the Series, payable monthly. This distribution may consist partly of income and partly return of capital. In the Manager's opinion this amount is sustainable in the sense it is expected to be less than the long-term total return of the Pool.

For all series, distributions of capital gains, if any, are made annually in December.

Distributions on units are reinvested in additional units of the Pool unless you tell us in writing that you want to receive them in cash.

### *Voting Rights*

Where approval of the Pool's investors is required, each unitholder shall have one vote for each unit owned of the Pool.

Unitholders of the Pool will be entitled to vote to approve all matters that require unitholder approval under NI 81-102 or the Declaration of Trust. As at the date of this document, these matters include the following:

- a change in the manager of the Pool, unless the new manager is an affiliate of the Manager;

- any change in the fundamental investment objectives of the Pool;
- any decrease in the frequency of calculating the net asset value of the Pool;
- certain material reorganizations of the Pool;
- if the basis of the calculation of a fee or expense that is charged to a Pool or a series of a Pool or directly to the unitholders of a Pool by the Pool or the Manager in connection with the holding of units of the Pool is changed in a way that could result in an increase in charges to the Pool or the series of the Pool or to the unitholders, unless the Pool is at arm's length to the person or company charging the fee or expense or if applicable securities laws do not require the approval of unitholders to be obtained and, if required by securities laws, written notice is sent to all unitholders of the Pool or the series of the Pool at least 60 days before the effective date of the change;
- if a fee or expense to be charged to a Pool, a series of a Pool or directly to a Pool's unitholders by the Pool or the Manager in connection with the holding of units of the Pool that could result in an increase in charges to the Pool or to its unitholders is introduced, unless the Pool is at arm's length to the person or company charging the fee or expense to the Pool or if applicable securities laws do not require the approval of unitholders to be obtained and, if required by securities laws, written notice is sent to all unitholders of the Pool or the series of the Pool at least 60 days before the effective date of

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- the change; and
- any other matter that requires the approval of unitholders pursuant to the Declaration of Trust or applicable laws.

### *Rights on Termination of the Pool*

The holder of a unit of a particular series of the Pool is entitled, if the Pool is liquidated, to participate equally in the net assets of the Pool allocated to that series and remaining after satisfaction of any outstanding liabilities allocated to that series.

### *Conversion Rights*

A unit of a series of the Pool may be converted into units of a different series of units of the Pool if the investor is eligible for that different series of units.

### *Redemption Rights*

The holder of a unit of a particular series of the Pool is entitled to require the Pool to redeem the unit.

### *Procedures to Amend Unit Rights*

We may modify, alter or add to the provisions of the Pool's Declaration of Trust without the approval of its investors in order to:

- comply with applicable legislation of any governmental authority having jurisdiction over the Pool or the distribution of its units;
- provide for the protection of investors;
- remove conflicts with applicable laws, regulations, policies, rulings or other requirements of a governmental authority applicable to or affecting the Pool;
- correct errors; or

- appoint an affiliate of ours to act as the manager of the Pool.

We may also modify, alter or add to the provisions of the Pool's Declaration of Trust without the approval of its investors if:

- the change is made to facilitate the administration of the Pool;
- the change is made in response to any amendments to the Tax Act;
- the change is not prejudicial to the Pool's investors; or
- the change is to divide the capital of the Pool into additional series of units, provided that the rights of existing investors are not changed adversely.

## **Name, Formation and History of the Fund**

TruX Exogenous Risk Pool has its head office address at 130 King Street West, Suite 1800, Toronto, Canada, M5X 1E3. The Pool was formed by Declaration of Trust under the laws of the Province of Ontario on January 7, 2022.

There have been no name changes, changes to constituting documents or major events affecting the Pool since its inception.

## **What Are The Risks of Investing in the Pool?**

The specific strategies that differentiate this Pool from conventional mutual funds include increased ability to use derivatives for hedging and non-hedging purposes, increased ability to sell securities short and the ability to borrow cash to use for investment purposes. While these strategies will be used in accordance with the Pool's investment objective and strategies, during certain market conditions they may accelerate the pace at which your investment

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decreases in value.

Over the last 12 months, from time to time, the Pool invested more than 10% of its net assets in securities of more than one issuer. It invested as much as the following amounts in the following issuers:

Issuer	Maximum Amount of NAV Invested
CI Gold Bullion Fund	10.6%
Consumer Staples Select Sector SPDR Fund	39.5%
Invesco QQQ Trust Series 1	14.2%
iShares 1-3 Year Treasury Bond ETF	20.7%
SPDR S&P 500 ETF Trust	40.3%
Consumer Discretionary Select Sector SPDR Fund (short position)	(34.8%)

See *Concentration Risk* below.

### Borrowing Risk

The Pool is permitted to borrow for investment purposes. The Pool is limited by law to borrowing an amount equal to 50% of its net asset value. There is a risk that the amount the Pool borrows will be greater than the value of investments made with the borrowed money. Under these circumstances, the Pool would repay the borrowed amount by disposing of portfolio assets and this may cause a greater decline in the Pool's net asset value than the decline that would have occurred from the loss of the investment alone.

### Commodity Risk

The Pool may invest indirectly in commodities or commodity sectors, including gold, silver, other precious metals, industrial metals, energy, and soft (or grown) commodities, like wheat, livestock, cocoa, cotton, coffee, and sugar. There are

several ways a mutual fund can obtain commodities exposure, including by:

- Purchasing securities of an ETF
- Purchasing exchange-traded derivatives.

Commodity prices can fluctuate significantly in short time periods. A fund exposed to commodities may, therefore, experience volatility in its net asset value. Commodity prices can change as a result of a number of factors, including supply and demand, speculation, central bank and international monetary activities, political or economic instability, changes in interest rates and currency values, new discoveries, or changes in government regulations affecting commodities.

### Concentration Risk

Some mutual funds may concentrate their investments by:

- Investing in relatively few companies.
- Investing in a particular industry or geographic region.
- Holding more than 10% of their net assets in securities of a single issuer.

The Pool is subject to increased concentration risk as it is permitted to invest up to 100% of the Pool's net asset value in the securities of a single issuer that is an IPU Issuer.

A relatively high concentration of assets in, or exposure to, a particular industry, geographic region, single issuer or a small number of issuers may reduce the *diversification* of a mutual fund, and may result in increased *volatility* in the Pool's net asset value. Issuer concentration may also increase the illiquidity of the mutual fund's portfolio if there is a shortage of buyers

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willing to purchase those securities. Because the concentrated investments in the Pool are in securities of IPU Issuers, this risk is substantially mitigated.

### *Country Risk*

A mutual fund that invests a significant amount of its assets in a single country (including Canada or the U.S.), either as a result of its investment objective and/or investment strategies or at the portfolio manager's discretion, may be more volatile than a more geographically diversified fund, and may be strongly affected by the overall economic performance of that specific country. The Pool has investment objectives to invest primarily in one country, and the Pool must continue to follow its investment objectives regardless of the economic performance of the specific country.

### *Credit Risk*

Credit risk is the possibility that a borrower or issuer, or the counterparty to a derivative contract, is unable or unwilling to repay the loan, obligation or interest payment, either on time or at all. The Pool may face this type of credit risk in any borrowing, short selling or derivatives transaction into which it enters. Credit risk is also the risk that the issuer of a fixed income security can't pay interest or repay principal when it's due. The Pool expects to have minimal exposure to this latter type of credit risk as the only fixed income securities in which it invests will be those issued by the U.S. government.

### *Currency Risk*

The assets and liabilities of the Pool are valued in Canadian dollars. The Pool will buy long and sell short ETFs, and buy treasuries issued by the U.S. government, denominated in U.S. dollars. For the purposes of calculating the NAV of the Pool, we convert, on a daily basis, the value of U.S. dollar-denominated securities into

Canadian dollars. Fluctuations in the value of the Canadian dollar relative to the U.S. dollar impact the NAV of the Pool. If the value of the Canadian dollar has increased relative to the U.S. dollar, the return on the foreign security may be reduced, eliminated or made negative. The opposite can also occur. That is, the Pool's holding of a security denominated in U.S. dollars may benefit from an increase in the value of the U.S. dollar relative to the Canadian dollar. We seek to mitigate some of the currency risk by using derivatives to partially hedge the impact of U.S. to Canadian dollar fluctuations. However, these derivative transactions may not be fully effective. In addition, these derivative transactions will expose the Pool to certain types of risks described below under Derivatives Risk.

### *Cyber Security Risk*

Cyber security risk is the risk of harm, loss, and liability resulting from a failure or breach of an organization's information technology systems.

In general, cyber security risk can result from deliberate attacks or unintentional events and may arise from external or internal sources. Cyber attacks include gaining unauthorized access to digital systems (e.g., through "hacking" or malicious software coding) for purposes of misappropriating assets or sensitive information, corrupting data, equipment or systems, or causing operational disruption. Cyber attacks may also be carried out in a manner that does not require gaining unauthorized access, such as causing denial-of-service attacks on websites (i.e., efforts to make network services unavailable to intended users).

Cyber security risk has the ability to negatively impact the Pool and the unitholders of the Pool by, among other things, disrupting and impacting business

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operations, interfering with the Pool's ability to calculate its net asset value, impeding trading by or in the Pool, or causing violations of applicable privacy and other laws.

While TruX has established business continuity plans and risk management systems to address cyber security risk, there are inherent limitations in such plans and systems, including the possibility that certain risks have not been identified. Furthermore, although TruX has vendor oversight policies and procedures, the Pool cannot control the cyber security plans and systems put in place by its service providers, or any other third party whose operations may affect the Pool or its unitholders. The Pool and its unitholders could be negatively impacted as a result.

### *Derivatives Risk*

The Pool may use derivatives that limit potential gains or losses caused by changes in exchange rates, stock prices or interest rates. This is called hedging. The Pool may also use derivatives for non-hedging purposes, such as reducing transaction costs, increasing liquidity, gaining exposure to financial markets, currencies and commodities, or increasing speed and flexibility in making portfolio changes.

The use of derivatives has risks, including:

- There is no guarantee a market for the derivative will exist when the Pool wants to buy or sell.
- There is no guarantee that the Pool will be able to find an acceptable counterparty willing to enter into a derivative contract.
- The counterparty to the derivative contract may not be able to meet its obligations, which could result in a loss for the Pool.

- A large percentage of the assets of the Pool may be placed on deposit with one or more counterparties, which exposes the Pool to the credit risk of those counterparties.
- Securities exchanges may set daily trading limits or halt trading, which may prevent the Pool from selling a particular derivative.
- The price of a derivative may not accurately reflect the value of the underlying asset.
- Gains or losses from derivatives may result in fluctuations to the Pool's taxable income, which may in turn impact the taxable portion of the Pool's regular distributions or result in distributions that are higher or lower than otherwise anticipated.
- If derivatives are being traded on foreign markets, it may be more difficult or take longer to complete a transaction.

Where the Pool uses derivatives for hedging purposes, there is a risk that the hedging strategy may not be effective in mitigating losses, or that the derivative will not offset the drop in the value of the underlying security or currency. The use of derivatives for hedging purposes may also reduce the opportunity for gains due to market fluctuations, the cost of the hedge and the nature of the derivative.

A derivative is usually a contract between two parties where the payments required under the contract are based on, or derived from, an agreed underlying source, such as the market price or value of an asset (e.g., a currency or a security) or an economic indicator (e.g., a stock market index or a specified interest rate). Derivatives are not a direct investment in the underlying source itself.

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Some common derivatives include options, swaps, forwards, futures and credit-linked notes. An option is a contract between two parties for a future transaction on an asset at a reference price. The Pool may engage in options on currencies, securities, futures or swaps. An option gives the buyer the right, but not the obligation, to engage in the transaction, while the seller incurs the corresponding obligation to fulfill the transaction. Options on swaps, including “swaptions”, offer the buyer the right, but not the obligation, to enter into a swap; the seller incurs the obligation to fulfill the swap transaction.

A swap is an agreement between two parties to exchange, or “swap”, certain payments. These payments are typically based on the value of an agreed upon amount or security. For example, in an interest rate swap, one party may agree to pay a fixed rate of interest, while the other agrees to pay a variable or floating rate. Other types of swaps include cross currency swaps, total return swaps and credit default swaps.

A forward contract is an agreement to buy or sell currencies, commodities or securities for a set price at a specified future date or to pay an amount based on the future value of a currency, commodity or security.

A future is similar to a forward contract, except that the contract is traded on a securities or commodities exchange. Futures contracts may reference a bond, interest rate, market index or currency.

### *Equity Risk*

Companies issue equities, or stocks, to help finance their operations and future growth. A company’s operating results, financial strength, competitive position and prospects for future growth will have the most influence on its stock price over the long term. In addition, the economic environment in which the company operates will impact

its stock price. When the economy is expanding, the outlook for many companies will be positive and the value of their stocks should rise. The opposite is also true. In the short term, investor sentiment can have a significant impact on stock prices as investors necessarily evaluate the uncertainty of a company’s future value. The value of the Pool is affected by changes in the prices of the stocks that the underlying ETFs hold.

### *Exchange-Traded Fund Risk*

The Pool will invest in ETFs. The ETFs attempt to replicate the performance of widely-quoted market indices. While an investment in an ETF generally presents similar risks as an investment in an open-ended, actively managed mutual fund that has the same investment objectives and strategies, it also carries the following additional risks, which do not apply to an investment in an open-ended, actively managed mutual fund:

- The performance of an ETF may be different from the performance of any index, commodity or financial measure that the ETF may seek to track. There are several reasons that this might occur, including transaction costs and other expenses that are borne by the ETF. The ETF’s securities may trade at a premium or a discount to their net asset value.
- The ability of a mutual fund to realize the full value of its investment in an underlying ETF depends on the mutual fund’s ability to sell the ETF’s securities on a securities market. The mutual fund may receive less than the ETF’s net asset value per security on such sale, as the ETF’s securities may not trade at prices that reflect their net asset

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value.

- There is no guarantee that any particular ETF is available at any time. An ETF may be newly or recently organized, with limited or no previous operating history, and an active trading market for an ETF's securities may fail to develop or be maintained. In addition, an ETF may not continue to meet the listing requirements of the exchange on which its securities are listed for trading.
- Commissions may apply to the purchase or sale of an ETF's securities by a mutual fund.

### *Foreign Investment Risk*

The Pool indirectly invests in securities issued by corporations in the United States. Investing in U.S. securities can be beneficial in expanding your investment opportunities and portfolio diversification, but there are risks associated with these investments, including:

- Companies outside of Canada may be subject to different regulations, standards, reporting practices and disclosure requirements than those that apply in Canada.
- Political, social or economic instability may affect the value of foreign securities.
- Investment income received by the Pool from foreign investments may be subject to foreign income tax withheld at the source, the rate of the withholding may increase at any time and any potential reduced withholding tax rates or withholding tax claims may be more costly to pursue than the value of the benefits received by the Pool.

### *Income Tax Risk*

The Pool will be subject to certain tax risks generally applicable to Canadian investment funds. There can be no assurance that the CRA or a court will agree with the tax treatment adopted by the Pool in filing its tax returns. The CRA could reassess the Pool on a basis that results in an increase in the taxable component of distributions considered to have been paid to unitholders. A reassessment by the CRA may also result in the Pool being liable for unremitted withholding taxes on prior distributions to non-resident unitholders. Such liability may reduce the net asset value per unit of the Pool.

The Pool qualifies as a "mutual fund trust" for purposes of the Tax Act. It is TruX's intention that the qualification as a mutual fund trust will be satisfied on a continuing basis by the Pool. If the Pool ceases to qualify as a mutual fund trust under the Tax Act, the income tax considerations described under **INCOME TAX CONSIDERATIONS** could be materially and adversely different in certain respects. For example, if the Pool fails or ceases to qualify as a mutual fund trust, units of the Pool will no longer be qualified investments for registered plans under the Tax Act. The Tax Act imposes penalties on the annuitant of a Registered Plan for the acquisition or holding of non-qualified investments.

Tax loss restriction rules, referred to as the LRE rules, apply to the Pool when an investor (counted together with affiliates) becomes the holder of units worth more than 50% of the Pool. This could happen when an investor or its affiliates acquire units, or when another investor redeems units. Each time the LRE rules apply to the Pool, the taxation year of the Pool will be deemed to end, and the Pool will be deemed to realize

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its unrealized capital losses. The Pool may elect to realize capital gains in order to offset its capital losses and non-capital losses, including undeducted losses from prior years. Any undeducted capital losses will expire and may not be deducted from the Pool in future years, and any undeducted non-capital losses in future years will be restricted, with the result that income and capital gains distributions in the future may be larger. The Pool’s declaration of trust provides for the automatic distributions to unitholders of a sufficient amount of net income and net capital gains of the Pool for each taxation year (including a taxation year that is deemed to end by virtue of a loss restriction event) so that the Pool will not be liable for ordinary income tax. These distributions must be included in the unitholder’s income for tax purposes. Also, future distributions paid by the Pool may be larger than they otherwise would have been due to the restriction on the deduction of prior losses. Trusts that qualify as “investment funds” as defined in the LRE rules are generally excepted from the application of such rules. An “investment fund” for this purpose includes a trust that meets certain conditions, including satisfying certain of the conditions necessary to qualify as a “mutual fund trust” for purposes of the Tax Act, not holding any property that it uses in the course of carrying on a business and complying with certain asset diversification requirements. For more information regarding the taxation of distributions, see the **INCOME TAX CONSIDERATIONS**.

### *Index Fund Risk*

Indexing strategies involve tracking the performance of the securities included in the relevant index. The Pool’s investment strategy is based on asset and sector allocation, as opposed to individual security selection, principles. The Pool achieves this

strategy by investing, on a long or a short basis, primarily in ETFs that track different indices. Third-party index providers calculate, determine and maintain the indices that are tracked, and such index providers have the right to make adjustments to or cease to calculate the indices, without regard to how this would affect the Pool or any underlying ETFs. This may require us to replace the index, change the investment objectives of the Pool or, in certain circumstances, terminate the Pool.

The ETFs in which the Pool invests may not be able to track their indices perfectly. This is for several reasons, including:

- Each such ETF has its own fees and operating and trading costs, which lower returns. Indices do not have these fees or costs.
- Certain securities in the index may temporarily not be available for purchase.
- If the underlying ETF tenders securities pursuant to a takeover bid for less than all securities of a constituent issuer, and that issuer is not removed from the index, the underlying ETF may have to buy replacement securities at a different price than the takeover bid price.
- If there is a significant investment in the Pool, the Pool may have higher than normal cash levels until such time as it is able to obtain exposure to the index because there may be a delay of several days between the time of the investment in the Pool and the time the Pool receives payment for the shares or units of the Pool. This “cash drag” will have a more significant impact on the Pool when it has relatively smaller assets under management, such as at inception.

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- The underlying ETF may use representative sampling.  
Representative sampling involves using quantitative analysis to select either a subset of the securities that make up the underlying index or a combination of some or all of the securities that make up the underlying index and other securities that are not part of the underlying index. This may result in a deviation in the performance of the Pool or the underlying ETF relative to the applicable index that is being tracked.

An index fund (which includes ETFs) may, in basing its investment decisions on an index, have more of its net assets invested in one or more issuers than is usually permitted for mutual funds under applicable securities legislation. In these circumstances, an index fund may be affected more by the performance of individual issuers in its portfolio, with the result that the NAV of the index fund may be more volatile and may fluctuate more than the NAV of a more broadly diversified mutual fund. In addition, this may make the index fund less liquid, which may, in turn, have an effect on the index fund's ability to satisfy redemption requests.

Because the investment objective of the index fund is to track the performance of one or more indices, the index fund must continue to invest in the securities of the index or indices, even if the index or indices are performing poorly. The poor performance of a security in the index will not result in the removal of that security from the index fund's portfolio unless that security is removed from the index. The index fund will not attempt to take defensive positions in declining markets. The index fund will not be able to reduce risk by diversifying its investments into securities

that are not in the index or indices.

### *Large Transaction Risk*

The Pool may have investors who subscribe for a significant amount of the Pool's units. These investors could include individual investors, institutional investors for their own account or institutional investors who include the Pool as a component of one of their products. These investments entail certain risks.

The initial (or a subsequent) investment by a large investor may increase the Pool's cash flow beyond a normal level. As a result, the portfolio manager may not be able to invest the new cash immediately. If this occurs during a rising market, the excess cash could reduce Pool performance relative to the performance had this investment not been made. In a falling market, the opposite could occur, and the uninvested cash could benefit the Pool's performance. The Manager tries to mitigate this risk by giving portfolio managers extra notice of incoming large cash flows or negotiating with the investor to subscribe for a Pool's shares or units incrementally.

A redemption by a large investor could also be disruptive to the Pool in a number of ways. To fund the redemption, the portfolio manager may have to sell portfolio securities earlier than it would have otherwise had to absent the large redemption. This may cause the Pool to realize capital gains earlier than might have otherwise been the case, accelerating capital gains distributions to investors.

In addition, the redemption of a significant investment would be unlikely to affect the amount of expenses allocated to a series of the Pool in the short term, but it would cause the amount of expenses allocated to remaining investors to increase, which

## SPECIFIC INFORMATION ABOUT TRUX EXOGENOUS RISK POOL

would be reflected in an increase in the management expense ratio of the series of the Pool.

### *Leverage Risk*

The Pool uses leverage as part of its investment strategies. The Pool is exposed to leverage when it invests in derivatives, borrows cash for investment purposes or enters into short sales. It is an investment technique that can magnify gains and losses. Consequently, any adverse change in the value or level of the underlying asset, rate or index may amplify losses compared to those that would have been incurred if the underlying asset had been directly held by the Pool and may result in losses greater than the amount invested in the asset itself. Leverage may increase volatility, may impair the Pool's liquidity and may cause the Pool to liquidate positions at unfavourable times. The Pool is subject to an aggregate exposure limit of 200% of the Pool's net asset value, which is measured on a daily basis. There can be no assurance that the leveraging strategy employed by the Pool will enhance returns.

### *Liquidity Risk*

Liquidity risk takes two forms: asset side liquidity risk and liability side liquidity risk. Asset side liquidity risk refers to the inability of the Pool to sell a security or position at its quoted price or market value due to such factors as a sudden change in the perceived value or credit worthiness of the position, or due to adverse market conditions generally. Liability side liquidity risk refers to the inability of the Pool to meet a redemption request due to the inability of the Pool to sell securities or positions in order to raise sufficient cash to meet the redemption request. Reduced liquidity due to these factors may have an adverse impact on the NAV of the Pool. Certain securities are illiquid due to a limited trading market,

financial weakness of the issuer, legal or contractual restrictions on resale or transfer, or that are otherwise illiquid in the sense that they cannot be sold within seven days at approximately the price at which the Pool values them. Securities that are illiquid involve greater risk than securities with more liquid markets. Market quotations for such securities may be volatile and/or subject to large spreads between bid and ask prices. Illiquidity may have an adverse impact on market price and the Pool's ability to sell particular securities when necessary to meet the Pool's liquidity needs or in response to a specific economic event.

### *Prime Broker Risk*

Some of the assets of the Pool may be held in one or more margin accounts due to the fact that the Pool may borrow cash for investment purposes, sell securities short and post margin as collateral for derivatives transactions and short sales. The margin accounts may provide less segregation of customer assets than would be the case with a more conventional custody arrangement. As a result, the assets of the Pool could be frozen and inaccessible for withdrawal or subsequent trading for an extended period of time if a prime broker experiences financial difficulty. In such case, the Pool may experience losses due to insufficient assets of the prime broker to satisfy the claims of its creditors. In addition, the possibility of adverse market movements while its positions cannot be traded could adversely affect the total return to the Pool.

### *Series Risk*

The Pool may issue more than one series of units. Each series has its own fees and expenses, which are tracked separately. If the Pool cannot pay the expenses of one series using that series' share of the Pool's assets, the Pool will have to pay those expenses out of the other series' share of the

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Pool's assets attributable to those series. This could lower the investment return of the other series.

### *Short Selling Risk*

The Pool will engage in short sales of ETFs. A short sale is where the Pool borrows securities from a borrowing agent (generally a custodian or dealer) and then sells the borrowed securities in the open market. At a later date, the same number and type of securities are repurchased by the Pool and returned to the borrowing agent. In the interim, the proceeds from the first sale may be deposited with the borrowing agent as collateral or returned to the portfolio manager to deploy for long positions, in which case those securities may be held by the prime broker as collateral. The Pool pays interest to the borrowing agent on the value of the borrowed securities. If the value of the securities declines between the time that the Pool borrows the securities and the time that it repurchases and returns the securities, the Pool makes a profit for the difference (less any interest the Pool must pay to the borrowing agent). The amount of profit on a short sale is limited by the value of the security at the time of the short sale, while the amount of potential loss is unlimited.

Short selling strategies can provide a mutual fund with an opportunity to manage volatility and enhance performance in declining or volatile markets. Short selling securities involves risk, because there is no assurance that securities will sufficiently decline in value during the period of the short sale to offset the interest paid by the Pool, and thereby make a profit for the Pool. Securities sold short may instead increase in value, resulting in a loss to the Pool. The Pool may also experience difficulties repurchasing and returning the borrowed securities. The borrowing agent from whom the Pool has borrowed securities, may go

bankrupt, and the Pool may lose the collateral it has deposited with the borrowing agent.

The Pool has obtained regulatory approvals to permit short selling strategies that are outside the scope of NI 81-102 applicable to both alternative mutual funds and conventional mutual funds. Compliance with regulatory limits is monitored on a daily basis.

### *Specialization Risk*

The Pool invests a significant portion of its NAV in a specific industry, asset class or market sector (**area of specialization**) and, thus, may be more volatile than a less specialized fund, and may be strongly affected by the overall economic or financial performance of the area of specialization in which the Pool invests. The Pool must continue to follow its investment objectives regardless of the economic performance of the area of specialization.

## **Investment Fund Risk Classification**

The investment risk level of the Pool is required to be determined in accordance with a standardized risk classification methodology that is based on the Pool's historical volatility as measured by the 10-year standard deviation of the returns of the Pool. As the Pool does not have a 10-year return history, TruX calculates the investment risk level of the Pool by imputing the return history of one or more reference indices for the 10-year period. As the Pool invests substantially all of its assets in one or more ETFs that have existed for at least 10 years, TruX uses the returns of the indices upon which those ETFs are based to complete a 10-year return history of the Pool for the purpose of estimating its 10-year standard deviation, namely, MSCI US

## **SPECIFIC INFORMATION ABOUT TRUX EXOGENOUS RISK POOL**

Quality Index (40%), MSCI US Momentum Index (-17.5%), S&P 500 Index (37.5%), MSCI Enhanced Value Index (5.0%), NASDAQ Composite Index (12.5%), CBOE Volatility Index (2.5%), SPDR Gold Trust (7.5%), and iShares 7-10 Year Treasury Bond Index (12.5%).

You can get details of the methodology that we use to identify the risk level of the Pool by calling us at 1-844-844-TRUX (8789) or by sending us an email at [contact@truxinvestments.com](mailto:contact@truxinvestments.com).

Additional information about the Pool is available in the Pool's Fund Facts document, management reports of fund performance and financial statements. These documents are incorporated by reference into this simplified prospectus, which means that they legally form part of this document just as if they were printed as a part of this document.

You can get a copy of these documents, at your request, and at no cost, by calling toll free 1-844-844-TRUX (8789), or from your dealer, or via email at [contact@truxinvestments.com](mailto:contact@truxinvestments.com).

These documents and other information about the Pool, such as information circulars and material contracts, are also available on the Pool's designated website at [www.truxinvestments.com](http://www.truxinvestments.com) or at [www.sedar.com](http://www.sedar.com).

TRUX EXOGENOUS RISK POOL

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