BENEFITS OF ALTERNATIVE INVESTMENTS

2022

ASSURICAN
PRIVATE WEALTH

Grow your wealth.
Assure your future.

GUIDE HIGHLIGHTS

- Alternative investments provide diversification and are often less volatile, making them a vital part of a modern investment portfolio.

- Private multi-residential apartments in particular have several key advantages over traditional investments:
  - They provide higher total returns with less volatility
  - They provide better downside protection
  - They are a proven hedge against inflation
  - They are far more tax efficient

- You can augment your portfolio with alternative investments and improve your financial position by working with the investment experts at Assurican Private Wealth.

BENEFITS OF ALTERNATIVE INVESTMENTS

As investors continue to grow increasingly weary of the constant volatility in the traditional public markets, they are beginning to look for alternative ways to generate stable income, preserve their capital, protect against market volatility, and achieve an attractive total return.

Many investors are realizing that simply spreading their stock holdings across more geographic regions or sectors is not really providing them with the diversification and true protection that they seek.

When things go wrong (and that seems to be happening more and more), the selloff in public equities is sharp and basically indiscriminate, meaning the vast majority of publicly traded stocks take a beating.

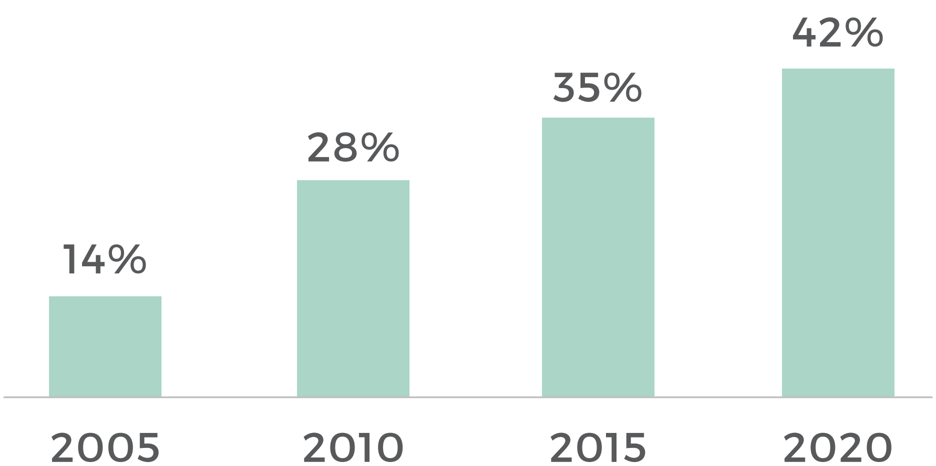
One area that investment professionals have looked to for insight into how to better protect their clients has been the leading pension plans and endowment funds.

After enduring numerous stock market roller coasters, pension plans and endowment funds found it was becoming harder to match their very predictable payout streams with the income streams being generated from their traditional investments. They began to look for ways to significantly reduce the volatility of their investments, in order to ensure they could increase their ability to meet their future payout commitments.

Over the last 20 years, CPP, OMERS, OTPP, CalPERS, Yale Endowment, and Harvard Endowment have all substantially increased their relative holdings in real estate and other alternatives in order to reduce the overall volatility and increase the returns of their investment portfolios.

Below you can see the dramatic increase in alternative investments in the seven largest pension plans in Canada, which together manage more than C$1.7 trillion.

PERCENTAGE OF ASSETS WHICH CANADA'S LARGEST PENSION PLANS HAVE IN ALTERNATIVE INVESTMENTS



Source: Annual Reports for Canada Pension Plan Investment Board, Caisse de dépôt et placement du Québec, Ontario Teachers' Pension Plan Board, British Columbia Investment, Management Corporation, Public Sector Pension Investment Board, Ontario Municipal Employees Retirement System, Alberta Investment Management Corp

BENEFITS OF ALTERNATIVE INVESTMENTS

This trend has slowly been trickling down to high-net-worth investors, who have realized that alternatives are an important part of a modern investment portfolio.

Alternative investments should be included in investment portfolios because they provide real diversification benefits, enhanced returns, generate income, reduce volatility or, in some cases, can do all the above.

One of our favourite alternative asset classes is private real estate, and more specifically, multi-residential properties.

Private, multi-residential apartments offer investors a unique investment opportunity. They have the potential to create returns through three sources:

- **Consistent cash flows from operations;**
- **Increases in equity from mortgage principal repayment (in a sense, the tenants buy the building for you); and**
- **Potential increases in property value over time.**

We believe there are four key advantages that private multi-residential apartments have over traditional investments:

- **Higher Total Returns with Less Volatility;**
- **Better Downside Protection;**
- **Proven Inflation and Hedge;**
- **More Tax Efficient.**

On the following pages, we will explore these advantages more closely.

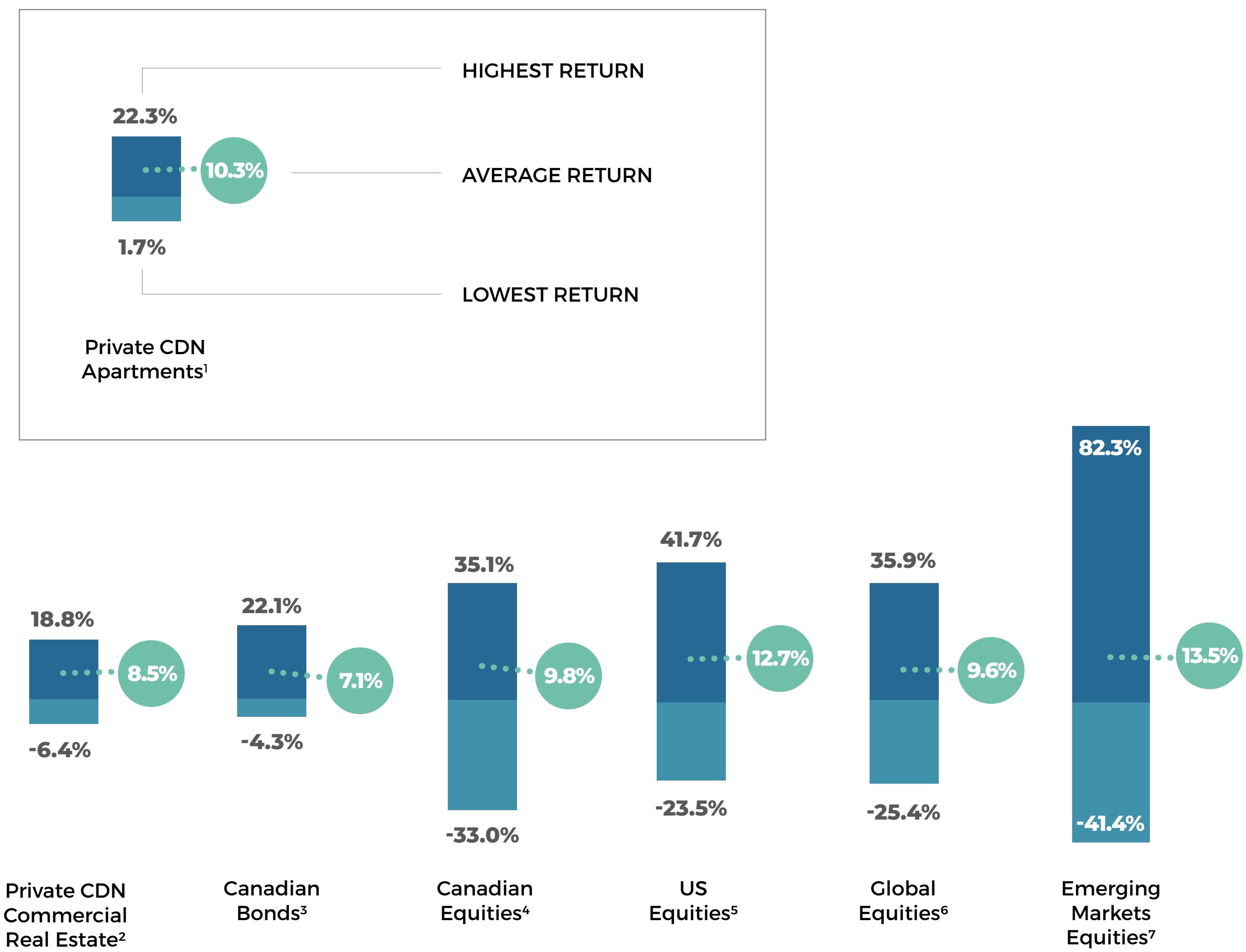
ADVANTAGE #1:

HIGHER TOTAL RETURNS WITH LESS VOLATILITY

Over the past 34 years, Private Canadian Apartments[1] have not only outperformed Canadian Bonds[3] and Canadian Equities[4] by 45% and 5%, respectfully; they have never had a year in which their annual return was negative.

The lowest annual return for Private Canadian Apartments was a positive 1.7%, while the lowest annual return for Canadian Equities was negative 33%.

ASSET CLASS ANNUAL TOTAL RETURNS 1988-2021



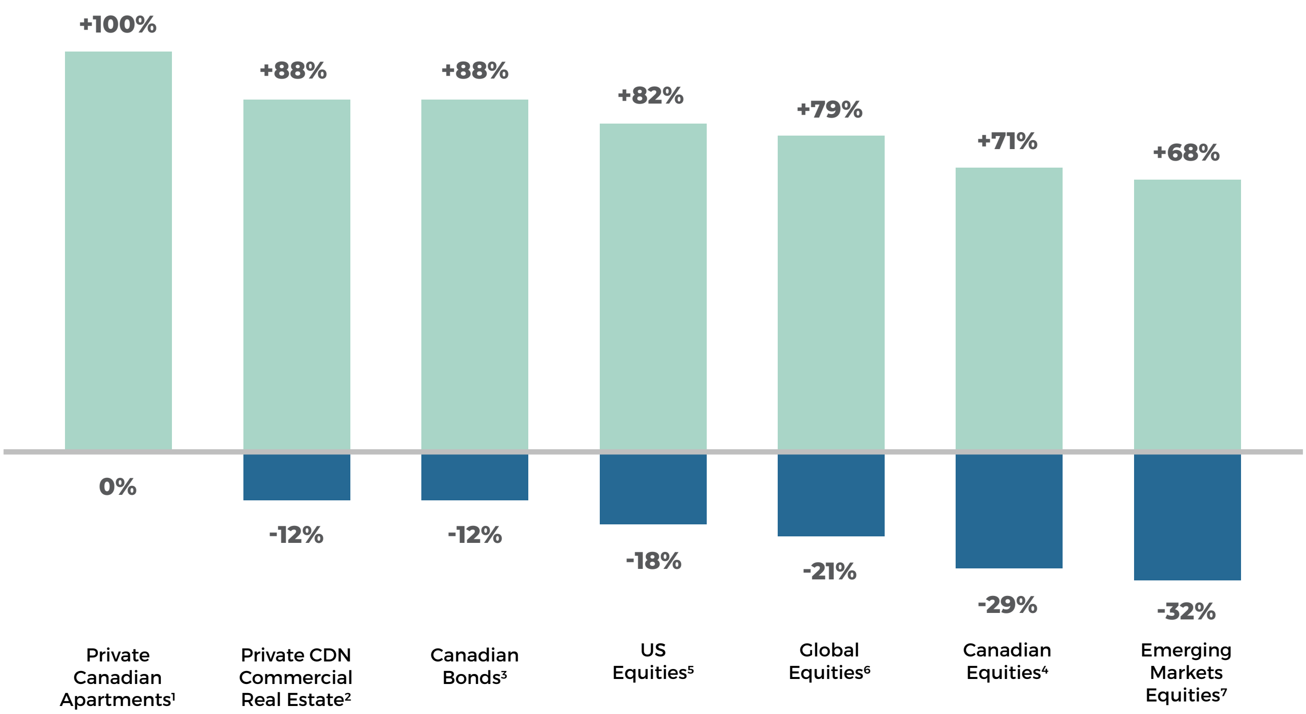
ADVANTAGE #2:

BETTER DOWNSIDE PROTECTION

Over the last 34 years, Private Canadian Apartments have provided investors with significant downside protection. Over this period, Private Canadian Apartments have never had a negative annual return, while in contrast, all major equity markets (and even Canadian Bonds) have had numerous negative annual returns.

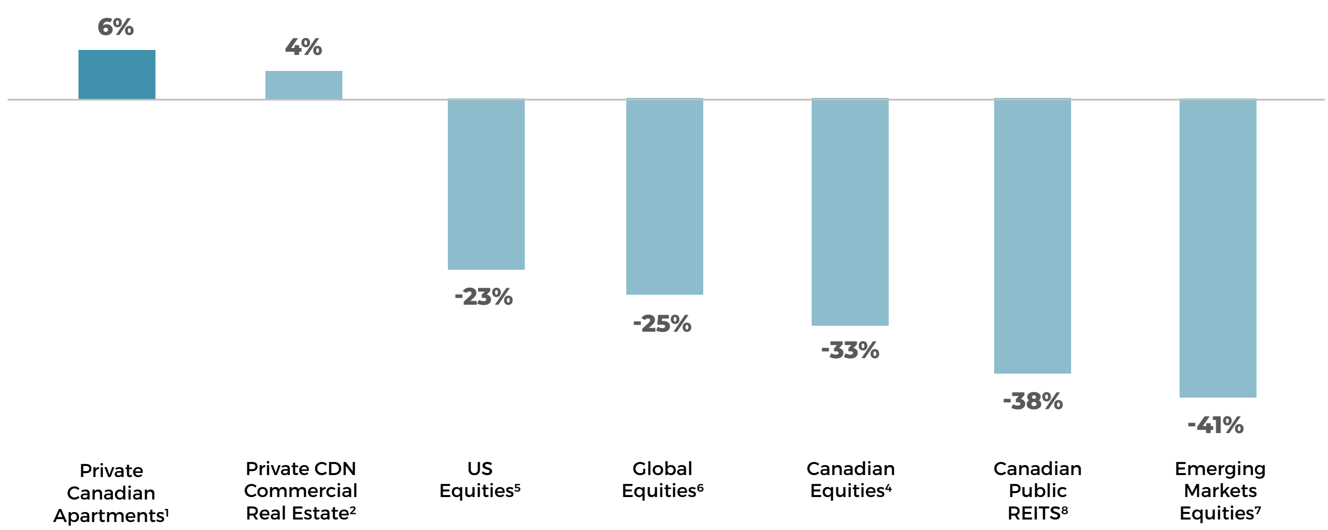
PERCENTAGE OF YEARS WITH POSITIVE/NEGATIVE ANNUAL RETURNS

1988-2021



During the Financial Crisis of 2008, the single worst year in global investing since the early 1930s, Private Canadian Apartments posted a **positive return of roughly 6%.**

TOTAL RETURNS 2008



ADVANTAGE #3:

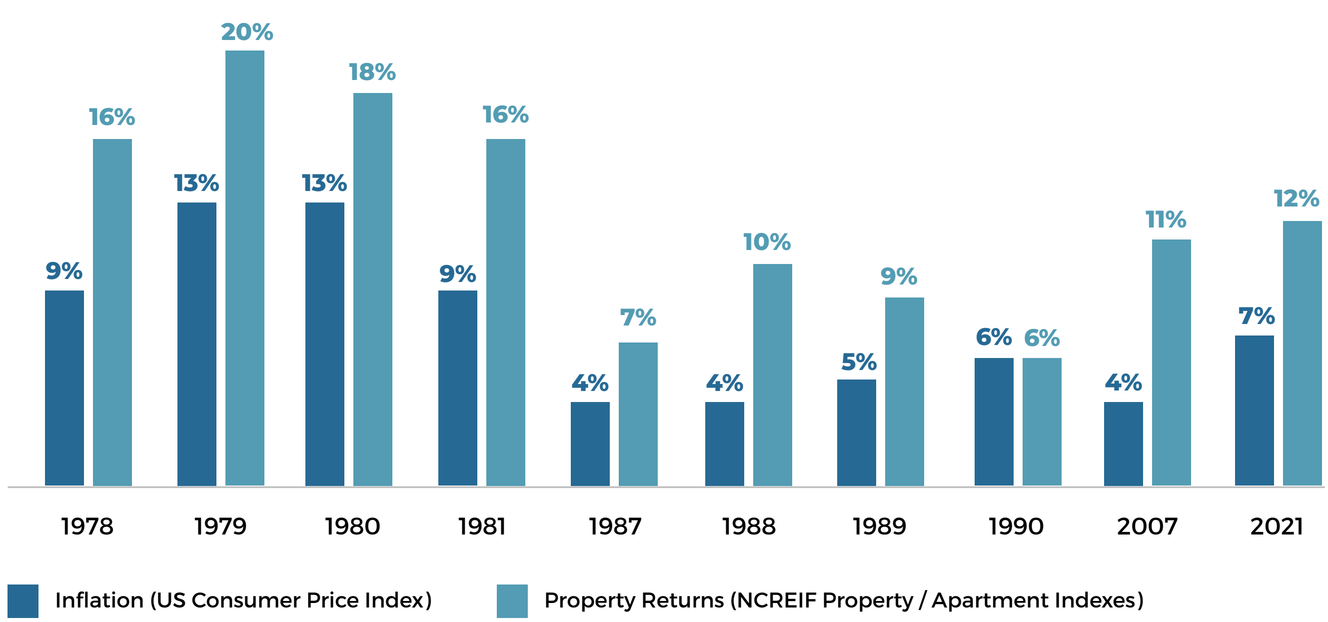
PROVEN INFLATION HEDGE

Due to the unavailability of data for the Canadian Private Apartment index prior to 1986, we have used the private commercial real estate market in the U.S. as a surrogate for our inflation analysis.

Over the last 43 years, commercial real estate in the U.S. has normally provided positive annual real returns during periods in which inflation (as measured by the annual change in the Consumer Price Index) was over 4%.

While the relationship between real estate and inflation should not be the primary factor for investment in real estate, it is a component worth considering within the context of the benefits of diversification to a multi-asset portfolio.

ANNUAL PERFORMANCE OF U.S. PRIVATE APARTMENTS IN HIGH INFLATION YEARS



ADVANTAGE #4:

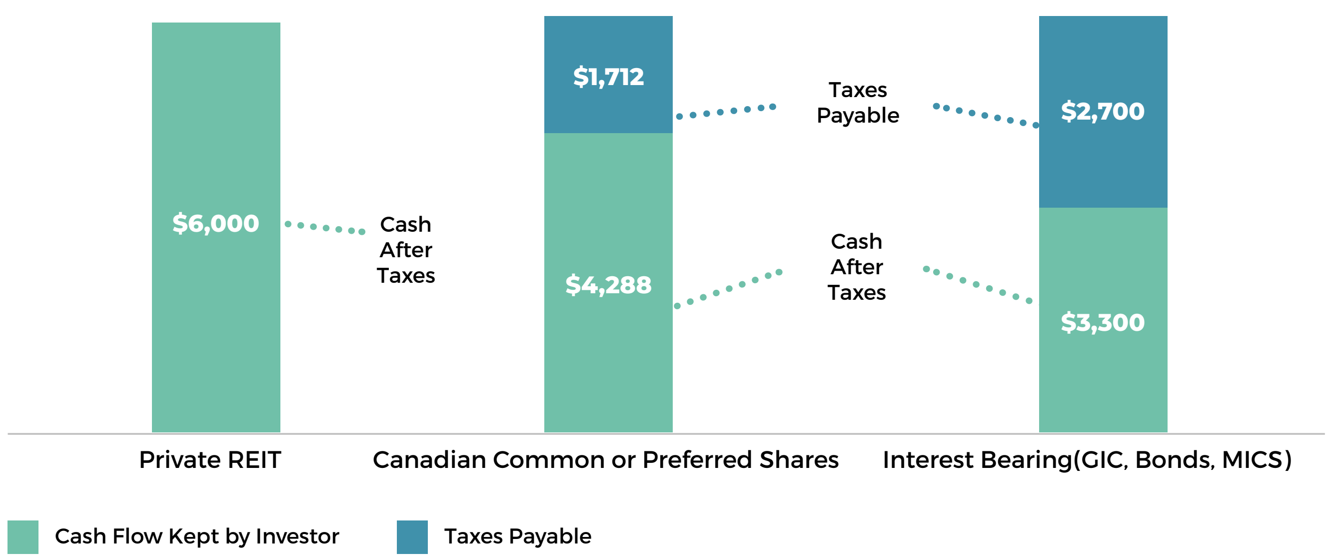
MORE TAX EFFICIENT

Although dividends received from common/preferred shares are relatively more tax efficient than interest income, both may be significantly less tax efficient than distributions received from a Private Real Estate Investment Trust (REIT).

Compare the tax consequences of investing $100,000 for five years in a common/preferred share with a 6% dividend, an interest paying security yielding 6%, and an investment in a Private REIT with a 6% distribution.

Higher after-tax cashflow: Although all three investments would provide the investor with $6,000 in **pre-tax** annual cashflows, the dividends received and the interest income earned at a 45% tax rate would be subject to $1,712 and $2,700 in taxes each year, respectively. By contrast, the private REIT investor may not be required to pay any taxes in the current year, and may be able to defer paying any tax until the investment is sold.

ANNUAL CASH FLOW AND TAXES



NOTES:

A: Assuming the REIT is 100% tax efficient, with all distributions paid by the REIT are classified as Return of Capital; that there is no capital appreciation in the shares of the REIT; and that at disposition the capital gain associated with the REIT is taxed at 45%.

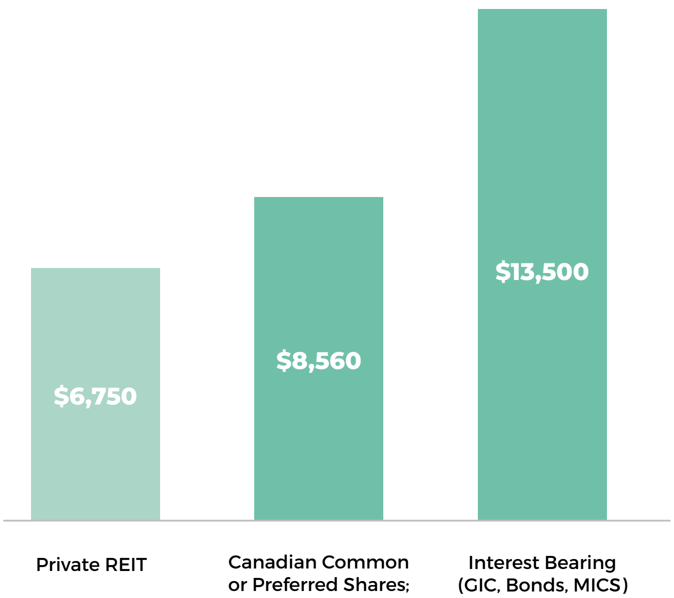
B: Dividends are treated as eligible Canadian dividends taxed at a 45% marginal tax rate. There is no capital appreciation in the preferred shares.

C: Interest income is taxed at a 45% marginal tax rate.

PAY LESS
TOTAL TAXES

Total taxes paid over five years on the dividend and interest income would be $8,560 and $13,500, respectively. On the private REIT, taxes would only be $6,750, and could potentially be deferred until the investment is sold.

TOTAL TAXES PAID OVER A 5 YEAR HOLDING PERIOD



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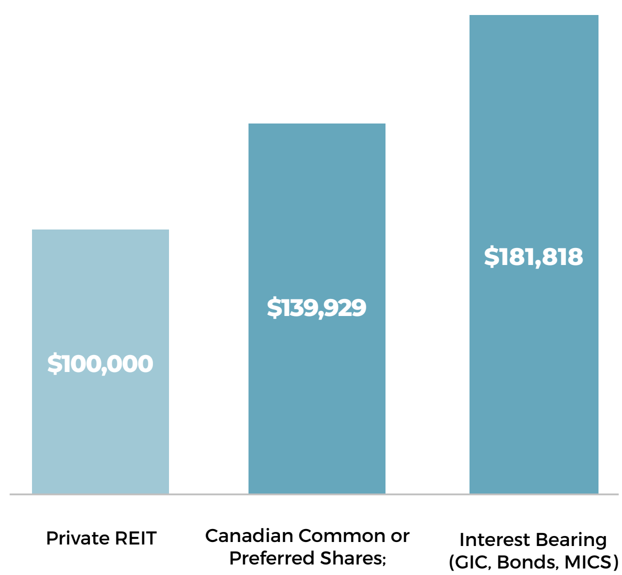
TIE UP
LESS CAPITAL

From an after-tax perspective, an investor would have to invest over $181,818 in a 6% interest bearing security, or $139,929 in a 6% preferred/common share, to generate the same $500 a month after-tax income stream as an investor who had invested $100,000 in a private REIT. By using a private REIT to generate your required cashflow, you could free up a substantial amount of capital to be invested elsewhere, thereby potentially increasing the overall returns of your portfolio.

INVESTMENT REQUIRED TO GENERATE A $500 MONTHLY INCOME STREAM AFTER TAXES



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WHY SETTLE FOR THE ORDINARY?

You deserve to augment your portfolio with investments that can:

1. **ACHIEVE ATTRACTIVE TOTAL RETURNS;**
2. **PRESERVE CAPITAL;**
3. **PROTECT AGAINST MARKET VOLATILITY;**
4. **HEDGE AGAINST INFLATION; AND**
5. **GENERATE EXTREMELY TAX EFFICIENT INCOME.**

Unfortunately, not all financial professionals can offer their clients the opportunity to invest in alternatives/private investments — **but we can.**

SOURCES

1) Private Canadian Apartments = MSCI/REALPAC Canada Quarterly Property Fund Index- Residential / MSCI Real Estate Analytics Portal
2) Canadian Commercial Real Estate = MSCI/REALPAC Canada Quarterly Property Fund Index - All Properties / MSCI Real Estate Analytics Portal
3) Canadian Bonds = FTSE Canadian Universe Bond Index /www.blackrock.com/ca
4) Canadian Equities = S&P/TSX Composite Total Return Index / Bloomberg -
5) US Equities = MSCI US Index / Bloomberg
6) Global Equities = MSCI World Index / MSCI Inc.,
7) Emerging Market Equities = MSCI Emerging Market Index / MSCI Inc.,

DISCLAIMER

Assurican Private Wealth is a division of Equiton Capital Inc. offering discretionary portfolio management services to residents of Ontario, Alberta and British Columbia.