

BOLDLY GROW
THE GOOD

IN BUSINESS AND LIFE

The Case for Alternatives

Prepared for The Donath & DiSabatino Wealth Management Group

Introduction to Alternatives

What are alternative investments?

The two main types of alternative investments are private assets and hedge funds. Private assets are more complex and are much less frequently traded than traditional stocks and bonds, but give investors access to additional sources of return. They can include private equity, private debt, and real assets. Hedge funds typically utilize traditional securities on public exchanges but can use less traditional tools such as short-selling and leverage. Both hedge funds and private assets can provide significant diversification benefits to client portfolios.



Private Equity

Private equity consists of capital invested primarily in ownership stakes of companies not listed on public exchanges. Private equity is composed of funds and investors that directly invest in private companies, or that engage in buyouts of public companies.



Private Debt

Private debt includes any debt held by or extended to privately held companies. It comes in many forms, but most commonly involves non-bank institutions making loans to private companies or buying those loans on the secondary market.



Hedge Funds

Hedge funds employ non-traditional strategies to earn active returns for their investors. These funds may be managed aggressively or make use of derivatives and leverage to generate higher returns.



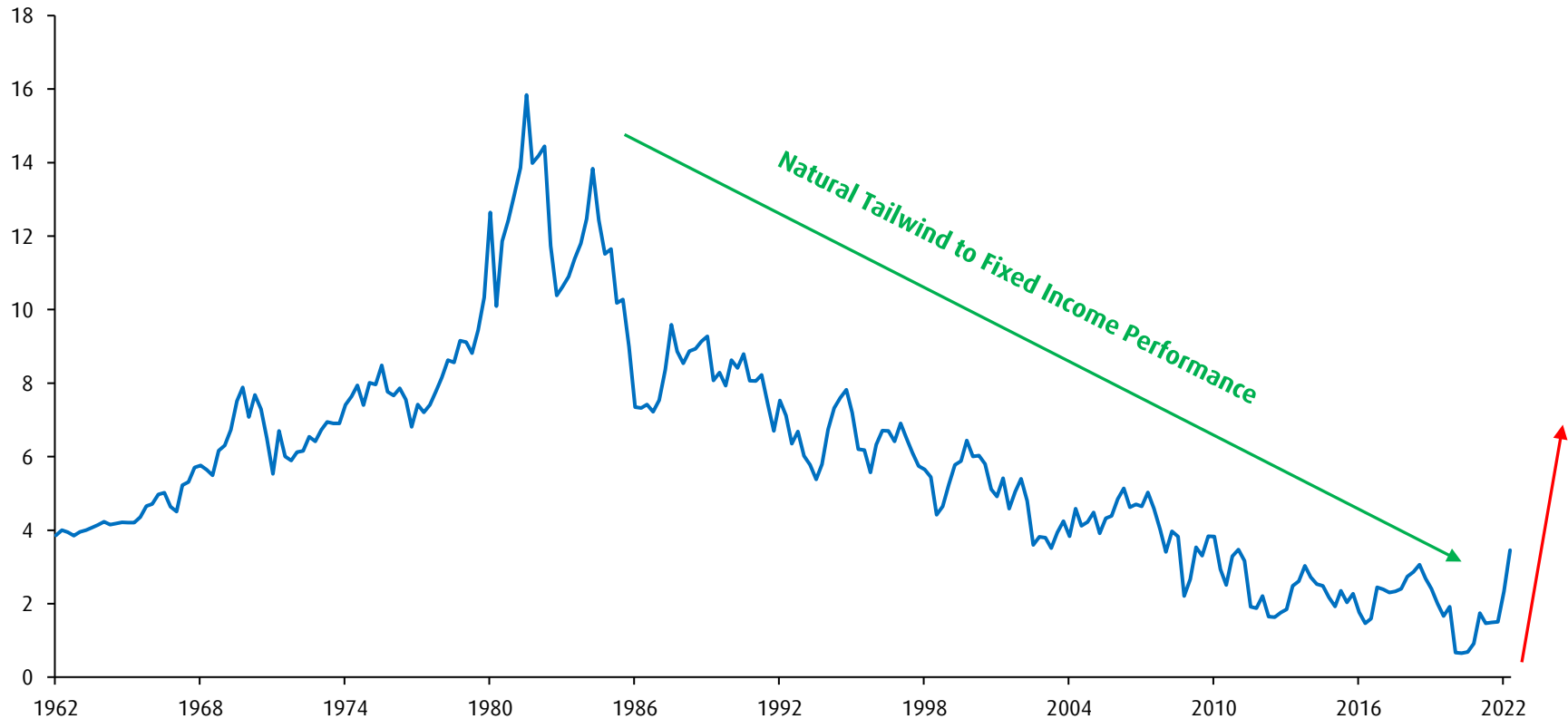
Real Assets

Real asset investing involves investments in real assets such as infrastructure and private real estate.

Interest rates are rising

...Rising rates act as a headwind to fixed income performance and increase volatility in equity markets

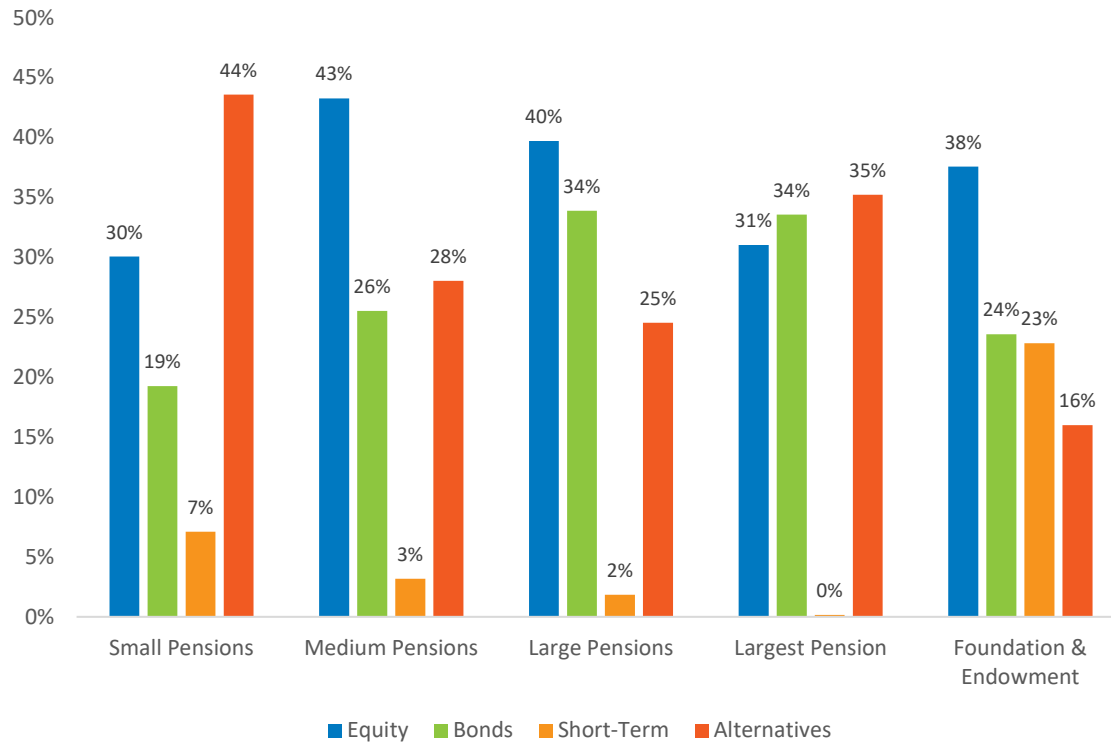
USA 10 Year Government Interest Rate
(1962 - June 14, 2022)



Source: Bloomberg

Institutional managers have a large allocation to alternatives

Pension, Foundation and Endowment Asset Allocation (2021)



Average Pension Allocation

Strategy	Weight
Commodities	5.03%
Hedge Funds	5.76%
Private Equity	25.78%
Real Estate	32.66%
Infrastructure	21.86%
Derivatives	0.49%
Private Debt	4.97%
Mortgages	3.46%

Source: Canadian Institutional Investment Network

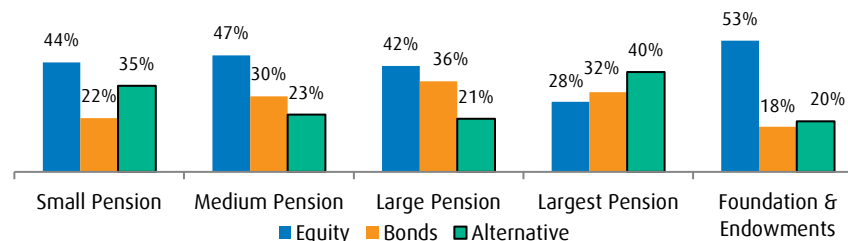
Myths that surround investing in alternatives



MYTH: Alternatives are too expensive, and investors are not willing to pay these higher fees

- **Truth:** Yes, it is valid that most alternative investments come with higher fees
- However, institutional investors are willing to pay these fees and outperformance

Pension, Foundation and Endowment Asset Allocation - 2019

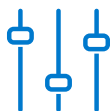


MYTH: After fees, alternatives do not outperform traditional asset classes

- **Truth:** This is completely false, especially factoring the current market environment that we are in
- Alternative assets are expected to outperform traditional fixed income

Strategy/Asset Class	Expected Return	10 Year Historical Return (Net)*	Fees
Polar Long/Short	4-6%	5.47%	1.5% MER, 20% performance above perpetual water mark
FTSE Bond Universe	1.55%	1.72%	Essentially 0%

(* As of June 30, 2022)



Myth: Alternative investments are illiquid and that's bad for investors

- **Truth:** Alternative products have a wide array of liquidity profiles, and many are quite liquid
- In some cases, low liquidity can allow investors higher returning investment opportunities

Strategy	Redemptions
Polar Multi-Strategy	Monthly (60 days notice)
Polar Long Short	Monthly (45 days notice)
Waratah One X	Monthly (30 days notice)
Dynamic Alpha Performance	Weekly Liquidity
Picton Mahoney Market Neutral	Weekly Liquidity
RP Debt Opportunities Fund	Monthly (45 days notice)
Dynamic Credit Absolute Return	Daily

Illustrative Example - Legend

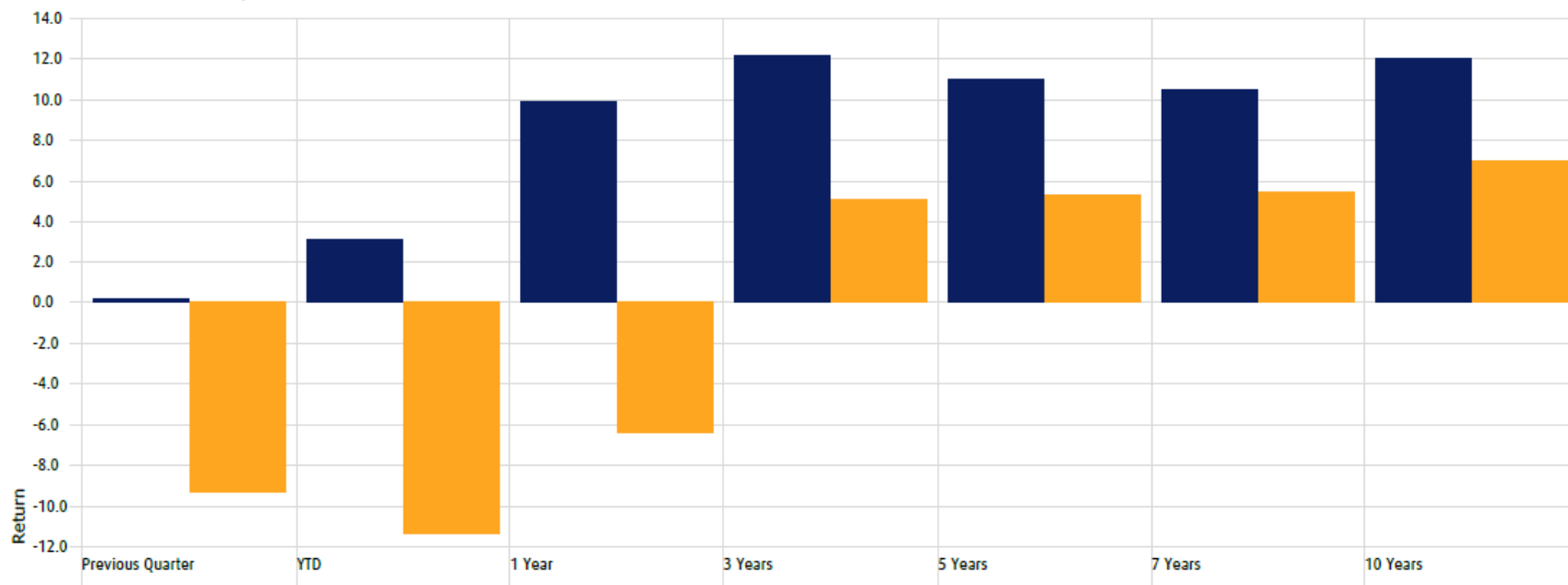
Strategies Used <i>(Equal Weight)</i>	
Name	Type
Hamilton Lane Global Private Assets	Private Equity/Credit
Polar Multi-Strategy	Multi-Strategy
Avenue Living Core Trust	Real assets
Hazelview 4 Quad REIT	Real Assets
Centurion Apartment REIT	Real Assets
HGC Fund LP	Merger Arbitrage
Forge First Long/Short LP	Long Short Equity/Credit
Algonquin Debt Strategies	Long Short Credit
Ninepoint Alternative Income	Alternative Credit
Canoe Energy Alpha	Long Short Equity
Waratah Performance Fund	Long Short Equity
Newgen Long/Short	Long Short Equity

Custom Benchmark	
Name	Weight
FTSE Canada 91 Day T Bill (CAD)	5%
FTSE Canada Universe Bond (CAD)	25%
S&P/TSX Preferred Share (CAD)	10%
S&P/TSX Composite Index (CAD)	30%
S&P 500 Index (USD)	15%
MSCI EAFE Index (USD)	15%

Proposed Portfolio – Trailing Returns

Trailing Returns

As of Date: 2022-06-30 Currency: BASE Source Data: Total Return



■ Equal Weight Alt Portfolio

■ Custom Benchmark

	Previous Quarter	YTD	1 Year	3 Years	5 Years	7 Years	10 Years
Equal Weight Alt Portfolio	0.21	3.13	9.94	12.15	10.97	10.50	11.99
Custom Benchmark	-9.26	-11.28	-6.35	5.07	5.32	5.39	6.98

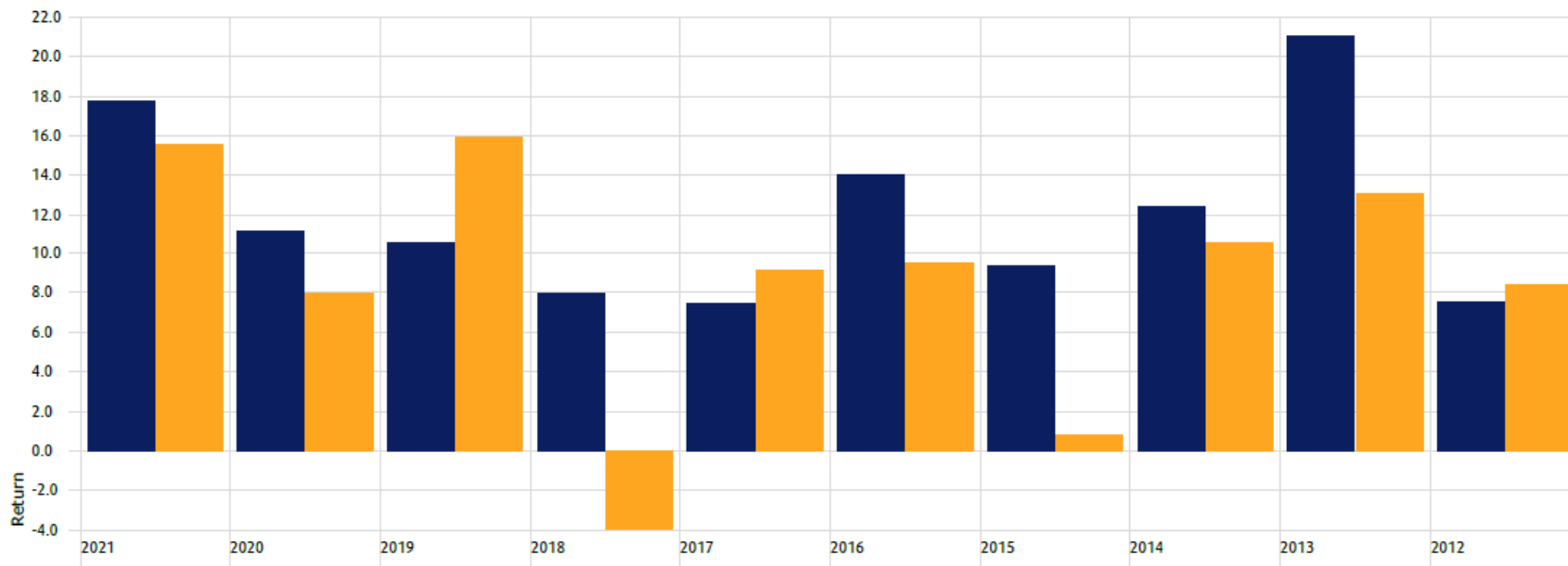
Note: Portfolio returns are presented net of fees. Rates of return are time weighted, calculated on a total return basis, and annualized for all periods greater than one year. Past performance is not necessarily an indicator of future performance. The performance shown as indicated above may not reflect the actual performance of clients. This report is prepared solely for information purposes. For the calculation methodology and inherent risks, please see Proposed Portfolio Notes at the end of this presentation.

Source: Morningstar Direct

Proposed Portfolio – Calendar Year Returns

Calendar Year Returns

Currency: BASE Source Data: Total Return



■ Equal Weight Alt Portfolio

■ Custom Benchmark

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Equal Weight Alt Portfolio	17.75	11.17	10.55	7.92	7.44	14.06	9.32	12.42	21.03	7.56
Custom Benchmark	15.48	7.98	15.90	-3.91	9.14	9.52	0.78	10.61	13.07	8.45

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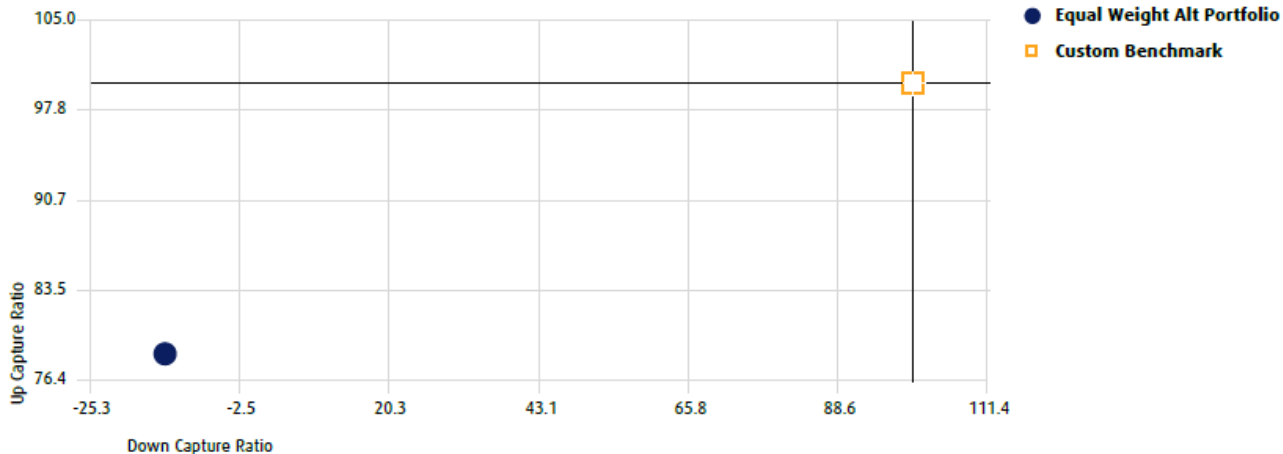
Source: Morningstar Direct

Proposed Portfolio – Upside/Downside Capture

Upside-Downside Capture

Time Period: 2012-07-01 to 2022-06-30

Currency: BASE Source Data: Total Return



	Up Period Percent	Down Period Percent	Best Quarter	Worst Quarter	Up Capture Ratio	Down Capture Ratio	R2
Equal Weight Alt Portfolio	89.17	10.83	6.97	-5.88	78.55	-13.87	51.54
Custom Benchmark	73.33	26.67	12.29	-12.95	100.00	100.00	100.00

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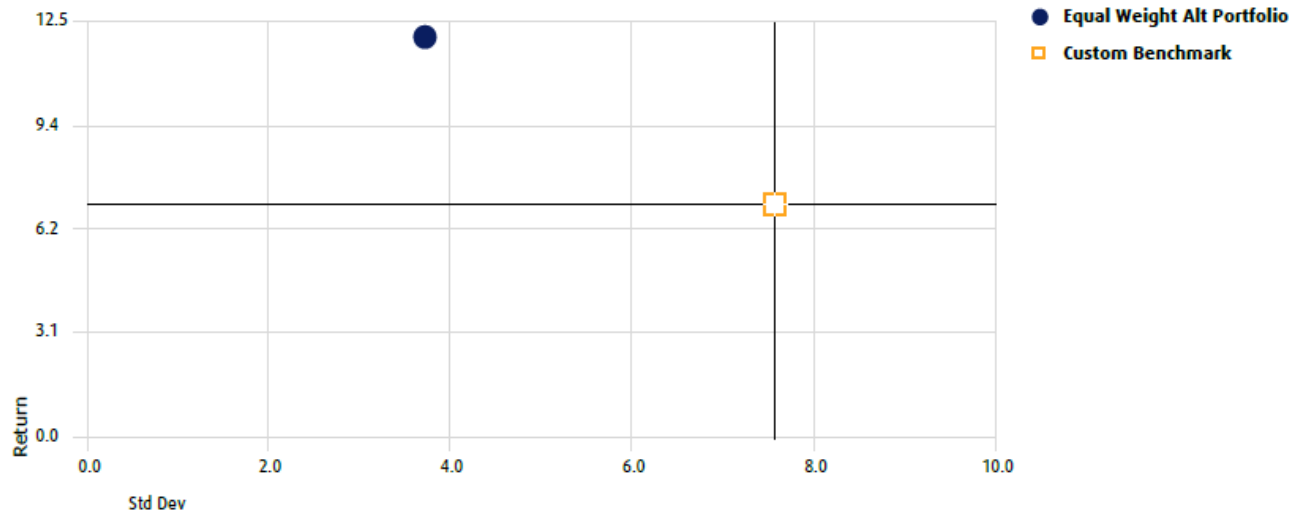
Source: Morningstar Direct

Proposed Portfolio – Risk/Reward

Risk-Reward

Time Period: 2012-07-01 to 2022-06-30

Currency: BASE Source Data: Total Return



	Return	Std Dev	Sharpe Ratio (arith)	Sortino Ratio	Max Drawdown
Equal Weight Alt Portfolio	11.99	3.72	3.00	4.66	-6.36
Custom Benchmark	6.98	7.57	0.81	1.17	-14.13

Note: Portfolio returns are presented net of fees. Rates of return are time weighted, calculated on a total return basis, and annualized for all periods greater than one year. Past performance is not necessarily an indicator of future performance. The performance shown as indicated above may not reflect the actual performance of clients. This report is prepared solely for information purposes. For the calculation methodology and inherent risks, please see Proposed Portfolio Notes at the end of this presentation.

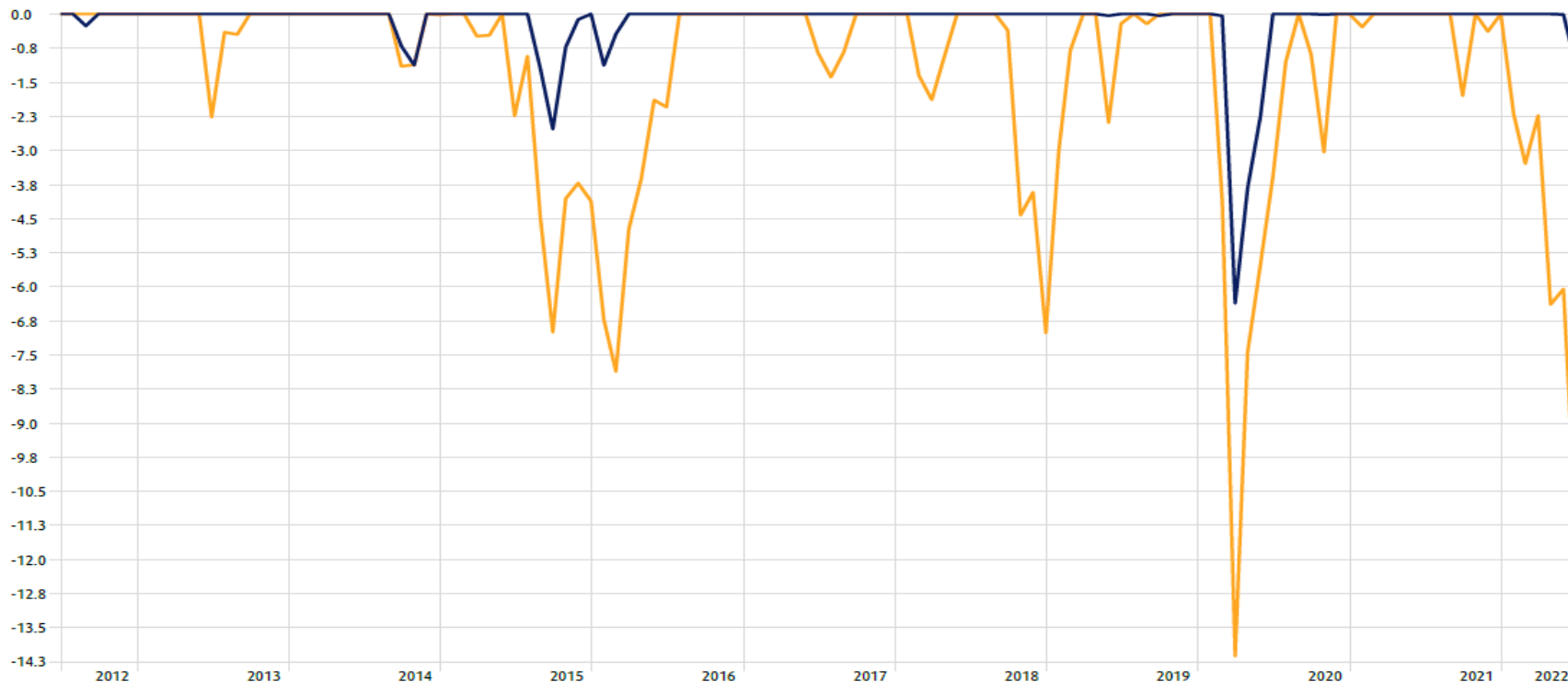
Source: Morningstar Direct

Proposed Portfolio – Drawdown

Drawdown

Time Period: 2012-07-01 to 2022-06-30

Currency: BASE Source Data: Total Return



— Equal Weight Alt Portfolio

— Custom Benchmark

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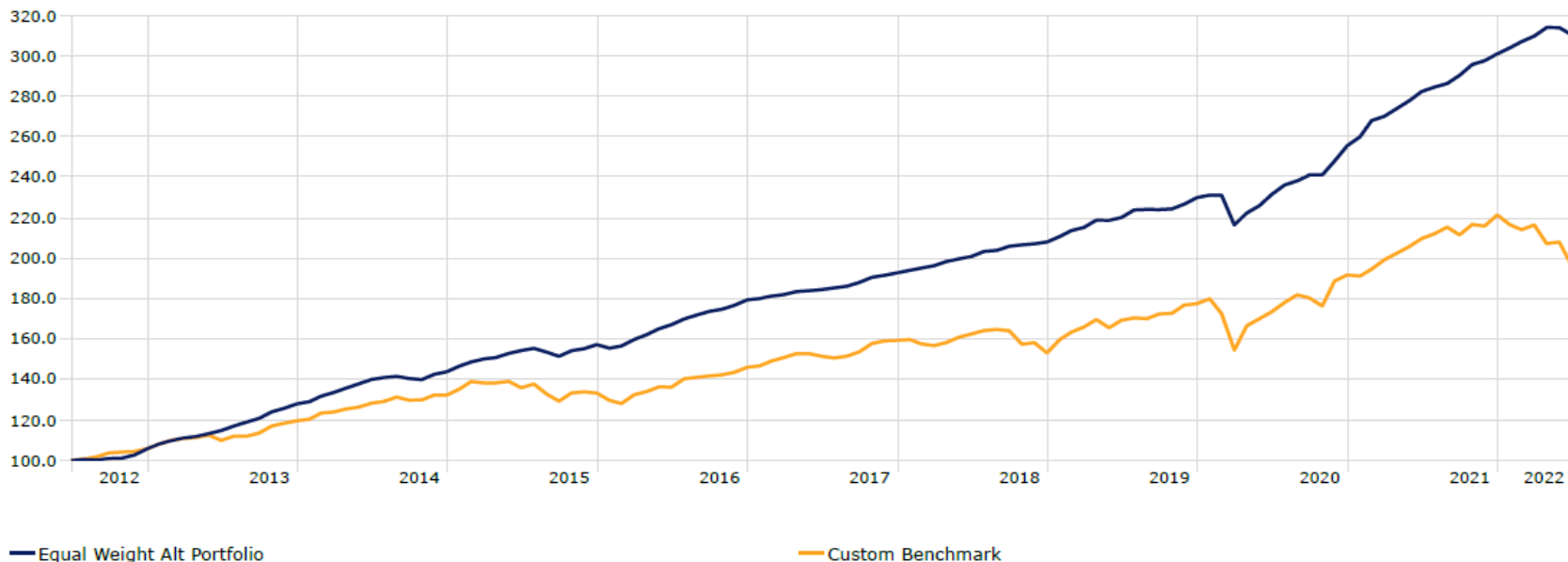
Source: Morningstar Direct

Proposed Portfolio – Investment Growth

Investment Growth

Time Period: 2012-07-01 to 2022-06-30

Currency: BASE



Performance

Time Period: 2012-07-01 to 2022-06-30 Currency: BASE

	Return	Std Dev	Max Drawdown	Sharpe Ratio (arith)	Sortino Ratio	Up Capture Ratio	Down Capture Ratio
Equal Weight Alt Portfolio	11.99	3.72	-6.36	3.00	4.66	78.55	-13.87
Custom Benchmark	6.98	7.57	-14.13	0.81	1.17	100.00	100.00

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Source: Morningstar Direct

Appendix - Polar Multi-Strategy

Overview of Strategies

Core

Convertible Arbitrage

Fixed Income Arbitrage

Risk Arbitrage

US Equity Long/Short

Opportunistic

SPACs

Structure Credit

Canadian Event Driven

North American Micro-Cap

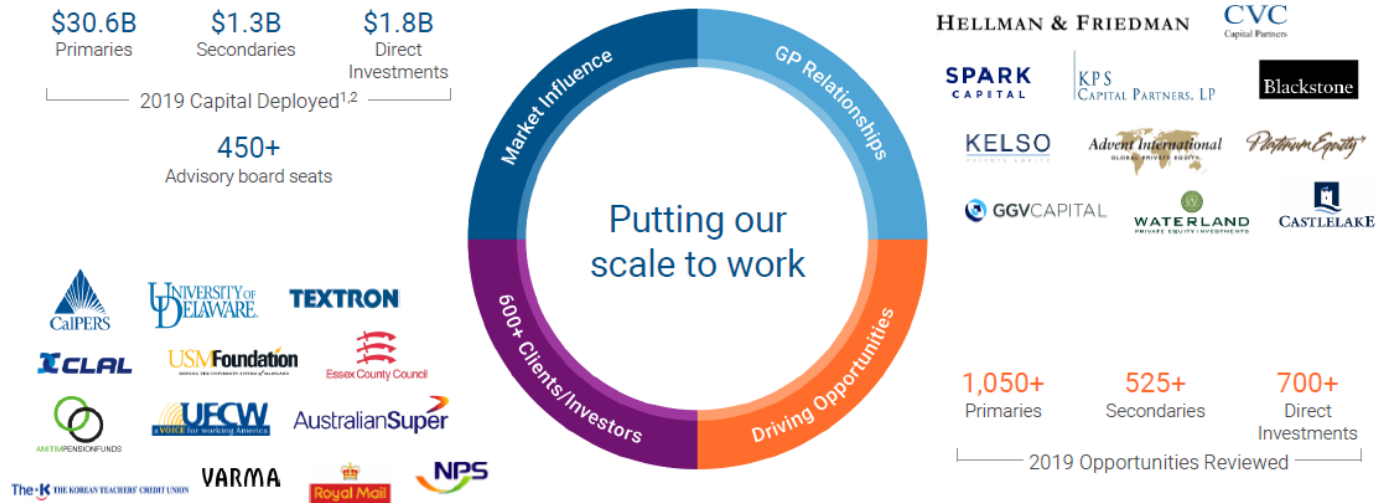
Subscriptions	Monthly
Lock-Up Period	None, 3% Short term trading if sold within 3 months
Redemptions	Monthly (60 days notice)
Management Fee	1.50%
Performance Fee	20%, above perpetual high water mark

Key Product Points

- Track record dating back to the early 90s
- Portfolio manager compensation aligned with broad portfolio performance
- Best in class risk management platform

Appendix - Hamilton Lane Global Private Asset Fund

Advantages of Scale



Subscriptions	Monthly
Lock-Up Period	None, but a 3% early redemption charge redeemed within the first year
Redemptions	Monthly (10 days notice)
Management Fee	1.5%
Performance Fee	12.5% with 6% hurdle on credit & 8% on other investments. 100% catch-up

Key Product Points

- Excellent access to deal flow driven by their network
- Tax-deferred structure makes this attractive in taxable and corporate accounts
- Targeting equity returns (10-12%) with lower volatility

Appendix - Avenue Living Core Trust

Target Asset Class

B&C assets that regularly overlooked by institutions

Assets typically purchased below replacement cost

CLASS B/C



- Legacy Stock
- Low Rent PSF
- Recession Defensive
- Non-Institutional
- Higher Relative Yields

Subsequent capital is used to de-risk and reposition properties

Belief that “workforce housing” is more resistant to recessions

Subscriptions	Monthly, 4 th Thursday of every month
Lock-Up Period	None
Redemptions	Monthly (45 days notice) and 60 day settlement
Management Fee	1.25% (0.50% acquisition fee)
Performance Fee	5% Carried Interest

Key Product Points

- Attempts to provide additional inflation and recession protection through property types
- Value-add real estate designed to drive return through both capital appreciation and income
- Tax-Efficient yield taxed primarily as return of capital

Appendix – Definitions

Sharpe Ratio	The Sharpe ratio is a way to measure a fund's risk-adjusted returns. It is calculated by dividing a fund's annualized excess returns over the risk-free rate by its annualized standard deviation.
Sortino ratio	The Sortino ratio takes an asset or portfolio's return and subtracts the risk-free rate, and then divides that amount by the asset's downside deviation.
Max Drawdown	A maximum drawdown (MDD) is the maximum observed loss from a peak to a trough of a portfolio, before a new peak is attained.
Up Capture	The up-market capture ratio is the statistical measure of an investment manager's overall performance in up-markets. It is used to evaluate how well an investment manager performed relative to an index during periods when that index has risen.
Down Capture	The down-market capture ratio is a statistical measure of an investment manager's overall performance in down-markets. It is used to evaluate how well an investment manager performed relative to an index during periods when that index has dropped.
R2	R-squared measures the relationship between a portfolio and its benchmark index. It is expressed as a percentage from 1 to 100. R-squared is not a measure of the performance of a portfolio. Rather, it measures the correlation of the portfolio's returns to the benchmark's returns.
Up Percent	Number of months an investment's returns were at or above 0%, divided by the total number of months.
Down Percent	Number of months an investment's returns were at or below 0%, divided by the total number of months.

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Source: Morningstar Direct

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