LONG-SHORT REITS STRATEGY

WHY INVEST IN FOLCO STRATEGIES?

- A proven track record (17.76%/yr past 10 yrs[1])
- Manager with extensive & pertinent capital market experience (19+ yrs)
- A low correlation to Canadian equity markets (0.45)
- Alignment of interest: a significant investment by the manager
- One of the few real estate focused active long/short strategies
- Cutting edge algorithm trading technology that provides competitive pricing, speed and best execution

[1] *Returns are gross of management and performance fees before April 2017. Net of fees since April 2017. Note: Prior to April 2017, the performance exhibits the proprietary track record of the manager. Subsequently, the performance exhibited is the one of a model client account of the Folco Strategy. The track record was audited by KPMG prior to December 31, 2015 and calculated by the custodian Interactive Brokers following that date.*

Desired benefits of Real Estate Investment Trusts (REITs)

The publicly traded real estate segment of the Canadian equity market:

- Over the last 20 years Canadian REITs have generated a compounded annual total return of +11.4%, +460 bp ahead of the TSX and outpacing every other Canadian yield sector as well (banks, telecoms, and utilities)
- Underlying tangible assets minimize the probability of severe losses of capital;
- Ample pricing transparency of underlying assets (can buy below replacement cost and below private transaction prices)
- Not always well covered or understood; creates mispricing and opportunities
- Buying public equities offer more diversification than direct private investments
- Significantly greater liquidity in public REITs vs private markets (geographically, segments)

RISING INTEREST RATES AND THE IMPACT ON CANADIAN REITs

<u>Contrary to a common misconception:</u> Rising interest rates do not necessarily lead to poor REIT performance

- S&P/TSX Capped REIT Index delivered positive returns during six of the past eight periods of material increases in the 10-year GoC bond yield since 1999
- US REITs have generated an annual return of 12.6% over the six monetary tightening cycles that have occurred since 1979
- Over an equal number of periods when U.S. Treasury yields were rising, REITs generated an annual return of 10.8%.(1)
- In a rising interest rate environment driven by inflation expectations, real estate should as an inflation hedge, as improved economic conditions should drive up NOI (rising tenant demand boosts occupancies, rents, land prices, and replacement cost). This will offset the impact of rising interest rates (i.e. higher debt financing costs and possibly cap rates)
- Generally speaking, shorter-term leases allow rents to catch up to inflation more quickly compared to longer-term leases

(1) Returns, which were obtained from Bloomberg as of December 31, 2012, were time-weighted

Details

Alternative Equities

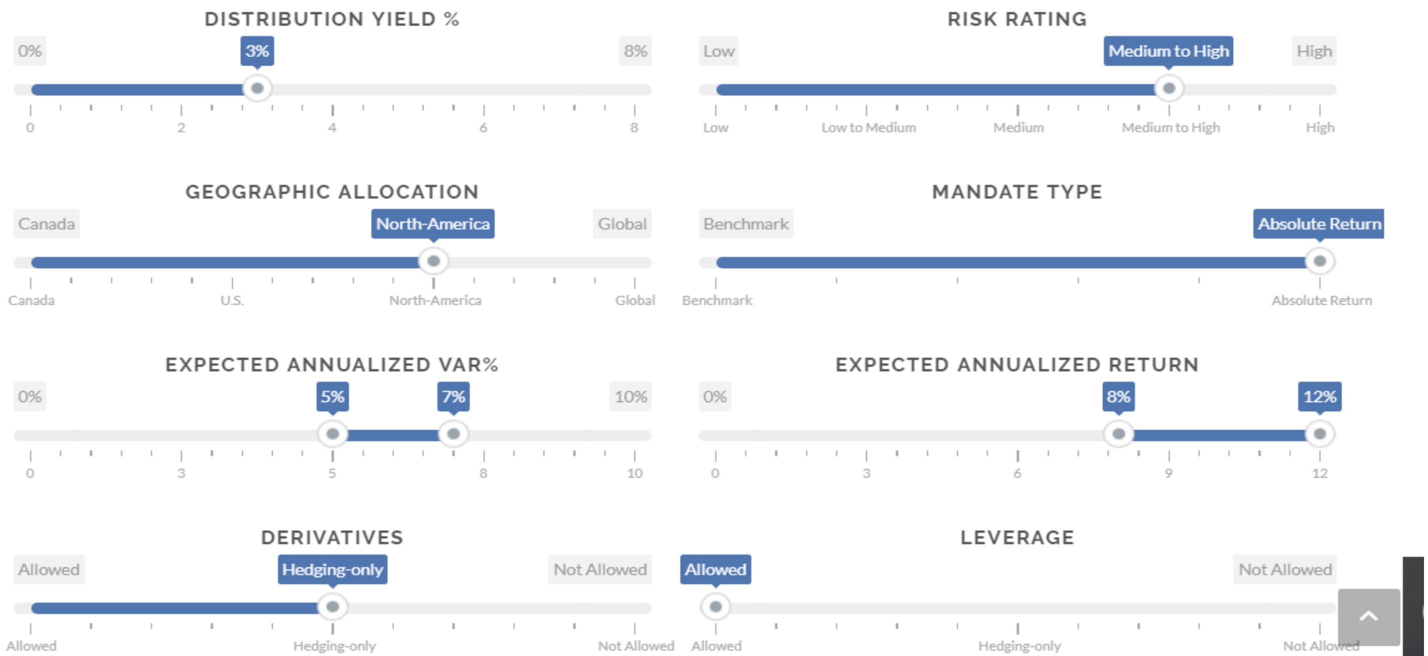
Tax-efficient income

+

Tactical L/S trading

+

Focus on REITs



Desired benefits

Low correlation

Specialized Expertise

Proven track-record

INVESTMENT PROCESS

Market Analysis

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Portfolio Construction

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Tactical Asset Allocation

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Risk Management

PORTFOLIO CONSTRUCTION

Approach

Style: Actively managed Long/Short
w/ contrarian bias

Implementation

Long positions: Strategic core positions
Focused on income using value approach

Short positions: Opportunistic exposures to add-value through tactical asset allocation & hedging

Target portfolio

15-25 long core positions
5-10 short tactical positions

Total return objective

8-12% per annum (net of fees)

RISK MANAGEMENT

Leverage	Concentration risk	Active hedging
Maximum leverage: 200%	Maximum per position: Longs <20% Shorts <10%	Use of ETFs and futures to mitigate market risk when appropriate.

A long-short REITs+ portfolio focused on capital preservation

FRANÇOIS-OLIVIER LAPLANTE, Portfolio Manager

From 2003 to 2014, François served as Vice-President, Director and Head of Liability Trading on the Institutional Equity Trading team at Desjardins Securities, part of a $260 billion financial institution. He was in charge of managing the firm’s liability book, covering telecoms, REITs, industrials, rails, energy infrastructure, independent power producers, pipelines and utilities. He facilitated equity block transactions by pricing potential trades and managing the firm's trading capital to encourage activity among Desjardins institutional clients.

François's extensive experience, gained from years of deploying large amounts of risk capital on both the long and short sides, enable him to execute multiple trading strategies successfully with an overriding focus on risk management.

He served previously with National Bank Financial, where he worked as an equity proprietary trader and institutional equity liability trader from 2000 to 2003. François holds a bachelor's degree in business administration from Laval University where he was a starter for the Rouge et Or basketball team.

Throughout his broad experience in the investment industry, François has developed highly relevant relationships with company executives and industry professionals. He is also a member of the board of trustees of Fronsac REIT (FRO.UN – TSXV), a publicly-traded open-ended trust that owns and acquires high-quality commercial real estate properties rented to strong tenants under long-term, management-free and net leases.

Marc Rivet, Chief Compliance Officer, Head of Risk Management

Mr. Rivet co-founded Groupe Nymbus Capital Inc. in 2013 alongside Mr. Cefaloni where he acts as Compliance Officer and Head of Risk Management. He has extensive experience in the financial markets with an expertise in fixed income. Mr. Rivet is a seasoned entrepreneur. Prior to Nymbus Capital, he founded the ARB Group, a private investment firm, in 2005 and served as President until 2012. He was an independent participant in the Montreal Exchange from 1991 to 2005, primarily trading 10-year Canadian bonds and linked derivatives. Prior to that, he held positions as a Canadian fixed income market marker at the National Bank of Canada and was a specialist at Lévesque Beaubien Geoffrion Corp. where he began his career in 1986. Mr. Rivet holds a B.Comm in finance from Concordia University in Montreal.

Gabriel Cefaloni, Chief Investment Officer

Mr. Cefaloni became Chief Investment Officer of Groupe Nymbus Capital Inc. in 2013 where he spearheads quantitative research and investment management operations. His career spans more than 10 years of capital markets experience. He served as partner and portfolio manager specialized in quantitative fixed income derivatives for GC Capital Asset Management. Prior to that, Mr. Cefaloni acted as a fixed income associate portfolio manager for ARB Group, a private investment firm. Mr. Cefaloni holds a B.Comm in Investment Finance and Applied Maths with honors from Concordia University in Montreal and is recipient of the Chartered Investment Manager designation.

Risk Statistics Methodology

The annualized risk statistics (standard deviation, Sharpe and Sortino ratios) were derived from monthly return series. The risk free rate that was used is the 3 month treasury bill yield from the Bank of Canada. This rate was used to derive the Sharpe, as well as the Sortino ratio.

Sharpe Ratio

The monthly Sharpe ratio is equal to the mean monthly return of the Strategy minus the mean risk-free rate, divided by the monthly standard deviation of the strategy. The ratio is then annualized by multiplying it by the square root of 12.

Sortino Ratio

The monthly Sortino ratio is equal to the incremental compound average monthly return over a monthly minimum acceptable return (MAR) divided by the monthly downside deviation below the MAR. The ratio is then annualized by multiplying it by the square root of 12.