PALOS

Simplified Prospectus
dated June 26, 2023

Palos Equity Income Fund (Series A and F Units)

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

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PART A – GENERAL DISCLOSURE

Introduction

This simplified prospectus (the "**simplified prospectus**") contains selected important information to help you make an informed investment decision and to help you understand your rights as an investor in the Fund. In this document, we use the following terms:

- **we**, **us**, **our**, the **Manager**, the **Portfolio Manager** and **Palos** refer to Palos Management Inc.;
- **you** refers to an individual investor and everyone who invests or may invest in the Fund;
- **Fund** refers to a mutual fund established as mutual fund trust and in this document refers to Palos Equity Income Fund;
- **Unitholders** refers to unitholders of the Fund;
- **Dealer** refers to both the dealer and the registered representative in your province who advises you on your investments, or the dealer that trades on the securities of the Fund pursuant to your instructions without providing advice or recommendations (the latter being referred to hereinafter as "**Discount Broker**"). Unless otherwise specified, Dealer includes Discount Broker; and
- **Registered Plan** refers to each plan as defined under "Income Tax Considerations" on page 25

This simplified prospectus contains two sections. The first part, PART A – GENERAL DISCLOSURE starting at page 3, contains general information applicable about the Fund. The second part, PART B – FUND-SPECIFIC INFORMATION starting at pages 33, explains what mutual funds are, the different risks you could face when investing in mutual funds, and contains specific information about the Fund described in this document.

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

- the Fund's most recently filed Fund Facts;
- the Fund's most recently filed annual financial statements;
- any interim financial statements 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 simplified prospectus, which means they legally form part of this simplified prospectus just as if they were printed in it. You can get a copy of these documents at your request and at no cost by calling (514) 397-0188 (or toll-free at 1 (855) PALOS88 (1-855-725-6788)), by e-mailing info@palos.ca, or by asking your Dealer. You will also find these documents on the Fund's designated website at www.palos.ca. These documents and other information about the Fund are also available at www.sedar.com.

Responsibility for the Fund Administration

Investment Fund Manager and Portfolio Manager of the Fund

Palos Management Inc.
1 Place Ville Marie Suite 1670
Montréal, Québec H3B 2B6
(514) 397-0188
info@palos.ca
www.palos.ca

The Manager has been granted the exclusive power to manage and administer the business and affairs of the Fund pursuant to an investment and fund management agreement (the "**Management Agreement**") dated July 15, 2011, between the Trustee on behalf of Fund and the Manager, which became effective on September 1, 2011, as amended on February 24, 2012, and as further amended on August 26, 2013. Palos acts as both the investment fund manager and the portfolio advisor to the Fund.

Charles Marleau is the co-founder and the Chief investment officers of Palos Funds. Mr. Marleau was previously president of Palos. Between September 2001 and July 2010, Mr. Marleau acted as senior analyst, associate portfolio manager and senior trader of the Fund. Mr. Marleau is responsible for managing and trading the portfolio securities of the funds managed by Palos and also supervises the Fund's administration. Mr. Marleau graduated from McGill University with a Bachelor's degree in Economics and completed the Chartered Investment Manager designation. Mr. Marleau is currently a member of the Independent Review Committee of Goodman & Company Investment Counsel (GCIC) and serves on the board of directors of Grosvenor CPC I Inc. a capital pool company.

The Manager is responsible for the day-to-day activities of the Fund, including management of the investment portfolio, the establishment of investment policies and guidelines and the provision of investment analysis relating to the Fund. The Manager will also provide investment advisory and portfolio management services to the Fund pursuant to the Management Agreement. Decisions regarding the purchase and sale of securities and the execution of transactions for the Fund will be made by the Manager in accordance with and subject to the terms of the Management Agreement. In addition, the Manager provides the office space and facilities, clerical help, bookkeeping and the internal accounting services required by the Fund. Record keeping and transfer agency services, distribution crediting services and all Unitholder servicing requirements are also furnished by or on behalf of the Manager.

Philippe Marleau is the Chief Executive Officer of Palos Capital Corporation. He is also the Chief Executive Officer and acts as the ultimate designated person for Palos. Mr. Marleau was previously the Chief Executive Officer of IOU Financial Inc., a small business technology lender listed on the TSX Venture Exchange ("**TSX-V**"). He currently serves on the boards of directors of Palos Capital Corporation and IOU Financial Inc. Mr. Marleau also serves on the boards of directors and is an officer of Grosvenor CPC I Inc. (a TSX-V listed capital pool company) and GobiMin Inc. (a TSX-V listed investment company). Mr. Marleau previously served on the boards of MAG Energy Solutions (a North American leading electricity trader) and Fountain Asset Corp (a TSX-V listed investment company). Mr. Marleau holds a Bachelor of Engineering (B.Eng.) with a minor in Economics from McGill University and is a Chartered Financial Analyst (CFA).

Under the Management Agreement, Palos shall act at all times honestly, in good faith and in the best interests of the Fund and its Unitholders, and to exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

Either party may terminate the Management Agreement, without payment of any penalty, including in the following circumstances:

i. the other party has ceased to carry on business, become bankrupt or insolvent, resolved to wind up or liquidate or if a receiver of any of the assets of the other party is appointed;
ii. the other party is in default of the terms of the Management Agreement or any relevant law, and has not remedied such breach within thirty (30) days after written notice requiring the material breach to be remedied;
iii. the assets of the other party have become subject to seizure or confiscation by any public or governmental organization;
iv. the other party has lost any registration, license or other authorization required by it to perform the services described in the Management Agreement; or
v. the Trust Agreement (as defined below) and the Fund are terminated.

Directors and Executive Officers of the Manager

The name and municipality of residence of each of the directors and executive officers of the Manager and their current occupation within the Manager:

Name	Municipality of Residence	Current position within the Manager
Charles Marleau	Beaconsfield, Québec	Director and Portfolio Manager
Philippe Marleau	Westmount, Québec	President, Director and Ultimate Designated Person
Alain Lizotte	Laval, Québec	Director and Chief Financial Officer
Martin Picard	Montréal, Québec	Vice-President, Legal Affairs and Chief Compliance Officer

Brokerage Arrangements

Decisions as to the purchase and sale of portfolio securities and decisions as to the execution of all portfolio transactions, including selection of market, dealer or broker and the negotiation, where applicable, of commissions, are made by and the responsibility of Palos.

In effecting portfolio transactions, Palos seeks to obtain the best combination of price and execution with respect to portfolio transactions for the Fund. The best net price, giving effect to brokerage commissions, spreads and other costs, is normally an important factor in this decision, but a number of other factors are considered as they are deemed relevant. These factors may include, but are not limited to:

- Palos' knowledge of negotiated commission rates and spreads currently available;
- the nature of the security being traded;
- the size and type of transaction;
- the nature and character of the markets for the security to be purchased or sold;
- the desired timing of the trade;
- the existing and expected activity in the market for the particular security;
- confidentiality, execution, clearance and settlement capabilities as well as the reputation and perceived soundness of the broker-dealer selected;
- the portfolio advisor's knowledge of actual or apparent operational problems of any broker-dealer;
- the broker-dealer's execution services rendered on a continuing basis and in other transactions; and
- the reasonableness of spreads or commissions.

Palos may also consider the quality of research provided by executing brokers or dealers and its usefulness in the management of accounts. When appropriate under its discretionary authority and consistent with its duty to seek best execution, Palos may direct brokerage transactions for client accounts to broker-dealers who provide Palos with research and brokerage products and services.

Broker-dealers typically provide a bundle of services including research and execution of transactions. The research provided can be either proprietary (created and provided by the broker-dealer, including tangible research products as well as access to analysts and traders) or third-party (created by a third party, but provided by a broker-dealer). Palos may use soft dollar commission arrangements to acquire either type of research.

Palos makes decisions as to the purchase and sale of the Fund's portfolio securities and decisions as to the execution of portfolio transactions, including the selection of market, dealer and the negotiation, where applicable, of commissions. Palos regularly compares the order execution delivered by various dealers. The primary factor in Palos' decision to use a dealer is the quality of its trade execution. Palos may receive as a result of placing trades with certain dealers, "order execution goods and services" or "research goods and services" as defined in *Regulation 23-102 – Use of Client Brokerage*. Palos makes a good faith determination that the goods and services received on behalf of the Fund benefit the Fund and the Fund's unitholders because the goods and services received either reduce the expenses charged to the Fund or provide Palos with a valuable research tool.

Since the date of the last simplified prospectus, Palos has entered into brokerage transactions whereby client brokerage commissions were directed to a dealer in return for the provisions of goods and services other than order execution. These goods and services include, among other things, software for market data or database feeds.

None of these goods or services was provided by an affiliated entity of Palos.

The name of any third party that provided a good or service paid for with soft dollars will be provided upon request by contacting Palos at (514) 397-0188 (or toll-free at 1 (855) PALOS88 (1-855-725-6788)) or by e-mailing info@palos.ca.

Trustee

Computershare Trust Company of Canada, has been appointed as the trustee of the Fund (the "**Trustee"**) pursuant to an amended and restated trust agreement dated as of November 24, 2010, as further amended and restated on January 7, 2011 and July 15, 2011, and as further amended and restated on February 24, 2012 and as further amended on August 26, 2013 (the "**Trust Agreement**"). In its capacity as trustee, the Trustee is responsible for the business of the Fund and must carry out the terms of the Trust Agreement. The Trustee may resign as trustee of the Fund by giving sixty (60) days prior written notice to Unitholders. If a successor trustee can be found and agrees to accept the appointment, such successor trustee will assume the duties and obligations of the incumbent trustee within the relevant period. If a successor trustee cannot be found or is not appointed by investors in accordance with the provisions of the Trust Agreement, then the Fund will be terminated at the expiry of the relevant period.

The Trustee delegated the task of administering the Fund to the Manager pursuant to the Management Agreement.

Custodian

The custodian holds the assets of the Fund in safekeeping. The custodian of the Fund is National Bank Independent Network ("**NBIN**"), a division of National Bank Financial Inc., pursuant to a custodial services agreement dated June 29, 2012 (the "**Custodian Agreement**"). The custodian is independent of Palos. Where the Fund effects a short sale, the Fund may deposit assets as security with its custodian or dealer from whom the Fund borrowed the securities forming part of the short sale. The custodian will also act as custodian for any derivatives in which the Fund may invest – see "Policies on the Use of Derivatives" on page 10 below.

Auditor

The auditor of the Fund is PricewaterhouseCoopers LLP of Montréal, Québec, since August 27, 2012.

Transfer Agent and Registrar

Independent of the Manager, SGGG Funds Services Inc. ("**SGGG**") is the transfer agent and registrar of the Fund. SGGG maintains the register of securities of the Fund at its principal office in Toronto, Ontario. SGGG keeps track of owners of units of the Fund, processes purchases and redemption orders, issues investor account statements and trade confirmations and issues annual tax reporting information. SGGG is also responsible for providing administrative services to the Fund, including fund valuation and NAV calculation, Performance Fee calculation and financial reporting services. The Manager continues to be responsible for the services provided by SGGG.

Independent Review Committee

In accordance with National Instrument 81-107 – *Independent Review Committee for Investment Funds* (or in Québec, Regulation 81-107 – *Independent Review Committee for Investment Funds*), as amended from time to time (or any successor instrument) ("**NI 81-107**"), the Manager has established an Independent Review Committee ("**IRC**") to provide impartial approbations or recommendations on conflicts of interest matters related to the operations of the Fund.

The IRC is composed of Richard Guay, Laurent Biron and Jacques Lemieux, each of whom is independent of the Fund, the Manager and its affiliates. The IRC became fully operational on January 7, 2011. The IRC has adopted a written charter that includes its mandate, responsibilities and functions, and the policies and procedures it will follow when performing its functions.

In accordance with NI 81-107, the mandate of the IRC is to consider and provide approbations, recommendations, or the refusal to provide approbations or recommendations the Manager's proposed actions on conflicts of interest matters which the Manager submits to the IRC when managing the Fund. The Manager is required, under NI 81-107, to establish conflicts of interest policies and procedures, to identify conflicts of interest matters inherent in its management of the Fund, and request input from the IRC on how it manages those conflicts of interest, as well as on its written policies and procedures outlining its management of those conflicts of interest.

The Manager must refer its proposed course of action in respect of any such question of 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 achieves a fair and reasonable result for the Fund. For recurring conflict of interest matters, the IRC can provide the Manager with standing instructions.

The members of the IRC are indemnified by the Manager and the Fund, in keeping with National Instrument 81-107. The costs and expenses of the IRC are paid by the Fund. However, the Manager has arranged for a director and officer liability insurance policy in respect of the IRC members and their related activities. The IRC members will be indemnified by the Manager for matters or amounts not covered under that insurance policy. The IRC members are not responsible for the investments made by the Fund, or for the performance of the Fund. While the Manager does not currently manage any other funds that require an IRC, the members of the IRC may serve in a similar capacity in respect of other investment funds managed by the Manager in the event the Manager creates other funds that would require an IRC. The IRC members set their own compensation in accordance with NI 81-107. In addition, the IRC has the authority, pursuant to NI 81-107, to retain independent counsel or other advisors, at the expense of the Fund, if the members deem it necessary to do so.

The IRC prepares, at least annually, a report of its activities for Unitholders of the Fund which is available on the Fund's designated website at www.palos.ca or upon request by any investor, at no cost, by calling: (514) 397-0188 (or toll-free at 1 (855) PALOS88 (1-855-725-6788)) or e-mailing to: info@palos.ca or on SEDAR at www.sedar.com.

Certain matters relating to the Fund may not be acted upon except with the consent of the Unitholders. These matters include a change in the Manager (except to an affiliate), any change in the fundamental investment objectives and any other matter required by law to be put to a vote of Unitholders. Unitholder approval will not be required for a change in the auditors of the Fund provided the IRC has approved such change and Unitholders receive notice sixty (60) days in advance of any such change in auditors. Subject to the specific provisions and criteria provided by *National Instrument 81-102 Investment Funds*, as amended from time to time (or any successor instrument) ("**NI 81-102**"), Unitholder approval will not be required for the Fund's reorganization with or transfer of assets to another mutual fund managed by the Manager or an affiliate of the Manager provided the IRC has approved such reorganization, Unitholders receive notice sixty (60) days in advance of any such reorganization and Unitholders of the Fund become Unitholders in the other mutual fund. These provisions only apply to the terminating fund.

Policies on Proxy Voting

It is the Manager's standing policy to monitor corporate actions and vote proxies in accordance with the best interests of the Fund and the Unitholders of the Fund. The Manager has adopted proxy voting guidelines (the "**Proxy Voting Guidelines**") that provide that the portfolio manager will generally vote the securities in the Fund in the best interests of the Unitholders of the Fund, if the Manager feels the participation in the vote will provide value to the Unitholders, or it has a chance to influence the result of the vote. The Proxy Voting Guidelines provide that routine, uncontested matters to be considered at annual general meetings will generally be ignored or voted in accordance with management's recommendations, as long as, in the opinion of the Manager, there is sufficient accountability, transparency, and alignment of management and shareholder interests. More complex, non-routine matters (i.e. certain issues related to the compensation and liability of directors, amendments to the constating documents of an issuer, share and debt issuances, related party transactions, reorganizations, restructurings, shareholder proposals and proposals relating to corporate social responsibility) will be decided on a case-by-case basis, and voted on if the Manager feels the participation in the vote will provide value to the Unitholders, or it has a chance to influence the result of the vote. From time to time, the Manager may also assume an "activist" role in the proxy voting context. For example where an issuer (securities of which are held in the Fund's investment portfolio) disregards Unitholders concerns or interests in connection with a substantive matter (e.g. a proposed merger) facing that issuer, the Manager may take an "activist" role in relation to that matter if such activism is believed to benefit the Unitholders of the Fund. Such issues will be actively voted upon on a case-by-case basis based upon the merits of each situation. The Manager reviews the proxy voting record of the Fund on a quarterly basis to ensure that its policies and procedures are followed.

If a vote relating to any of the portfolio securities of the Fund presents a conflict of interest between the interests of the Unitholders and those of the Manager, or any affiliate or associate of the Manager or the Fund, the Manager will refer the matter to the IRC for review.

The policies and procedures that the Fund follows when voting proxies relating to securities held by the Fund are available on request free of charge from the Manager by calling: (514) 397-0188 (or toll-free at 1 (855) PALOS88 (1-855-725-6788)) or e-mailing to info@palos.ca. The Fund's proxy voting record for the most recent period ended June 30 of each year is available free of charge to any Unitholder upon request at any time after August 31 of that year. The proxy voting record will also available on the Fund's designated website at www.palos.ca.

Policies on the Use of Derivatives

The Fund may, in accordance with the requirements of NI 81-102 and the Manager's written policies to that effect included in the Manager's compliance and internal controls manual, use derivatives from time to time as set out in the Fund's investment strategies. The portfolio manager can carry out derivative transactions on behalf of the Fund, as permitted by securities regulations.

As regards derivatives, the Fund will primarily engage in writing (selling) covered call and covered put options. Furthermore, policies, procedures and guidelines regarding investing in options are compiled and reviewed annually by the Manager. The Manager records, values, monitors and reports internally on the options that are entered into the Fund's portfolio records. A monthly report is prepared identifying the Fund's option trading, if any, and the Fund's compliance with regulatory requirements. Exceptions are identified along with applicable corrective action undertaken.

Derivatives will not be used to create leverage within the Fund's portfolio unless permitted under NI 81-102. Charles Marleau will monitor the Fund's use of derivatives and will be responsible for ensuring that the Fund adheres to the limitations set out in this policy and in NI 81-102.

Short Selling Risk Management

The Fund may engage in short selling from time to time as described under "How the Fund Engages in Short Selling" on page 45.

Written policies and procedures relating to short selling by the Fund have been developed by the Manager. Any agreements, policies and procedures that are applicable to the Fund relating to short selling (including trading limits and controls in addition to those specified above) have been prepared and reviewed by senior management of the Manager. The decision to effect any particular short sale will be made by senior portfolio managers and reviewed and monitored as part of the Manager's ongoing compliance procedures and risk control measures.

Policies on Short Term Trading

The Manager has policies and procedures in place to actively monitor, detect and deter inappropriate or excessive short-term trading. The Manager may amend such policies or procedures from time to time, without notice. All Unitholders of the Fund are subject to the short-term trading policies.

The Manager reviews all trades in units of the Fund to identify redemptions and switches that occur within ninety (90) days of the purchase. Such trades are considered by the Manager to be short term trades and, where the Manager, in its discretion, deems the short-term trade to be inappropriate, the trades will be subject to such action as the Manager considers appropriate to deter the continuance of such behavior.

Such action may include the application of a short term trading fee of up to 2.00% and/or the rejection of future purchase orders. The short-term trading fee does not apply in certain circumstances, including: (a) if you switch to another series of units in the Fund, if any; (b) redemption of units purchased by the reinvestment of distributions, if any; (c) reclassification of units from one series to another series of the Fund; or (d) redemptions initiated by the Manager. In considering whether a short term trade is inappropriate, the Manager will generally consider the value of the transaction, the potential impact on the Fund, and the account activity.

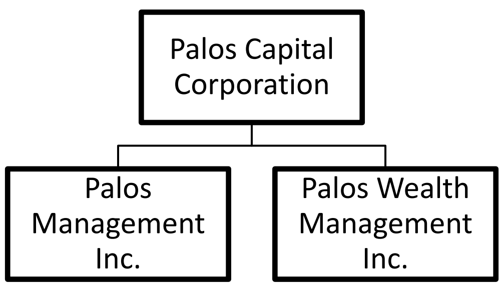
Where the Manager identifies an inappropriate short term trade, the Manager will review the account to examine trading activity patterns. A letter will generally be sent to the account advisor, describing the Manager’s policy in respect of short term trading and advising that the account has been flagged for an automatic fee application of 2.00% in the event of another trade or trades occurring within a ninety (90) day period.

The Fund does not have any arrangements, formal or informal, with any person or company to permit short-term trading.

Affiliated Entities

Palos Management is the investment fund manager and the Portfolio Manager of the Fund. Palos Wealth Management Inc. (“**PWM**”) is an affiliate of Palos Management, registered as a portfolio manager and is authorized to act as discretionary portfolio manager for investors holding units of the Fund.

Disclosure of the amount of fees received from the Fund by each affiliated entity of the Manager is included in the audited financial statements of the Fund.



Remuneration of Directors, Officers and Trustees

No other remuneration, fees or reimbursement of expenses are paid by the Fund to the directors or officers of the Trustee. The Trustee is paid an annual fee for its services in such capacity, in addition to the reimbursement of proper disbursements on behalf of the Fund. Annual fees payable to the Trustee are negotiated between the Trustee and the Manager. The Fund paid the Trustee a fee of $13,834 for its services in such capacity for the financial year ended December 31, 2022.

The IRC is ultimately responsible for setting reasonable compensation for its members. Each year the IRC determines and discloses its compensation in its annual report to investors in the Fund. The Fund paid the IRC members a fee of $4,000 each for their services in such capacity for the financial year ended December 31, 2022. The IRC has left its compensation unchanged for 2023 at $4,000 per annum for each member.

Material Contracts

The following contracts can reasonably be regarded as material to Unitholders of the Fund:

- Amended and Restated Trust Agreement dated August 26, 2013 between the Manager and the Trustee, as described under "Responsibility for the Fund Administration" beginning on page 4.
- Management Agreement between the Manager and the Trustee, dated July 15, 2011, as amended on February 24, 2012, and as further amended on August 26, 2013, as described under "Responsibility for the Fund Administration" beginning on page 4.
- Custodian Agreement between National Bank Independent Network ("**NBIN**"), a division of National Bank Financial Inc., and the Manager on behalf of the Fund dated June 29, 2012, as described under "Responsibility for the Fund Administration" beginning on page 4.
- SGGG Administration Agreement between SGGG Funds Services Inc., the Fund and the Manager dated June 8, 2016, as described under "Responsibility for the Fund Administration" beginning on page 4.

Copies of these material agreements may be inspected during business hours at the principal office of the Manager.

Legal Proceedings

The Fund and the Manager are not involved in any material legal proceedings, nor is the Manager aware of existing or pending legal or arbitration proceedings involving the Fund or the Manager.

Designated Website

The Fund is required to post certain regulatory disclosure documents on a designated website. The Fund's documents required to be available on the Fund's designated website can be obtained at www.palos.ca.

Valuation of Portfolio Securities

The value of any security or property held by the Fund or any of its liabilities will be determined in the following way:

1) the value of any cash on hand, on deposit or on call loan, prepaid expenses, cash dividends and other distributions declared and interest accrued and not yet received, shall be deemed to be the face amount thereof, unless it is determined that any such deposit or call loan is not worth the face amount thereof, in which event the value thereof shall be deemed to be such value as we determine to be the fair value thereof;

2) the value of any bonds, debentures and other debt obligations shall be valued by taking the quoted market prices at the close of trading on the reporting date. Short-term investments including notes and money market instruments shall be valued at their fair value and that cost plus accrued interest will most often approximate the fair value;

3) the value of any security, index futures or index options which is listed on any recognized exchange shall be determined by the closing price at the valuation time or, if there is no closing sale price, the average between the closing bid and the closing ask price on the day on which the net asset value ("**NAV**") of the Fund is being determined, all as reported by any report in common use or authorized as official by a recognized stock exchange; provided that if such stock exchange is not open for trading on that date, then on the last previous date on which such stock exchange was open for trading;

4) the value of any security or other asset for which a market quotation is not readily available shall be its fair market value as determined by us;

5) the value of any security, the resale of which is restricted or limited, shall be the fair value thereof. The Fund determines fair value of such security as being the lesser of the value thereof based on reported quotations in common use and that percentage of the market value of securities of the same class, the trading of which is not restricted or limited by reason of any representation, undertaking or agreement or by law, equal to the percentage that the Fund's acquisition cost was of the market value of such securities at the time of the acquisition; provided that a gradual taking into account of the actual value of the securities may be made where the date on which the restriction will be lifted is known;

6) purchased or written clearing corporation option, option on futures or over-the-counter options, debt-like securities and listed warrants shall be valued at the current market value thereof;

7) where a covered clearing corporation option, option on futures or over-the-counter option is written, the premium received by the Fund shall be reflected as a deferred credit which shall be valued at an amount equal to the current market value of the clearing corporation option, option on futures or over-the-counter option that would have the effect of closing the position. Any difference resulting from revaluation of such options shall be treated as an unrealized gain or loss on investment. The deferred credit shall be deducted in arriving at the NAV of the Fund. The securities, if any, which are the subject of a written clearing corporation, or over-the-counter option shall be valued at their then current market value;

8) the value of a futures contract, or forward contract, shall be the gain or loss with respect thereto that would be realized if, at the valuation time, the position in the futures contract, or the forward contract, as the case may be, were to be closed out unless daily limits are in effect in which case fair value shall be based on the current market value of the underlying interest;

9) margin paid or deposited in respect of futures contracts and forward contracts shall be reflected as an account receivable and margin consisting of assets other than cash shall be noted as held as margin;

10) the value of all assets of the Fund quoted or valued in a foreign currency and all liabilities and obligations of the Fund payable by it in foreign currency shall be converted into Canadian dollars by applying the rate of exchange obtained from the best available sources to the Manager, including but not limited to, the valuation agent or any of its affiliates;

11) all expenses or liabilities (including fees payable to the Trustee, if any) of the Fund shall be calculated on an accrual basis;

12) the non-public investments will be valued by the Manager (or any third party administrator which may be appointed by the Manager) at fair market value. In determining fair market value, the objective will be to establish what the transaction price would have been on the valuation day in an arm's length transaction motivated by normal business considerations. Fair market value will be estimated based on the results of a valuation technique that makes maximum use of inputs observed from markets, and relies as little as possible on inputs generated by the Manager. In addition, factors that market participants would consider in setting the price and that are consistent with accepted economic methods for pricing such financial instruments are used;

13) if any investment cannot be valued under the foregoing rules or if the foregoing rules are at any time considered to be inappropriate under the circumstances, then notwithstanding the foregoing rules, such valuation will be made in a manner deemed fair and reasonable.

Current market value means the most recently available sale price applicable to the relevant security on the principal exchange on which it is traded immediately preceding the valuation time on the valuation day, provided that, if no sale has taken place on a valuation day, the average of the bid and ask quotations immediately prior to the valuation time on the valuation day shall be used.

Although the value of the assets of the Fund is generally determined by following the valuation practices described above, the Manager has the discretion as outlined above to value the assets using other methods if it is determined that these practices are not appropriate in the circumstances; however, this discretion has not been exercised in the past three (3) years. There can be no assurance that the Fund could obtain the fair value assigned to a security if it were to sell the security at the time at which the Fund determines its NAV per unit.

Calculation of Net Asset Value

The purchase and redemption price of securities of any series of units of the Fund is based on the NAV per unit for that specific series determined after the receipt of a purchase or redemption order. The NAV per unit for a series of units is calculated by taking the value of the assets attributable to that series, subtracting any liabilities attributable specifically to that series and subtracting the proportionate share of the Fund liabilities attributable to that series and dividing the balance by the number of units of that series investors hold. The NAV is calculated at 4:00 p.m. (Eastern time) on each valuation day. A valuation day is each day that the Toronto Stock Exchange is open for a full day of business. The Fund is valued and may only be bought in Canadian dollars.

The NAV per security of the Fund is made available to the public, at no cost, on www.globefund.com or www.morningstar.ca.

Purchases, Switches and Redemptions

You can buy units of the Fund, transfer from the Fund to another fund (in the event Palos offers another prospectus qualified mutual fund) or change units of one series to another series of the Fund through a qualified Dealer. Transferring, which involves moving money from one investment to another, is also known as switching.

You can sell your units of the Fund through your Dealer. Selling your units is also known as redeeming. Whether you are buying, selling or transferring units of the Fund, we base the transaction on the value of the units of the Fund. The price of a unit is called the net asset value

or "NAV" per unit, or the unit value. We calculate the NAV per unit by taking the value of the assets attributable to a series of units, subtracting any liabilities attributable specifically to that series of units and subtracting the proportionate share of the Fund liabilities attributable to that series of units and dividing the balance by the number of units for that series that investors hold. The same process is performed for each series offered by the Fund.

We calculate the NAV at 4:00 p.m. (Eastern time) on each valuation day. A valuation day is each day that the Toronto Stock Exchange is open for a full day of business. The Fund is valued and units of the Fund may only be bought in Canadian dollars. When you place your order through a Dealer, the Dealer sends it to us.

Securities Offered

The Fund is permitted to have an unlimited number of series of units and may issue an unlimited number of units of each series. The Fund currently offers two (2) series of units of the Fund; "Series A Units" and "Series F Units".

Series A Units are available to all investors through their Dealer, which Dealer has signed a Series A-Agreement. Part of the management fees payable by Series A Units is remitted to your Dealer (excluding the Discount Broker) as a trailer fee in consideration for the services your Dealer provides. For more details, see "Palos Equity Income Fund" and "Trailer Fees" below.

Series F Units are available to investors who have entered into a fee-based agreement with their Dealer. Instead of paying sales charges, these investors pay an annual fee to their Dealer for investment advice and other services. Series F units are also available to investors who wish to purchase them through a Discount broker who is not required to conduct a suitability assessment. We do not pay brokerage fees to dealers who sell Series F units, which means we may charge a lower management fee.

Purchases

You can purchase units of the Fund through Dealers who will send us your order. The units of the Fund are qualified for distribution in all Canadian provinces pursuant to this simplified prospectus.

Your order must be in the proper form and include all necessary supporting documents. Your Dealer is responsible for sending us your order by courier, priority post or any other telecommunications facility without cost to you.

If we receive your properly completed order before 4:00 p.m. (Eastern time) on a valuation day, we will process it using that day's NAV per unit. If we receive your order after that time, we will use the NAV per unit on the next valuation day. The valuation day used to process your order is called the "**trade date**". Your Dealer or we will send you a confirmation of your order once we have processed your order. A confirmation shows details of your transaction, including the name of the Fund, the number and series of units you bought, the purchase price, the trade date and the amount of sales charges, if any. We do not issue certificates of ownership for the units of the Fund.

We may reject your purchase order within one business day of receiving it. If rejected, any monies sent with your order will be returned immediately, without interest, once the payment clears. If we accept your order but do not receive payment within two (2) business days, we will redeem your units on the next business day. If the proceeds are greater than the payment you owe, the difference will belong to the Fund. If the proceeds are less than the payment you owe, your Dealer will be required to pay the difference and is entitled to collect this amount and any associated expenses from you.

The minimum initial investment in Series A Units and Series F Units must be at least $1,000. Each additional investment in Series A Units and Series F Units must be at least $500. If the value of your Series A Units or Series F Units in the Fund is less than $500, we can sell your units and send you the proceeds. We will give you thirty (30) days' notice first. The Manager reserves the right to change the minimum investment level required at its discretion.

You don't pay any sales charge to the Manager when you purchase units of the Fund. You negotiate your sales charges, if any, directly with your Dealer. These sales charges typically range from 0% to 5% of the purchase price of the securities. The amount of sales charges you pay to your dealer will reduce the amount of money invested in the Fund. For more information on the fees and dealer compensation, see "Fees and Expenses" on page 19 and "Dealer Compensation" on page 24.

Switches

You may switch your units of the Fund against units of the different series of units offered, subject to the rules and criteria mentioned below.

Transferring to Another Fund

In the event Palos offers additional prospectus qualified mutual funds, you will be able to transfer from the Fund to another fund by contacting your Dealer. Give your Dealer the name of the Fund and the series of units you hold, the dollar amount or number of units you want to transfer and the name of the fund and the series to which you are transferring. You will be able to transfer your units of the Fund to units of another series of another prospectus qualified fund only if you are eligible to buy that other series. There are currently no other funds in respect of which you can switch your units and there is no guarantee that Palos will create other prospectus qualified mutual funds.

You may have to pay your Dealer a fee of up to 2% of the value of the units you are transferring, which is deducted from the amount you transfer by redeeming a sufficient number of units. However, the transfer fee is negotiable. If you have held the units for ninety (90) business days or less, you may also have to pay to the Fund a short-term trading fee.

Transfers are generally considered dispositions for tax purposes. If you hold your units outside a registered plan, you may realize a capital gain (or capital loss). For more information on the tax consequences, see “Income Tax Considerations” on page 25.

Switching to Units of Another Series

You will generally be able to switch your units of one series to units of another series of the Fund by contacting your Dealer. You will be able to change units into a different series of units only if you are eligible to buy that other series.

If we determine that you are no longer eligible to hold Series F Units of the Fund or if you move your account to a dealer that has not entered into a Series F Agreement with us, we will switch you to Series A Units of the Fund.

Changing units from one series to another series of the Fund is generally not a disposition for tax purposes except to the extent that units are redeemed to pay a short-term trading fee. If those redeemed units are held outside a registered plan, you may realize a capital gain (or capital loss). For more information on the tax consequences, see “Income Tax Considerations” on page 25.

Redemption of Securities

To sell your units, send your instructions to your Dealer. Your Dealer will forward us your redemption order on the same day the Dealer received it from you. Once we receive your order, you cannot cancel it.

If we receive your redemption order before 4:00 p.m. (Eastern time) on any valuation day, your redemption price will be based on the applicable NAV per unit applicable to the series of units you are redeeming on that date. Otherwise, your redemption price will be based on the applicable NAV per unit on the next valuation day. There is no redemption fees payable when you redeem your units, other than the short-term trading fee, if applicable.

We will send you a confirmation once we have processed your order. We will send your payment within two (2) business days of receiving your properly completed order. You will receive payment in Canadian dollars.

If the registered owner of the units is a corporation, partnership, agent, fiduciary, trustee or surviving joint owner, we may require additional information. If you are unsure whether you need to provide a signature guarantee or additional information, check with your Dealer or us. If we don’t receive all of the documentation we need from you to complete the redemption order within ten (10) business days of the trade date, we must reissue units of the same series to you (unless you are no longer eligible for Series F units, in which case we would reissue you Series A Units).

If the issue price is greater than the redemption price for the units, your Dealer will be required to pay the difference and the associated costs. Your Dealer may require you to reimburse the amount paid. If the issue price is less than the redemption price for the units, the difference belongs to the Fund.

We reserve the right to redeem all of the units that you hold, if your investment in the Fund falls below $500. We will give you thirty (30) days' notice first. In addition, we reserve the right to redeem, without notice, units owned by a non-resident of Canada if the continued ownership of such non-resident could cause the Fund to be unable to obtain or to lose its status as a mutual fund trust for the purposes of the *Income Tax Act (Canada)* (the "**Tax Act**"). We also intend to observe all redemption policies that may be implemented from time to time by industry participants, such as FundSERV, the provider of the transaction system used by mutual funds in Canada.

If you hold your units in a non-registered account, you could realize a capital gain (or capital loss) when your units are sold. For more information on the tax consequences, see "Income Tax Considerations" on page 25.

Suspending your Right to Sell Units

Securities regulations allow us to temporarily suspend your right to sell your units and postpone payment of your sale proceeds:

- during any period when normal trading is suspended on any exchange on which securities or derivatives that make up more than 50% of the Fund's value or its underlying market exposure are traded, provided those securities or derivatives are not traded on any other exchange that is a reasonable alternative for the Fund, or

- with the approval of securities regulators.

We will not accept orders to buy any series of units of the Fund during any period when we have suspended investors' rights to sell units of any series of the Fund.

Short Term Trading

Redeeming or switching units of a mutual fund within ninety (90) days after they were purchased, which is referred to as short-term trading, may have an adverse effect on other investors in the mutual fund because it can increase trading costs to the mutual fund to the extent the mutual fund purchases and sells portfolio securities in response to each redemption or switch request. An investor who engages in short-term trading also may participate in any appreciation in the net asset value of the mutual fund during the short period that the investor was invested in the mutual fund, which reduces the amount of the appreciation that is experienced by other, longer term investors in the mutual fund. Certain types of mutual funds (such as money market funds) are intended as short-term investments and therefore are not adversely affected by short-term trading.

The Fund may charge you a fee of up to 2% of the value of the units you redeem or switch if you engage in short-term trading. The short-term trading fee does not apply in certain circumstances, including: (a) switches to another series of units in the Fund; (b) redemption of units purchased by the reinvestment of distributions, if any; (c) reclassification of units from one series to another series of the Fund; or (d) redemptions initiated by the Manager. This fee is paid to the Fund and is in addition to any other fees that may apply. We may waive the short-term trading fee if the size of the trade was small enough or the short-term trade did not otherwise harm other investors in the Fund. We may also refuse to accept purchase orders from you and we have the discretion to redeem some or all of your units of the Fund if we believe you may continue to engage in short-term trading.

See "Income Tax Considerations" on page 19 and the table intitled "Fees and Expenses Payable Directly by You" on page 23 for additional information.

The Fund does not have any arrangements, formal or informal, with any person or company to permit short-term trading.

Fees and Expenses

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

Generally, any changes to the basis of calculation of a fee or expense that is charged to the Fund or directly to its Unitholders by the Fund or the Manager in connection with holding units of the Fund that could result in an increase in those charges is subject to Unitholder approval. Subject to applicable securities law requirements, no Unitholder approval will be required if the Fund:

- is at arm's length to the person or company charging the fee or expense to the Fund and if written notice is sent to all Unitholders at least sixty (60) days before the effective date of the change that could result in an increase in charges to the Fund; or

- can be described as a "no-load" fund under Regulation 81-102 and if all the Unitholders have been advised at least sixty (60) days prior to the effective date of any change that could result in an increase in charges to the Fund.

Fees and Expenses Payable by the Fund	
Management Fees:	The Series A Units of the Fund are subject to an annual management fee of one and one-half percent (1.5%) of the NAV of the Series A Units payable monthly. The Manager will pay the trailer fees (see "Trailer Fees" on page 24) out of the management fees collected from the Fund with respect to Series A Units. The Series F Units of the Fund are subject to an annual management fee equal to three quarters of one percent (0.75%) of the NAV of the

Fees and Expenses Payable by the Fund	
	Series F Units payable monthly. No trailer fees are payable on Series F Units. The management fee is calculated as of the last business day of the preceding month, and calculated before payment of such management fee and without regard to any accrual of performance fees (see below), plus any applicable taxes payable in respect thereof. The management fee is payable to the Manager in advance within five (5) days of the beginning of each month. The Manager is responsible for directing the affairs and managing the business of the Fund and for administering or arranging the day to day operations of the Fund. In consideration of the management fee, the Manager provides or arranges to provide the following management and administrative services to the Fund; • Portfolio management: including portfolio security selection and investment; negotiation and use of derivative instruments; execution of portfolio transactions including selection of market, dealer, broker or counterparty; negotiation of brokerage commissions. • Compliance: compliance with all applicable legislation in connection with the Fund and the issuance of Fund securities; completing and filing documents required by the securities regulators; reviewing and enforcing compliance processes and procedures with respect to the Fund. • Accounting: reviewing, reconciling and approving reports from the external fund administrator; and preparing financial statements and supporting documents for the Fund. • Customer servicing: responding to client and investment advisors inquiries concerning the Fund. • Administrative: preparation and sending of all documents to security holders; preparation and holding of Fund meetings (if applicable), and any other services for the provision of information to security holders. • Other services: providing technical infrastructure, including front office and portfolio management systems and third party independent research; office accommodation, facilities and personnel allocated to the Fund.

Fees and Expenses Payable by the Fund	
	Certain of these services provided to the Fund include the provision of services which generate expenses for the Fund, which are listed under the heading “Operating Expenses” below. These costs constitute operating expenses of the Fund and are paid by the Fund or by the Manager on behalf of the Fund and are reimbursed by the Fund. These operating expenses are in addition to the management fee payable by the Fund to the Manager. The remaining expenses, relating to the management and administrative services provided by the Manager to the Fund as well as the remuneration of the Portfolio Manager for its services, are paid by the Manager from its management fee received from the Fund.
Performance Fees:	The Fund pays the Manager a performance fee equal to 20% of the amount by which the Fund outperforms its benchmark, the S&P/TSX Composite Index over a calendar year. This amount is based upon a comparison of the cumulative total return of the Fund against the cumulative total return of the S&P/TSX Composite Index. The Manager will calculate the cumulative total return of the Fund, including dividends, interest and realized gains, net of all losses. Performance Fees are calculated and accrued daily, for purposes of calculating the NAV used for purchases and redemptions. The Performance Fees are not payable if the cumulative total return of the Fund is negative. In the event that the cumulative total return of the Fund is positive but the cumulative total return S&P/TSX Composite Index is negative, then the performance fee will be the lesser of 20% of the amount by the which the Fund outperforms its benchmark and the cumulative total return of the Fund. The S&P/TSX Composite Index is an index of the equity prices of the largest companies on the Toronto Stock Exchange (TSX) as measured by market capitalization. With approximately 95% coverage of the Canadian equities market, it is the primary gauge for Canadian-based, Toronto Stock Exchange listed companies. Only stocks listed on Toronto Stock Exchange are considered for inclusion in this index. Only securities which are Canadian incorporated, established in the case of income trusts, or formed in the case of limited partnerships, under Canadian federal, provincial, or territorial jurisdictions are eligible. Stocks are assessed based on their float adjusted market capitalization. A company's float adjusted market capitalization is calculated by removing control blocks of 10% or more. Only stocks that are actively and regularly traded are considered for inclusion in the index. A stock's liquidity is measured relative to liquidity thresholds. The S&P/TSX Composite Index is designed to offer the representation of a broad benchmark index. The S&P/TSX Composite is maintained by the S&P Canadian Index Committee, which comprises a team of seven (7),

Fees and Expenses Payable by the Fund	
	including four (4) members from Standard & Poor's, and three (3) from the Toronto Stock Exchange.
Operating Expenses:	On-going operating expenses incurred by the Fund may include: • Brokerage commissions and fees and any other costs of executing investments including derivatives* • Taxes, including sales taxes and capital taxes • Income taxes* and foreign withholding taxes* • Transfer agency and registrar fees • Regulatory filing and other fees • Accounting, audit and legal fees and expenses • Interest expense • Safekeeping and custodial fees • Annual and semi-annual reports, prospectuses and other reports and investor communications • Fees and expenses payable in connection with the Independent Review Committee • Annual Trustee fee • Other expenses, such as bank charges. ** These operating expenses are not included in the calculation of the Fund's management expense ratio ("MER").* Each series of units is responsible for the operating expenses that relate specifically to that series and for its proportionate share of the operating expenses that are common to all series of units of the Fund. The Manager may, in some cases and at its absolute discretion, absorb a portion of the Fund's operating expenses. The Fund may have costs associated with portfolio transactions, including brokerage commissions to purchase and sell portfolio securities and research and execution costs, if any. Although these costs are paid for by the Fund (and therefore indirectly by the Unitholders) they are not considered to be operating expenses of the Fund and are not included in the "MER" of the Fund. These costs are disclosed as a percentage of the daily average net assets of the Fund, in each of the Fund's management reports of fund performance and in each Fund Facts for each series of the Fund, as a ratio called the trading expense ratio. The members of the IRC are each paid $4,000 per annum. The IRC is ultimately responsible for setting reasonable compensation for its members. Each year the IRC determines and discloses its compensation in its annual report to Unitholders of the Fund.

Fees and Expenses Payable by the Fund	
Derivatives Transactions Costs:	The Manager may use a variety of derivatives for different purposes including to hedge against foreign currency risk in the Fund. The Fund is responsible for paying the transaction costs associated with these derivative contracts. For more details on how the Fund uses derivatives, please refer to "How the Fund Uses Derivatives" on page 45.

Fees and Expenses Payable Directly by You	
Sales Charges:	No sales charges will be charged to you for the purchase of units of the Fund either by the Fund or the Manager. You negotiate your sales charges for the Series A Units, if any, directly with your Dealer. These fees may generally fluctuate between 0% and 5% of the purchase price of the securities.
Short-Term Trading Fees:	We may charge you a short-term trading fee of up to 2.00% of the total amount you redeem, if you sell or transfer your units within ninety (90) days of buying them. We will redeem a sufficient number of units to pay the short-term trading fee. This fee does not apply in certain circumstances, including: (a) switches to another series of units in the Fund; (b) redemption of units purchased by the reinvestment of distributions, if any; (c) reclassification of units from one series to another series of the Fund; or (d) redemptions initiated by the Manager. We may also refuse to accept further purchase orders from you. We will adopt policies on short-term trading mandated by regulation, if and when implemented by securities regulators. These policies will be adopted without amendment to the simplified prospectus or notice to you, unless otherwise required by securities laws. The short-term trading fee is in addition to any other fees you would otherwise be subject to under this simplified prospectus.
Transfer Fee:	Neither the Fund nor the Manager charge you transfer fees. You may have to pay your Dealer a fee of up to 2% of the value of the units you are transferring to a different Palos fund (in the event Palos offers other funds), which is deducted from the amount you transfer by redeeming a sufficient number of units. However, the transfer fee is negotiable with your Dealer.
Investment Advisory Fees:	If you invest in Series F units, your Dealer (which usually does not apply to Discount Brokers) may charge you an investment advisory fee. The amount of the investment advisory fee is to be negotiated between you and your Dealer.

Dealer Compensation

Sales Commissions

If you buy Series A Units, the sales commission, if any, is negotiable between you and your Dealer. The Manager is not entitled to any fee or compensation as a result of the payment by you of any sales commission to your Dealer.

There is no sales commission payable on purchase of Series F Units of the Fund. Investors in Series F Units will generally be required to pay their Dealer a fee to participate in a fee-based program. Discount Brokers do not usually offer fee-based programs.

Transfer Fees

You may have to pay your Dealer a fee of up to 2% of the value of the units you are transferring to a different Palos fund (in the event Palos offers other funds), which is deducted from the amount you transfer by redeeming a sufficient number of units. Currently, Palos does not offer other prospectus qualified mutual funds to which you can transfer your units.

Investment Advisory Fees

When you invest in Series F Units, you may be charged an investment advisory fee by your Dealer for the services provided to you by your Dealer (which usually does not apply to Discount Brokers). The amount of the investment advisory fee is to be negotiated between you and your Dealer. See "Fees and Expenses" on page 19.

Trailer Fees

We may pay trailer fees to Dealers (excluding the Discount Broker) of up to 0.75% for ongoing services they provide to investors, including investment advice and account statements related to their investment in Series A Units.

The trailer fees are calculated daily and payable monthly based on the aggregate NAV of all Series A Units that had been sold by the particular Dealer (excluding the Discount Broker) which were outstanding at the time the NAV of the Series A Units was calculated in order to determine the management fee.

Trailer fees are paid out of the management fees that the Fund pays the Manager. Thus, you do not pay these fees directly and they do not result in the payment of an additional amount by you. However, these fees have an impact on you since they reduce the value of your investments. We can change or cancel trailer fees at any time. See "Fees and Expenses" starting on page 19.

Other Kinds of Dealer Compensation

We may assist Dealers with certain of their direct costs associated with marketing mutual funds and by providing educational investor conferences and seminars about mutual funds. We may pay Dealers a portion of the costs of educational conferences, seminars, or courses that provide information about financial planning, investing in securities, mutual fund industry matters or mutual funds generally. We may provide Dealers with marketing materials about the Fund, other investment literature and permitted network system support. We may also provide Dealers non-monetary benefits of a promotional nature and of minimal value and we may engage in business promotion activities that could result in Dealers receiving non-monetary benefits. We can change the terms and conditions of these programs, or may stop them, at any time.

Dealer Compensation from Management Fees

For the financial year ended December 31, 2022, Palos paid total cash compensation (sales commission, trailer fees and other support fees) to dealers who distribute securities of the Fund representing approximately 12% of the total management fees received by Palos from the Fund.

Income Tax Considerations

This section describes the principal Canadian federal income tax considerations applicable to the Fund and to investors in the Fund. It assumes that, for the purpose of the Tax Act, you are an individual Canadian resident (other than a trust), that you deal with the Fund at arm's length, that you are not affiliated with the Fund and that you hold your units as capital property or in a Registered Retirement Savings Plan (RRSP), Registered Education Savings Plan (RESP), Registered Retirement Income Fund (RRIF), Deferred Profit Sharing Plan (DPSP), Registered Disability Savings Plans (RDSP), Tax Free Savings Account (TFSA), or First Home Savigs Account (FSHA) or, alternatively, in a Locked-in Retirement Account (LIRA), Locked-in Registered Retirement Savings Plan (LRSP), Locked-in Retirement Income Fund (LRIF) or Life Income Fund (LIF), to the extent that the LIRA, LRSP, LRIF or LIF is registered as a RRSP or an RRIF (collectively, "**Registered Plans**").

This summary does not apply to a Unitholder that has entered or will enter into a "derivative forward agreement" or a "synthetic disposition arrangement" as these terms are defined in the Tax Act with respect to the units.

This summary takes into account the current provisions of the Tax Act and the regulations under the Tax Act, all proposals to amend the Tax Act and regulations publicly announced prior to the date hereof and the administrative practices and policies of the Canada Revenue Agency (the "**CRA**") published in writing by it prior to the date hereof. This summary does not otherwise take into account or anticipate any change in law or administrative practice, whether by legislative, regulatory, administrative or judicial action. In addition, it does not take into account provincial or foreign tax considerations. This summary assumes that the Fund qualifies as a "mutual fund trust" under the Tax Act at all times and that the Fund will at no time be a "SIFT trust" as defined in the rules in the Tax Act relating to SIFT trusts and SIFT partnerships. This summary also assumes that the Fund has elected pursuant to subsection 39(4) of the Tax Act to have each "Canadian security" (as defined in the Tax Act) owned by it deemed to be capital property.

It is also based on the assumptions that none of the issuers of the securities in the portfolio will be "foreign affiliates" (as defined in the Tax Act) of the Fund or of any Unitholder and, that none of the securities in the portfolio will be a "tax shelter investment" within the meaning of section

143.2 of the Tax Act. Further, this summary assumes that none of the securities in the portfolio will be "offshore investment fund property" that would require the Fund to include amounts in the Fund's income pursuant to section 94.1 of the Tax Act, or an interest in a trust which would require the Fund to report income in connection with such interest pursuant to the rules in section 94.2 of the Tax Act, or an interest in a non-resident trust other than an "exempt foreign trust" as defined in section 94 of the Tax Act.

This summary is not meant to be legal advice and may not cover all of the tax consequences that apply. You should consult your tax advisor for details about your individual situation.

Tax Considerations for the Fund

The Fund earns money in the form of income and capital gains. Income includes the interest and dividends that the Fund earns on its investments and income from certain derivatives. Capital gains are earned when the Fund sells investments for more than their cost for tax purposes. The Fund may realize capital losses if it sells investments for less than cost.

In each taxation year of the Fund, the net income and net realized capital gains, if any, of the Fund as would otherwise be taxable in the Fund will be payable to Unitholders and paid by the Fund in cash or reinvested in additional units of the Fund. Consequently, the Fund will not be liable for income tax under Part I of the Tax Act. Capital or income losses incurred by the Fund cannot be allocated to Unitholders but may, subject to certain limitations, be deducted by the Fund from its capital gains or net income realized in subsequent years.

All of the Fund's deductible expenses, including expenses common to all series of the Fund and expenses specific to a particular series of the Fund (including management and performance fees), will be taken into account in determining the income or loss of the Fund as a whole.

The Fund is required to compute net income and net realized capital gains in Canadian dollars for the purposes of the Tax Act. As a result, the Fund may realize income or capital gains by virtue of changes in the value of a foreign currency relative to the Canadian dollar.

The "suspended loss" rules in the Tax Act may prevent the Fund from recognizing capital losses on the disposition of securities in certain circumstances, which may increase the amount of net realized gains of the Fund to be paid to Unitholders.

Generally, gains and losses from derivative transactions and short sales of securities other than Canadian securities will, for tax purposes, be on income account rather than capital account. Short sales of Canadian securities will be on capital account.

The higher the Fund's portfolio turnover rate in a year, the greater the chance the Fund will realize gains and losses in the year.

Trust Loss Restriction Rules

If the Fund experiences a "loss restriction event" ("**LRE**") (i) the Fund will be deemed to have a year-end for tax purposes (which could result in the Fund being subject to tax unless it distributes its income and capital gains prior to such year-end), and (ii) the Fund will become subject to the loss restriction rules generally applicable to corporations that experience an acquisition of control, including a deemed realization of any unrealized capital losses and restrictions on their ability to carry forward losses.

Generally, the Fund will be subject to a LRE when a person becomes a “majority-interest beneficiary” of the Fund, or a group of persons becomes a “majority-interest group of beneficiaries” of the Fund, as those terms are defined in the Tax Act. Generally, a majority-interest beneficiary of the Fund will be a beneficiary who, together with the beneficial interests of persons and partnerships with whom the beneficiary is affiliated, has a fair market value that is greater than 50% of the fair market value of all the interests in the income or capital, in the Fund.

The Tax Act provides for an exception to the LRE rules with respect to the acquisition of equity of a trust that is a mutual fund trust or a quasi-mutual fund trust. The exception applies to exempt from the LRE where the LRE occurs due to the acquisition or disposition of equity of a mutual fund trust or a quasi-mutual fund trust where the following two (2) conditions are met:

i. such entity is, immediately before that time, an “investment fund”, as this term is defined in the Tax Act; and
ii. the acquisition or the disposition, as the case may be, is not part of a series of transactions or events that includes the trust ceasing to be an “investment fund”.

Tax Considerations for Investors

How your Investment Can Earn Money

Every year the Fund distributes to Unitholders enough of its net income and net realized capital gains to ensure that the Fund does not have to pay income tax on its income. In effect, the Fund flows all of its taxable income to Unitholders and it is treated as if you earned your share of it directly. The Fund may also distribute an amount in excess of your share of its net income and net realized capital gains – these excess amounts are returns of capital.

The size of a distribution (other than management fee distributions) you receive on the units of the Fund is in proportion to the number of units that you own. The higher the Fund’s portfolio turnover rate, the greater the chance the Fund will make distributions of capital gains. There is not necessarily a relationship between a high turnover rate and the performance of the Fund. In the description of the Fund we explain our distribution policy.

Some Tax Considerations for Non-Registered Accounts

Securities Held in Non-Registered Accounts

You must include in your income all net income and net taxable capital gains, if any, payable to you by the Fund (including any management fee distributions), whether paid by reinvestment in additional securities or in cash. To the extent applicable, the Fund intends to make designations to ensure that the maximum portion of its dividends from taxable Canadian corporations (including deemed dividends), foreign income, net realized capital gains and foreign creditable tax will be received by you as dividends from taxable Canadian corporations, foreign income or taxable capital gains, as the case may be, or will be deemed to be paid by you in the case of foreign creditable tax.

Dividends from taxable Canadian corporations distributed by the Fund, whether paid by reinvestment in additional units or in cash, to you are eligible for a dividend tax credit through the gross-up and credit procedure applicable to dividends received from taxable Canadian corporations, including the enhanced gross-up and tax credit available for eligible dividends.

When you purchase units of the Fund, a portion of the price paid may reflect income and capital gains of the Fund for the year. The amounts paid to you must be included in your income for tax purposes subject to the provisions of the Tax Act, even though the Fund earned these amounts before you owned the units. This could arise if you buy a unit before a distribution date, such as just before the year-end of the Fund.

If distributions by the Fund (including management fee distributions) in any year exceed the Fund's net income and net realized capital gains for the year, the excess amount paid to you will not be included in your income but will reduce the adjusted cost base of your units by the excess amount paid to you. If the adjusted cost base of your units of the Fund were to become negative, you would be deemed to realize a capital gain equal to that amount.

Redeeming your Units

You must also include in computing your income, one-half of any capital gains you realize from redeeming your units. You will have a capital gain if your sale proceeds are more than the adjusted cost base of your units and any reasonable costs of disposition. You may use any capital losses you realize to offset capital gains, subject to the detailed rules in the Tax Act.

The amount of capital gains of the Fund, if any, distributed to you when you redeem units, will reduce the amount of capital gain or increase the amount of capital loss on those units.

If you dispose of units of the Fund and you, your spouse or another person affiliated with you (including a corporation controlled by you) has acquired units of the Fund, within thirty (30) days before or after you dispose of your units, which are considered to be substituted property, any capital loss you realize may be deemed to be a superficial loss pursuant to the Tax Act. If so, you will not be able to recognize the loss and it will be added to the adjusted cost base to the owner of the units which are substituted property.

Individuals are subject to an alternative minimum tax. Capital gains, capital gains dividends, and Canadian dividends may give rise to liability for such minimum tax.

Calculating Adjusted Cost Base

Your capital gain or loss for tax purposes is generally the difference between the amount you receive when you sell or switch your units and the adjusted cost base of those units.

You are responsible for keeping a record of the adjusted cost base of your investment. The aggregate adjusted cost base of your units of the Fund is made up of:

- the amount you paid to purchase your initial investment including any sales charges,
- the amount you paid for any additional investments including any sales charges, plus

- the amount of distributions (including management fee distributions), dividends and reductions of capital reinvested in additional units, minus
- any return of capital distributions or reductions of capital, minus
- the adjusted cost base of any previous unit redemptions.

The adjusted cost base per unit is equal to the aggregate adjusted cost base of all units you own divided by the total number of units you own.

Switching Between Funds and Series

For tax purposes, switching units of the Fund for another fund is the same as redeeming the units for cash, and then reinvesting in units of the other fund. The same rules that apply for redeeming your units also apply to a switch between funds.

A switch of units from one series for units of another series of the same fund, however, is generally not a disposition for tax purposes and no capital gain or capital loss will be realized.

Some Tax Considerations for Registered Plans

The units of the Fund are expected to be at all material times qualified investments under the Tax Act for Registered Plans. You should consult with you own tax advisor as to whether units of the Fund would be a prohibited investment under the Tax Act if held in your RRSP, RRIF, TFSA, RDSP, RESP or FHSA in your particular circumstances.

If you hold units of the Fund in a Registered Plan, you pay no tax on distributions from the Fund on those units as long as you do not make a withdrawal from the plan.

When you redeem units of the Fund or switch units of the Fund to another fund, you generally do not pay tax on any capital gains that your Registered Plan realizes as long as you leave the proceeds in the plan.

When you withdraw money from a Registered Plan it will generally be subject to tax at your marginal tax rate. Withdrawals from a TFSA, however, are generally not subject to tax. The amount you receive on withdrawal will be reduced by any applicable tax withholdings.

You should be careful not to contribute more to your Registered Plan than that allowed under the Tax Act or you may be required to pay a penalty.

Tax Statements

You will receive written confirmation when you buy, sell or switch between funds, as the case may be. Your trade confirmation shows details of the trade including the name of the fund, the number of purchased/redeemed units and the purchase/redemption price.

You will also receive annual account statements, which summarize the trading activity in your account and the market value of your Fund holdings as at the date of the statement. If you hold units outside of a Registered Plan, we will send you a tax slip showing all distributions that have been earned by you. You can view the annual audited financial statements and the unaudited financial statements of the Fund on the website www.palos.ca. A copy of these documents is also available by contacting your portfolio manager or by visiting www.sedar.com

What are your Legal Rights?

Securities legislation in some provinces gives you the right to withdraw from an agreement to buy mutual funds within two (2) business days of receiving the simplified prospectus or Fund Facts, or to cancel your purchase within 48 hours of receiving confirmation of your order.

Securities legislation in some provinces also allows you to cancel an agreement to buy mutual fund units and get your money back, or to make a claim for damages, if the simplified prospectus, Fund Facts or financial statements misrepresent any facts about the Fund. These rights must usually be exercised within certain time limits.

For more information, refer to the securities legislation of your province or consult your lawyer.

Certificate of the Fund

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 the provinces of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Québec, New Brunswick, Nova Scotia, Prince Edward Island and Newfoundland and Labrador and do not contain any misrepresentations.

DATED June ·, 2023.

Palos Management Inc., duly authorized on behalf of the Trustee of
Palos Equity Income Fund

(s)	*(s)*
Philippe Marleau President	Alain Lizotte Chief Financial Officer

Certificate of the Manager and the Promoter

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 the provinces of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Québec, New Brunswick, Nova Scotia, Prince Edward Island and Newfoundland and Labrador and do not contain any misrepresentations.

DATED June ·, 2023.

Palos Management Inc. as Manager and Promoter of
Palos Equity Income Fund

(s)	*(s)*
Philippe Marleau President, in his capacity as Chief Executive Officer	Alain Lizotte Chief Financial Officer

On behalf of the Board of Directors of Palos Management Inc. as Manager and Promoter of
Palos Equity Income Fund

(s)

Charles Marleau
Director

PART B – FUND-SPECIFIC INFORMATION

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

What is a mutual fund?

There are generally two (2) legal forms for a mutual fund: a mutual fund trust or a mutual fund corporation. Both forms of mutual funds allow you to pool your savings with other investors that have the same investment objectives. A mutual fund trust issues “units” of the trust to people who invest in the trust and a mutual fund corporation issues “shares” of the corporation to people who invest in the corporation. Units and shares both represent an ownership interest in a mutual fund. The Fund is structured as a mutual fund trust.

A mutual fund brings together many different investors with similar goals. Each investor puts money into the mutual fund. A professional portfolio manager uses that money to buy a variety of securities for the mutual fund, depending on the mutual fund’s investment objectives. The portfolio manager makes all the decisions about which securities to buy and when to buy and sell them. If the value of the securities falls, everyone shares in the loss. The size of your share depends on how many units or shares you own. The more you put in, the more units or shares of the mutual fund you own and the greater your portion of the gains or losses will be. Mutual fund investors also proportionally share the mutual fund’s expenses. Most mutual funds invest in securities like stocks, bonds and money market instruments. There are many advantages to investing in a mutual fund over investing in individual stocks, bonds and money market instruments on your own. Professional portfolio managers have the skills and the time to do research and make decisions about which securities to buy, hold or sell. Owning several securities can improve long-term results because the ones that increase in value can compensate for those that do not. You can sell your units or shares back to the mutual fund at any time. With many other investments, your money is locked in or you have to find a specific buyer before you can sell. Mutual fund companies use sophisticated record keeping systems and send you regular financial statements, tax slips and reports.

Under exceptional circumstances, a mutual fund may suspend your right to sell your units or shares. See “Suspending your Right to Sell Units” on page 18 for details.

While mutual funds have many advantages, it is important to remember that your investment in the Fund is not guaranteed. Unlike bank accounts or guaranteed investment certificates (“**GICs**”), mutual fund units or shares are not covered by the Canada Deposit Insurance Corporation or any other government deposit insurer.

As with most other investments, mutual funds come with a certain amount of risk. 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, markets and company news. As a result, the value of a mutual fund’s units or shares 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 amount of risk depends on the investment objectives of the mutual fund you buy. Before you invest in a mutual fund, you need to decide what level of risk you are comfortable with. The answer depends in part on the kind of returns you expect. Generally, higher risk investments (for example, mutual funds that invest in equity securities) have a higher potential for gains and losses, while lower risk investments (for example, money market funds) have a lower potential for gains and losses.

Below are some of the most common risks that affect value. To find out which of these specific risks apply to the Fund, see “Palos Equity Income Fund” starting on page 43.

What are the risks of investing in such a mutual fund ?

Capital Erosion Risk

The Fund generally distributes income to its unitholders based on an amount that reflects the actual income earned by the Fund on an annual basis. The Fund may, however, pursuant to its distribution policy, distribute fixed amount to its unitholders whether or not the Fund actually earned that amount. In some cases, the distribution payment, whether or not such distribution is reinvested in units of the Fund, may exceed the actual income and capital gains of the Fund during that period. When this happens, the distributions of the Fund are considered a return of capital, and will reduce the NAV of the Fund (or the NAV per unit if the distributions are reinvested in the Fund) and can have taxation implications for unitholders. Over the long term, return of capital could eventually deplete the Fund of its assets.

Concentration Risk

The Fund may hold significant investments in a few companies, rather than investing the Fund's assets across a large number of companies. In some cases, more than 10% of the net assets of the Fund may be invested in securities of a single issuer as a result of appreciation in value of that investment or the decline in aggregate value of other investments. In these circumstances, the investment portfolio of the Fund would be less diversified, and therefore potentially subject to larger changes in value, than other mutual funds which hold more broadly diversified investment portfolios.

Credit Risk

When a company or government issues a fixed income security, it promises to pay interest and repay a specified amount on the maturity date. Credit risk is the risk that the company or government will not live up to that promise. Some companies and governments that borrow money, and the fixed income or debt securities they issue, are rated by specialized rating agencies. High-quality securities have high ratings, such as "A" or better. A rating of "A" or better indicates that an issuer's capacity to meet its financial commitments on those obligations is extremely strong. The riskiest fixed income securities are those with a low credit rating or no credit rating at all. These securities usually offer higher interest rates to compensate for the increased risk.

Convertible Securities Risk

Convertible securities are fixed-income securities, preferred shares or other securities that are convertible into common shares or other securities. The market value of convertible securities tends to decline when interest rates increase and, conversely, to increase when interest rates decline. A convertible security's market value, however, tends to reflect the market price of the issuer's common shares when that price approaches or exceeds the convertible security's "conversion price". The conversion price is defined as the predetermined price at which the convertible security could be exchanged for the associated share. As the market price of the common share declines, the price of the convertible security tends to be influenced more by the yield of the convertible security. Thus, it may not decline in price to the same extent as the underlying common share. In the event of a liquidation of the issuing company, holders of convertible securities would be paid before the company's common shareholders but after holders of any senior debt obligations of the company. Consequently, the issuer's convertible securities generally entail less risk than its common shares but more risk than its debt obligations.

Currency Risk

The Fund's assets and liabilities are valued in Canadian dollars. When mutual funds buy foreign securities, however, they are purchased with foreign currency. The U.S. dollar, for example, fluctuates in value against the Canadian dollar. While the mutual funds can benefit from changes in exchange rates, an unfavorable move may reduce, or even eliminate, any return on a U.S. investment. A mutual fund's ability to make distributions or process redemptions assumes the continuing free exchange of the currencies in which the mutual fund is invested. However, certain foreign governments sometimes restrict the ability to exchange currencies.

Depository Receipt Risk

Banks or other financial institutions, known as depositories, issue depository receipts that represent the value of securities issued by foreign companies. These receipts are most often known as ADRs (American Depository Receipts), GDRs (Global Depository Receipts), or EDRs (European Depository Receipts), depending on the location of the depository. Funds invest in depository receipts to indirectly own foreign securities without having to trade on the local markets. There is a risk that the value of the depository receipts may be less than the value of the foreign securities. This difference can result from several factors: fees and expenses related to the depository receipts; fluctuations in the exchange rate between the currency of the depository receipts and the currency of the foreign securities; differences in taxes between the jurisdiction of the depository receipts and that of the issuer of the foreign securities; and the impact of the tax treaty, if any, between the depository receipts and the foreign securities' jurisdictions. Also, a fund faces the risks that depository receipts may be less liquid, that the holders of depository receipts may have fewer legal rights than if they held the foreign securities directly, and that the depository may change the terms of a depository receipt, including terminating the depository receipt, in such a way that a fund is forced to sell at an inopportune time.

Derivatives Risk

The Fund may use derivatives as permitted by the Canadian securities regulatory authorities. A derivative is an investment whose value is based on the performance of other investments or on the movement of interest rates, exchange rates or market indexes. Derivatives are often used for hedging against potential losses because of changes in interest or foreign exchange rates. Derivatives also allow mutual funds to invest indirectly, for example to invest in the returns of a stock or index without actually buying the stock or all the stocks in the index. This would be done where it is cheaper for the Fund to buy and sell the derivative or the derivative is safer. Derivatives have their own special risks. Here are some of the common risks:

- hedging with derivatives may not always work and it could restrict the Fund's ability to increase in value;
- there is no guarantee that the Fund will be able to obtain a derivative contract when it needs to, and this could prevent the Fund from making a profit or limiting a loss;
- a securities exchange could impose limits on trading of derivatives, making it difficult to complete a contract;
- the other party in the derivative contract might not be able to honour the terms of the contract;
- the price of a derivative might not reflect the true value of the underlying security or index;
- the price of a derivative based on a stock index could be distorted if some or all of the stocks that make up the index temporarily stop trading;
- derivatives traded on foreign markets may be harder to close than those traded in Canada; and
- in some circumstances, investment dealers and futures brokers may hold some of the Fund's assets on deposit as collateral in a derivative contract. This increases risk because another party is responsible for the safekeeping of the assets.

Exchange Traded Funds Risk

The Fund may invest some of its assets in exchange traded funds ("**ETF**") sold on exchanges in Canada or the United States. An investment in an ETF presents the same principal risks as an investment in a mutual fund. In addition to those risks, the ETF may also be subject to the following risks: the price at which the shares of the ETF are transacted on the exchange may be at a premium or at a discount to the ETF's net asset value per share; an active trading market for the ETF shares may not develop or be maintained; the exchange may halt trading of the ETF shares; the ETF may fail to track its reference index; and the ETF may not achieve the same return as its benchmark market or industry sector indices due to differences in the actual weightings of securities held in the ETF versus the weightings in the relevant index, and due to the operating and administrative expenses of the ETF. Investment in an ETF may involve duplication of management fees and certain other expenses, as the Fund indirectly bears its proportionate share of the ETF fees and expenses.

Foreign Market Risk

The Fund may invest in securities sold outside North America. The value of foreign securities, and the price of the units of the Fund, may fluctuate more than investments in companies whose securities are listed on a North American stock exchange because:

- companies outside North America are not subject to the regulations, standards, reporting practices and disclosure requirements that apply in Canada and the U.S.;
- some foreign markets may not have laws to protect investor rights;
- political instability, social unrest or diplomatic developments in foreign countries could affect the Fund's invested securities or result in their loss; and
- there is a chance that foreign securities may be highly taxed or that government-imposed exchange controls may prevent the Fund from taking money out of the country.

Risk of volatile markets and market disruption

The performance of the Fund may depend to some extent on the future course of price movements of securities and financial markets. The securities markets can be impacted by volatility and uncertainties. The performance of the Fund may be influenced by, among other things, interest rates, macroeconomics (such as changing supply and demand relationship), trade, fiscal, monetary and exchange control programs and policies of governments and national and international political and economic events and policies. In addition, unexpected and unpredictable events such as a war, conflict, health crisis, pandemic, natural disaster, terrorism and related geopolitical risks may lead to increased market volatility and may have adverse effects on world economies and markets generally, including U.S., Canadian and other economies and securities markets. For example, the recent spread of coronavirus disease (COVID-19) has caused volatility in the global financial markets, resulted in significant disruptions to global business activity and threatened a slowdown in the global economy. The impact of coronavirus disease may be short term or may last for an extended period and could adversely affect the Fund. The effects of similar unexpected disruptive events could affect the economies and securities markets of countries in ways that cannot necessarily be foreseen at the present time. These events could also have an acute effect on individual issuers or related groups of issuers and exacerbate other pre-existing political, social and economic risks. Such impacts could also cause substantial market volatility, exchange trading suspensions and closures, affect the Fund's performance and significantly reduce the value of an investment in the Fund.

Interest Rate Risk

If the Fund invests in bonds and other fixed income securities, a significant influence on the Fund's value will be changes in the general level of interest rates. The general level of interest rates is in part affected by the rate of inflation. If interest rates fall, the value of the Fund's units will tend to rise. If interest rates rise, the value of the Fund's units will tend to fall.

Investment Trust Risk

The Fund may invest in real estate, royalty, income and other investment trusts that are investment vehicles in the form of trusts rather than corporations. To the extent that claims, whether in contract, in tort or as a result of tax or statutory liability, against an investment trust are not satisfied by the trust, investors in the investment trust, including the Fund, could be held liable for such obligations. Investment trusts generally seek to make this risk remote in the case of contract by including provisions in their agreements that the obligations of the investment trust will not be binding on investors personally. However, investment trusts could still have exposure to damage claims such as personal injury and environmental claims. Certain jurisdictions have enacted legislation to protect investors in investment trusts from the possibility of such liability.

Large Transaction Risk

Units of the Fund may be purchased in large quantities by an investor or by another investment fund. These types of investors may make large purchases or redemptions in the Fund, due to their substantial investment in it. If these transactions are significant, they may impact the Fund's cash flow, and the Fund may be required to alter its current investment portfolio by buying or selling a large portion of its investments. In the case where a large investor purchases units with cash, the Fund may temporarily have a higher than normal cash position until this cash can be invested. In the case of a large redemption, the Fund may be required to sell existing investments at unfavorable prices, or pay interest on borrowed money, if it does not have enough cash on hand to fund the redemption.

Liquidity Risk

Liquidity is a measure of how easy it is to convert an investment into cash. An investment may be less liquid if it is not widely traded or if there are restrictions on the exchange where the trading takes place. Investments with low liquidity can have dramatic changes in value.

Securities regulations prevent the Fund from purchasing additional illiquid assets if, immediately after the purchase, more than 10% of its net asset value consists of illiquid assets. A fund must also not have invested, for a period of ninety (90) days or more, more than 15% of its net asset value in illiquid assets. The funds' investments in listed entities are considered to be readily realisable because they are traded on major stock exchange markets.

Cybersecurity Risk

With the increased use of technologies such as the Internet to conduct business, the Manager and the Fund are susceptible to operational, information security, and related risks. In general, cyber incidents can result from deliberate attacks or unintentional events. Cyberattacks include, but are not limited to, gaining unauthorized access to digital systems (e.g., through "hacking" or malicious software) for purposes of misappropriating assets or sensitive information, corrupting data, or causing operational disruption or deficiencies.

Cyberattacks 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 incidents affecting the Fund, the Manager or the Fund's service providers (including, but not limited to, the Fund's registrar, custodian or sub-custodian) have the ability to cause disruptions and impact each of their respective business operations, potentially resulting in financial losses; interference with the

Fund's ability to calculate its net asset value; impediments to trading; the inability of unitholders to transact business with the Fund and the inability of the Fund to process transactions including redeeming units; and also potentially resulting in violations of applicable privacy and other laws, regulatory fines, penalties, reputational damage, reimbursement or other compensation costs, or additional compliance costs associated with the implementation of any corrective measures. Similar adverse consequences could result from cyber incidents affecting the issuers of securities in which the Fund invests and counterparties with which the Fund engages in transactions.

In addition, substantial costs may be incurred to prevent any cyber incidents in the future. Furthermore, the Manager and the Fund cannot control the cybersecurity plans and systems of the Fund's service providers, the issuers of securities in which the Fund invests or any other third parties whose operations may affect the Fund or its unitholders. As a result, the Fund and its unitholders could be negatively affected.

Market Risk

Companies issue equities, or stocks, to help finance their operations and future growth. Investors who purchase these securities become part owners of these companies. The value of these securities varies according to how the market reacts to factors relating to the company, market activity, or the economy in general. For example, when the economy is expanding, the market tends to attach positive outlooks to companies and the value of their stocks tends to rise. The opposite is also true. For start-ups, resource companies and companies in emerging sectors, the risks and potential rewards are usually greater. Some of the products and services offered by technology companies, for example, can become obsolete as science and technology advance. In general, the greater the potential reward, the greater the risk.

Prepayment Risk

Certain fixed income securities, including mortgage-backed or other asset-backed securities, can be prepaid before maturity. If a prepayment is unexpected or if it occurs faster than predicted, the fixed income security may pay less income and its value may decrease.

Sector Risk

Some funds concentrate their investments in a certain sector or industry in the economy. This allows these funds to focus on that sector's potential, but it also means that they are riskier than mutual funds with broader diversification. Because securities in the same industry tend to be affected by the same factors, sector-specific funds tend to experience greater fluctuations in price. These funds must continue to follow their investment objectives by investing in their particular sector, even during periods when that sector is performing poorly.

Series Risk

The Fund is available in more than one series of units. Each series has its own fees and expenses, which the Fund tracks separately. If, for any reason, the Fund cannot pay the expenses of one series, the Fund will be required to pay those expenses out of the other series' share of the assets. This could lower the investment return of the other series.

Short Selling Risk

The Fund may engage in a disciplined amount of short selling subject to certain restrictions under applicable securities law. There is no assurance that securities will decline in value during the period of the short sale sufficient to offset the interest paid by the Fund and make a profit for the Fund, and securities sold short may instead increase in value. The Fund may also experience difficulties repurchasing and returning the borrowed securities if a liquid market for the securities does not exist. The lender from whom the Fund has borrowed securities may go bankrupt and the Fund may lose the collateral it has deposited with the lender. When the Fund engages in short selling it will adhere to controls and limits that are intended to offset these risks by selling short only securities of larger issuers for which a liquid market is expected to be maintained and by limiting the amount of exposure for short sales. The Fund will also deposit collateral only with lenders that meet certain criteria for creditworthiness and only up to certain limits.

Specific Issuer Risk

The value of securities will vary positively and negatively with developments within the specific companies or governments that issue the securities. If the Fund has a significant portion of its assets in or exposed to any one issuer, it is possible that the Fund may experience reduced liquidity and diversification. Additionally, if the Fund holds significant investments in a few companies, changes in the value of the securities of those companies may increase the volatility of the net asset value of the Fund. The Fund is subject to certain concentration restrictions under applicable securities laws.

Smaller Companies Risk

Smaller companies can be riskier investments than larger companies. For one thing, they are often newly incorporated and may not have a track record, extensive financial resources or a well-established market. This risk is especially true for private companies or companies that have recently become publicly traded. They generally have fewer shares trading on the market. Therefore, it could be difficult for the Fund to buy or sell smaller companies' shares as required and their share prices can change significantly over a short period of time.

Tax Information Reporting Risk

Part XVIII of the Tax Act imposes due diligence and reporting obligations on "reporting Canadian financial institutions" in respect of their "U.S. reportable accounts". The Fund is a "reporting Canadian financial institution" and may be required to provide information to the CRA in respect of its unitholders who hold "US reportable accounts." Such information generally relates to citizenship, residency and, if applicable, a U.S. federal tax identification number or such information relating to the controlling person(s) in the case of certain entities. If Unitholders hold their units of the Fund through a dealer, the dealers will be subject to due diligence and reporting obligations with respect to financial accounts they maintain for their clients. Accordingly, Unitholders may be requested to provide information to the Fund or their dealers to identify U.S. persons holding units of the Fund. If a Unitholder (or any controlling person of certain entities) is identified as a U.S. person (including a U.S. citizen) or if a Unitholder does not provide the requested information, Part XVIII of the Tax Act will generally require information about the Unitholder's investments held in the financial account maintained by the Fund or the dealer to be reported to the CRA, unless the investments are held within a RRSP, RRIF, DPSP, TFSA, RDSP, RESP or FHSA. The CRA is expected to provide that information to the U.S. Internal Revenue Service.

In addition, to meet the objectives of the Organization for Economic Co-operation and Development Common Reporting Standard (the "**CRS**"), the Fund is required under Canadian legislation to identify and report to the CRA details and certain financial information relating to unitholders in the Fund (excluding registered plans such as RRSPs) who are residents in a country outside of Canada and the U.S. which has adopted the CRS. The CRA is expected to provide that information to the tax authorities of the relevant jurisdiction that has adopted the CRS.

Tax Risk

There is no assurance that Canadian federal or provincial tax laws, foreign tax laws or administrative policies or assessing practices of the CRA respecting the treatment of mutual fund trusts, will not be changed in a manner that adversely affects the Fund or Unitholders.

U.S. Investment Risk

Pursuant to new U.S. tax rules, unitholders of the Fund may be required to provide identity and residency information to the Fund, which may be provided to U.S. tax authorities in order to avoid a U.S. withholding tax being imposed on U.S. and certain non-U.S. source income and proceeds of disposition received by the Fund, or on certain amounts (including distributions) paid by the Fund to certain unitholders.

Investment Restrictions

The Fund is subject to certain standard investment restrictions and practices contained in securities legislation, including NI 81-102 (or any successor instrument). The rules under NI 81-102 help to ensure that mutual funds investments are well diversified and relatively liquid and also help to ensure the proper administration of mutual funds. Except as set out below, the Fund adheres to, and is managed in accordance with, these standard investment restrictions and practices.

The fundamental investment objectives of the Fund are set out in the simplified prospectus of the Fund. Any change to the investment objectives of the Fund requires the approval of a majority of Unitholders at a meeting called for that purpose. The Manager may change the Fund's investment strategies from time to time at its discretion.

Description of Securities Offered by the Fund

The Fund is divided into units. The Fund is permitted to issue an unlimited number of series of units and may issue an unlimited number of units in each series, although the Manager reserves the right to limit subscriptions. Currently, the Fund offers two (2) series of units of the Fund: "Series A Units" and "Series F Units".

No Unitholder holds any assets of the Fund. Unitholders have those rights mentioned in this simplified prospectus and as created in the Trust Agreement. The Fund derives its value from the portfolio assets held by it and the income earned in respect thereof. We calculate the NAV for the Fund's Series A Units by taking the value of the assets attributable to the Series A Units, subtracting any liabilities attributable specifically to the Series A Units and subtracting the proportionate share of the Fund liabilities attributable to Series A Units and dividing the balance by the number of Series A Units investors hold. The same process is performed for each other series offered by the Fund. We calculate NAV at 4:00 p.m. (Eastern time) on each valuation day. A valuation day is each day that the Toronto Stock Exchange is open for a full day of business. The Fund is valued and may only be bought in Canadian dollars. The NAV of the Fund and for each series of units is determined as described under "Calculation of Net Asset Value" on page 14 and "Valuation of Portfolio Securities" on page 12.

Each holder of a whole unit of the Fund is entitled to one vote per unit at meetings of Unitholders of the Fund, other than meetings at which holders of one series of units of the Fund are entitled to vote separately as a series.

Subject to management fee distributions and rebates, all units of each series are treated equally with respect to distributions and on any liquidation or winding-up of the Fund based on the relative NAV of each series of the Fund.

The Fund will endeavour to provide holders of its units with quarterly distributions. The actual amount of each quarterly distribution is determined by the Trustee, which has delegated this function to the Manager pursuant to an investment and fund management agreement dated November 24, 2010, as amended and restated on January 7, 2011 and July 15, 2011, and as subsequently amended on February 24, 2012 and again on August 26, 2013. The Manager may reassess the frequency or the level of distribution from time to time. If the portfolio earns less income or capital gains than the amount distributed, the difference is a return of capital to Unitholders and will reduce accordingly the adjusted cost base per unit. Over the long term, return of capital could eventually deplete the fund of its assets. Such quarterly distributions are paid in cash unless you ask in writing to have them reinvested in additional units of the series you hold or in another fund offered by us, if any. If the portfolio earns more income and capital gains in a year than the amount distributed, the excess will be payable to Unitholders at the end of the year. Such amount payable will be automatically reinvested in additional units of the series you hold of the Fund. For more information about distributions, see "Income Tax Considerations" on page 25.

All units of the Fund are fully paid and non-assessable when issued. Units of any series of the Fund may be switched at any time into units of another series of the Fund for which you qualify, or a series of another fund, in the event Palos creates additional funds (see "Switches" on page 16). Details and additional information relating to switching between (i) series of the Fund; and (ii) series of different funds, if any, are also available in the simplified prospectus of the Fund.

Fractions of units may be issued. Fractional units carry the rights and privileges, and are subject to the restrictions and conditions, applicable to whole units in the proportions which they bear to one unit; however, the holder of a fractional unit is not entitled to vote in respect of such fractional unit.

Unitholders can redeem all or any of their units at the NAV per unit for the series of units they own as described under "Redemption of Securities" on page 17. All units are transferable without restriction. Transfers must be done in writing in a form acceptable to the Trustee or transfer agent and registrar, and pursuant to their reasonable requirements.

The Trustee may modify, alter or add to the provisions of the Trust Agreement without notice to Unitholders unless such amendment would constitute a "material change" for purposes of National Instrument 81-106 – *Investment Fund Continuous Disclosure (*or in Québec, Regulation 81-106 – *Investment Fund Continuous Disclosure)*, as amended from time to time ("**NI 81-106**") (or any successor instrument), in which case the Trust Agreement may be amended on at least twenty-one (21) days prior written notice to Unitholders or such longer period as may be required by applicable law.

The Fund does not hold regular meetings. Unitholders of the Fund are permitted to vote on all matters that require Unitholder approval under NI 81-102 or under the Trust Agreement. These matters include:

- the basis of the calculation of a fee or expense that is charged to the Fund or directly to its securityholders by the Fund or the Manager in connection with the holding of securities of the Fund is changed in a way that could result in an increase in charges to the Fund or to its securityholders;
- a fee or expense, to be charged to the Fund or directly to its securityholders by the Fund or the Manager in connection with the holding of securities of the Fund that could result in an increase in charges to the Fund or to its securityholders, is introduced;
- the Manager of the Fund is changed, unless the new manager is an affiliate of the current Manager;
- the fundamental investment objectives of the Fund are changed;
- the Fund decreases the frequency of the calculation of its net asset value per security;
- the Fund undertakes a reorganization with, or transfers its assets to, another issuer, if
    - the Fund ceases to continue after the reorganization or transfer of assets; and

    - the transaction results in the securityholders of the Fund becoming securityholders in the other issuer;
- the Fund undertakes a reorganization with, or acquires assets from, another issuer, if
    - the Fund continues after the reorganization or acquisition of assets;
    - the transaction results in the securityholders of the other issuer becoming securityholders in the Fund; and
    - the transaction would be a material change to the Fund;
- the Fund implements any of the following:
    - in the case of a non-redeemable investment fund, a restructuring into a mutual fund;
    - in the case of a mutual fund, a restructuring into a non-redeemable investment fund;
    - a restructuring into an issuer that is not an investment fund.
- any other matter which is required by the Trust Agreement or by the laws applicable to the Fund or by any agreement to be submitted to a vote of the Unitholders of the Fund.

Approval of these matters requires an affirmative vote of at least a majority of the Unitholders present or represented by proxy at a meeting called to consider these matters.

If approved by the IRC, the Fund may change its auditors by sending you a written notice of any such change at least sixty (60) days before it takes effect. Likewise, if approved by the IRC, the Fund may merge with another mutual fund provided the merger fulfills the requirements of NI 81-102 and NI 81-107 (or any successor instrument) relating to mutual fund mergers and you receive a written notice of the merger at least sixty (60) days before it takes effect. In either case, no meeting of Unitholders of the Fund may be called to approve the change.

Name, Formation and History of the Mutual Fund

The Fund is a mutual fund trust established under the laws of Québec pursuant to and governed by the Trust Agreement. The Fund was initially settled as a unit trust pursuant to a trust agreement dated January 3, 2008 (the "**Original Trust Agreement**"). Prior to February 18, 2011 and commencing on January 3, 2008, the Fund was a mutual fund which distributed its securities pursuant to applicable prospectus exemptions. Effective November 24, 2010, the Unitholders of the Fund approved the amendment and restatement of the Original Trust Agreement which included, among other things, (i) the replacement of the original trustee, Mr. Hubert Marleau, by Palos Corporate Services Inc.; and (ii) the exchange, on a one to one basis effective November 24, 2010, of all of the issued and outstanding units of the Fund that had been authorized and issued pursuant to the Original Trust Agreement for an equivalent number of Series A Units of the Fund created pursuant to the Trust Agreement. The Trust Agreement was subsequently amended on January 7, 2011 in order to appoint BNY Trust Company of Canada as the trustee of the Fund. With the resignation of BNY Trust Company of Canada as trustee of the Fund effective August 31, 2011, the Trust Agreement was amended and restated on July 15, 2011 (effective September 1, 2011) to appoint Computershare Trust Company of Canada as successor trustee to BNY Trust Company of Canada. Effective February 24, 2012, Series F Units of the Fund were created. On August 26, 2013, the Trust Agreement was amended to reflect the change to the Performance Fees paid to the Manager that took effect on January 1, 2014.

The registered offices of the Fund and the Manager are located at 1 Place Ville Marie, Suite 1670, Montréal, Québec, H3B 2B6.

Palos Equity Income Fund

Fund Type:	Canadian Equity Balanced
Inception Date:	Series A Units : February 18, 2011[1] Series F Units : February 24, 2012
Securities Offered:	Series A and Series F Units
Eligibility for Registered Plans:	Qualified Investment for Registered Plans.

[1] Prior to this date and commencing on January 3, 2008, the Fund was a mutual fund which only distributed its units pursuant to applicable prospectus exemptions.

What Does the Fund Invest In?

Investment Objectives

The primary objectives of the Fund are to:
- (i) provide long-term capital growth;
- (ii) provide an attractive and steady stream of income; and
- (iii) deliver trading-enhanced returns.

The Fund invests in a portfolio of primarily Canadian income-paying securities, such as equity securities of large-capitalization Canadian issuers that pay dividends or selected debt obligations that pay interest.

Before a change is made to the investment objectives of the Fund, the prior approval of Unitholders is required.

Investment Strategies

Products or strategies can be used by the Fund:

Shares of Canadian corporations	☑ yes	☐ no
Shares of foreign corporations	☑ yes	☐ no
Fixed income securities	☑ yes	☐ no
Small capitalization	☑ yes	☐ no
Options (Derivatives)	☑ yes	☐ no
Short sales	☑ yes	☐ no
Exchange-traded fund securities	☑ yes	☐ no

Primary Investment Strategies

The primary investment strategy employed by the Fund is to apply qualitative, quantitative and comparative research in order to build and manage a portfolio of select high-grade and undervalued dividend-paying equity securities and income-paying debt securities. The Manager employs a strategic asset allocation strategy based on its economic and market outlook.

The Manager aims to cap this core portfolio of securities at approximately 95% of the Fund's portfolio. The Fund intends to hold no more than 25% of non-Canadian securities.

The Manager will attempt to maintain the following asset allocation for the Fund investments:

Type of assets	Minimum %	Target %	Maximum %
Cash and fixed income securities	0	10	15
Canadian shares	70	90	95
International shares	0	0	25

The Fund is composed of a core portfolio of securities, selected for their income yield, as well as, in the opinion of the Manager, their relatively low price. The Manager also seek to enhance returns through five (5) targeted, short-term trading secondary strategies further described below under “Secondary Investment Strategies”.

Secondary Investment Strategies

In addition to the primary strategy, the Manager seeks to enhance returns through the following five (5) targeted, short-term trading secondary strategies:

1. Pair trading, whereby the Manager identifies a security that is either undervalued or overvalued, and purchase (or sell) the security and simultaneously take the opposite action with regards to the security’s index. For example, the Managers might identify the common equity of Bank ABC as being overvalued. The Manager would borrow a quantity of Bank ABC common equity and sell it “short”, while simultaneously buying a security that represents the index in which Bank ABC trades in. This strategy effectively limits market risk from the pair trade;
2. Syndication trading, whereby the Manager invests in securities being offered in the market for the first time, while simultaneously selling the index “short”. New issues are typically underpriced by a small amount in order to encourage investors to purchase the security. This strategy effectively eliminates market risk from the investment in the new issue;
3. Merger arbitrage, whereby the Manager trades in the equity of an acquirer in a merger while simultaneously taking the opposite action with regards to the security’s index. The actual trade will depend on the Manager’s view of whether the transaction is likely to be completed;
4. Statistical pair trading, whereby the Manager identifies securities that historically trade in tight correlation but that, for some reason, have become uncorrelated. The actual trading strategy will depend on the nature of the uncorrelation; and
5. Dividend capturing, whereby the Manager purchases a security just prior to the deadline for purchasing the security and be entitled to the next dividend payment and then sells the security as soon as the dividend is paid. This strategy locks in a dividend payment while limiting risk.

Derivatives

The Fund may use derivatives to increase its income only as permitted by securities regulations. These transactions will be used in conjunction with the Fund’s other investment strategies in a manner considered most appropriate to achieve the Fund’s investment objectives and to create additional income for the Fund. For a description of how the fund uses derivatives please refer to “How the Fund Uses Derivatives” on page 45.

Short Selling

The Fund may engage in a disciplined amount of short selling subject to certain restrictions under applicable securities law. In determining whether securities of a particular issuer should be sold short, the Manager uses the same analysis that is described above for deciding whether to purchase the securities. The Fund will engage in short selling as a complement to the Fund’s current primary discipline of buying securities with the expectation that they will appreciate in market value. For a more detailed description of short selling and the limits within which the Fund may engage in short selling, please refer to “How the Fund Engages in Short Selling” on page 45.

Exchange Traded Funds

The Fund may temporarily buy or sell exchange traded funds in order to mitigate systematic risk relating to the Fund’s investment strategies. These funds will not be managed by the Manager or an affiliate or associate of the Manager. Other than because of changes in the relative value of the portfolio assets, at no time will the Fund’s interest in any one exchange traded fund be more than 10% of its NAV. The selection criteria employed by the Manager in respect of the exchange traded funds will be limited to specific funds that correspond to the investment strategy being implemented.

Deviation from Investment Objectives

The Fund may choose to deviate from its investment objectives by temporarily investing a greater than usual portion of the portfolio in cash or fixed income securities during periods of market downturn or for other reasons.

How the Fund Uses Derivatives

The Fund may acquire and use derivatives that comply with its investment objectives and applicable securities regulations. More specifically, the Fund may use them to:

- hedge its investments against losses from factors like currency fluctuations, stock market risks and interest rate changes;
- invest indirectly in securities or financial markets, provided the investment is consistent with the Fund’s investment objectives; or
- generate additional income or returns on securities held in its portfolio through the sale of covered call options.

When the Fund uses derivatives for purposes other than hedging, it holds enough cash or money market instruments to fully cover its position in the derivative, as required by securities regulations.

Derivatives will not be used to create leverage within the Fund’s portfolio unless permitted under NI 81-102. Should the Fund’s portfolio manager decide to use derivatives, it will primarily engage in writing (selling) covered call and covered put options.

How the Fund Engages in Short Selling

The Fund may engage in a disciplined amount of short selling subject to certain restrictions under applicable securities law. The aggregate market value of all securities sold short by the Fund will not exceed 20% of its net assets on a daily marked-to-market basis. The Fund may deposit assets with lenders in accordance with industry practice in relation to its obligations arising under short sale transactions. The Manager will engage in short selling with the expectation of generating trading-enhanced returns for the Fund. At all times, the Manager and the Fund shall comply with the requirements, including the “cash cover” requirements, as specified in NI 81-102.

What are the Risks of Investing in the Fund?

This section shows the specific risks associated with an investment in the Fund. For an explanation of these risks, see "What is a Mutual Fund and What are the Risks of Investing in a Mutual Fund?" starting on page 33.

The risks associated with an investment in the Fund are as follows:

- Capital erosion risk
- Concentration risk
- Convertible securities risk
- Credit risk
- Currency risk
- Cybersecurity risk
- Depository receipt risk
- Derivatives risk
- Exchange traded funds risk
- Foreign market risk
- Risk of volatile markets and market disruption
- Interest rate risk
- Investment trust risk
- Large transaction risk
- Liquidity risk
- Market risk
- Prepayment risk
- Sector risk
- Series risk
- Short selling risk
- Smaller companies risk
- Specific issuer risk
- Tax Information Reporting Risk
- U.S. Investment Risk

Investment Risk Classification Methodology

The investment risk level of the Fund is required to be determined in accordance with a standardized risk classification methodology that is based on the Fund's historical volatility as measured by the 10-year standard deviation of the returns of the Fund. . A mutual fund's standard deviation is calculated by determining the differential between a mutual fund's returns and its average returns over a given timeframe. The standard deviation range is as follows:

Standard Deviation Range	Investment Risk Level
0 to less than 6	Low
6 to less than 11	Low to Medium
11 to less than 16	Medium
16 to less than 20	Medium to High
20 or greater	High

As a result of the application of the investment risk classification methodology we expect the investment risk level for the Fund to be rated as medium.

Low	Low to Medium	Medium	Medium to High	High

We determine the risk rating of the Fund by using the following process:

1. Performing a detailed review of the Fund to identify and assess all relevant risk factors;
2. Calculating various risk and return metrics for the Fund, including determining the standard deviation of the Fund's volatility;
3. Determining the risk classification of the Fund using the investment risk classification methodology prescribed by Appendix F Investment Risk Classification Methodology to NI 81-102; and
4. Determining the risk classification assigned to the Fund in step 3 is appropriate for the Fund and whether any adjustment is required in light of the qualitative factors identified in step 1.

Although monitored on a monthly basis, we review the investment risk level of the Fund on an annual basis.

You can obtain the standardized risk classification methodology used to identify the investment risk level of the Fund, at no cost, by calling us at (514) 397-0188 (or toll-free at 1 (855) PALOS88 (1-855-725-6788)) or by e-mailing info@palos.ca

Palos Equity Income Fund (Series A Units and Series F Units)

You can find additional information about the Fund in the Fund Facts, management reports of fund performance and financial statements. These documents are incorporated by reference into this simplified prospectus. That means they legally form part of this document just as if they were printed in it.

You can get a copy of these documents at your request and at no cost, by calling (514) 397-0188 (or toll-free at 1 (855) PALOS88 (1-855-725-6788)) or by e-mailing info@palos.ca, or by asking your Dealer. These documents and other information about the Fund, such as information circulars and material contracts, are also available at the Manager's website at www.palos.ca or at www.sedar.com.

Manager of the Fund:

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