

2006 BCSECCOM 173

February 9, 2006

Headnote

Mutual Reliance Review System for Exemptive Relief Applications - National Instrument 81-106, s.17.1 - Continuous Disclosure Requirements for Investment Funds - An investment fund wants relief from the requirement in s. 14.2(3)(b) of National Instrument 81-106 to calculate its net asset value at least once every business day - The fund is a closed-end investment fund that allows redemptions or retractions no more frequently than once per month; units of the fund are listed on a stock exchange and unitholders can buy or sell units of the fund through the exchange; the fund calculates its net asset value on a regular basis and makes that calculation available to the public on request

Applicable British Columbia Provisions

National Instrument 81-106, s. 14.2(3)(b) and 17.1

In the Matter of
the Securities Legislation
of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec, New
Brunswick, Nova Scotia, Newfoundland and Labrador, Northwest Territories,
Yukon and Nunavut (the “Jurisdictions”)

and

In the Matter of
the Mutual Reliance Review System for Exemptive Relief Applications

and

In the Matter of Brompton Advantaged Tracker Fund (the “Filer”)

MRRS Decision Document

Background

The local securities regulatory authority or regulator (the “Decision Maker”) in each of the Jurisdictions has received an application (the “Application”) from the Filer dated January 13, 2006 for a decision under the securities legislation (the “Legislation”) of the Jurisdictions for an exemption from section 14.2(3)(b) of National Instrument 81-106 *Investment Funds Continuous Disclosure* (“NI 81-106”), which requires an investment fund that uses specified derivatives (as such term is defined in National Instrument 81-102 *Mutual Funds*) to calculate net asset value at least once every business day (the “Requested Relief”).

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Under the Mutual Reliance Review System for Exemptive Relief Applications:

- (a) the Ontario Securities Commission is the principal regulator for this application; and
- (b) this MRRS decision document evidences the decision of each Decision Maker.

Interpretation

Defined terms contained in National Instrument 14-101 *Definitions* have the same meaning in this decision unless they are defined in this decision.

Representations

This decision is based on the following facts represented by the Filer:

1. The Filer is an investment trust established under the laws of Ontario pursuant to a declaration of trust between the Manager and the Trustee (as defined below).
2. Brompton BTF Management Limited (the “Manager”) is the promoter and manager of the Filer and will perform administrative services on behalf of the Filer.
3. Brompton Capital Advisors Inc. (the “Advisor”) will be the investment advisor to the Filer. The Advisor is registered as an advisor in the category of investment counsel and portfolio manager and is registered as a limited market dealer.
4. Computershare Trust Company of Canada (the “Trustee”) will act as the trustee, registrar, transfer agent and distribution agent of the Filer.
5. It is expected that RBC Dexia Investor Services Inc. (the “Custodian”) will act as the custodian of the assets of the Filer and will be responsible for certain aspects of the day-to-day administration of the Filer.
6. A preliminary prospectus of the Filer dated December 16, 2005 (the “Preliminary Prospectus”) has been filed with the securities regulatory authorities in each of the Provinces and Territories of Canada in connection with a proposed issuance of units of the Filer (the “Units”).
7. The Units are expected to be listed and posted for trading on the Toronto Stock Exchange (the “TSX”). An application requesting conditional listing approval has been made on behalf of the Filer to the TSX.

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8. The Units will be redeemable at the option of the holders of Units (the “Unitholders”) on both a monthly and an annual basis. The monthly redemptions are at a price computed by reference to the market price of the Units on the redemption date. Since the primary purpose of the Filer is to invest money provided by its Unitholders, the Filer does not invest for the purpose of exercising effective control, seeking to exercise effective control or being actively involved in the management of the issuers in which it invests. As a result, the Filer will not be a “mutual fund” under applicable securities legislation, but will be a “non-redeemable investment fund” for purposes of the Legislation.
9. The Filer’s investment objectives are to provide Unitholders with the benefits of monthly tax advantaged cash distributions and low management fees together with the opportunity for capital appreciation based on the performance of an equally weighted diversified portfolio of those income funds which will be included from time to time by S&P in the S&P/TSX Composite Index and which pay a regular distribution (the “Portfolio”).
10. The Portfolio will be held by ATF Trust, a trust to be incorporated under the laws of the Province of Ontario. ATF Trust will be established for the purpose of acquiring and holding the Portfolio. A Canadian financial institution (the “Counterparty”) will be the initial beneficial owner of all of the Units of ATF Trust.
11. The Filer will invest the net proceeds of the offering of Units in a portfolio consisting of shares of Canadian public companies that are “Canadian Securities” for the purposes of the *Income Tax Act* (Canada) (the “Common Share Portfolio”).
12. The Filer will enter into a forward agreement (the “Forward Agreement”) with the Counterparty which will provide the Filer with the economic return generated by the Portfolio. Under the terms of the Forward Agreement, the Counterparty will agree to pay to the Filer on February 28, 2016 (the “Forward Termination Date”), or earlier in whole or in part at the request of the Filer, an amount equal to the redemption proceeds of the number of units of ATF Trust specified in the Forward Agreement in exchange for the Common Share Portfolio. At the time that the Filer enters into the Forward Agreement, the aggregate net asset value of ATF Trust will be equal to the value of the Common Share Portfolio.
13. From time to time, the Filer may hold a portion of its assets in cash and cash equivalents.

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14. The terms of the Forward Agreement provide that the Forward Agreement may be settled in whole or in part prior to the Forward Termination Date by the Filer in its discretion to permit the Filer to fund distributions, redemptions and repurchases of Units from time to time and to fund operating expenses and other liabilities of the Filer.
15. The Manager is the promoter of the Filer and has been retained to act as manager for both the Filer and ATF Trust. The Manager will be responsible for providing or arranging for the provision of administrative services required by both the Filer and ATF Trust.
16. The Manager will appoint the Advisor as advisor to the Filer and ATF Trust.
17. Units of ATF Trust (the “Trust Units”) will be redeemable at the demand of its unitholders. The Trust Units will be redeemed at a price computed by reference to the net asset value per unit of ATF Trust.
18. The net asset value per Unit of the Filer will be calculated and made available to the financial press for publication on a weekly basis. The Manager will post the net asset value per Unit of the Filer on its website at www.bromptongroup.com.
19. The Advisor will employ leverage in the Portfolio to enhance the Portfolio’s total returns.
20. In order to generate additional returns, the Filer may lend Common Share Portfolio securities to borrowers acceptable to the Filer pursuant to the terms of a securities lending agreement between the Filer and any such borrower (a “Securities Lending Agreement”). Under any Securities Lending Agreement: (i) the borrower will pay to the Filer a negotiated securities lending fee and will make compensation payments to the Filer equal to any distributions received by the borrower on the securities borrowed; (ii) the securities loans will qualify as “securities lending arrangements” for the purposes of the *Income Tax Act* (Canada); and (iii) the Filer will receive prescribed collateral security which it may pledge as security under the Forward Agreement.
21. The Preliminary Prospectus contains, and the Prospectus will contain, disclosure with respect to securities lending by the Filer.

Decision

Each of the Decision Makers is satisfied that the test contained in the Legislation that provides the Decision Maker with the authority to make the decision has been met.

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The decision of the Decision Makers under the Legislation is that the Requested Relief is granted provided that the prospectus discloses:

- (a) that the net asset value calculation of the Filer is available to the public upon request;
- (b) a website that the public can access to obtain the net asset value;

for so long as:

- (c) the Units are listed on the TSX; and
- (d) the Filer calculates its net asset value per Unit at least weekly.

Rhonda Goldberg
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Ontario Securities Commission