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May 25, 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
Advantaged Preferred Share Trust
(the “Filer”)

MRRS Decision Document

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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 April 28, 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 (“NAV”) at least once every business day (the “Requested Relief”).

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 to be established under, and governed by, the laws of Ontario.
2. RBC Dominion Securities Inc. (the “Administrator”) is the promoter and administrator of the Filer and will perform administrative services on behalf of the Filer. RBC Dominion Securities Inc. is also the calculation agent (“Calculation Agent”) of the Filer.
3. Computershare Trust Company of Canada will act as the transfer agent and registrar for the Units (as defined below).
4. A preliminary prospectus of the Filer dated April 6, 2006 (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”).

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5. 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.
6. The Units will be retractable at the option of the holders of Units (the “Unitholders”) on both a monthly and an annual basis. Commencing in 2007, Units can be retracted annually on or before June 30th of each year (the “Annual Retraction Date”). Unitholders who retract their Units on the Annual Retraction Date will be entitled to receive a cash retraction price per Unit equal to the net realized proceeds per Unit, determined as of the Valuation Date, less any expenses incurred by the Filer to partially settle the Forward Agreement (as defined below) in order to fund such retraction. For the purposes of this calculation, “Valuation Date” means a day on which the NAV per Unit is calculated. The monthly retractions are at a price computed by reference to the market price of the Units on the monthly retraction 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.
7. The Filer’s investment objectives are to provide Unitholders with exposure, on a passive basis, to the performance of an equally-weighted, diversified notional portfolio of 50 preferred shares (the “Notional Securities”) of Canadian issuers (the “Notional Preferred Portfolio”).
8. The Filer intends to make tax-efficient cash distributions to Unitholders at the end of each calendar quarter.
9. In order to meet its investment objectives and provide Unitholders with indirect exposure to the Notional Preferred Portfolio, the Filer will use the net proceeds of the offering to pre-pay its obligation to purchase a portfolio consisting of securities of certain specified Canadian public issuers listed on the TSX that are “Canadian securities” as defined in the *Income Tax Act* (Canada) (the “Securities Portfolio”) under a forward purchase and sale agreement (the “Forward Agreement”) which the Filer will enter into with Royal Bank of Canada (the “Counterparty”).
10. Under the terms of the Forward Agreement, the Counterparty will agree to deliver to the Filer on May 31, 2011, or earlier if the Forward Agreement is terminated prior to this date (the “Forward Termination Date”), the Securities Portfolio securities. Under the terms of the Forward Agreement, the Filer and

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the Counterparty have agreed that the Counterparty's settlement obligations under the Forward Agreement with respect to the Securities Portfolio securities will be discharged by physical delivery of the Securities Portfolio securities by the Counterparty to the Filer. The value of the Securities Portfolio securities delivered to the Filer will be equal to the value of the Notional Preferred Portfolio based on the Traded Prices, less any leverage, on the Forward Termination Date. "Traded Prices" means, at any time, for the Notional Securities, the volume weighted average prices, as reasonably determined by the Calculation Agent, at which an active market trader, trading in Canadian preferred shares, could reasonably buy or sell, as the case may be, the relevant amount of such Notional Securities on the TSX (as reviewed by the Filer's independent trustees).

11. From time to time, the Filer may hold a portion of its assets in cash and cash equivalents.
12. The Forward Agreement provides that the Forward Agreement may be partially settled prior to the Forward Termination Date: (i) to permit the Filer to fund quarterly distributions and retractions of Units from time to time; (ii) to fund expenses and other liabilities of the Filer; and (iii) for any other reason.
13. The NAV per Unit of the Filer will be calculated and made available to the financial press for publication on a weekly basis. The Filer's prospectus will disclose that the Filer's NAV per Unit is available to the public upon request as well as the methods by which this information can be obtained.
14. The Filer will employ leverage in the Notional Preferred Portfolio to enhance the Notional Preferred Portfolio's total returns.

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.

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

- (a) that the NAV per Unit of the Filer is available to the public upon request;
and
- (b) a toll-free telephone number or website which the public can access for this purpose;

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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