



PRIVATE CANADIAN APARTMENTS VS PREFERRED SHARES

Historically, investors have turned to preferred shares in order to increase their equity related yield, generate income and reduce the overall volatility of their portfolio. However, when you examine the facts, private multi-residential apartments can offer investors a much more compelling way to increase yield, generate tax efficient income and reduce overall portfolio volatility.

5 Advantages of Private Multi-Residential Apartments†

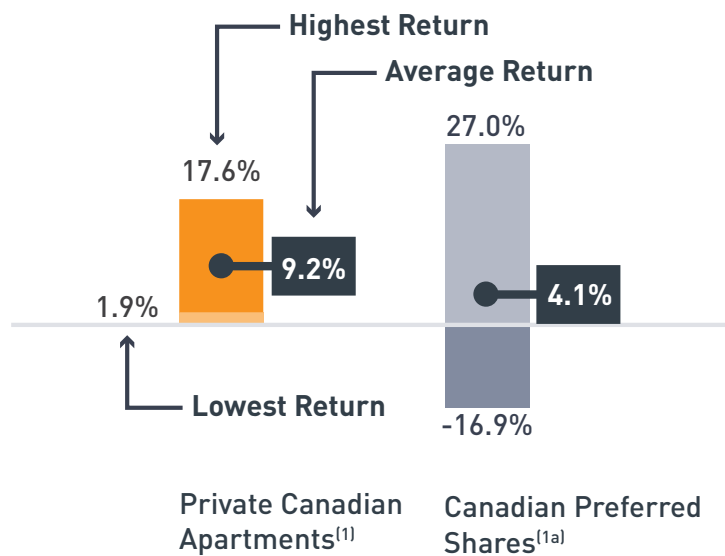
- 1. Higher total returns
- 2. Lower volatility and higher risk-adjusted returns
- 3. Better downside protection
- 4. Real diversification
- 5. More tax efficient

†Historical returns may not be indicative of future performance.

1 Higher Total Returns

Over the past 19^(A) years the average annual return on Private Apartments was 9.2% which was 124% higher than the 4.1% recorded by Canadian Preferred Shares.

Over this time period the lowest return on Private Apartments was 1.9% while the Canadian Preferred Shares experienced negative return years 5 times. The lowest of those negative return years was -16.9%.



Note ^(A): 2003 was the first full year for the S&P/TSX Preferred Total Return Index



2

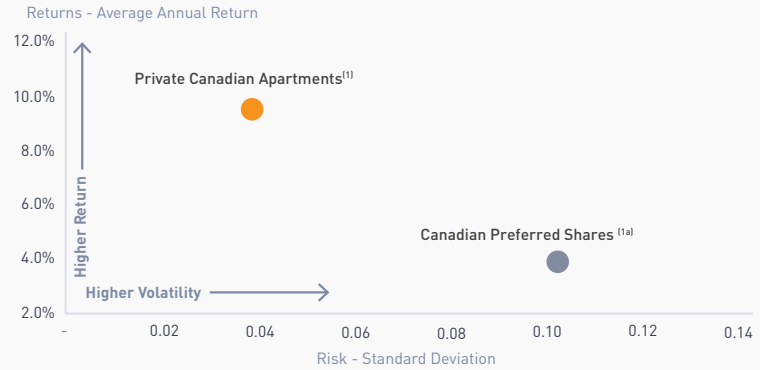
Lower Volatility and Higher Risk-Adjusted Returns

Not only have Private Canadian Apartments performed better than Canadian Preferred Shares; they have also been significantly less volatile and provided a much higher risk-adjusted return.

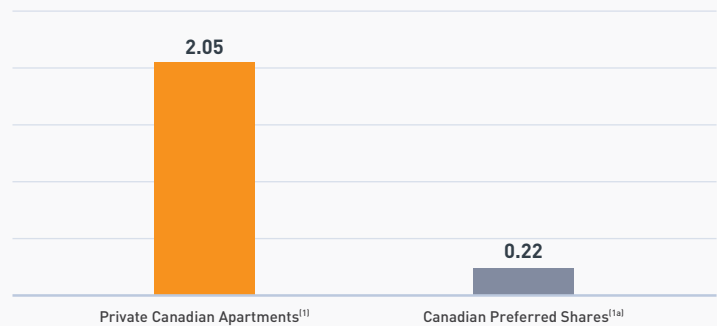
Over the last 19 years, as indicated by the Sharpe Ratio, which is widely accepted as the best way of comparing the relative risk-adjusted returns across various investments, the risk-adjusted return on Private Canadian Apartments was meaningfully higher than Canadian Preferred Shares Market Equities.

NOTE: the higher the Sharpe Ratio, the better the investment's historical risk-adjusted performance has been.

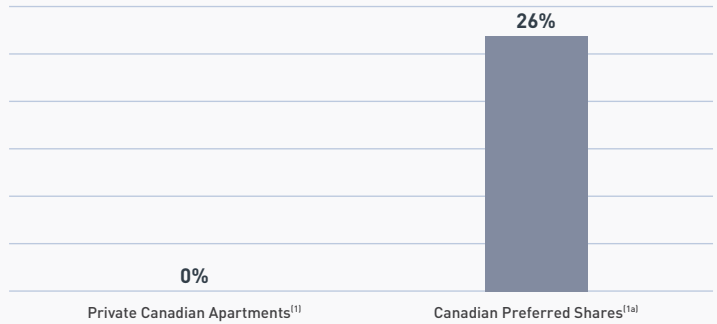
Return & Volatility (2003-2021)



Sharpe Ratio - Relative Risk - Adjusted Returns



Percentage of Negative Annual Returns



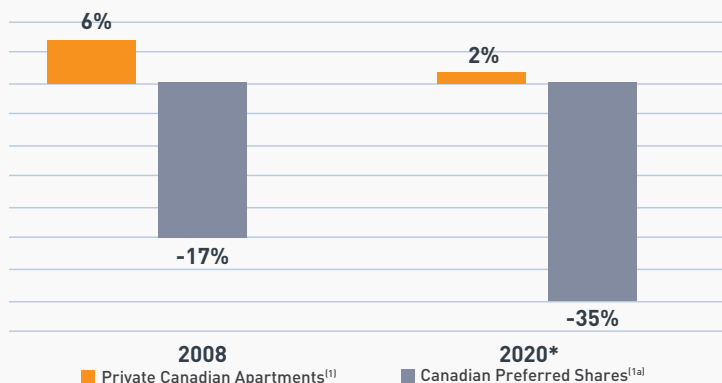
3

Better Downside Protection

Over the last 19 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, Canadian Preferred Shares experienced negative annual returns 26% of the time.

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 over 6%, while Canadian Preferred Shares fell by 17%. During the Covid-19 crash of 2020 Private Canadian Apartments increased by 2% while Canadian Preferred shares fell by 35%.

Downside Protection During Financial Services Crisis and Covid-19 Crash



*December 31, 2019 to March 23, 2020



4 Real Diversification

Private Canadian Apartments can potentially add meaningful diversification to a typical investment portfolio. They have historically demonstrated negligible correlation to Canadian Bonds as well as Canadian, Global, Emerging Market, and US Equities while Canadian Preferred Shares are significantly correlated to Canadian Equities and other asset classes. An investor can add additional diversification to their portfolio by adding exposure to Private Canadian Apartments even if they already have exposure to Preferred Shares since the two asset classes are negatively correlated.

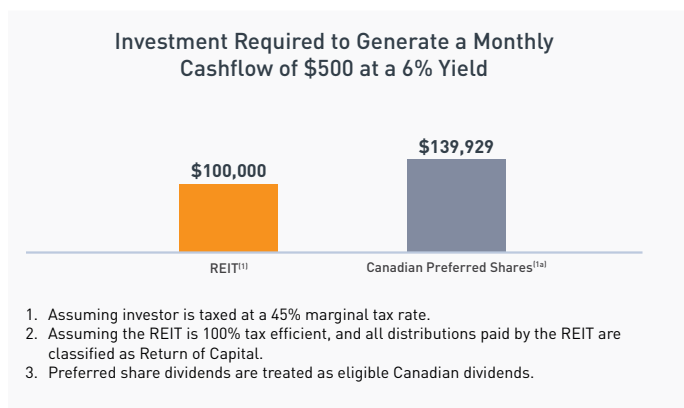
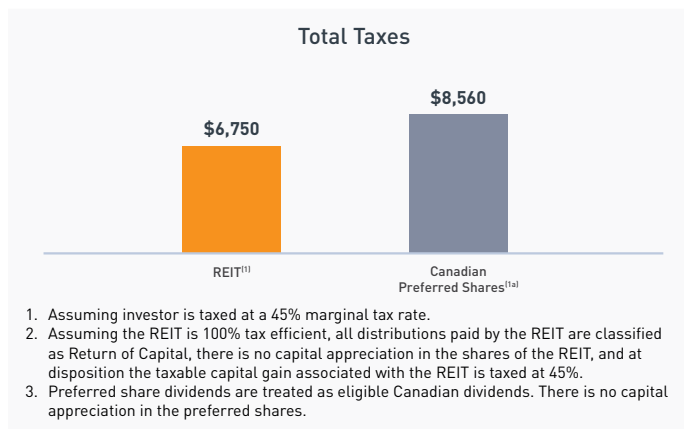
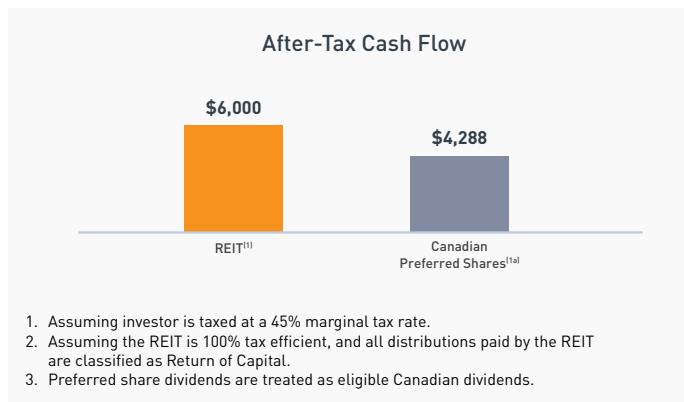
Correlation Between Asset Categories' Annual Returns (1988-2021)

	Canadian Equities ⁽⁴⁾	Canadian Bonds ⁽³⁾	Private Canadian Commercial Real Estate ⁽²⁾	Global Equities ⁽⁶⁾	Emerging Market Equities ⁽⁷⁾	US Equities ⁽⁵⁾
Private Canadian Apartments ⁽¹⁾	0.01	-0.08	0.67	0.06	-0.15	0.16
Canadian Equities ⁽⁴⁾	-	0.05	0.04	0.61	0.67	0.45
Canadian Bonds ⁽³⁾	-	-	-0.19	0.01	0.20	0.16
Private Canadian Commercial Real Estate ⁽²⁾	-	-	-	0.02	-0.20	0.00
Global Equities ⁽⁶⁾	-	-	-	-	0.42	0.89
Emerging Market Equities ⁽⁷⁾	-	-	-	-	-	0.23

5 More Tax Efficient

Dividends received from preferred shares are relatively more tax efficient than interest income, however, they may be significantly less tax efficient than distributions received from a Private Apartment REIT. Compare a five-year investment in preferred shares with a 6% yield to an investment in a Private Apartment REIT with a 6% distribution.

- a) Higher after-tax cashflow:** The preferred share investor would receive \$6,000 in preferred dividends each year and would have to pay approximately \$1,712 in taxes each year. While the 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 REIT is sold.
- b) Pay less total taxes:** Total taxes paid over 5 years on the preferred shares would be \$8,560 while on the REIT it would only be \$6,750 and the REIT taxes could potentially be deferred until the REIT is sold.
- c) Tie up less capital:** From an after-tax perspective an investor would have to invest \$139,929 in a 6% yielding preferred share to generate a \$500 a month after-tax income stream. To generate the same \$500 a month after-tax income stream an investor would only have to invest \$100,000 in a 6% yielding tax efficient REIT.



SUMMARY

In comparison to typical bond and equity investments, Private Canadian Apartments have numerous investment advantages over preferred shares.

Notes/Sources

- 1) Private Canadian Apartments = MSCI/REALPAC Canada Quarterly Property Fund Index- Residential / MSCI Real Estate Analytics Portal- Accessed January 28, 2022
- 1a) Public Canadian Preferred Shares = S&P/TSX Capped REIT Total Return Index / Bloomberg - Accessed January 28, 2022
- 2) Canadian Commercial Real Estate = MSCI/REALPAC Canada Quarterly Property Fund Index - All Properties / MSCI Real Estate Analytics Portal- Accessed January 28, 2022
- 3) Canadian Bonds = FTSE Canadian Universe Bond Index / www.blackrock.com/ca - Accessed January 28, 2022
- 4) Canadian Equities = S&P/TSX Composite Total Return Index / Bloomberg - Accessed January 28, 2022
- 5) US Equities = MSCI US Index / Bloomberg - Accessed January 28, 2022
- 6) Global Equities = MSCI World Index / MSCI Inc., www.msci.com/end-of-day-data-search - Accessed January 28, 2022
- 7) Emerging Market Equities = MSCI Emerging Market Index / MSCI Inc., www.msci.com/end-of-day-data-search - Accessed January 28, 2022