Fundamental Research Corp.

Investment Analysis for Intelligent Investors

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October 26, 2017

Alitis Mortgage Plus Pool – Fund of Funds Focused on MICs

Sector/Industry: Real Estate Mortgages **www.alitis.ca**

Offering Summary	
Issuer	Alitis Mortgage Plus Pool
Date of OM	April 27, 2017
Securities Offered	Class F trust units
Unit Price	NAV
Minimum Subscription	$25,000
Management Fee	0.75% of NAV
Performance Fee	17.5% of the excess of 6% p.a. return
Sales Commissions	n/a
Eligibility for Registered Plans	Yes
Trustee	BNY Trust Company of Canada
NAV Calculations	SGGG Fund Services Inc.
Auditor	KPMG LLP

FRC Rating	
Estd. Yield (2017)	10% - 11% p.a. (Class D)
Rating	2 (Very Good Return to Risk)
Risk	2 (Below Average)

*see back of report for rating definitions

Investment Highlights

- Alitis Mortgage Plus Pool ("fund") was formed in January 2014 with the objective of offering investors the potential to generate a 6% to 7% annual yield from a diversified portfolio of Mortgage Investment Corporations ("MICs") and similar income generating investments.
- The *fund of funds* structure allows the fund to lower investment-specific risks, by holding investments with a wide range of mortgage types, geographic regions, and manager expertise.
- 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.
- The fund's manager, Alitis Investment Counsel Inc., was formed in 2009, and currently manages a total of six funds with $253 million under management.
- At the end of June 2017, the fund had $56.78 million in investments, up from $30.42 million at the end of 2014.
- The Net Asset Value ("NAV") was $10.43 per unit at the end of June 2017, versus $9.99 per unit at the end of 2014.
- The total return on Class D units, including cash distributions and the change in NAV, was 11.1% in 2016.
- **We are initiating coverage with an overall rating of 2 and risk rating of 2.**

Risks

- Investments will be impacted if housing prices drop significantly, which will result in higher LTVs, and higher default risk.
- Shareholders' principal is not guaranteed, as the NAV per unit could decrease from current levels.
- MICs have the ability to use leverage, which would increase the exposure of the fund to negative events.
- Redemptions are not guaranteed.
- Timely deployment of capital is crucial.
- There is no guaranteed return on investment.
- Volatility in share price of public investments.
- Investments in private MICs and funds are not as liquid as investments in public companies.

Overview and Manager

The fund was created as an open-end investment trust in January 2014, with Alitis Investment Counsel Inc. as the manager. The manager, incorporated in March 2009, is principally owned by Cecil Baldry-White. The fund and the manager are based out of Campbell River, B.C. Alitis is registered as:

- a portfolio manager with the securities commissions in British Columbia, Alberta, Saskatchewan, and Manitoba, and
- an investment fund manager with the securities commission in British Columbia.

The manager currently manages six funds, as shown below. As of August 25, 2017, the funds totaled $253 million in assets.

Funds	Inception	Size ($, M)	Focus	Target Return (p.a.)
Alitis Strategic Income Pool	Sep-09	$15.63	Mutual Funds, ETFs, closed-end funds, etc.	3% - 5%
Alitis Income & Growth Pool	Sep-09	$118.41	Mutual Funds, ETFs, closed-end funds, etc.	5% to 7%
Alitis Mortgage Plus Pool	Jan-14	$58.01	Diversified portfolio of mortgage-based investments	6% - 7%
Alitis Growth Pool	Sep-09	$20.32	Mutual Funds, ETFs, closed-end funds, etc.	7%+
Alitis Private REIT	Mar-16	$26.24	Real estate LPs, mutual funds, ETFs, with a bias towards income-producing residential real estate.	7% - 10%
Alitis Private Real Estate LP	Apr-17	$13.89	Real estate LPs, mutual funds, ETFs, with a bias towards residential development real estate.	8% - 12%
Total		**$252.5**		

Brief biographies of the key management team of Alitis, as provided by the manager, follow:

Cecil Baldry-White, President & CEO / Director
Cecil Baldry-White has over 28 years' experience in the financial services industry, almost all of which has been focused on working with retail clients in Campbell River and other areas of British Columbia. Prior to the formation of Alitis in 2009, Mr. Baldry-White was a Branch Manager and Investment Advisor at the Campbell River Branch of Dundee Securities Corporation and its predecessor companies, Cartier Partners Securities Inc. and Great Pacific Management Co. Ltd. During his time with these firms, he has built the business from a one-man operation to a team of 5 fully licensed financial advisors and a support staff of 6 managing approximately $225 million in client assets. Mr. Baldry-White has also served on the board of the Campbell River Community Foundation and the Development Advisory Planning Commission of the city of Campbell River. Mr. Baldry-White's qualifications include the Canadian Investment Manager (CIM) designation,

completion of the Branch Managers course, completion of the Options Supervisors course, a Bachelor of Science in Forestry (BSc) degree from the University of British Columbia in Vancouver, B.C., and the attainment of a Level II Life License.

Kevin Kirkwood - Chief Investment Officer and Director
Kevin Kirkwood has over 25 years' experience in the financial services industry primarily in the areas of investment analysis, portfolio design, and compliance. In addition to his roles as Chief Investment Officer and Chief Compliance Officer with the Manager, Mr. Kirkwood is also the President and part owner of Global Portfolio Review Inc., a consulting firm focused on helping retail brokers design and manage investment portfolios for their clients. Prior to starting Global Portfolio Review Inc. in 2005, Mr. Kirkwood was employed as an Investment Advisor with Dundee Securities Corporation after that company acquired Cartier Partners Securities Inc. ("CPS") in 2004. At CPS, Mr. Kirkwood held the position of Chief Operating Officer and Director, Investment Portfolios with Cartier Partners Portfolio Management. Prior to these positions, Mr. Kirkwood was the Manager, Specialty Investments for CPS and its predecessor firm, Great Pacific Management Co. Ltd. Mr. Kirkwood's qualifications include the Chartered Financial Analyst (CFA) designation, a Master of Business Administration (MBA) degree from McMaster University in Hamilton, Ontario, and a Bachelor of Arts (BA) degree from the University of British Columbia in Vancouver, B.C.

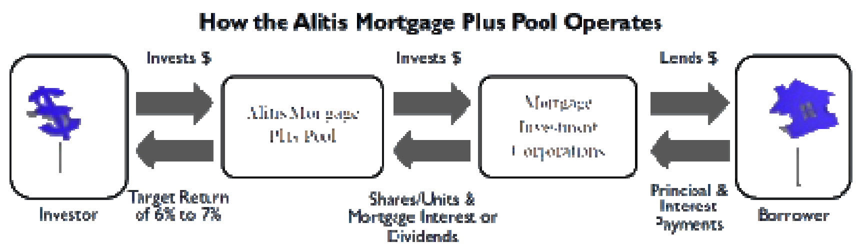
Stacey Blyth MBA, CAMS - Chief Operations Officer / Chief Compliance Officer
Stacey Blyth is the Chief Compliance Officer and Chief Operating Officer of Alitis Investment Counsel and has over 20 years' experience in the financial services industry in the areas of Regulatory and Anti-Money Laundering Compliance, Privacy and Operations. Her specialty is working with firms through periods of strategic growth and change. She has worked across a broad spectrum of financial industries including Securities, Insurance, Asset Management, Retail and Commercial Banking, Alternative Lending and Internet Commerce. Prior to joining Alitis Stacey worked regionally, nationally and internationally based out of Vancouver, Toronto and the Caribbean, respectively. As an Investment Industry Professional, Stacey completed multiple securities industry courses including CSC, BMQE, PDO and number of others. She is a Certified Anti-Money Laundering Specialist (CAMS) and associate member of the Association of Certified Fraud Examiners. Stacey completed a Master of Business Administration (MBA) at Queens University in Kingston Ontario.

We believe that the board of a company should include independent or unrelated directors who are free of any relationships or business that could materially interfere with the director's ability to act in the best interests of the company. **The fund currently has two directors - Cecil Baldry-White and Kevin Kirkwood – both members are not independent.**

We believe that management teams with significant ownership of the same type of securities as investors tend to have strong alignment of interest with investors. We have verified that Cecil Baldry-White and his spouse have invested $0.58 million, and Kevin Kirkwood and his spouse have invested $0.69 million in Alitis' funds.

Investment Mandate

The fund was formed to offer investors the potential to generate a 6% to 7% annual yield from a diversified portfolio of well managed MICs and similar income generating investments. The following chart shows a summary of the fund's business plan.



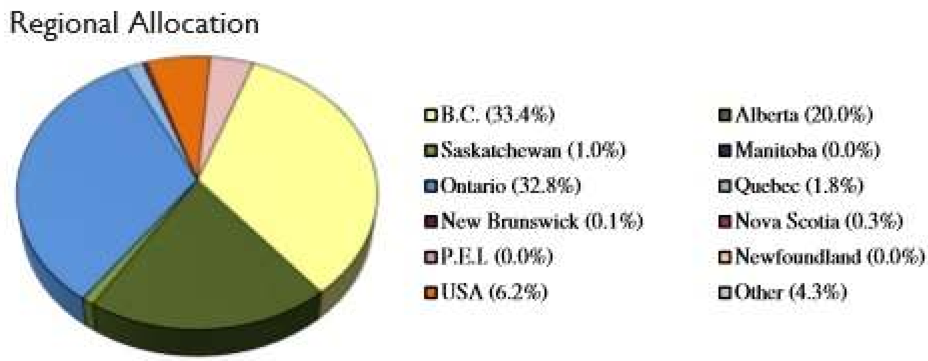
Source: Manager

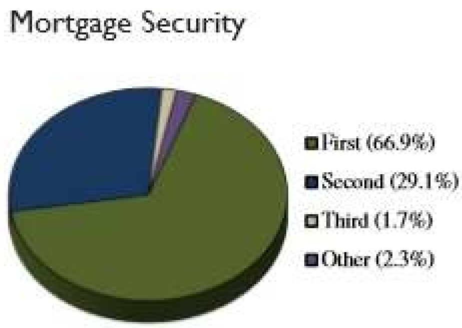
The *"Fund of Funds"* structure allows the fund to lower investment-specific risks, by holding investments with a wide range of mortgage types, geographic regions, and manager expertise. The following chart shows a summary of the holdings since inception.

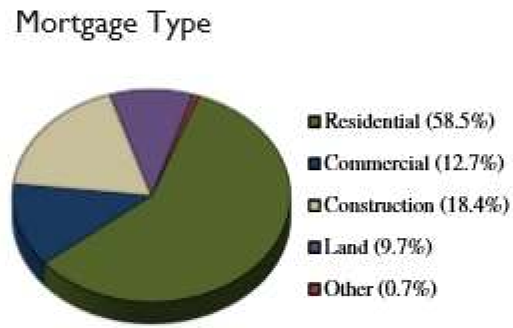
	Fair Value	2014	2015	2016	2017 (Q2)	% of Total
	Public					
1	Atrium Mortgage				$2,490,660	4.4%
2	MCAN Mortgage Fund	$3,215,520	$3,682,062	$4,696,960	$5,364,000	9.4%
3	Firm Capital MIC	$4,378,440	$2,783,934			
4	Timbercreek MIC	$2,082,496	$3,225,290			
5	Timbercreek Senior MIC	$1,401,570	$2,544,060	$6,971,640		
6	Timbercreek Financial				$5,059,800	8.9%
7	Trez Capital MIC	$2,594,340	$3,682,410	$3,542,848	$385,050	0.7%
	Total Public	**$13,672,366**	**$15,917,756**	**$15,211,448**	**$13,299,510**	23.4%
	% of Total	44.9%	38.8%	29.3%	23.4%	
	Private					
1	Antrim Balanced Mortgage Fund	$5,400,000	$5,200,000	$5,200,000	$5,200,000	9.2%
2	Cambridge MIC Class B shares	$5,400,000	$5,650,000	$6,150,000	$6,150,000	10.8%
3	Capital Direct I Income Trust		$2,510,000	$4,300,000	$4,300,000	7.6%
4	KV Mortgage Fund	$5,950,000	$5,950,000	$5,950,000	$5,950,000	10.5%
5	Magenta III MIC				$3,250,000	5.7%
6	Romspen Mortgage fund			$6,162,800	$6,815,750	12.0%
7	Ryan MIC		$4,000,000	$4,400,000	$4,400,000	7.7%
8	Sprott Bridging Income Fund		$1,826,854	$1,971,509	$3,168,220	5.6%
9	YTM Capital Mortgage fund, class F			$2,500,000	$4,250,000	7.5%
	Total Private	**$16,750,000**	**$25,136,854**	**$36,634,309**	**$43,483,970**	76.6%
	% of Total	55.1%	61.2%	70.7%	76.6%	
	Total	**$30,422,366**	**$41,054,610**	**$51,845,757**	**$56,783,480**	100.0%

At the end of June 2017, the fund had $57 million in investments across 13 investments. Approximately 23% of the portfolio was invested in publicly traded MICs and the remaining 77% was invested in privately held companies.

The following charts show the consolidated fund investments' diversification across mortgage type, security and geographical location.







Source: Manager

The following points highlight management's key strategies for the fund:

- The portfolio will hold at least ten investments at a given time.
- Investments in privately held companies will always be at least 50% of the portfolio.

Property Type	Minimum	Strtegic Allocation	Maximum
Cash	-25%	0%	100%
Private Mortgage Investments	50%	75%	100%
Public Mortgage Investments	0%	25%	50%
Other	0%	0%	25%

- Managers of privately held companies must have a minimum track record of 3 years in mortgage investments, and at least $30 million in assets under management.
- At least 50% of the portfolio will be in residential mortgages.

Property Type	Minimum	Maximum
Residential	50%	100%
Commercial	0%	50%
Other	0%	25%

- MICs with an average LTV (loan – to – value) typically in the 60% to 70% range.

- Maximum weighted average time to liquidity of 1 year for the portfolio; the maximum time to liquidity for an investment shall be 5 years.

- At least 50% of the portfolio will be in Canadian mortgages.

Property Type	Minimum	Maximum
Canada	50%	100%
U.S.	0%	50%
Other	0%	25%

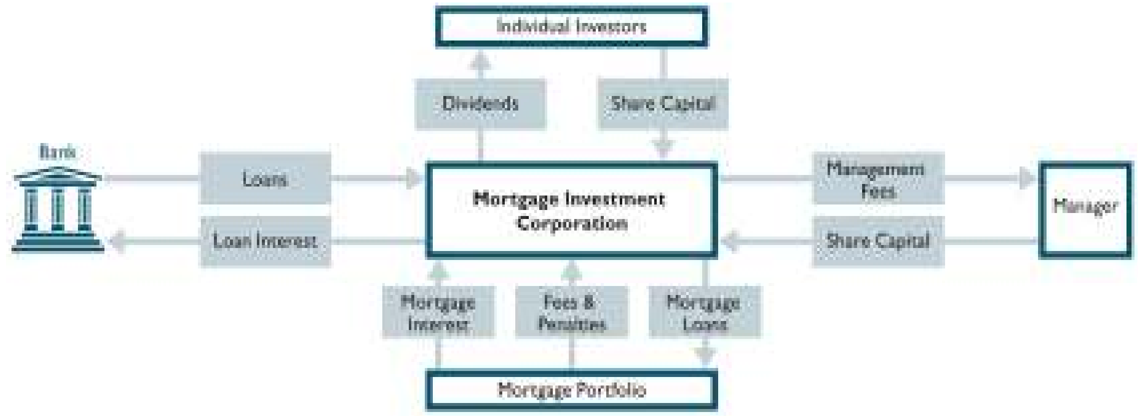
- The fund does not intend to use debt to leverage performance, but does use debt from time-to-time to fund redemptions until the sale of underlying investments has been completed.

- As per the Offering Memorandum, management monitors and reviews the fund's investments on a regular basis, and will align / realign the weighting of each investment based on their investment strategy.

The Government of Canada introduced 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 (typically 9 months - 24 months) loans secured by real estate properties in Canada. MICs, like other non-bank lenders, do not 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 / tailor made loans to meet the specific requirements of a borrower. Also, banks have lengthy due diligence processes, and are typically not able to meet 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 / institutional lenders.

Overview of MICs

The following chart shows the business model of a typical MIC:



Source: CMHC

- Almost all MICs are externally managed by the founders through a separate management company, which originates and manages mortgages for the MIC. In return, the management company earns asset management fees and/or a performance fee from the MIC, and usually receives 100%, or a portion of the origination fees received from the borrower.

- MICs earn interest and fees (origination, renewal and cancelation) from borrowers.

- MICs finance their mortgage portfolio through debt (banks) and equity (investors).

- After deducting management / origination fees, loan interest and other operational expenses, MICs pay out net income as dividends to investors.

MICs pay no corporate tax and act as a flow-through entity. In order to avoid entity level taxation, a MIC has to pay 100% of all of its income as dividends to investors. MIC dividends are treated as interest income for tax purposes. A key benefit of MIC shares for investors is that they are eligible for registered plans such as RRSPs, RESPs, TFSA, etc. As 100% of the income is distributed, the value of a MIC's share should remain the same (allowing for capital preservation) unless the MIC suffers a capital loss.

MICs are governed by Section 130.1 of the Income Tax Act. In order for an entity to maintain its status as a MIC, it has to comply with several rules; a few of the key rules are listed below.

- Invest at least 50% of the assets in residential mortgage loans, cash and CDIC (Canada Deposit Insurance Corporation) insured deposits.

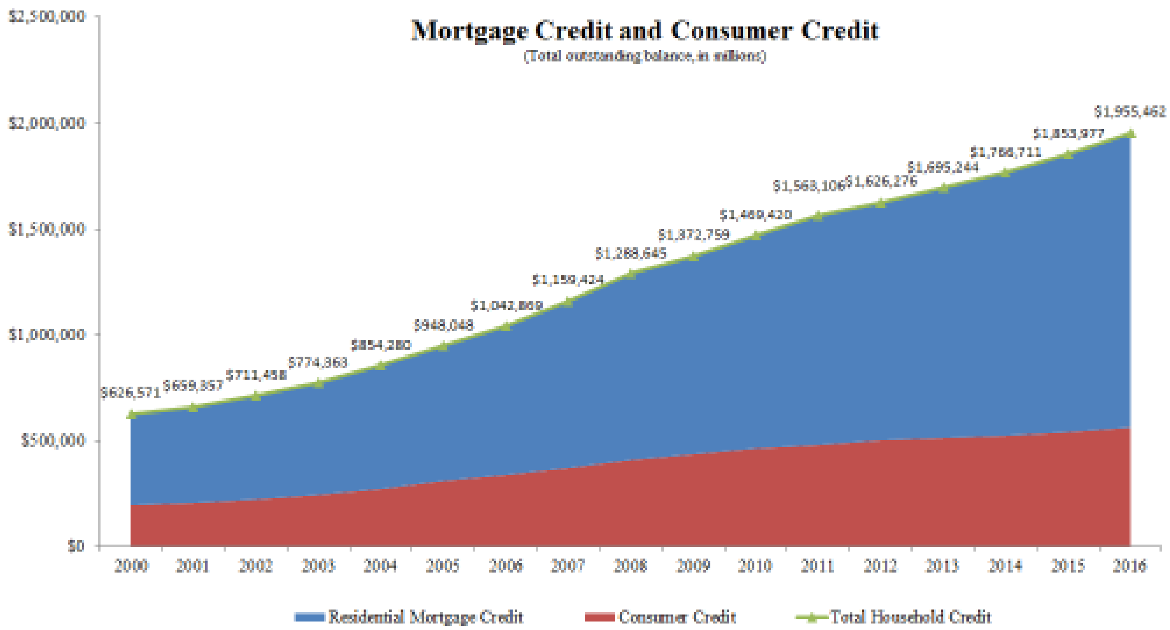
- Have a minimum of 20 shareholders, and no shareholder can own over 25% of the total outstanding shares.

- All MIC investments must be in Canada.

- May invest up to 25% of its assets directly in real estate, but cannot be involved in managing or development.

Private Lending Market

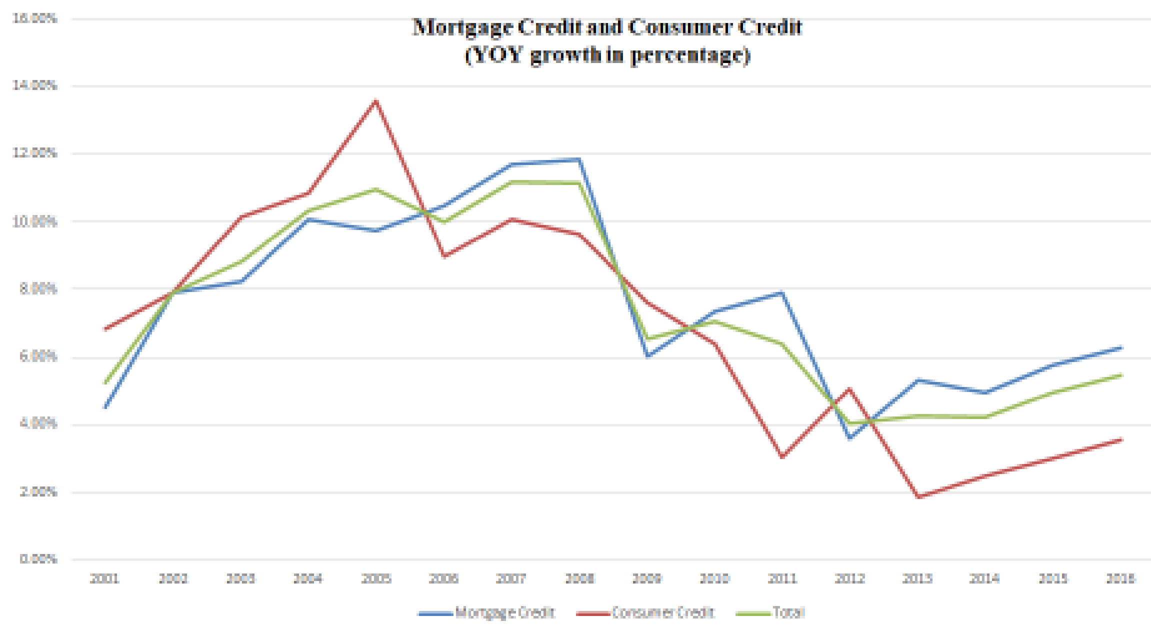
The total residential mortgage credit in Canada (outstanding balance of the major private institutional lenders) increased from \$0.43 trillion in 2000, to \$1.39 trillion by the end of 2016, reflecting a compounded annual growth rate ("CAGR") of 7.6%, and a 6.3% YOY increase.



Source: Statistics Canada

At the end of 2016, mortgage credit accounted for 71%, and consumer credit accounted for the remaining 29%, of total household debt.

The following chart shows the annual growth rate of mortgage credit. As shown below, the growth rates have been increasing since 2014, primarily because of the low interest rate environment and the strong increase in housing prices.



Source: Statistics Canada

Recent Industry Developments

With regard to the financing required for a purchase, buyers have historically financed 67% of their purchase through a mortgage and/or a home equity line of credit, ranging from 81% for first-time buyers, to 67% for second-time buyers, and 50% for those purchasing their third or subsequent home.

The tighter lending policies set by banks and conventional lenders have been encouraging more and more unregulated private lenders to enter the market over the last decade. On October 17, 2016, the federal government announced four key changes to the existing mortgage rules:

- All new insured mortgages will need to undergo a stress test; implying that a home buyer would not only need to qualify at the loan rate, but also at the Bank of Canada's five-year fixed posted mortgage rate, which is currently 4.64%; much higher than the rates offered by mortgage lenders.

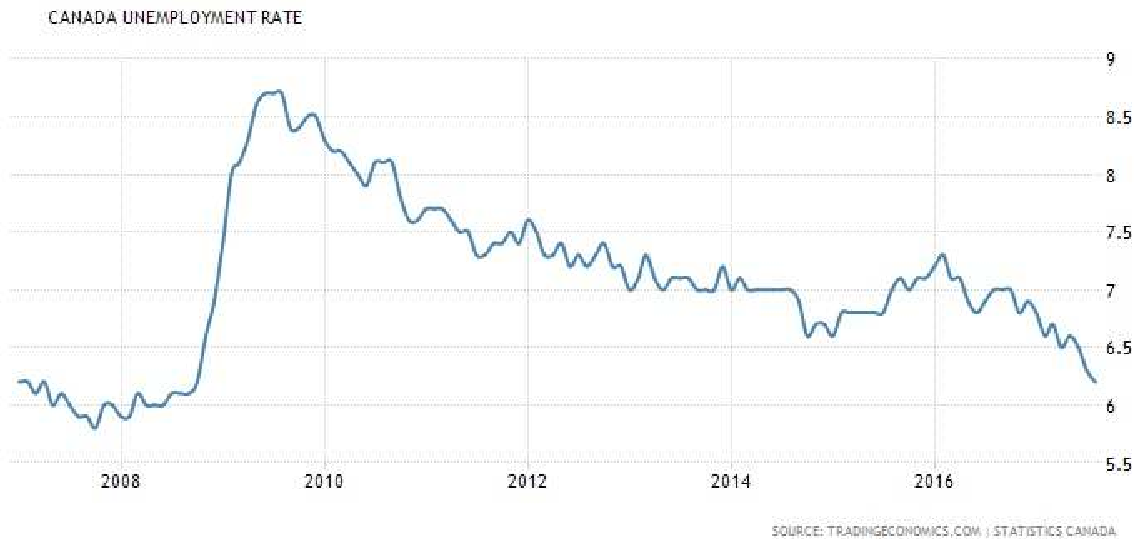
- Insurance for low-ratio mortgages (down payment of over 20%) will only be provided by government backed lenders for the following: purchase price of under $1 million, a maximum amortization period of 25 years, a minimum credit score of 600, and the property must be owner-occupied.

- New reporting rules for the primary residence capital gains exemption.

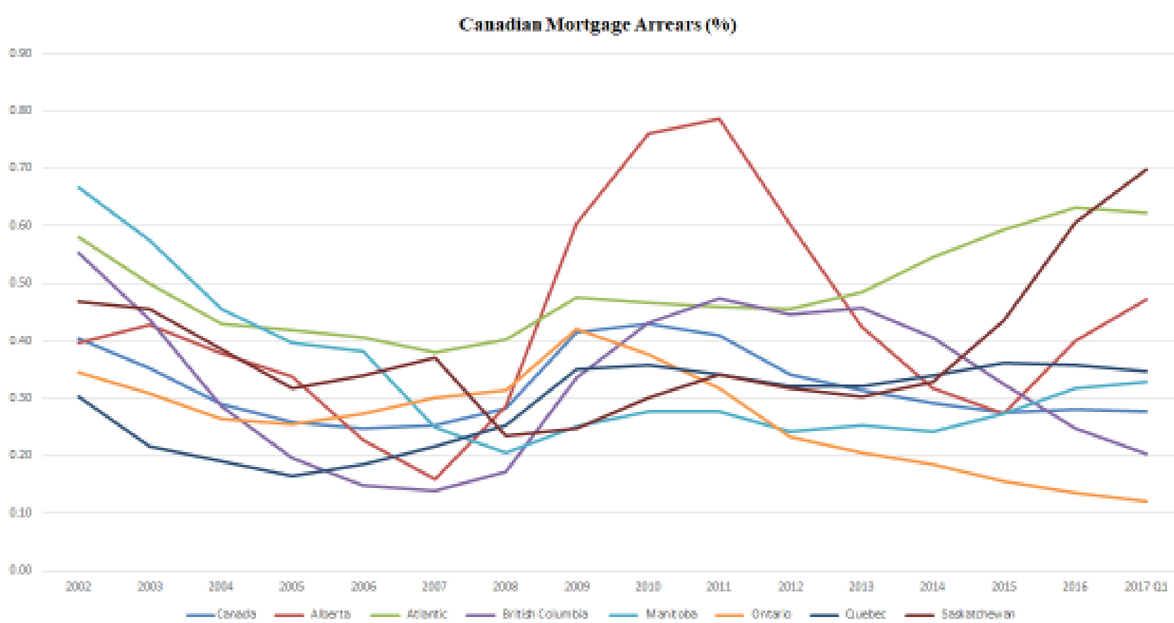
- The government is considering options to shift some of the risk of default against insured mortgages to lenders.

We believe the above changes clearly indicate the government's intent to stabilize the real estate market in the country, and avoid a major downturn, similar to the U.S. We see these changes as likely to drive more borrowers to MICs and other private lenders

The other factors that have been contributing to the increased lending are the strong growth in housing prices, decreasing unemployment rates (see chart below), a low interest rate environment, and the relatively low default rates.

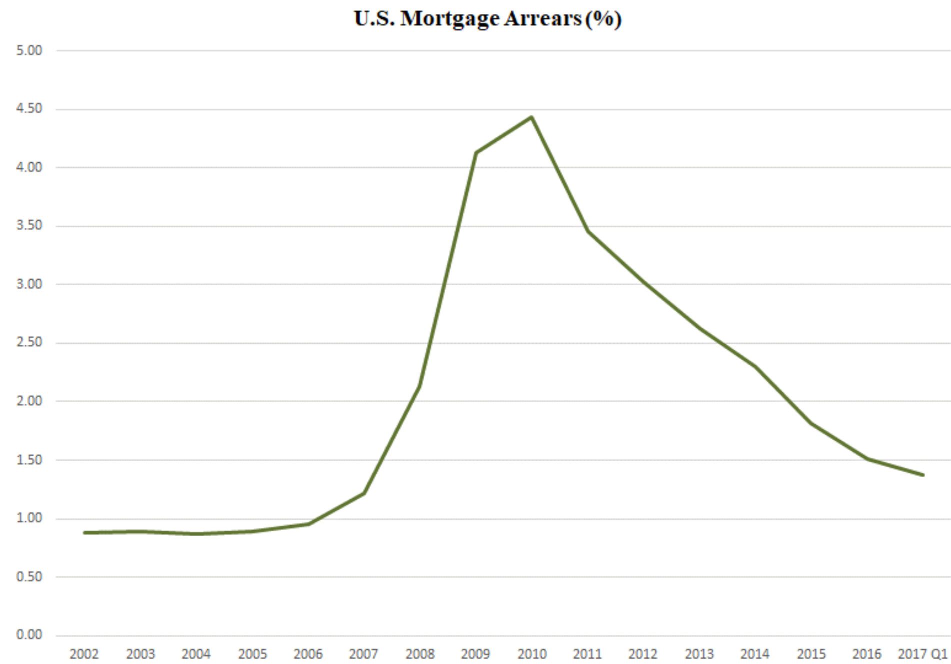


Although there was a rise in mortgage arrears during the recession (mid-1990s and 2008-2009), the national average has dropped considerably since 2010, as shown in the chart below.



Source: CMHC

The national average was 0.28% in Q1-2017, versus 0.43% in 2010. This is significantly lower than the default rates in the U.S. (see chart below).



Source: CMHC

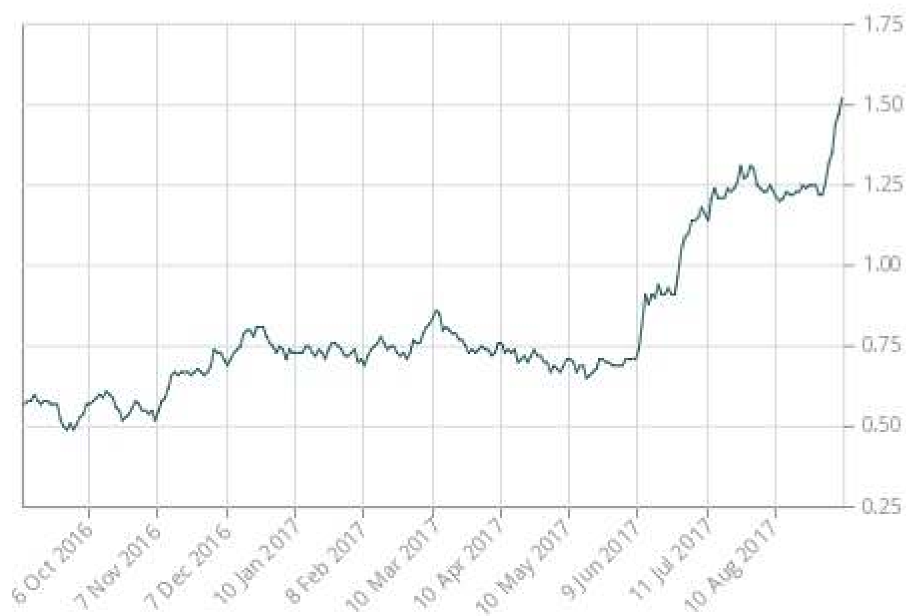
The following table shows the average, minimum and maximum mortgage arrear rates in Canada since 2002. British Columbia's ("BC") rate of 0.20% in Q1-2017, was well below the historical average of 0.34%. Ontario's ("ON") rate of 0.12% in Q1-2017, was well below the historical average 0.27%. The U.S. national average was 0.70% in Q1-2017.

%	2002 - 2016 (Average)	Low	High	Q1-2017
Canada	**0.32**	**0.25**	**0.43**	**0.28**
Alberta	0.43	0.16	0.79	0.47
Atlantic	0.48	0.38	0.63	0.62
British Columbia	0.34	0.14	0.55	0.20
Manitoba	0.34	0.21	0.67	0.33
Ontario	0.27	0.14	0.42	0.12
Quebec	0.29	0.17	0.36	0.35
Saskatchewan	0.36	0.24	0.61	0.70
U.S.	**2.07**	**0.87**	**4.43**	**1.37**

Data Source: CMHC

On September 6, 2017, the Bank of Canada announced a 0.25% increase in the overnight lending rate to 1%. The following chart shows the historical overnight lending rate.

We expect this to result in a gradual increase in mortgage rates over the coming quarters. A significant increase in the GOC (1 to 3 year) bond yields confirms this outlook.



Source: Bank of Canada

We expect the recent Home Capital Group (TSX: HCG) incident to drive more borrowers towards private lenders. HCG primarily focuses on residential mortgages and operates in the space between the banks and private lenders. Its more conservative lending post the recent financing issues has been driving more borrowers to private lenders. Note that HCG's issues were a result of company specific events, and do not reflect the mortgage lending space. Warren Buffett's Berkshire Hathaway Inc (NYSE: BRK) made a $400 million equity investment in Home Capital and offered a $2 billion line of credit in June 2017.

Toronto RE Market Update

The Ontario government's move to add a 15% tax on non-resident buyers of properties in the Greater Golden Horseshoe area resulted in a significant slowdown in real estate sales. Toronto MLS sales dropped by 20% YoY in May, 37% YoY in June, 40% YoY in July, and then by 35% in August, after reporting a significant YoY increase in the first three months of the year. Despite the drop in sales, the average price was up 3% YoY in July. The price in August was down 20% from the record highs in April. The table below summarizes the key parameters.

Toronto	Jan-16	Jan-17	YoY	Feb-16	Feb-17	YoY	Mar-16	Mar-17	YoY	Apr-16	Apr-17	YoY
Residential Sales	4,672	5,188	11%	7,621	8,014	5%	10,326	12,077	17%	12,016	11,630	-3%
New Listings	8,906	7,338	-18%	11,234	9,834	-12%	14,795	17,051	15%	16,190	21,630	34%
Active Listings	9,966	5,034	-49%	10,902	5,400	-50%	12,132	7,865	-35%	12,554	12,926	3%
Sales to Listings	46.88%	103.06%		69.90%	148.41%		85.11%	153.55%		95.71%	89.97%	
MLS Home Price Index	630,193	770,745	22%	685,738	875,983	28%	688,011	916,567	33%	739,762	920,791	24%

Toronto	May-16	May-17	YoY	Jun-16	Jun-17	YoY	Jul-16	Jul-16	YoY	Aug-16	Aug-17	YoY
Residential Sales	12,790	10,196	-20%	12,725	7,974	-37%	9,929	5,921	-40%	9,748	6,357	-35%
New Listings	17,356	25,837	49%	16,918	19,614	16%	13,482	14,171	5%	12,346	11,523	-7%
Active Listings	12,931	18,477	43%	12,327	19,680	60%	11,346	18,751	65%	9,949	16,419	65%
Sales to Listings	98.91%	55.18%		103.23%	40.52%		87.51%	31.58%		97.98%	38.72%	
MLS Home Price Index	752,100	863,910	15%	747,018	793,915	6%	710,471	746,218	5%	710,978	732,292	3%

Source: Toronto Real Estate Board

An indicator of the health of the real estate market is the sales to active listings ratio – which dropped from a record high of 154% in March to 38% by July.

The following table shows that sales dropped across almost all property types in the past few months:

Toronto Sales by Type	Jan-16	Jan-17	YoY	Feb-16	Feb-17	YoY	Mar-16	Mar-17	YoY	Apr-16	Apr-17	YoY
Detached	2,109	2,261	7%	3,627	3,721	3%	4,954	5,887	19%	6,062	5,887	-3%
Semi - Detached	452	423	-6%	725	651	-10%	986	1,002	2%	1,137	1,002	-12%
Att/Row/Townhouse	375	421	12%	591	619	5%	830	937	13%	980	937	-4%
Condo Townhouse	356	356	0%	511	546	7%	721	789	9%	862	789	-8%
Condo Apartment	1,302	1,636	26%	2,046	2,360	15%	2,641	3,261	23%	2,809	3,261	16%
Link	67	81	21%	103	99	-4%	177	170	-4%	205	170	-17%
Co-op Apt	7	3	-57%	7	7	0%	7	11	57%	17	11	-35%
Det Condo	1	2	100%	3	7	133%	5	13	160%	4	13	225%
Co ownership Apt	3	5	67%	8	4	-50%	5	7	40%	9	7	-22%
Total	4,672	5,188	11%	7,621	8,014	5%	10,326	12,077	17%	12,085	12,077	0%

Toronto Sales by Type	May-16	May-17	YoY	Jun-16	Jun-17	YoY	Jul-16	Jul-17	YoY	Aug-16	Aug-17	YoY
Detached	6,500	4,757	-27%	6,307	3450	-45%	4,653	2434	-48%	4,449	2578	-42%
Semi - Detached	1210	930	-23%	1265	759	-40%	963	583	-39%	859	588	-32%
Att/Row/Townhouse	975	802	-18%	987	652	-34%	769	531	-31%	754	581	-23%
Condo Townhouse	889	711	-20%	903	629	-30%	779	443	-43%	757	509	-33%
Condo Apartment	3,056	2,854	-7%	3,114	2371	-24%	2,665	1840	-31%	2,786	1996	-28%
Link	217	113	-48%	180	87	-52%	133	72	-46%	180	87	-52%
Co-op Apt	7	14	100%	15	10	-33%	11	11	0%	7	8	14%
Det Condo	7	7	0%	20	9	-55%	10	4	-60%	15	2	-87%
Co ownership Apt	9	8	-11%	3	7	133%	6	3	-50%	6	8	33%
Total	12,870	10,196	-21%	12,794	7,974	-38%	9,989	5,921	-41%	9,813	6,357	-35%

Source: Toronto Real Estate Board

We maintain a cautious outlook on the Toronto real estate market, and believe that it has become riskier.

Vancouver RE Market Update

Vancouver's real estate market is on a recovery. Sales increased YoY by 22% after a reported YoY decline in the first seven months of the year.

Metro Vancouver	Jan-16	Jan-17	YoY	Feb-16	Feb-17	YoY	Mar-16	Mar-17	YoY	Apr-16	Apr-17	YoY
Residential Sales	2,519	1,523	-40%	4,172	2,425	-42%	5,173	3,579	-31%	4,781	3,553	-26%
New Listings	4,442	4,140	-7%	5,812	3,666	-37%	6,278	4,762	-24%	6,127	4,907	-20%
Active Listings	6,635	7,238	9%	7,299	7,594	4%	7,358	7,586	3%	7,550	7,813	3%
Sales to Listings	37.97%	21.04%		57.16%	31.93%		70.30%	47.18%		63.32%	45.48%	
MLS Home Price Index	775,300	896,000	16%	795,500	906,700	14%	815,000	919,300	13%	844,800	941,100	10%

Metro Vancouver	May-16	May-17	YoY	Jun-16	Jun-17	YoY	Jul-16	Jul-17	YoY	Aug-16	Aug-17	YoY
Residential Sales	4,769	4,364	-8%	4,400	3,897	-11%	3,226	2,960	-8%	2,489	3,043	22%
New Listings	6,289	6,044	-4%	5,875	5,721	-3%	5,241	5,256	0%	4,293	4,245	-1%
Active Listings	7,726	8,186	19%	7,812	8,515	9%	8,351	9,194	10%	8,506	8,807	4%
Sales to Listings	61.73%	53.31%		56.32%	45.77%		38.63%	32.19%		29.26%	34.55%	
MLS Home Price Index	889,100	967,500	9%	917,800	998,700	9%	930,400	1,019,400	10%	933,100	1,029,700	10%

Source: Real Estate Board of Greater Vancouver

The decline in Vancouver's real estate sales was primarily a result of the B.C. government's announcement in July 2016, to add a 15% property transfer tax on foreign nationals buying real estate in Metro Vancouver. Another factor that contributed to the slowdown is the federal government's announcement to increase the required down payment for properties over $500k.

As shown in the table above, property prices continue to rise despite the drop in sales. The sales to active ratio was 35% in August 2017, versus 29% in August 2016. We consider this a positive development as it indicates a stabilization of the market.

The following table shows the rise in sales across all property types in August.

Vancouver Sales by Type	Jan-16	Jan-17	YoY	Feb-16	Feb-17	YoY	Mar-16	Mar-17	YoY	Apr-16	Apr-17	YoY
Detached	1,047	444	-58%	1,778	745	-58%	2,135	1,150	-46%	1,979	1,211	-39%
Apartments	1,096	825	-25%	1,790	1,275	-29%	2,252	1,841	-18%	2,107	1,722	-18%
Attached Property	376	254	-32%	604	404	-33%	786	588	-25%	695	620	-11%
Total	2,519	1,523	-40%	4,172	2,424	-42%	5,173	3,579	-31%	4,781	3,553	-26%

Vancouver Sales by Type	May-17	YoY	Jun-16	Jun-17	YoY	Jul-16	Jul-17	YoY	Aug-16	Aug-17	YoY
Detached	1,548	-17%	1,562	1,324	-15%	1,077	949	-12%	715	901	26%
Apartments	2,025	-6%	2,108	1,905	-10%	1,602	1,468	-8%	1,343	1,613	20%
Attached Property	791	5%	730	668	-8%	547	543	-1%	431	529	23%
Total	4,364	-8%	4,400	3,897	-11%	3,226	2,960	-8%	2,489	3,043	22%

Source: Real Estate Board of Greater Vancouver

Immigration and foreign investment is expected to continue due to the city's global appeal, Canada's economic stability, and the weakness in the C$. In summary, although we have a cautious outlook, we believe Vancouver's housing market is reasonably healthy in the near-term (due to low supply), and do not expect a major correction.

Structure

The fund offers three types of units to investors:

Units	Management fee	17.5% performance fee above the following hurdle rate
Class D	0%	7.00%
Class E	1.10%	6.00%
Class F	0.75%	6.00%

Class F units are offered through securities dealers, while Class D and Class E units are offered through Alitis to its private clients. Class D units are held by clients with over $1 million with Alitis. Management fees of these units are charged at individual account levels.

The units have voting rights, which we believe is positive as most direct investments with MICs do not offer investors any voting rights.

Management Fees – Management fees (paid monthly) range between 0.75% and 1.10% p.a. depending on the type of units. Management also receives a performance bonus of 17.5% of the returns in excess of the hurdle rates shown in the table above.

At the end of June 2017, 5.51 million units were outstanding, of which, 30% of them were Class D units and the remaining 70% were Class E units.

Units Oustanding	2014	2015	2016	2017 (6M)	% of Total
Class D Units	563,596	1,108,293	1,424,740	1,636,843	29.7%
Class E Units	2,664,582	3,246,372	3,888,696	3,878,129	70.3%
Class R Units	70,770	14,575			
Total	**3,298,948**	**4,369,240**	**5,313,436**	**5,514,972**	**100%**

*Class R units were issued through Alitis to its private clients. These units were reserved for those clients who were referred to Alitis under a referral program. This program has been discontinued.

There is no market or exchange that the units trade on. The units are non-transferable. They are eligible for redemption, at the NAV, upon submitting a redemption request. A redemption penalty of 3% applies if the request is made within the first six months of investment. We believe this is a good feature as most comparable funds have redemption penalties in the first few years.

The fund has arrangements with the following third parties. The financial statements are audited by KPMG LLP. The NAV of each class of units is calculated every month by SGGG Fund Services Inc.

Service Providers	
Trustee	BNY Trust Company of Canada
Custodian	Qtrade Institutional Services / BMO Capital Markets
NAV Calculations	SGGG Fund Services Inc.
Auditor	KPMG LLP

SGGG also handles unitholder recordkeeping as well as the general fund administration for the pool.

Financials

The following table shows a summary of the income statement since inception. **We have reviewed all the audited financial statements.**

Income Statement	2014	2015	2016	2017 (6M)
Revenues				
Interest	$1,382,191	$3,120,427	$3,746,993	$2,076,931
Fee Rebate	$38,009	$44,948	$59,678	$29,560
Net Realized Gain on sale of Investments	$10,412	$70,093	$493,302	$528,456
Net Change in Unrealized Appreciation	-$394,170	-$451,674	$1,520,737	$426,988
Total Revenues	**$1,036,442**	**$2,783,794**	**$5,820,710**	**$3,061,935**
	133.4%	112.1%	64.4%	67.8%
Expenses				
Management Fees	$176,825	$352,239	$432,987	$235,847
Performance Fees	$44,681		$320,040	$190,517
Operating Costs + Others	$78,681	$106,777	$108,555	$70,054
Total Expenses	**$300,187**	**$459,016**	**$861,582**	**$496,418**
Net Income	**$736,255**	**$2,324,778**	**$4,959,128**	**$2,565,517**
Net Income per Unit*	$0.45	$0.61	$1.02	$0.47
Distributions to Investors	$1,176,450	$2,782,326	$3,264,491	$1,542,158
Distributions per Unit*	$0.71	$0.73	$0.67	$0.28
Payout Ratio	1.60	1.20	0.66	0.60

* calculated based on the average of beginning and end of year units outstanding

YE – Dec 31st

Revenues grew from $1.04 million in 2014 to $3.06 million in the first six months of 2017. Interest revenues were $2.08 million in the first six months of 2017. Since inception, the company has reported total realized gain on sale of investments of $1.10 million. The change in valuation of investments is a result of the fluctuation in the share price of publicly listed companies in the portfolio.

Net income increased from $0.74 million ($0.45 per unit) in 2014 to $2.57 million ($0.47 per unit) in the first six months of 2017.

The distribution policy of the fund is to distribute net realized income on a quarterly basis and net realized capital gains annually (at the end of the year).

Revenues from interest + fee rebates as a percentage of investments were 11.09% p.a. in the first six months of 2017. The net income was 9.29% p.a. of investments.

% of Investments	2014	2015	2016	2017 (6M)
Interest + Fee Rebate	9.22%	8.71%	8.04%	7.63%
Realized Gain	0.07%	0.19%	1.04%	1.91%
Unreailzed Gain	-2.56%	-1.24%	3.21%	1.55%
	6.73%	**7.66%**	**12.29%**	**11.09%**
Less:				
Management Fees	-1.15%	-0.97%	-0.91%	-0.85%
Performance Fees	-0.29%	0.00%	-0.68%	-0.69%
Operating Costs + Others	-0.51%	-0.29%	-0.23%	-0.25%
	-1.95%	**-1.26%**	**-1.82%**	**-1.80%**
Net Income	**4.78%**	**6.39%**	**10.47%**	**9.29%**
Distributions to Investors as a % of Invested Capital	7.14%	7.31%	6.68%	7.39%
2-year GOC	1.05%	0.54%	0.62%	0.75%
Spread	6.09%	6.77%	6.06%	6.64%

- *Note that the above figures may be slightly different from the figures reported by the fund due to the difference in the method of calculation. We used the average of the opening balance, and year-end balance of the investments, and invested capital, to arrive at the above figures.*
- *2017 (6M) distributions to investors as a percentage of invested capital includes the distributions made in the first six months and the realized gain in the first six months. Note that the realized capital gains are only distributed at the end of every year.*

We estimate that distributions as a percentage of invested capital was 6.7% in 2016. The total return on Class D units, including cash distribution and the change in NAV, was 11.1% in 2016. **This is a key benefit and risk of the company – the exposure to publicly listed MICs has the potential to generated significantly high returns if management makes the right calls.**

The following table shows the total returns (distribution plus change in NAV) since inception are shown below:

Returns	2014	2015	2016	2017 (6M)
Class D	5.67%	6.83%	11.14%	5.12%
Class E	4.55%	5.60%	10.12%	4.54%
Benchmark	6.03%	3.52%	1.66%	2.36%

Standard Deviation	1 year	2 years	3 years	Since Inception
Class D	2.04%	2.19%	2.29%	2.19%
Benchmark	3.52%	3.19%	3.95%	3.74%
Class E	2.31%	2.21%	2.05%	2.21%
Benchmark	3.95%	3.19%	3.52%	3.74%

- Benchmark is the FTSE TMX Canada Universe Bond Index

- The standard deviation shown above is the annualized standard deviation of monthly returns.

The following chart shows the reinvested distributions and redemptions.

	2014	2015	2016	2017 (6M)
Reinvested	$1,174,366	$2,778,979	$3,259,928	$1,540,448
Reinvested (as a % of Distributions)	99.8%	99.9%	99.9%	99.9%
Redemptions	$228,074	$5,159,131	$12,962,256	$5,615,415
Redemption (% of invested capital)	1.4%	13.6%	23.8%	9.8%

Investors have reinvested almost all of the distributions since inception, which we believe is a sign that existing investors are pleased with management. Approximately 10% of the invested capital was redeemed in the first six months of 2017. Management indicated to us that a large percentage of the redemptions was due to clients switching from Class E units to Class D units.

The following table shows a summary of the fund's balance sheet.

Balance Sheet (YE - Dec 31st)	2014	2015	2016	2017 (Q2)
Assets				
Cash & cash equivalents	725,115	1,447,428	1,678,222	114,271
Investments	30,422,366	41,054,610	51,845,757	56,783,480
Interest and dividend receivable	393,330	801,995	985,397	725,125
Receivables for investments sold		39,268		17,899
Fee rebate	5,039	5,053	19,833	49,393
Subscription receivable	1,605,949		1,086,834	1,134,440
Prepaid Expenses			1,093	820
Total Assets	**$33,151,799**	**$43,348,354**	**$55,617,136**	**$58,825,428**
Liabilities				
Management Fees Payable	24,829	30,596	38,131	39,590
Accounts Payable and Accrued Liabilities	36,263	33,430	31,953	38,951
Distribution Payable	827	1,090	971	652
Performance Fees Payable			81,840	2,441
Redemptions Payable	142,002	150,000	1,108,403	1,247,615
Liabilities	**203,921**	**215,116**	**1,261,298**	**1,329,249**
Net Assets attributable to class D	5,645,419	11,015,669	14,689,084	17,199,444
Net Assets attributable to class E	26,599,406	31,976,031	39,666,804	40,296,735
Net Assets attributable to class R	703,053	141,538		
Net Assets	**$32,947,878**	**$43,133,238**	**$54,355,838**	**$57,496,179**
Investments + Related	$30,820,735	$41,900,926	$52,850,987	$57,575,897
Investments + Cash	$33,151,799	$43,348,354	$55,616,043	$58,824,608
Total Assets	$33,151,799	$43,348,354	$55,617,136	$58,825,428
Shareholders' Equity (SE) + Debt	$32,947,878	$43,133,238	$54,355,888	$57,496,179
Net Asset Value (SE)	$32,947,878	$43,133,238	$54,355,888	$57,496,179
NAV per Unit	$9.99	$9.87	$10.23	$10.43
Debt	$0	$0	$0	$0
Debt to Capital	0%	0%	0%	0%

At the end of June 2017, the fund had $56.78 million in investments, up from $30.42 million at the end of 2014. The fund had no debt, and management does not intend to use debt in the near-term.

The NAV was $10.43 per unit at the end of June 2017, versus $9.99 per unit at the end of 2014.

NAV	2014	2015	2016	2017 (6M)
Class D	$5,645,419	$11,015,669	$14,689,034	$17,199,444
Class E	$26,599,406	$31,976,031	$39,866,084	$40,296,735
Class R	$703,053	$141,538		
Total	**32,947,878**	**43,133,238**	**54,555,118**	**57,496,179**
Units Oustanding	**2014**	**2015**	**2016**	**2017 (6M)**
Class D Units	563,596	1,108,293	1,424,740	1,636,843
Class E Units	2,664,582	3,246,372	3,888,696	3,878,129
Class R Units	70,770	14,575		
Total	**3,298,948**	**4,369,240**	**5,313,436**	**5,514,972**
NAV per Unit				
Class D NAV	$10.02	$9.94	$10.31	$10.51
Class E NAV	$9.98	$9.85	$10.25	$10.39
Class R NAV	$9.93	$9.71		
Weighted Average	**$9.99**	**$9.87**	**$10.27**	**$10.43**

Risk

We believe the following are the key risks of this offering (most of the risks mentioned below are industry specific and impact comparable MICs as well):

- Investments will be impacted if housing prices drop significantly, which will result in higher LTVs, and higher default risk.
- Shareholders' principal is not guaranteed, as the NAV per unit could decrease from current levels.
- MICs have the ability to use leverage, which would increase the exposure of the fund to negative events.
- Redemptions are not guaranteed.
- Timely deployment of capital is crucial.
- There is no guaranteed return on investment.
- Volatility in share price of public investments.
- Investments in private MICs and funds are not as liquid as investments in public companies.

Rating

We are initiating coverage with an overall rating of 2 and risk rating of 2.

FRC Rating	
Estd. Yield (2017)	10% - 11% p.a. (Class D)
Rating	2 (Very Good Return to Risk)
Risk	2 (Below Average)

Fundamental Research Corp. Rating Scale:

Rating – 1: Excellent Return to Risk Ratio
Rating – 2: Very Good Return to Risk Ratio
Rating – 3: Good Return to Risk Ratio
Rating – 4: Average Return to Risk Ratio
Rating – 5: Weak Return to Risk Ratio
Rating – 6: Very Weak Return to Risk Ratio
Rating – 7: Poor Return to Risk Ratio
A "+" indicates the rating is in the top third of the category, A "-" indicates the lower third and no "+" or "-" indicates the middle third of the category.

Fundamental Research Corp. Risk Rating Scale:
1 (Low Risk)
2 (Below Average Risk)
3 (Average Risk)
4 (Speculative)
5 (Highly Speculative)

FRC Distribution of Ratings			
Rating - 1	0%	Risk - 1	0%
Rating - 2	27%	Risk - 2	7%
Rating - 3	48%	Risk - 3	38%
Rating - 4	9%	Risk - 4	35%
Rating - 5	4%	Risk - 5	9%
Rating - 6	1%	Suspended	11%
Rating - 7	0%		
Suspended	10%		

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