

### Alitis Private REIT – Fund of Funds Focused on REITs

#### Sector/Industry: REITs

[www.alitis.ca](http://www.alitis.ca)

Offering Summary	
Issuer	Alitis Private REIT
Date of OM	April 30, 2018
Securities Offered	Class F trust units
Unit Price	NAV
Minimum Subscription	\$25,000
Management Fee	0.75% of NAV
Performance Fee	20% of the excess of 7% 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

#### Investment Highlights

- Alitis Private REIT (“fund”) was formed in March 2016 with the objective of offering investors the potential to generate a 7% to 10% p.a. return over a 5 – 7 year hold period, through investments in Canadian and U.S. based income producing real estate investments, and potential long-term capital appreciation from real estate development projects.
- The fund of funds structure allows the fund to lower investment-specific risks, by holding diversified investments.
- The fund’s manager, Alitis Investment Counsel Inc., was formed in 2009, and currently manages a total of six funds with \$279 million under management.
- Management’s current focus is primarily on private funds focused on development stage multi-family residential properties.
- At the end of 2017, the fund had \$27.38 million in investments across 18 investments, up from \$19.29 million across 11 investments at the end of 2016.
- The Net Asset Value (“NAV”) was \$11.76 per unit at the end of 2017, versus \$10.41 per unit at the end of 2016.
- We estimate the total return (including realized and unrealized capital gains) in 2017, was 13.5%, exceeding management’s target of 7% - 10% p.a.

#### Risks

- Shareholders’ principal is not guaranteed, as the NAV per unit could decrease from current levels.
- The fund has ability to use leverage, which would increase its exposure to negative events.
- Redemptions are not guaranteed.
- Timely deployment of capital is crucial.
- There is no guaranteed return on investment.
- Investments in private funds are not as liquid as investments in public companies.

#### FRC Rating

Target Yield (5 year hold period)	7% - 10% p.a.
Rating	3+ (Good Return to Risk Ratio)
Risk	3 (Average Risk)

\*see back of report for rating definitions

## Overview and Manager

The fund was created as an open-end investment trust in March 2016, with Alitis Investment Counsel Inc. as the manager. The manager, incorporated in March 2009, is primarily 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. **We had published a report on Alitis Mortgage Plus Pool on October 26, 2017, with an overall rating of 2 (Very Good Return to Risk) and a risk rating of 2 (Below Average).** As of June 2018, the funds totaled \$280 million in assets, up from \$253 million as of October 2017.

Funds	Inception	Size (\$, M)		Focus	Target Return (p.a.)
		Oct-17	Jun-18		
Alitis Strategic Income Pool	Sep-09	\$15.63	\$16.02	Mutual Funds, ETFs, closed-end funds, etc.	3% - 5%
Alitis Income & Growth Pool	Sep-09	\$118.41	\$125.48	Mutual Funds, ETFs, closed-end funds, etc.	5% to 7%
Alitis Mortgage Plus Pool	Jan-14	\$58.01	\$63.46	Diversified portfolio of mortgage-based investments	6% - 7%
Alitis Growth Pool	Sep-09	\$20.32	\$21.11	Mutual Funds, ETFs, closed-end funds, etc.	7%+
Alitis Private REIT	Mar-16	\$26.24	\$32.68	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	\$20.32	Real estate LPs, mutual funds, ETFs, with a bias towards residential development real estate.	8% - 12%
<b>Total</b>		<b>\$252.5</b>	<b>\$279.1</b>		

*Source: Management*

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 30 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**

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.

#### **Aileen Collings - Executive Vice President**

Ms. Collings provides strategic planning for the company and oversees the investment management, compliance, operations, finance, business development and marketing departments. She is also Chair of Alitis' Investment Committee Governance Board. Ms. Collings has over 25 years' experience in the financial services industry; in an advisory capacity, working with retail client advisors and as an executive in national securities and insurance distribution. Ms. Collings was former Head of Wealth Planning and National Director of Tax & Estate Planning for a number of large national Investment Dealers. Prior to joining Alitis as EVP, she provided Alitis strategic business planning consulting services through her firm Blue Ocean Wealth Strategists Inc. Earlier in her career Ms. Collings rounded out her professional development with public practice experience as a Chartered Accountant. As an Investment Industry Professional, Ms. Collings has completed multiple securities and insurance industry, business planning, facilitation, in-depth tax and financial planning courses. She is a Certified Financial Planner (CFP), Trust and Estate Practitioner (TEP) and holds the CPA, CA designation. She is a member of the Society of Trust and Estate Practitioners and the Canadian Tax Foundation.

#### **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 manager currently has one director - Cecil Baldry-White, who is not independent. Management holds 0.7% of the total units outstanding.**

Management / Board	Class D & E	Class F	Total	% of Total
Cecil Baldry-White (directly/indirectly)	10,432	-	10,432	0.40%
Kevin Kirkwood (directly/indirectly)	8,316	1	8,317.01	0.32%
Aileen Collings	-	-	-	-
Stacey Blyth	-	-	-	-
<b>Total</b>			<b>18,749</b>	<b>0.72%</b>

*Source: Offering Memorandum*

The fund was formed to offer investors the potential to generate an annual yield from a diversified portfolio of income generating real estate investments, with a potential for long-term capital appreciation. Management's target return is 7% to 10% over a 5 - 7 year hold period. Although the fund is not restricted from holding individual securities, its primary focus is on investments in limited partnerships, funds, pooled products, real estate investment trusts, exchange-traded funds, closed-end funds, mortgage investment corporations, etc.

The "Fund of Funds" structure allows the fund to lower investment-specific risks by holding diversified investments across geographic regions, and property types. This structure can also improve liquidity. The fund intends to invest in investments focused on income producing and development projects in Canada and the U.S. Although there is no target allocation for each property type, management expects to have at least 75% of the portfolio in income producing properties, with a special focus on multi-family residential properties. **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.

Management anticipates that, over the long-term, publicly-listed investments will account for

15% of the portfolio while private investments will account for 85%. Public investments will not exceed 30% of the total.

Tactical Minimum / Maximum Constraints

Investment Type	Minimum	Strategic Asset Mix	Maximum
Cash	(-25.0)%	0.0%	100.0%
Private Real Estate Investments	70.0%	85.0%	100.0%
Public Real Estate Investments	0.0%	15.0%	30.0%

*Source: Manager*

No single investment will account for over 15% of the portfolio.

The fund may use debt to leverage performance (up to a maximum of 25%). 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.

Management looks for the following key factors in their investments:

- manager must have a minimum track record of at least 10 years in real estate investing.
- must have managed or developed at least \$200 million of real estate with current or previous firms.
- Maximum allowable time to liquidity for an individual investment is 10 years.
- Maximum weighted average time to liquidity for the portfolio as a whole is 5 years.

The following table shows investors' returns on a few of the well-known REITs in the U.S. and Canada. Returns to investors fell over a wide range (3.7% p.a. and 11.5% p.a.), indicating that investors have to be really selective in order to find attractive opportunities in the sector.

Name of REIT	Investor Returns
1 Centurion Apartment REIT	11.5% (average for the past 5 years); Q1 2018-2.9%
2 Skyline Apartment REIT	7.328%(average for the past 5 years)
3 Brookfield Canada Office Properties (went private in June 2017)	4.56% (average 2011-2016)
4 JLL Income Property Trust Inc.	3.67% (average for the past 5 years)
5 Pure Multi-Family REIT LP	7.056% (average for the past 5 years) 6.41% for 2017
6 Killam Apartment REIT	5.292% (average for the past 5 years) 4.34% for 2017
7 Morguard North American Residential	6.318% (average for the past 5 years) / 6.96% for 2017
8 Northview Apartment REIT	7.23% (average for the past 5 years) / 6.52% for 2017
9 Blackstone REIT	2017 - 10.66% / (Jan 2018-1.02%, Feb-0.83%, Mar-0.53%, April - 0.81%)
Average	

*Source: FRC / Company Websites / Sedar*

## Portfolio Details

The following chart shows a summary of Alitis Private REIT's holdings since inception.

Fair Value	2016	2017	% of Total
<b>Canadian fixed income</b>			
1 Cambridge MIC - Class B	\$2,250,000	\$1,250,000	4.6%
<b>Total</b>	<b>\$2,250,000</b>	<b>\$1,250,000</b>	<b>4.6%</b>
% of Total	11.7%	4.6%	
<b>Canadian real estate</b>			
1 Anthem 6075 Wilson Developments LP		\$371,033	1.4%
2 Anthem East 3rd Developments LP	\$1,430,071	\$1,550,663	5.7%
3 Anthem Fleetwood Rise Developments LP	\$755,093	\$1,918,830	7.0%
4 Anthem Steveston Developments Limited LP	\$608,682	\$660,362	2.4%
5 Belmont Landing Limited Partnership Class A		\$1,650	0.0%
6 Belmont Landing Limited Partnership Class B		\$310,603	1.1%
7 CMCC Capital Fund Limited Partnership Class A		\$1,312,900	4.8%
8 Fiera Properties GTA Opportunity Fund LP	\$5,000	\$568,000	2.1%
9 Ironclad Developments Meaford Limited		\$2,600,100	9.5%
10 Ironclad Developments Peatt Road Limited	\$1,000,000	\$1,458,000	5.3%
11 Ironclad Developments Starlite Limited	\$2,373,840	\$1,104,353	4.0%
12 Ironclad Developments Starlite Phase Two	\$800,000	\$578,000	2.1%
13 Ironclad Developments Vernon Limited		\$650,000	2.4%
14 Ironclad Developments Waterford Green		\$1,044,700	3.8%
15 Timbercreek Four Quadrant Global Real Estate Partners LP	\$3,060,602	\$4,003,402	14.6%
<b>Total</b>	<b>\$10,033,288</b>	<b>\$18,132,596</b>	<b>66.2%</b>
% of Total	52.0%	66.2%	
<b>U.S. real estate</b>			
1 Timbercreek UVAF (Feeder) LP	\$3,705,852	\$3,581,738	13.1%
2 Rise Properties Trust Class F	\$3,304,164	\$4,410,755	16.1%
<b>Total</b>	<b>\$7,010,016</b>	<b>\$7,992,493</b>	<b>29.2%</b>
% of Total	36.3%	29.2%	
<b>Total</b>	<b>\$19,293,304</b>	<b>\$27,375,089</b>	<b>100.0%</b>

Source: Offering Memorandum

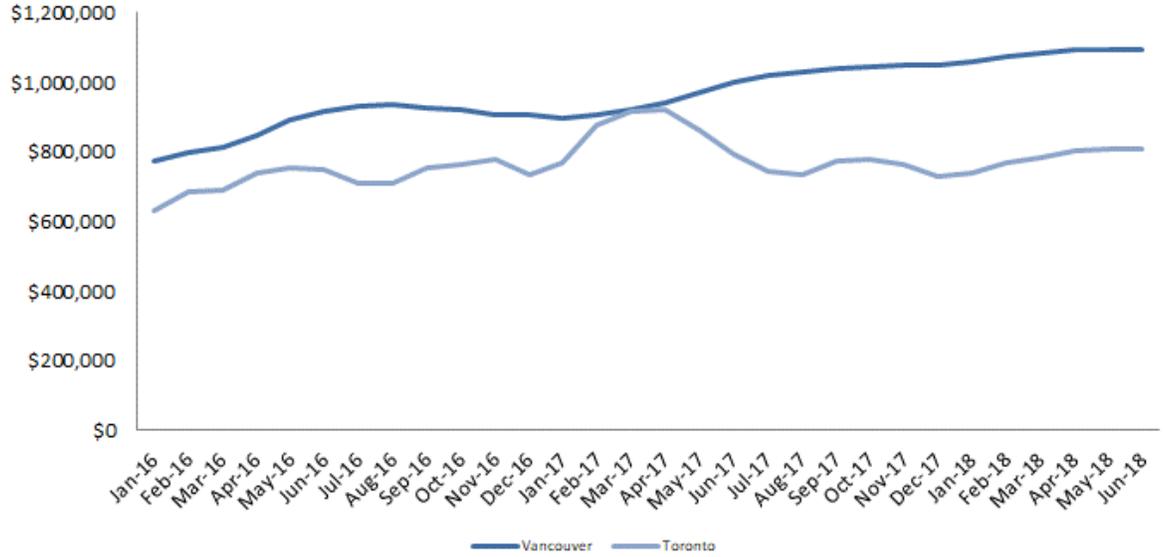
At the end of 2017, the fund had \$27.38 million in investments across 18 investments, up from \$19.29 million across 11 investments at the end of 2016. The fair value of \$27.38 million reflects a gain of 15.3% from the cost of \$23.75 million. Approximately 4.6% of the portfolio was invested in a Mortgage Investment Corporation, 66.2% in Canadian real estate funds, and 29.2% in a U.S. real estate fund. Since the year-end, the investment in the MIC was sold. The fund had no investments in publicly traded securities.

Currently, 55% of the portfolio is invested in income producing properties (generating rental revenues), and 17% in projects under development that are being built to be retained as income-producing properties. The remaining portfolio is exposed to developments where the underlying properties are intended to be sold.

The following chart shows the average home prices in Vancouver and Toronto – Canada’s two key housing markets.

## Market Update

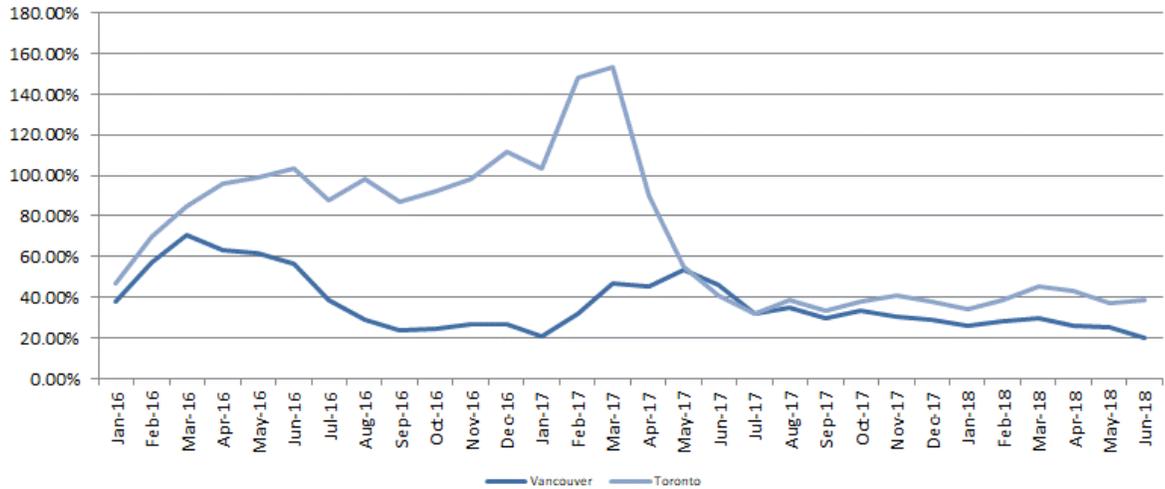
### Home Index Price



Source: TREB and REBGV

Despite a significant drop in the sales to active ratio in both markets, housing prices continue to remain strong in both markets.

### Sales to Active



Source: TREB and REBGV

We believe the strong rental market in both Vancouver and Toronto suggest a healthy outlook for multi-family residential properties (the fund’s key focus). For example, despite the expected slowdown in real estate sales, Vancouver’s **rental market remains extremely tight**, with rental rates at historical highs, and vacancy remaining low.



The following table from a recent Goodman Report showed that the total number of apartment units in the City of Vancouver has only increased by 0.6% p.a. from 2010 to 2017. Apartment units in suburban areas increased at 0.5% p.a.

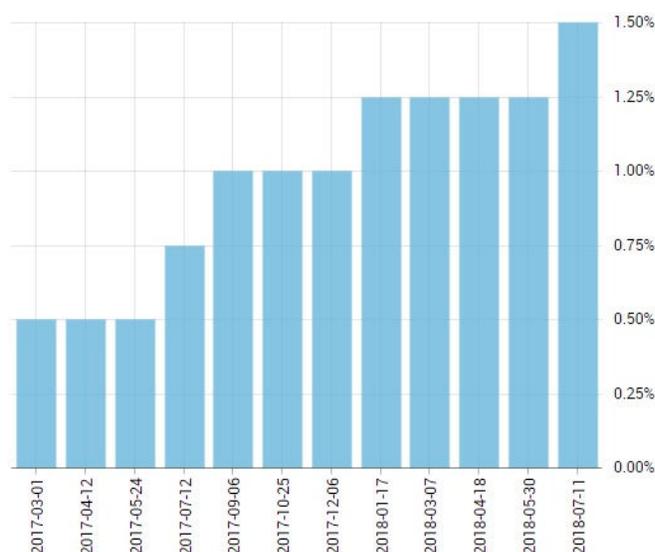
	2010 (total apartment units)	2017 (total apartment units)	Change (units)	Change (%)
<b>City of Vancouver</b>	54,791	57,243	+2,452	+4.48%
<b>Suburban</b>	104,457	108,496	+4,039	+3.9%

Source: CMHC

According to the Goodman Report, 17,229 units are currently under construction/development/planning in Metro Vancouver. These units will take at least five years to be completed, and will not be sufficient to meet demand as Vancouver’s annual population is growing by 30,000–35,000.

We expect rising mortgage rates will also increase demand for rentals. The Bank of Canada (“BoC”) has raised the **overnight lending rate four times** over the past 12 months (July 2017, September 2017, January 2018, and July 2018).

### Canada - overnight lending rate



Source: Bank of Canada

### Structure

The fund offers three types of units to investors:

Units	Management fee	20% performance fee above the following hurdle rate
Class D	0%	8.00%
Class E	1.10%	7.00%
Class F	1.00%	7.00%

Source: Offering Memorandum

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. The units have voting rights, which we believe is positive for investors. There are no sales commissions / trailer fees charged on any of the units.

**Management Fees** – Management fees (paid monthly) range between 0% and 1.10% p.a. of the NAV depending on the type of units. We believe the average fees of comparable funds fall in the 1.0% to 1.5% range. Management also receives a performance bonus of 20% of the returns in excess of the hurdle rates shown in the table above. We estimate that the performance bonus of comparable funds typically fall in the 5% to 15% range, but their hurdle rates are lower (typically 5% to 7%).

As of May 2018, 2.65 million units were outstanding, of which, 40.6% of them were Class D units and the remaining 59.4% were Class E units.

Units Outstanding	2016	2017	May-18	% of Total
Class D Units	977,531	1,022,417	1,074,104	40.6%
Class E Units	1,281,614	1,424,781	1,572,443	59.4%
Class F Units		1	1	0.0%
<b>Total</b>	<b>2,259,145</b>	<b>2,447,199</b>	<b>2,646,548</b>	<b>100.0%</b>

*Source: Offering Memorandum*

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. The fund recently amended its redemption policies, which will apply to all unitholders (existing and new). As of July 2018, a redemption penalty of 5% applies if the request is made within the first 12 months of investment or if less than 6 months notice is given. There is no penalty if the units are held for at least a year, and if six months' notice is given. We believe this is a better feature than comparable funds as most comparable funds have redemption penalties in the first few years. The trust will not redeem more than 1% of the NAV per month. Redemption proceeds may be made with cash, promissory note or underlying assets of the REIT.

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

*Source: Offering Memorandum*

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

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

## Financials

Income Statement	2016 (Apr 1 - Dec 31)	2017
<b>Revenues</b>		
Net unrealized gain	\$721,438	\$3,106,884
Interest income for distribution purposes	\$365,110	\$528,064
Net realized gain	-\$38,460	\$340,424
<b>Total Revenues</b>	<b>\$1,048,088</b>	<b>\$3,975,372</b>
<b>Expenses</b>		
Management Fees	\$62,961	\$173,431
Performance Fees	\$35,491	\$368,064
Operating Costs + Others	\$102,758	\$97,000
<b>Total Expenses</b>	<b>\$201,210</b>	<b>\$638,495</b>
<b>Net Income</b>	<b>\$846,878</b>	<b>\$3,336,877</b>
Net Income per Unit*	\$0.37	\$1.42
Distributions to Investors	\$246,047	\$117,269
Distributions per Unit*	\$0.11	\$0.05
Payout Ratio	29.1%	3.5%

YE – Dec 31st

Source: FRC / Offering Memorandum

Revenues grew from \$1.05 million in 2016 (9 months of operation) to \$3.98 million in 2017. Interest revenues were \$0.53 million, realized gain from sale of investments were \$0.34 million, and unrealized gains were \$3.11 million in 2017. Since inception, the company has reported total realized gains on the sale of investments of \$0.30 million. The change in valuation of investments (unrealized) is due to the value of the holdings being adjusted to fair market value.

Net income increased from \$0.85 million (\$0.37 per unit) in 2016, to \$3.34 million (\$1.42 per unit) in 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 as a percentage of investments were 17% p.a. in 2017. Excluding unrealized gains, revenues were just 3.72% p.a. The net income was 14.30% p.a. of investments.

% of Investments	2016	2017
Net unrealized gain	4.99%	13.31%
Interest income for distribution purposes	2.52%	2.26%
Net realized gain	-0.27%	1.46%
	<b>7.24%</b>	<b>17.04%</b>
<i>Less:</i>		
Management Fees	-0.44%	-0.74%
Performance Fees	-0.25%	-1.58%
Operating Costs + Others	-0.71%	-0.42%
	<b>-1.39%</b>	<b>-2.74%</b>
<b>Net Income</b>	<b>5.85%</b>	<b>14.30%</b>
Distributions to Investors as a % of Invested Capital	1.40%	0.45%
2-year GOC	0.54%	0.62%
Spread	0.86%	-0.17%

- 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.

Source: FRC / Offering Memorandum

**We estimate that distributions as a percentage of invested capital was only 0.45% in 2017.** This is because the net income (excluding unrealized gains) was only 0.9% of the invested capital. Note that as the fund is currently significantly invested in development projects, management expects returns to come primarily from capital gains. **We estimate the total return (including realized and unrealized capital gains) in 2017, was 13.5%, exceeding management's target of 7% - 10% p.a.**

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

Balance Sheet (YE - Dec 31st)	2016	2017
<b>Assets</b>		
Cash & cash equivalents	\$2,796,563	\$841,605
Investments	\$19,293,304	\$27,375,089
Interest receivable	\$80,341	\$34,635
Future contracts	-\$35,051	\$201,646
Subscription receivable	\$1,670,989	\$662,912
Prepaid Expenses		\$17,308
<b>Total Assets</b>	<b>\$23,806,146</b>	<b>\$29,133,195</b>
<b>Liabilities</b>		
Management Fees Payable	\$11,792	\$15,577
Accounts Payable and Accrued Liabilities	\$28,342	\$34,560
Performance Fees Payable	\$24,597	\$140,523
Redemptions Payable	\$233,799	\$162,659
<b>Liabilities</b>	<b>\$298,530</b>	<b>\$353,319</b>
Net Assets attributable to class D	\$10,179,425	\$12,078,033
Net Assets attributable to class E	\$13,328,191	\$16,701,833
Net Assets attributable to class F		\$10
<b>Net Assets</b>	<b>\$23,507,616</b>	<b>\$28,779,876</b>
Investments + Int. Receivable	\$19,373,645	\$27,409,724
Investments + Int. Receivable + Cash	\$22,170,208	\$28,251,329
Total Assets	\$23,806,146	\$29,133,195
Shareholders' Equity (SE) + Debt	\$23,507,616	\$28,779,876
Net Asset Value (SE)	\$23,507,616	\$28,779,876
NAV per Unit	\$10.41	\$11.76
Debt	\$0	\$0
Debt to Capital	0%	0%

Source: FRC / Offering Memorandum

At the end of 2017, the fund had \$27.38 million in investments, up from \$19.29 million at the end of 2016. The fund had no debt.

We believe the following are the key risks of this offering (most of the risks mentioned below are industry specific):

- Shareholders' principal is not guaranteed, as the NAV per unit could decrease from current levels.
- The fund has ability to use leverage, which would increase its exposure to negative events.
- Redemptions are not guaranteed.
- Timely deployment of capital is crucial.
- There is no guaranteed return on investment.
- The fund may invest in publicly listed entities; such investments are exposed to daily volatility in share prices.
- Investments in private funds are not as liquid as investments in public companies.

## Risk

**Rating**

Based on our review of the offering, management track record, and our outlook on the target markets, we are assigning an overall rating of 3+ (Good Return to Risk Ratio), with a risk rating of 3 (Average Risk) on the fund.

**FRC Rating**

Target Yield (5  
year hold  
period) 7% - 10% p.a.

Rating 3+ (Good Return to Risk Ratio)

Risk 3 (Average Risk)

**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	29%	Risk - 2	7%
Rating - 3	48%	Risk - 3	40%
Rating - 4	9%	Risk - 4	33%
Rating - 5	4%	Risk - 5	8%
Rating - 6	1%	Suspended	11%
Rating - 7	0%		
Suspended	10%		

**Disclaimers and Disclosure**

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