ALITIS

ASSET MANAGEMENT

Intelligently Built,
Easily Recommended.

MORTGAGE PLUS FUND

ALITIS
ASSET MANAGEMENT

Easily Recommended

The Alitis Mortgage Plus Fund gives access to a strategically designed portfolio of select private and public mortgage-related investments. The "Plus" in the fund's name speaks to added diversification strategies that are designed to increase return potential and improve liquidity. The investment objective of the Alitis Mortgage Plus Fund is to generate a high level of income with relatively low volatility.

Since much more than projected returns should be considered when selecting mortgage investments, the Alitis Mortgage Plus Fund provides a number of unique advantages. The fund is not limited to a single mortgage investment corporation (MIC), a single strategy, a single region or a single manager. Instead, the Alitis multi-manager/multi-strategy approach provides an excellent way to access a broad range of private and public mortgage investments in one well-built solution requiring only one subscription for your clients.

Alitis' investment management team has garnered experience and expertise to invest well and properly monitor the growing mortgage investment space. They have delivered an intelligently built mortgage fund which holds leading-edge mortgage investments diversified by geography, type of investment and operational expertise. That's what makes the Alitis Mortgage Plus Fund easy to recommend.

Fundamental Research Corp.'s *Alitis Mortgage Plus Research Report*[1] rated this fund as *"Very Good Return to Risk"* and reported its risk as *"Below Average."* The report's author notes, "We believe the growing private lending market in Canada offers attractive options for investors seeking income generating investments. We are not aware of any other fund that is focused primarily on MIC investments."

About Alitis Asset Management

Established in 2009, Alitis is a Portfolio and Investment Fund Manager with a proven track record. We successfully manage six investment funds, three of which are in the “Alternatives” space. Alitis has assembled a team of highly skilled Chartered Financial Analyst® charterholders and Portfolio Manager designates. Our funds benefit from the work of a specialized investment management team, a dedicated Investment Committee with oversight provided by an Investment Committee Governance Board.

Our investment management team performs rigorous due diligence in seeking and approving new investment opportunities. The process begins with setting a strategic asset mix for each fund using pre-approved asset categories and securities. They monitor each asset class and underlying security to tactically reduce risk and seek opportunities to add return, all within reasonable constraints. Our Portfolio Managers continually monitor our full approved investment list, looking for opportunities and the correct buy-in times to add new positions to our funds.

Underlying investments in the Alitis Mortgage Plus Fund receive ongoing performance and risk factor monitoring during the buy and hold period. In addition to our standard risk/return monitoring, we also watch for manager deviation from mandate while reviewing concentration to any underlying manager or security.

Alitis uses data, analytics and research to build specialized funds that are used by advisors to create superior portfolios for their clients. We remain vigilant at every stage of the investment management process confirming our commitment to risk management.

About Alternative Investments

Alternative investments, also referred to as non-traditional investments, are sought out by knowledgeable investors and are routinely held in sophisticated institutional grade portfolios. These investors and managers know that alternative investments are an important asset class to add when constructing investment portfolios because of the unique value of lowered correlation. Unlike traditional stocks, bonds and cash, alternative investments have quite different sources of returns and types of risks, which make them true diversifiers and independent performers.

Why Include Mortgages?

A mortgage-based fund's attractiveness lies in the fact that mortgages are secured by real property – a home, condominium, building or land to which borrowers have title. People place a high priority on paying their mortgages and protecting their ownership of their property, so mortgage-based funds can be relatively safe when managed properly.

Our mortgage fund is easy to understand and easy to relate to, which helps it to be accepted by a wide range of investors. Yields on traditional fixed income investments (i.e. bonds & GICs) have not been delivering adequate net returns for many investors. Despite a low interest rate environment many mortgage investments continue to provide returns in the 6–8% range[2].

Where portfolios need higher income to support distributions or to meet financial planning objectives, mortgage-based investments can play an important role in achieving investment policy goals. Alitis has included higher yielding mortgage investments in private client portfolios for years, helping to generate higher returns and reduced volatility.

Why Higher Yield Mortgages?

Higher yield mortgages are offered by non-bank lenders to borrowers who may for various reasons have circumstances not meeting the lending requirements of banks. These borrowers are typically quite diligent in making their payments and meeting their obligations.

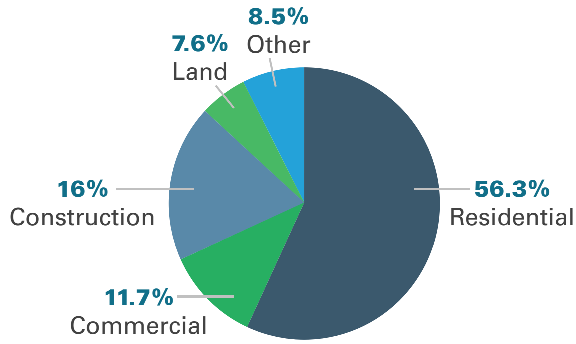
Examples of borrowers who use non-bank lenders and pay higher interest rates include:

- New Canadians: for the first 12 months have no credit rating available to them;
- New professionals: often have insufficient history of successful debt repayment and thus have a compromised credit history available to them when exiting university;
- Small business owners: may have variable or shared incomes with family members;
- Property developers: as professional real estate investors require exceptionally quick approvals to secure valuable land or buildings for their next project; and
- Institutional property owners: often require short-term bridge financing.

Like bank-issued mortgages, high yield mortgages are secured by real property and aren't necessarily riskier from a security standpoint. The difference can lie in how quickly the lenders can approve and expedite the mortgage and whether the borrower meets a traditional bank's lending requirements. Non-bank borrowers may secure their mortgages with properties worth significantly more than what traditional banks require for conventional mortgages. This is an area we have chosen to specialize in and capitalize on in the Alitis Mortgage Plus Fund.

Within our fund we hold a broad portfolio of underlying private lenders and mortgage-based securities, most of which are set up as Mortgage Investment Corporations (MICs), mutual fund trusts or publicly-traded mortgage securities. Our strategy is unique in Canada, making us a leader in providing a more diversified way for investors to participate in the lucrative higher yielding mortgage investments.

TYPES OF MORTGAGE HOLDINGS



This chart is illustrative of the types of mortgage holdings.

Why Mortgage Investment Corporations?

The Government of Canada introduced Mortgage Investment Corporations (MICs) in 1973 (through the Residential Mortgage Financing Act) to make it easier for small investors to participate in the residential mortgage and real estate markets. A MIC typically provides short-term loans (typically 9 months – 24 months) secured by real estate properties in Canada. MICs, like other non-bank lenders, do not have to conform within the strict lending guidelines of banks and other traditional lenders. MICs are more flexible in their lending guidelines, and therefore, can offer individually structured and tailor-made loans to meet the specific requirements of a borrower.

Banks have lengthy due diligence processes and are typically not able to meet specific borrowers' quick capital needs. All the above reasons allow non-bank lenders, including MICs, to charge a higher interest rate on their loans compared to banks and institutional lenders.

The Loan-to-Value ratio for most of the MICs that Alitis holds is safely lower than the 80% maximum allowed by the major banks to qualify for conventional mortgages. Since the inception of our fund we have tended to stay within the range of a 60–70% average loan-to-value ratio.

Higher yielding mortgages can be more challenging to underwrite and thus expertise counts. The MIC managers Alitis uses are experts in dealing with these challenges and have been selected for their long and successful track records.

Intelligently Built

The Alitis Mortgage Plus Fund is built to perform using a very sophisticated fund of funds approach. In our opinion, this is the best way to accomplish consistent performance, safety and liquidity in the higher yielding mortgage asset class. While there are some individual MICs that may deliver singularly higher yields than our fund, across the marketplace there are also a growing number of individual MICs that have historically either reduced their distributions or closed their doors to redemptions when real estate markets declined. That is something no one wants to experience, and why we avoid taking concentrated risks within our structure. The "Fund of Funds" structure allows Alitis to lower investment-specific risks, by holding investments with a wide range of mortgage types, geographic regions, and manager expertise. In a world of increasingly more complex macro-economic and financial markets backdrop, our down to earth, real asset-backed, investment approach makes sense.

The 'Plus' in the Alitis Mortgage Plus Fund also allows us to diversify a portion of our fund into publicly-traded MICs in Canada, publicly-traded Mortgage REITs in the US and other publicly-traded mortgage investments.

Over the long term this additional flexibility gives our Portfolio Managers more levers to navigate challenging markets and to add value with improved safety and potentially higher returns than individual MICs.

We are able to capitalize on those occasions when publicly-traded mortgage funds trade at deep discounts to their intrinsic value. Over the years we have developed our proprietary trading processes to take advantage of these market inefficiencies and add value with actively trading these larger public funds. Our portfolio intelligence is built on a proprietary analysis of data to make investment buying, management, and exit decisions.

The Alitis Edge

EXPERTISE

Members of our team have been evaluating and investing in high-yield mortgages for years, we understand this asset class. We have a deep and comprehensive understanding of many alternative asset classes with knowledge of where risks lie in selecting underlying alternative managers and knowledge of how to assemble multiple alternative investments into one optimized fund.

The combination of low volatility and steady returns makes the Alitis Mortgage Plus Fund a preferred investment choice in building durable and reliable client portfolios. Our investment philosophy values depth over breadth.

Our strong value-adds of **safety with diversification**, **improved liquidity** and **high consistent returns** are driven by applying this expertise to manager selection and from the ability to actively trade.

EXPERIENCE

The experienced team at Alitis has been actively using private alternative investments in constructing client portfolios for decades; we understand where and how they can add value. We have extensive experience with both liquid and private alternative investments. Through this time and over many market cycles, we have learned which alternative asset classes have the highest probability of delivering consistent returns and which assets classes to avoid.

ACCESS

Having worked with alternative managers for many years, Alitis has developed a deep network of relationships with highly experienced and successful managers in alternative and real asset classes. We draw upon these relationships to assemble and manage our unique multi-strategy, multi-asset, multi-manager alternative investment funds.

ALITIS
ASSET MANAGEMENT

FUND SUITABILITY

Alitis Mortgage Plus Fund is suitable for mandates that seek:

- higher yields than traditional bonds;
- reduced interest rate risk;
- proven and stable income;
- low correlation to public fixed income or equity markets;
- monthly liquidity; or
- access to specialized knowledge and oversight in this non-traditional asset class.

QUICK FACTS

Alitis Mortgage Plus Fund – Class F Units

Minimum Investment	$25,000; subsequent investments $5,000
Target Returns[3]	6%–7%
Distributions	Quarterly (income) and Annually (capital gains)
Liquidity	Monthly subject to 30 days' notice
Early Redemption Charge	3.0% if redeemed within 6 months of purchase
Registered Accounts	Eligible
Management Fees[4]	.75%
Performance Fee	17.5% above the hurdle rate
Hurdle Rate	6.0%
High Water Mark	Yes
FundServ Code	ALI403

1. Fundamental Research Corp., Siddharth Rajeev, B.Tech, MBA, CFA, October 27, 2017.
2. Examples include Atrium Mortgage Investment Corporation Dividend yield = 6.7% as of July 27th, 2018 and Timbercreek Financial, Annualized Dividend yield as at May 5th, 2018.
3. Target Returns are determined through a number of methods that are designed and intended to maintain the desired returns within the specified risk tolerance set for the fund. These methods vary. The fund manager has concluded that within the current environment, displayed target returns are reasonable to expect over time, however, returns are not guaranteed. Talk with an Alitis representative to learn more about what determines the rate of return earned by the fund.
4. Fund operating expenses are in addition. Additional performance fees may be charged if certain thresholds are met (see Offering Memorandum).

If you are looking to create durable portfolios by adding secure non-traditional mortgage solutions,we are ready to help.

Victoria Office
106–1990 Fort Street
Victoria, BC V8R 6V4

Campbell River Office
101–909 Island Highway
Campbell River, BC V9W 2C2

1.800.667.2554
info@alitis.ca