

ALITIS

ASSET MANAGEMENT

Intelligently Built,
Easily Recommended.

PRIVATE REIT





Easily Recommended

The Alitis Private REIT (“REIT”) is no ordinary Real Estate Investment Trust. Our REIT offers investors unique access to institutional style private real estate investments. It is unique and designed to perform, using a Multi-Strategy, Multi-Manager, Multi-Investment approach. This approach gives investors exposure to a wide range of real estate types, geographic regions, and manager expertise. In our opinion this is one of the best ways to provide necessary liquidity, safety and sustained performance when investing in private real estate.

The investment objective of the Alitis Private REIT is to generate a moderate level of income and tax efficient capital appreciation over the long-term.

Fundamental Research Corp.’s *Alitis Private REIT Research Report*¹ rated this fund as “*Good Return to Risk*” and reported its risk as “*Average*.” The report’s author notes, “As the market is currently more conducive / cheaper to develop and build such properties (instead of purchasing already existing properties), management is more focused on development / construction stage properties. We believe, such properties offer potential for capital gain as well as near-term income potential.”

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® charter holders and Portfolio Manager designates. Our funds receive the benefit of a specialized investment management team and a dedicated Investment Committee with oversight provided by an Investment Committee Governance Board.



Our investment 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. We then continually 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 Private REIT receive continuous 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 category to add when constructing investment portfolios because of the unique value of low correlation to publicly-traded securities and different performance characteristics. 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.



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Why Real Estate?

Real estate has been a core asset of the world's wealthiest families and largest institutions since the beginning of time. Real estate houses the world's businesses and provides shelter for the broader population. The appeal of real estate is based on the characteristics of the investment returns. There are three main sources of return from real estate: **net rental income**, **debt reduction** (as the mortgage is paid down), and **growth** in value as rental income and property values increase over time. Real estate tends to be a very stable asset class that delivers reliable rental income and tax-efficient long-term growth.

With the current low yields on bonds plus increasing volatility from stocks, investors and their Advisors are looking for new sources of higher income and more predictable sources of tax-efficient growth. Many pension funds, endowment funds and the world's wealthiest families are progressively reducing their allocations to traditional stocks and bonds, in favour of a diversified mix of Alternative investments that now represent a major portion of their portfolios. As an example, the Canada Pension Plan (CPP) has increased allocations to alternative investments from approximately 12% in 2007 to approximately 48% in 2017, this is a significant change that demonstrates a proactive response to current market realities.² This material change represents an intelligent response to current market realities.

Why Private REITs?

The 2008 stock market downturn provided an illustrative lesson about publicly-traded REITs. They can be highly volatile because they correlate strongly with the broader stock market. When stock markets fell in 2008/2009, public REITs declined even further than the broader market. The peak-to-trough decline of the TSX Capped REIT index was 63% from its high in 2007 to its low in March of 2009.



Tax-Efficient Growth

Private real estate provides tax-efficient growth from:

- Deferral of taxes payable (depreciation on the buildings);
- Tax-deferred capital gains from:
 - a) debt reduction on the mortgage
 - b) growth in value, as net operating income increases over time

Private real estate offers investors a solid, tax-efficient, alternative to dividend-paying Canadian stocks. These two asset classes are complimentary and can work very well side by side in portfolios requiring both current income and long-term growth.

Alitis Private REIT – Built to Perform

The Alitis Private REIT has target net returns of 7–12% for the “F”-class units.³

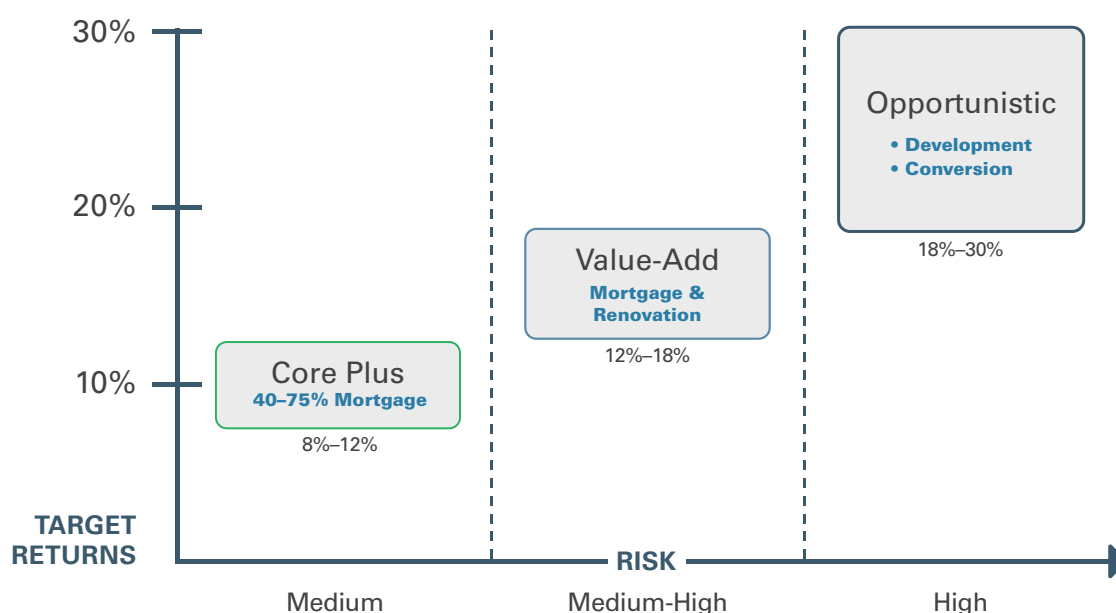
The senior members of our investment team have been evaluating and investing in private real estate for decades. Over this period, we have developed important relationships that provide us with access to high quality private real estate deal flow. This experience has led us to design a unique private REIT which offers a higher level of safety and more liquid.

We use a Multi-Strategy, Multi-Manager, Multi-Investment approach which allows us to diversify into higher return categories of real estate projects, balanced with a foundation of quality, revenue producing properties.

Steps involved in building our Private REIT:

1. We start with a solid foundation of quality purpose built rental apartments, producing solid returns from consistent cash flow and long-term growth. These types of properties we classify as **Core Plus**. They typically employ modest leverage and/or may be located in secondary centers.
2. Next, we increase return potential of the fund by allocating 25% of the investments to properties that show an opportunity to increase their value. These types of properties are typically classified as **Value-Add**. They benefit from strategic renovations and improvements.
3. The most important element is our 25% allocation to development of multi-family properties (Condos, Townhouses and Apartment buildings). These types of properties are amongst the classification that is considered **Opportunistic** real estate.

Private Real Estate – Target Returns⁴



The Alitis Edge

EXPERTISE

Members of our team have been evaluating and investing in real estate based investments 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. We use this specialized knowledge to assemble multiple alternative investments into one optimized fund.

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 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.

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FUND SUITABILITY

Alitis Private REIT is suitable for mandates that seek:

- modest yield from a diversified portfolio of income generating real estate investments;
- potential for long term capital appreciation;
- low correlation to public fixed income or equity markets;
- monthly liquidity; or
- access to specialized knowledge and oversight in this non-traditional private real estate asset class.

QUICK FACTS

Alitis Private REIT – Class F Units

Minimum Investment	\$25,000; subsequent investments \$5,000
Target Returns ⁴	7%–12%
Distributions	Quarterly (net income) and Annually (net realized capital gains)
Liquidity	Monthly subject to 30 days' notice
Early Redemption Charge	0% if a redemption notice is delivered after one year of purchase and at least six months' notice has been provided 5% if a redemption notice is delivered within one year of purchase or less than six months' notice has been provided
Registered Accounts	Eligible
Management Fees ⁵	1.0%
Performance Fee	20% above the hurdle rate
Hurdle Rate	7.0%
High Water Mark	Yes (no resets)
FundServ Code	ALI503

1. Fundamental Research Corp., Siddharth Rajeev, B.Tech, MBA, CFA, July 18, 2018.
2. CPP Investment Board 2018 Annual Report; Asset mix as at March 31st, 2018. <http://www.cppib.com/en/ar2018>
3. (See note #1)
4. 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.
5. Fund operating expenses are in addition. Additional performance fees may be charged if certain thresholds are met (see Offering Memorandum).met (see Offering Memorandum).

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

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