

TRIVIRTUS

R E A L E S T A T E F U N D I L P

A TENANT DRIVEN APPROACH TO ATTRACTIVE INVESTMENT RETURNS



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OFFERING TERMS (CAD \$)

Structure	Limited Partnership distributed to “accredited investors”, initially under the “private issuer” exemption
Minimum investment	\$250,000
Management Fee	2.0% of NAV
Targeted Return	12%+ per annum
Hurdle	8.0%; Annual, No Reset
Cash Distributions	Quarterly, targeted @ 4.0% - 6.0% annualized
Incentive Allocation	Annual, 20% of net income above high water mark once 8.0% hurdle is met
Subscriptions	Quarterly
Redemptions	Quarterly; 30 days notice
Auditor	To be confirmed
Administrator	SS&C Technologies Canada Corporation
Legal Counsel	Stikeman Elliott LLP
Closing	On or about second week of January 2019



INVESTMENT OVERVIEW

TriVirtus Real Estate Fund I LP (“Fund” or “TriVirtus”) will leverage management’s network, expertise + proprietary commercial real estate deal flow to:

- Identify lucrative, high traffic commercial development areas & opportunities for single and multi-tenant retail locations across Canada
- Acquire properties at attractive valuations
- Develop and provide value-added initiatives to maximize investor total returns

FUND OBJECTIVES

- Generate a full cycle net return of 12%+
- Provide quarterly cash distributions of 4% - 6%+ (annualized)
- Assemble a portfolio of high quality, national brand, commercial real estate assets with minimal cyclical





COMBINING A POWERFUL & UNIQUE EXPERTISE

- TriVirtus was formed by the 3 Principals from Sovereign Asset Management (“SAM”) + Blue Deer Capital (“BDC”)
- Track record of success in real estate development, construction and investment management
- Significant expertise in acquisition, design, construction, leasing & property management
- Developed a \$75MM+ portfolio of high quality commercial real estate assets across eastern Canada
 - Acquired all assets ‘off market’
- To date, investments have collectively delivered:
 - 20% Internal Rate of Return (“IRR”) over 9 years
 - 40% growth in Net Operating Income (“NOI”) + 40% growth in rental sq.ft. since 2012
- 20 years of capital markets and fund management expertise
- Designed and launched 4 funds, including 2 Award Winning funds



+





THE MANAGEMENT TEAM



DANIEL D. MCCLURE
Executive Chairman

- President of Blue Deer Capital, a capital advisory & strategy consulting firm
- Financial industry veteran, 20 years in capital markets
- Former CEO & CIO, alternative asset management company
- Leadership roles in investment research, portfolio management
- Managed \$3B of AUM, multiple sectors & geographies
- Designed + launched 4 investment funds, incl. 2 Lipper Award winners
- Former investment banker



CHARLES DYER
CEO & Co-Founder

- Co-Founder, Sovereign Asset Management, a vertically integrated retail property development company
- Seasoned real estate professional with wide ranging development experience
- Former Director of Design & Construction for Rexall/Pharma Plus, Katz Group Canada, managing >400 new store & renovation projects
- Director of Store Planning for Shoppers Drug Mart, converted 135 Big V Pharmacies
- Former Project Engineer, large municipal infrastructure projects

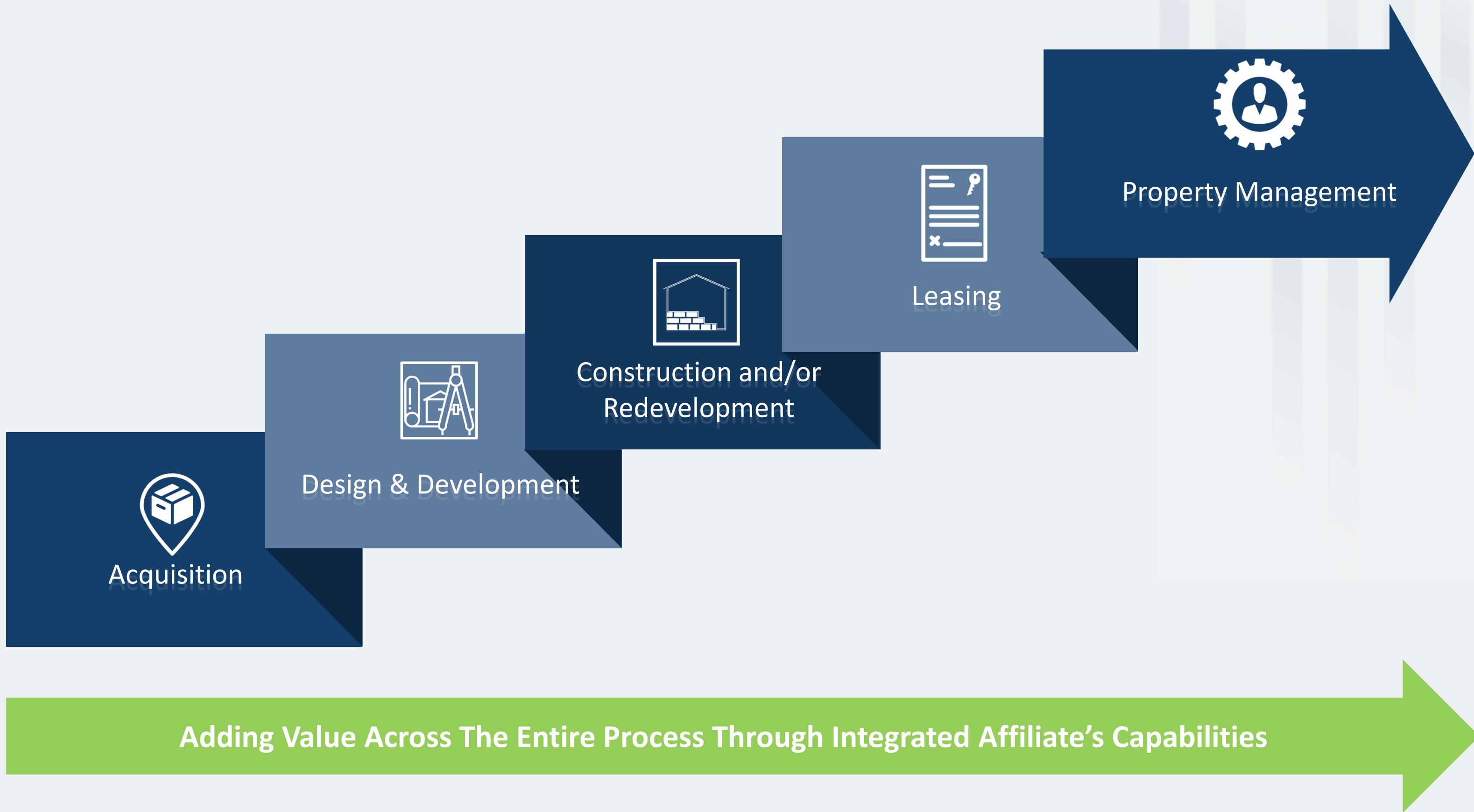


ROGER FERREIRA
CDO & Co-Founder

- Co-Founder, Sovereign Asset Management, a vertically integrated retail property development company
- CEO & Founder of NAGC, a leading full service general contractor in the Canadian retail real estate industry with > 500 successful projects since 1998
- Seasoned commercial real estate professional with expertise covering: Quick Service Restaurants, Pharmacy, Grocers, Medical Offices, Gas Stations and Municipal Projects



PROVIDE FULL CYCLE VALUE ADD





TRIVIRTUS FUND I – A COMPELLING OPPORTUNITY



Seasoned management team

- Proprietary deal flow from extensive network + preferred developer status with national brands
- Ability to bid and acquire assets 'off-market'
- Add value to investments from in-house design, construction, leasing and property management



Real Estate is an attractive asset class with low cyclical risk

- Competitive historical returns vs. stock market, with much lower volatility
- Asset class is a hedge against inflation with a low correlation to equities
- Portfolio will consist of nationally branded stores and creditworthy tenants
- Proven investment model with historical acquisitions having limited cyclical risk through last recession



Strong track record of growth & performance

- 20%+ IRR on management team's historical portfolio at SAM
- 40% growth in NOI and rental sq. ft. since 2012 at SAM



Attractive quarterly cash distributions

- Targeted 4% to 6% per annum: 1.0% - 1.5% quarterly cash distribution plus year-end top up
- 12%+ per annum targeted returns, inclusive of capital gains



REAL ESTATE IS AN ATTRACTIVE ASSET CLASS

- Very competitive returns compared to the stock market with lower volatility
- Provides portfolio diversification (low correlation with the stock market) + effective hedge against inflation
- A substantive portion of return comes from income vs. capital appreciation
- Hard assets that can be leveraged

	1 Year	5 Years	10 Years	20 Years	Avg. Return	Volatility	Sharpe Ratio	Max. Drawdown
Real Estate (REALPAC/IPD Canada Property Index)	5.4%	8.8%	8.8%	11.1%	9.4%	7.2	0.54	13.0% (1990 to 1993)
Equities (SP/TSX Index)	21.1%	8.2%	4.7%	7.3%	9.4%	15.7	0.28	33.0% (2007 to 2008)
Bonds (FTSE TMX Canada Universe Bond Index)	1.7%	3.2%	4.8%	5.8%	7.9%	5.9	0.64	4.3% (1993 to 1994)

Notes:

- Compound annual returns for years 1 through 20, 1986 – 2016.
- All returns are total returns and in C\$.
- Average annual returns are arithmetic, 1986 – 2016 and in C\$.
- Sharpe ratio calculated as average excess return above one year Treasury yield, divided by volatility of excess return.
- Maximum drawdown is greatest peak-to-trough loss experienced over 1986-2018.



TRIVIRTUS CAPITAL

A PORTFOLIO OF QUALITY TENANTS

Extensive and preferred relationships with marquee national brands



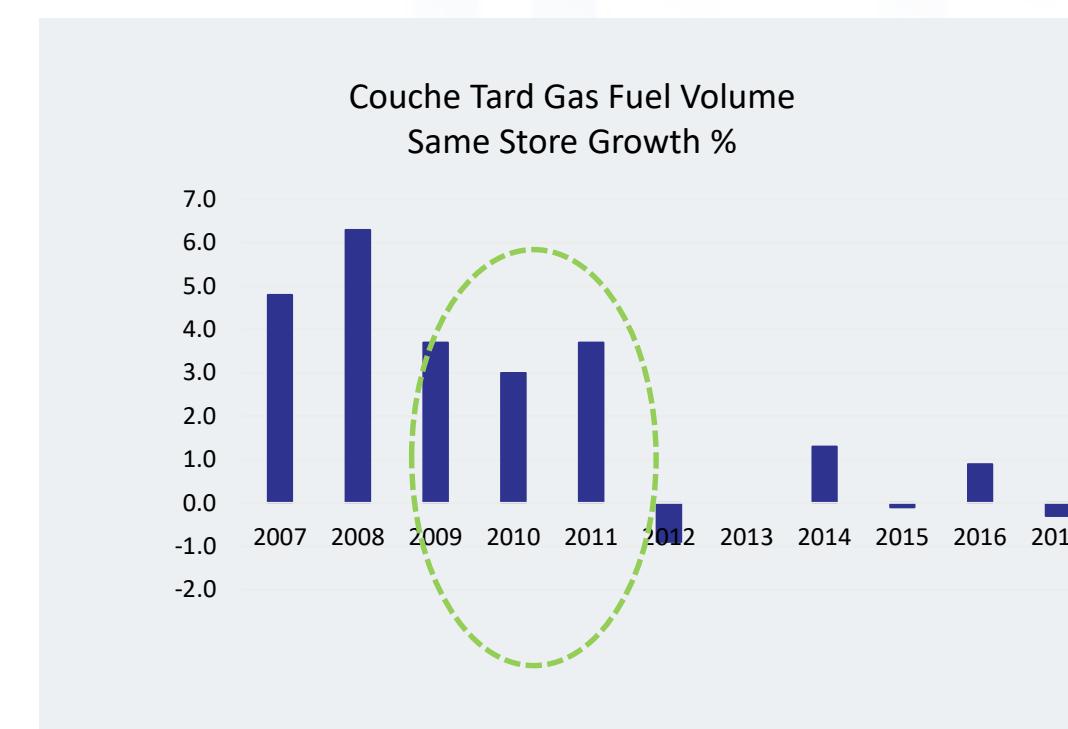
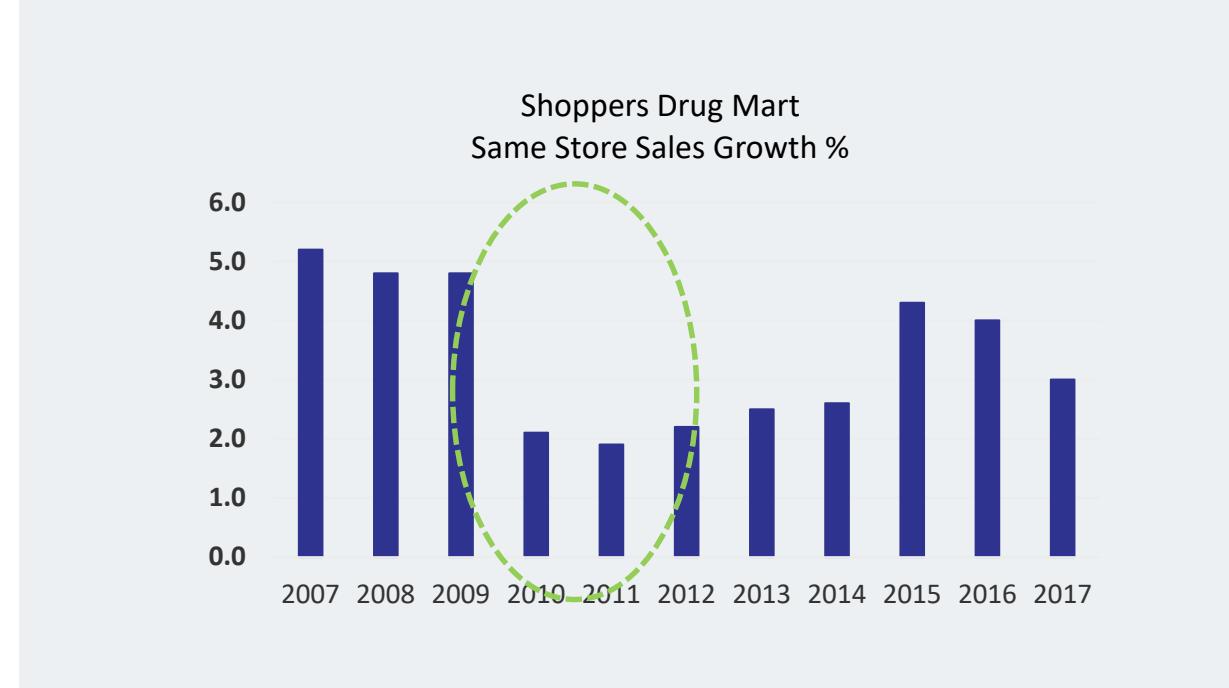
Tim Hortons.



"Sovereign Asset Management has played a key role in the expansion of our company. Their level of experience, professionalism, and sense of urgency were critical to the successful roll-out of our retail program."
Travis Allan, President & CEO Pro Oil Change



A PORTFOLIO OF TENANTS WITH LIMITED CYCLICALITY



Source: Annual Reports; Company websites; Regulatory documents filed on SEDAR.

Denotes period of Great Recession of 2008 – 2010.





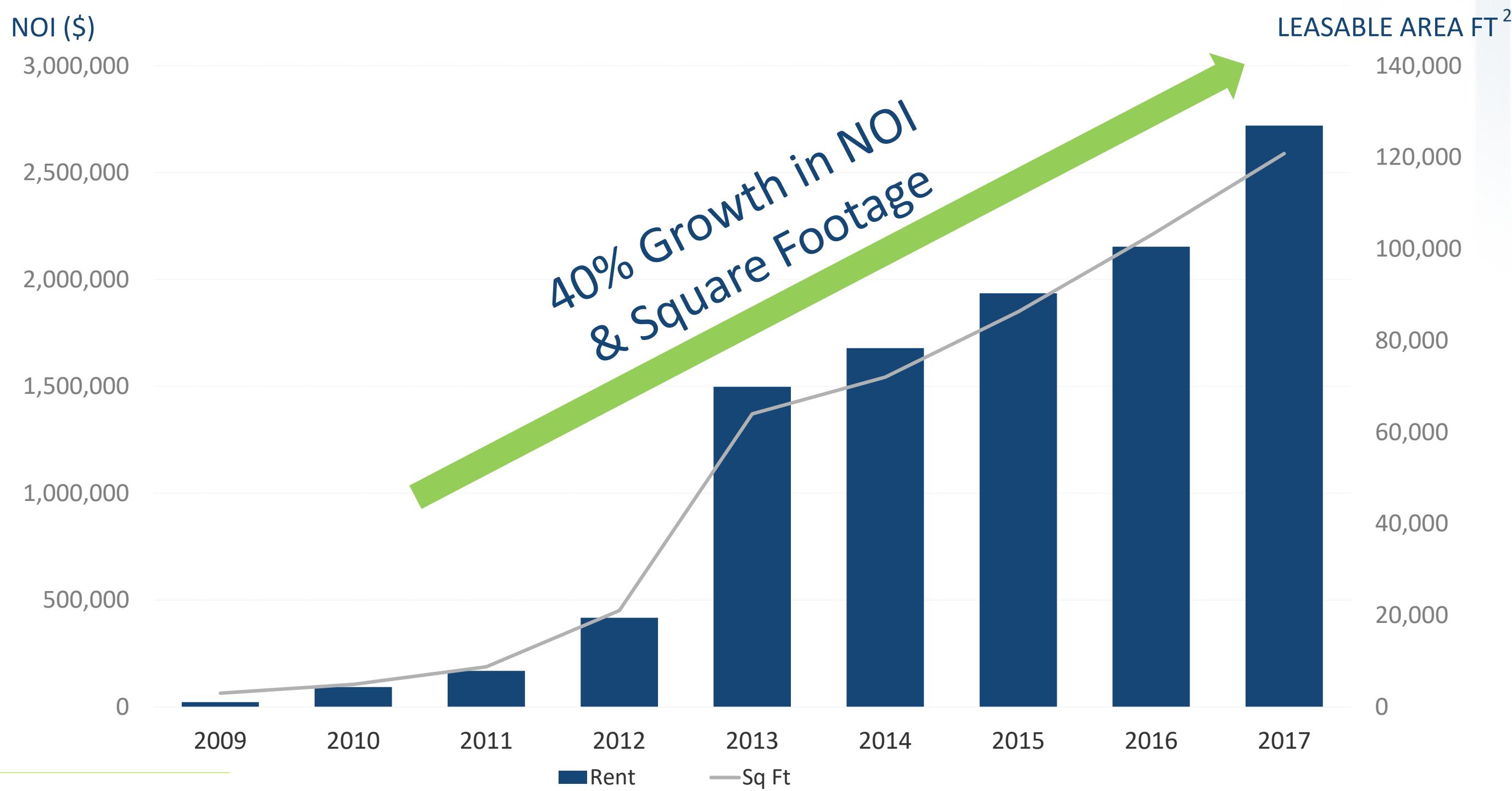
A TRACK RECORD OF SUCCESS IN REAL ESTATE DEVELOPMENT

SAM INITIAL VALUE	CURRENT SAM HOLDINGS
 PORTFOLIO 0	21 properties operating @ 99.5% occupancy 7 properties in development
 PORTFOLIO VALUE \$40MM	\$75 MM (\$25MM in development)
 EQUITY VALUE \$10MM	\$27MM (including distributions)
 EQUITY MULTIPLE 1.0x	2.6x
 CASH YIELD % NA	7.6 %
 INTERNAL RATE OF RETURN % (IRR) NA	20.3 %+ June 2009 to June 2018

CONSISTENT + STRONG GROWTH & PERFORMANCE

Profile of TriVirtus' target commercial retail assets (SAM current holdings)

- Creditworthy tenants that are national and international brands
- Long-term leases
- Limited cyclical
- Specialty retailer focused → better positioned to compete in e-commerce environment





INVESTMENT GOALS

Construct a high quality, commercial real estate portfolio of national retail brands with limited cyclical and immune from the “Amazon effect”



Target 1

Deliver an internal rate of return of 12%+ per annum



Target 2

Deliver quarterly cash distributions totalling 4% - 6%+ (annually)



Target 3

Maintain a strong balance sheet with optimal leverage





INVESTMENT STRATEGY

Purchase and reposition underperforming retail properties in mid to large Canadian markets with some or all of the below characteristics:

-  Rents below market value with opportunistic renewal terms
-  Additional land that can be developed
-  Vacancy that can be leased with a lift in rental rates
-  Well positioned real estate in major retail corridors
-  Convenience oriented centers that are immune to the “Amazon effect”
-  Income producing properties to minimize carrying costs and reduce development risk (while being repositioned)





INVESTMENT METHODOLOGY

Leverage proprietary relationships with developers, leading national retail brands & financial institutions

+

Utilize TriVirtus' vertically-integrated property development expertise

AQUIRE

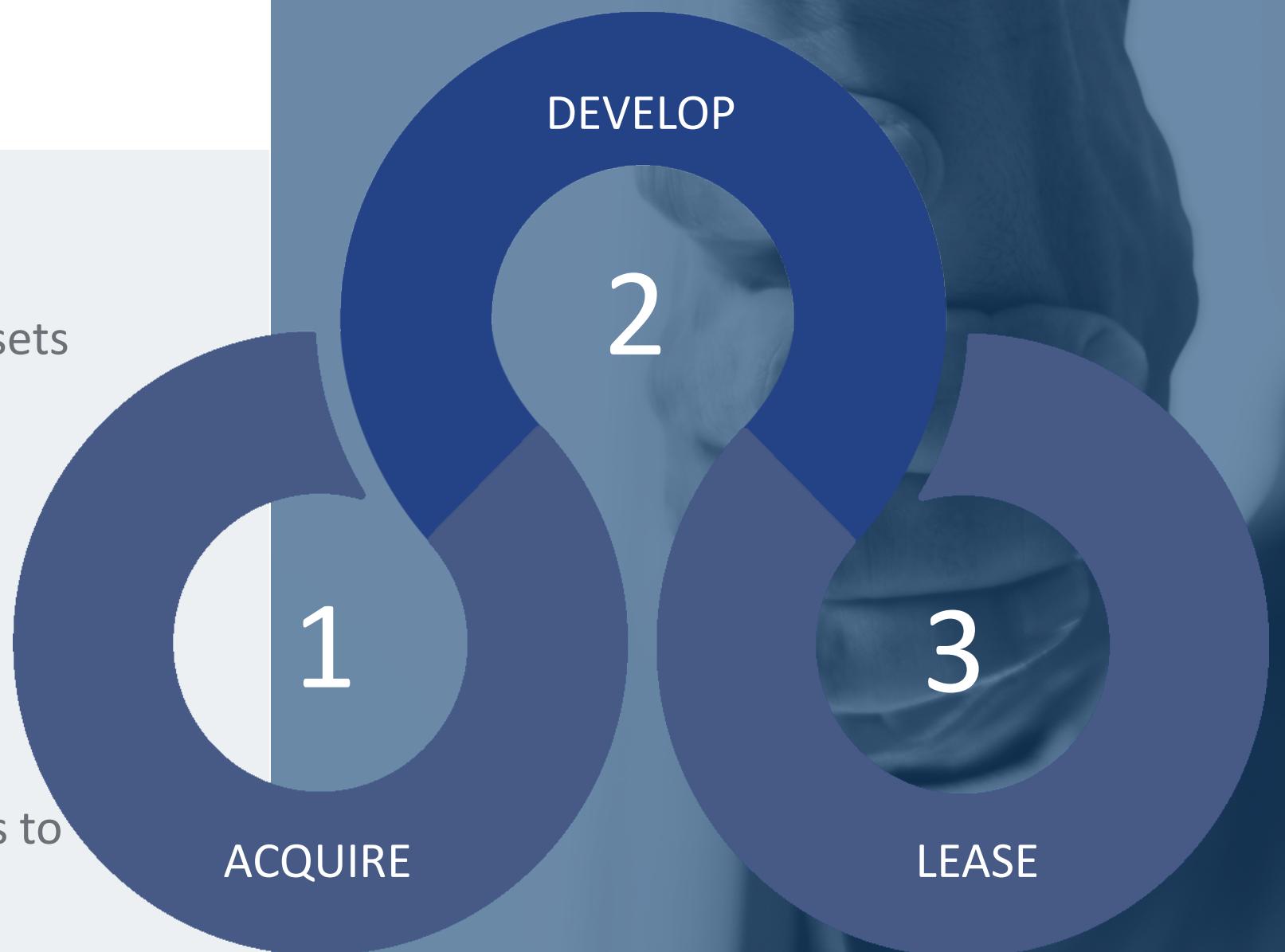
Leverage 25-year industry relationships & network to source and secure assets that meet our financial criteria (generally 'off market')

DEVELOP & POSITION

Develop & add value to the properties through experienced team of design professionals and vertically integrated organizational structure

LEASE

Utilize extensive relationships with major Canadian & International retailers to lease vacant space, upgrade tenants and develop excess land with national brands





RESTRICTIONS

What we will minimize or avoid

- ⊗ Limited “big box” investments
- ⊗ No land speculation
- ⊗ No minority ownership
- ⊗ No investments outside of Canada
- ⊗ Limited residential



USE OF PROCEEDS - INVESTMENT EXAMPLE (CAD \$)

Pro Forma		Typical Retail Development	
Development Area		1.0	Acres
Restaurant		5,000	sq.ft
Retail		5,000	sq.ft
Office		0	sq.ft
		10,000	Total sq.ft.
Income	Rent per sq.ft.	Expenses	Net Cash Flow
Restaurant	\$14,583	\$35.00	Financing \$16,602
Retail	\$12,500	\$30.00	LOC \$0
Office	\$0	\$0.00	Taxes \$0
			Utilities \$0
			Maintenance \$0
			Insurance \$0
			Miscellaneous \$0
			Property Mgmt \$1,354
Totals	\$27,083		\$17,956 \$9,127
Yearly	<u>\$325,000</u>		<u>\$215,470</u> <u>\$109,530</u>



USE OF PROCEEDS - INVESTMENT EXAMPLE (CAD \$)

Capital Required	Build Cost per sq.ft				
Land Acquisition	\$165	\$1,000,000	Cap Rate	<i>Yearly income / Total Investment</i>	8.05
Site Work		\$500,000	Potential Sale Cap Rate		6.00
Building	\$165 x 10,000 sq.ft.	\$1,650,000	Potential Sale Value	<i>Yearly income / Sale Cap Rate</i>	\$5,416,667
Commissions		\$143,000	Potential Profit	<i>Sale value less Total Investment</i>	\$1,379,507
Consultants and Soft Costs		\$100,000	Required Equity For Project	<i>LP Investor contribution</i>	\$1,522,160
Development Charges, Legal etc		\$150,000	Bank Interest Rate		4.50%
Carrying Costs		\$50,000	Amortization in Years		20
Tenant Allowance		\$200,000	Mortgage Loan To Value		65.00%
Contingency		\$165,000	Cash on Cash Return		7.20%
Development Fee (2%)		\$79,160	Paydown of Principal		5.44%
Total Investment		\$4,037,160	Total ROI		12.64%

BEFORE FEES:

Increase in property value = \$5,416,667 - \$4,037,160 = **\$1,379,507**

Gain on property = \$1,379,507 / \$4,037,160 = **34%**

Gain on equity = \$1,379,507 / \$1,522,160 = **90%**



TRIVIRTUS FUND I ACQUISITION PIPELINE – PROPERTY 1

WINDMILL & RALSTON, DARTMOUTH NS



Investment Thesis

- New retail development in an emerging retail corridor of Dartmouth, NS
- Signed lease LOI with A&W Restaurants and Pro Oil Change
- Anticipated NOI \$180,000
- Size of project: 1.1 acres of leasable area / 4,000 sq.ft. across two buildings
- Value of the asset: \$2,800,000

Date of Acquisition: 2019

Initial Investment	\$2.3 MM
Equity Required	\$935,000
Occupancy:	Raw Land
NOI:	Nil
Lease Term:	Nil

Anticipated Operating Performance

NOI:	\$180,000
Cash Yield:	5.75%

Upon Completion

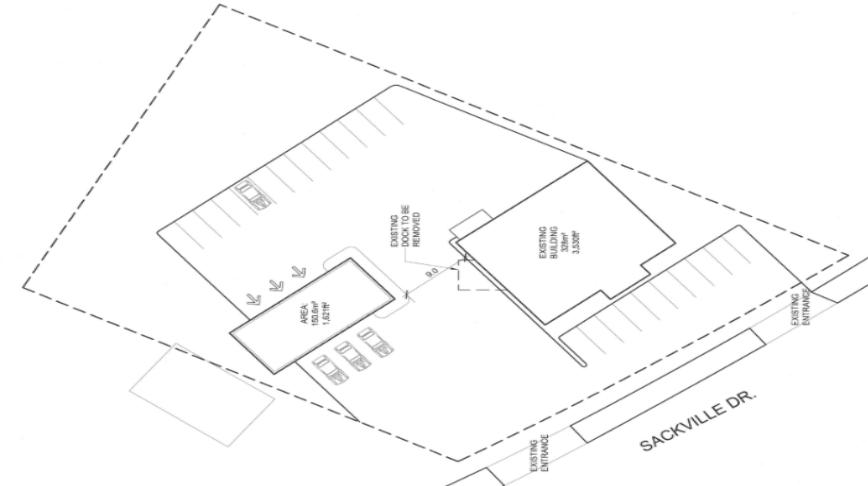
Value:	\$2.8 MM
Cap. Rate:	6.5%
Property Return	16%
Equity Return	42%
Occupancy:	100%
Lease Term:	20 years

All Returns Shown Are Gross of Fees



TRIVIRTUS FUND I ACQUISITION PIPELINE – PROPERTY 2

893 SACKVILLE ROAD, HALIFAX, NS



Investment Thesis

- New retail development in an emerging retail corridor of Lower Sackville / Halifax
- Reposition existing retail building and construction of new rapid oil change facility
- Signed leases with Pro Oil Change
- Anticipated NOI \$126,000
- Size of project: 0.9 acres of leasable area / 4,800 sq.ft. across two buildings
- Value of the asset: \$2,000,000

Date of Acquisition: 2019

Initial Investment	\$1.6 MM
Equity Required	\$590,000
Occupancy:	Land & Building
NOI:	Nil
Lease Term:	Nil

Anticipated Operating Performance

NOI:	\$126,000
Cash Yield:	7.4%

Upon Completion

Value:	\$2 MM
Cap. Rate:	6.5%
Property Return	26%
Equity Return	67%
Occupancy:	100%
Lease Term:	10 years

All Returns Shown Are Gross of Fees



TRIVIRTUS FUND I ACQUISITION PIPELINE – PROPERTY 3

219 MAINSTREET, DARTMOUTH, NS



Investment Thesis

- Redevelopment of old car dealership at a major intersection to mixed use retail
- Strategically located across the street from a community college and high school
- Leasing interest from A&W Restaurants, Starbucks, Pro Oil Change, Domino's Pizza and an as yet unnamed pharmacy
- Anticipated NOI \$1,050,000
- Size of project: 3.6 acres of land area / 30,000 sq.ft. across five buildings
- Value of the asset: \$17,500,000

Date of Acquisition: 2019

Initial Investment	\$14 MM
Equity Required	\$ 5 MM
Occupancy:	Car Dealership
NOI:	Nil
Lease Term:	Nil

Anticipated Operating Performance

NOI	\$1,050,000
Cash Yield:	6.1%

Upon Completion

Value:	\$17.5 MM
Cap. Rate:	6.1%
Property Return	25%
Equity Return	69%
Occupancy:	100%
Lease Term:	10 years

All Returns Shown Are Gross of Fees

EXISTING TRIVIRTUS FUND I – TARGETED VEND-IN PROPERTIES



67 McNaughton, Wallaceburg

- Main commercial corridor in town
- 20 year triple net rent with very strong corporate brand (A & W)
- Above average rent escalations built into contract
- Newly constructed in 2018, no further material capital required
- Leased for ten years with two five year extensions



1610 Brookdale Avenue, Cornwall

- Well located at a single intersection on the main traffic artery of Cornwall
- Strong brands with Pro Oil Change and Gino's Pizza
- Above average rent escalations built into contract
- Five year old construction
- Leased for ten years with two five year extensions



SAM INVESTMENT EXAMPLES - 685 QUEENSTON RD, HAMILTON, ON



Investment Thesis

- 685 Queenston Road is a new 38,000 ft² specialty grocery store located in the Stoney Creek (near Hamilton, ON)
- Originally operating as a car dealership, the 2.5 acre site was purchased and redeveloped as a specialty grocery store



Outcome

- Lease secured with anchor tenant, high end grocery chain Starsky's

Date of Acquisition: June 2012

Purchase Price	\$7.5 MM
Occupancy:	Car Dealership
NOI:	Nil
Lease Term:	Nil

Operating Performance

IRR	27.2%
NOI:	\$550,000
Cash Yield:	7.3%

Today

Value:	\$10.5 MM
Cap. Rate:	5.7%
Occupancy:	100%
Lease Term:	5 years

SAM INVESTMENT EXAMPLES - 4 HIGH STREET, COLLINGWOOD, ON



Investment Thesis

- 1 acre site purchased as surplus retail land from adjacent hotel
- Shadow anchored by a Metro grocery store and adjacent Home Depot
- Located in the major retail node of Collingwood, Ontario

Outcome

- Lease secured with Dollar Tree, Tim Horton's, Little Caesars, Sport Clips
- Utilized our vertically integrated management team to design and construct the 12,000 sq. ft. development
- Produces a stabilized NOI of approximately \$240,000 per annum

Date of Acquisition: October 2012

Purchase Price: \$3,200,000

Occupancy:

Vacant Land

Yield:

Nil

Lease Term:

Nil

Operating Performance

IRR: 18.0%

NOI: \$240,000

Cash Yield: 7.5%

Today

Value: \$4,300,000

Cap. Rate: 5.6%

Occupancy: 100%

Lease Term: 5.3 Years

SAM INVESTMENT EXAMPLES - 480 BAYFIELD STREET, BARRIE, ON



Investment Thesis

- Remediated 0.7 acre site purchased from Suncor
- Shadow anchored by Walmart and a regional shopping centre
- Property was redeveloped as a multi tenant shopping centre anchored by Starbucks, Sally Beauty and Pro Oil Change



Outcome

- Leveraged our R/E network relationships to secure national tenancies
- Utilized our vertically integrated management team to design and construct the 7,000 ft development
- Produces a stabilized NOI of approximately \$240,000 per annum

Date of Acquisition: June 2012

Purchase Price: \$3,100,000

Occupancy: Suncor

NOI: Nil

Lease Term: Nil

Operating Performance

IRR: 16.9%

NOI: \$240,000

Cash Yield: 7.8%

Today

Value: \$4,200,000

Cap. Rate: 5.7%

Occupancy: 100%

Lease Term: 5 years



OUR SERVICE PROVIDERS

TRIVIRTUS CAPITAL



Stikeman Elliott





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