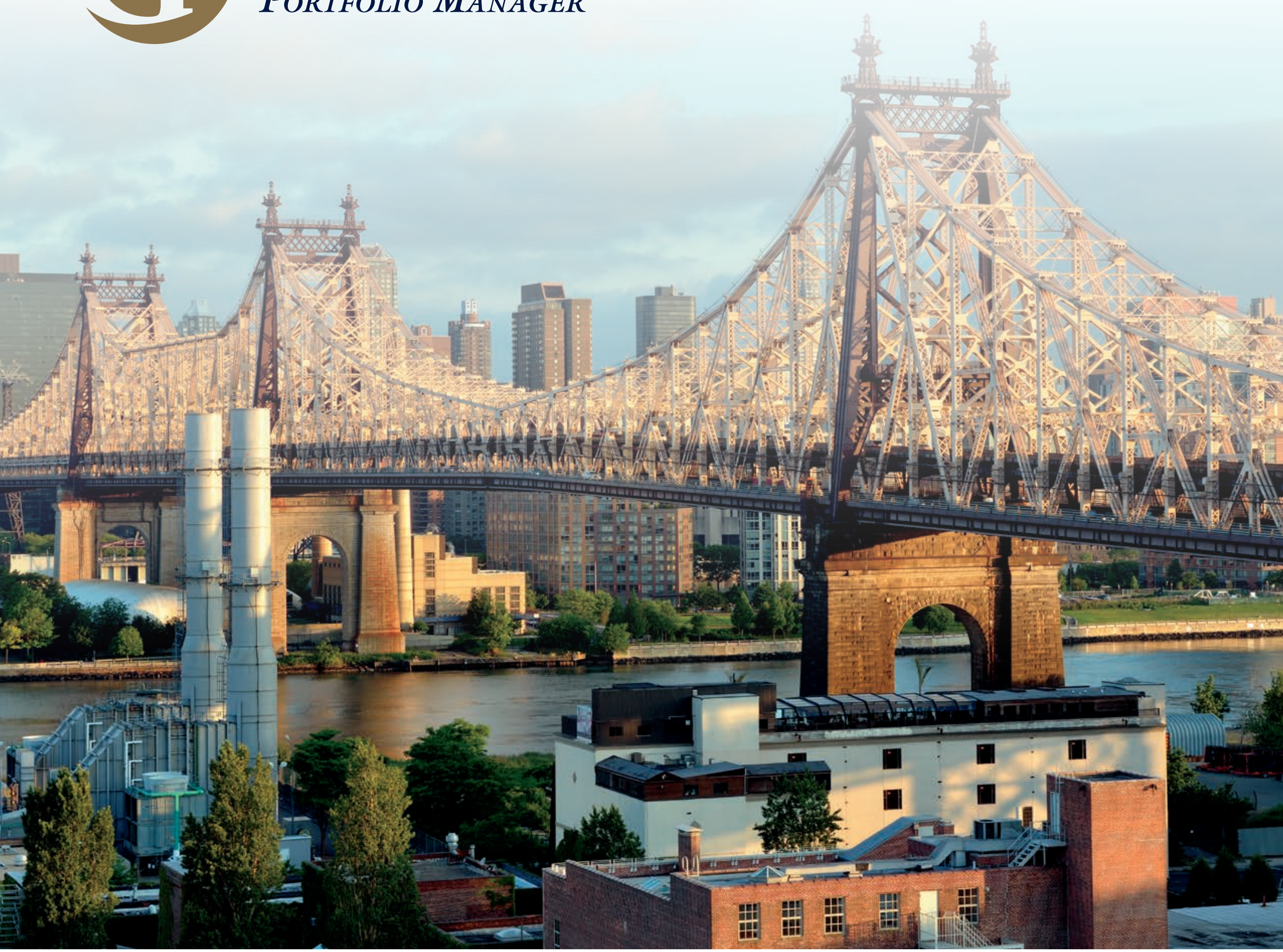
GOLD INVESTMENT

PORTFOLIO MANAGER



GIM REIT Guide

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GIM REIT GUIDE

Introduction to REITs

In this Guide we will explore a topic that is very close to GIM's heart, Real Estate Investment Trusts, or REITs. Real Estate and therefore REITs form part of the four major asset class "pillars" – the others being stocks, bonds and commodities. Many great fortunes have been built on real estate. Known as a "hard" asset, real estate has shown to hold its value over decades and even centuries.

In simple terms, a REIT is a trust that owns real estate. It is not a corporation, which is taxed differently. REITs do not have to pay any corporate income taxes as long as they pay out 90% of operating income to shareholders[i]. Because of this tax advantage, a REIT can offer the investor a higher yield than a regular fully taxable corporation.

History of REITs

U.S. REIT laws were enacted on September 14, 1960. Fifty years later on September 14, 2010 the historic legislation was commemorated by Congress. Please see below an excerpt from the Government Printing Office's recording:

50TH ANNIVERSARY OF REAL ESTATE INVESTMENT TRUSTS[ii]

"…Mr. President, I wish to commemorate the 50th anniversary of the legislation that allowed for the formation of real estate investment trusts, now commonly known as REITs. On September 14, 1960, President Dwight D. Eisenhower signed into law the Cigar Excise Tax Extension Act. Included in that law were the critical provisions that first enabled investors from all walks of life to benefit from the income generation and diversification advantages of commercial real estate investments. Our predecessors in Congress recognized that without this innovation such investments would continue to be limited to institutions and wealthy individuals. The law signed by President Eisenhower enabled the creation of the first REITs..."

Canadian REITs had their origins in 1993 based on a similar trust vehicle available under U.S. rules. However, the Canadian experience was vastly different. In the early 1990's the Canadian economy was in a deep recession and commercial real estate values were collapsing. Open-ended real estate mutual funds - precursors to the REIT – were forced to suspend redemptions as they could not sell assets fast enough to meet all the withdrawal requests. Finally, after lengthy consultations with the regulators, the open-ended mutual funds converted to closed-end funds and listed on the Toronto Stock Exchange. Investors no longer had a right of redemption – but they didn't need it any longer. The new closed-end funds were liquid and exchange traded. Despite a difficult start, the original mutual fund "converts" – Riocan REIT and Canadian Real Estate Investment Trust (CREIT) – are thriving today[iii].

Types of REITs

REITs have enabled investors from all walks of life to access real estate forms that were once the exclusive purview of wealthy individuals and institutions. For example, investors, via REITs, can own a portfolio of retail malls, industrial properties, commercial office buildings, apartment complexes, hotels and nursing homes. Investors are also not limited to REIT investments within Canada. The U.S. REIT market is vibrant and highly evolved, offering investors niche REIT vehicles such as self-storage facilities, data centres and cell towers. The major REIT types are detailed below[iv]:

Retail: Unenclosed supermarket-anchored retail properties, enclosed shopping centres, and new format retail centres are meeting consumer demand for both convenience and a retail entertainment experience. Canadian REITs in this sector are innovative and well capitalized to meet the demands of this ever-evolving industry.

Industrial: Industrial is the largest real estate asset class in Canada, offering a highly stable tenant base and low costs in terms of maintenance, capital improvements and tenant inducements.

Office buildings: The Office sector tends to have a high quality of tenancy enhancing the stability of the income stream; some Office REITs have long weighted average lease terms (“WALT”) which limit vacancy risks in the short term.

Multi-Family: Properties such as apartment buildings are an extremely stable investment as tenant demand is typically strong through all economic cycles. Growth in this sector is being driven by the recent relaxation of rent controls in certain Canadian markets and a growing trend among one-time homeowners choosing to rent for flexibility and location.

Hotels: Canada’s popularity as both a vacation destination and global business hub continues to grow each year, fueling the hospitality industry. Canadian REITs are consolidating a fragmented hotel market where new supply is generally cost prohibitive.

Nursing and retirement homes: The aging population has created a steadily increasing demand for nursing and retirement facilities. Nursing and retirements home REITs enjoy predicable and growing occupancy rates and cash flows.

Features & Benefits of REITs

- A REIT is a flow-through entity.
- REITs offer exposure to real estate that was previously only accessible to wealthy individuals and institutions.
- REITs typically offer higher yields than traditional equities.
- Canadian REIT distributions are paid monthly vs. quarterly for equities.

The benefits of REITs are numerous:

<u>Diversification</u>: In an effort to maximize investment returns for a given level of risk, a portfolio manager needs to select assets that are not perfectly correlated to one another. REITs are a natural choice. According to a study by the National Association of Real Estate Investment Trusts (NAREIT), the S&P 500 Index's correlation with REITs is only 14 percent over 60-month horizons[iv]. *In other words, when the broad market is dropping REITs may not decline at all.* Adding REITs to a portfolio is a great way to diversify and improve returns.

<u>Tax Advantage – Flow-Through:</u> With a structure that eliminates the double taxation found in corporations, a REIT distributes virtually all of its distributable income to unitholders. It is not subject to tax itself; rather, the income is taxed in the hands of its unitholders. This flow-through structure is a key advantage for REITs over other forms of real estate as higher yields can flow to the investor.

<u>Tax Advantage – Return of Capital:</u> Another tax advantage is the return of capital vs. income. REIT distributions typically contain a return of capital component which is tax-deferred until the year of disposition and then taxed at the lower capital gains tax rate. For example, for the 2014 tax year, Artis REIT confirmed that 85% of its distribution was return of capital and 15% was classified as income. Accordingly, the majority of the tax obligation is deferred until the units are sold – and is taxed at the more favourable capital gains tax rate.

REITs vs. MICs

Liquidity: Potentially none in MICs. MICs have been known to suspend redemptions. REITs trade on the TSX and offer transparency and liquidity.

Pricing: MICs are hard to price and value during a downturn. REITs & MICs will move lockstep in pricing. REITs have come down in price lately, as they are publicly traded. MICs will too (isn't reflected in the MIC market yet, as it is private).

Yield/Total Return: REITs and MICs have comparable yields; on a total return basis, REITs could easily outperform. Investors may participate in dividend reinvestment ("DRIP") program - adding roughly 3% to return.
GIM REIT Portfolio Current Yield: 6.32%*

Diversification: GIM REIT portfolio is diversified geographically and by property type (Office, Retail, Industrial, Multi-Family, etc.)

Quality: – REITs in the GIM REIT Portfolio include large capitalization, investment grade securities; MICs are typically small, unrated securities. There is a place for MICs, but they are best suited to large and sophisticated investors and institutions. REITs own brand name real estate – Walmart, Canadian Tire, Sobeys, Superstore, The Bow, etc. MICs are "no name".

Governance: – REITs are listed on a public exchange. They have lots of governance requirements and are very transparent. MICs are private.

Taxation: – MICs typically taxed as 100% income. REITs may have a significant return of capital ("ROC") component. This may result in significantly greater after-tax returns in REITs vs. MICs.

* *Effective April 1, 2018*

REITs - Public vs. Private

Public REITs are publicly traded - *listed* securities. This gives investors liquidity, transparency and "price discovery".

Public REITs are subject to strict corporate governance in order to meet TSX listing requirements. They typically have an independent board of trustees.

Public REITs are subject to price fluctuations similar to equities. This means that Public REITs may also trade at a discount or premium to their net asset value.

Private REITs have a limited or no secondary market. Investors buy and redeem units directly with the REIT.

Private REITs claim "no volatility" as a selling feature, however it also obscures the price discovery process. In other words, Private REITs are subject to the same economic forces as their Public counterparts but appear fixed.

The GIM REIT Portfolio invests only in publicly traded REITs.

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GIM REIT Model Portfolio*

December 31, 2017

Model Portfolio Objective

The objective of the GIM REIT Model Portfolio is to produce income and capital appreciation, with an emphasis on monthly income, by investing in a diversified portfolio of large capitalization, listed real estate investment trusts (REITs*). This Model Portfolio holds direct securities and may utilize exchange traded funds (ETFs*) in order to fulfill its investment objective. The GIM REIT Model Portfolio will only invest in securities that meet the definition of Qualified Investment for tax purposes.

Code

GIM415

Category

REIT Sector - Income Focus

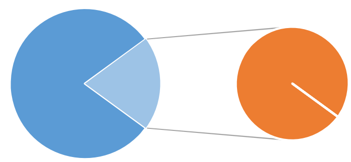
Asset Allocation

Equity	99.7%
Cash	0.3%

Top 5 Direct Holdings

SMARTCENTRES REAL ESTATE INV	8.5%
DIGITAL REALTY TRUST INC	7.1%
WP CAREY INC	7.1%
RIOCAN REAL ESTATE INVST TR	7.1%
H&R REAL ESTATE INV-REIT UTS	7.1%
Total of Portfolio	**37.0%**

Geographical Mix



GIM Internal Risk Score

- Very High
- High
- Moderate
- Low
- Very Low

Portfolio Characteristics

Portfolio Yield (%)*	6.13
Cash - Yield (%)*	0.45

Industry Breakdown

Diversified	28.6%
Retail	22.9%
Industrial	14.3%
Office	7.1%
International	7.1%
Cloud	7.1%
Multi-Residential	7.1%
Health Care	5.7%

Equity Charactersitics

Dividend Yield (%)*	6.15
P/E*	16.18
P/B*	1.19
P/FFO*	13.89
FFO Payout Ratio*	78.01
Total Debt to Total Capital*	52.06

Equity Sector Weightings

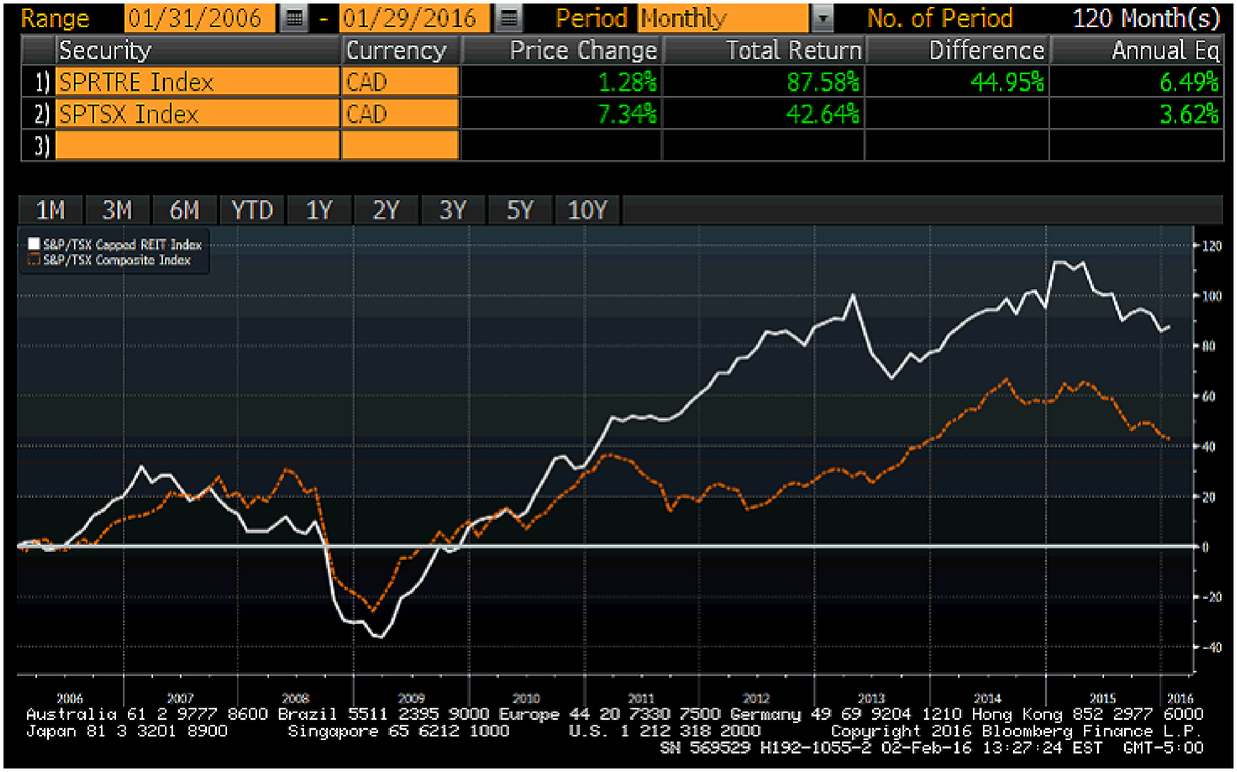
Real Estate	100.0%

Equity Style Grid

	Value	Blend	Growth
Large		■	
Mid			
Small			

Market Cap

REIT Index vs. S&P/TSX



- *REIT Index denoted by solid white line*
- *S&P/TSX Index denoted by orange dotted line*

On a total return basis, the S&P/TSX REIT Index has substantially outperformed the S&P/TSX Composite Index over the past 10 years (87.58% vs. 42.64%).

Conclusion

Most Compelling Arguments:

- Significant Discount to Net Asset Value
- Return of Capital (Tax Advantage)

Buy REITs.

Relationship Overview

As a registered portfolio manager **Gold Investment Management** will take responsibility for making all the decisions about the investments in your portfolio with discretion, based on your investment needs and objectives, restrictions, financial circumstances, risk tolerance, time horizon and other relevant factors. Portfolio management services provided by GIM include:

- Analysis of current financial standing and review of all family related investments;
- Assessment of client ability and tolerance for risk;
- Definition of investment objectives and preparation of an Investment Management Agreement (IMA);
- Recommendation of suitable investments and asset mix;
- Selection, monitoring and rebalancing of the investments on a discretionary basis in a segregated portfolio;
- Delivery of quarterly portfolio statements;
- Investment suitability, and changes in personal needs or circumstances;
- Assist with deposits, transfers and withdrawals;
- An annual "Know Your Client" review to discuss portfolio results and any changes in your circumstances.

Investment Philosophy

PASSIVE CORE

Gold Investment Management employs a Passive Core approach, utilizing low cost exchange traded funds (ETFs) to implement the strategy. With attention to tax efficiency and low trading costs, GIM will ensure that your portfolio contains multiple asset classes with broad geographic diversification to ensure that your portfolio is exposed to and is able to capture a broad range of global capital markets activity.

ACTIVE OVERLAY

The Active Overlay complements both the Passive Core and Value Tilt strategies by seeking to add alpha during both falling and rising markets. Due to GIM's independence and size, we have the ability to respond to market changes and rapidly alter course. We are constantly seeking opportunities to add value during rising and falling markets.

VALUE & INCOME TILT

Finding value is one of the cornerstones of GIM's approach to investing. Value strategies have been shown historically to give greater upside as compensation for bearing risk. We compliment the value approach by seeking securities that provide relatively high income in today's low yielding market environment.

Investment Philosophy

ASSET MIX MONITORING AND DYNAMIC REBALANCING

Gold Investment Management's team of portfolio managers continuously monitors and dynamically rebalances portfolios to ensure that they are in line with their original weighting and strategic asset mix. For example, during dramatic market downturns we may take advantage of the extreme market pessimism by buying relatively cheap equity ETFs and selling relatively expensive fixed income ETFs. Conversely, during euphoric upturns we may take advantage of the irrational exuberance by selling relatively expensive equity ETFs and buying relatively cheap fixed income ETFs.

RISK TOLERANCE

Gold Investment Management builds investment portfolios that suit an Investor's individual risk tolerance.

Our Guiding Principles

Gold Investment Management's guiding principles are integrity, discipline and results.

INTEGRITY

Gold Investment Management is proud to employ investment professionals who have earned the Chartered Financial Analyst (CFA) designation. Since it was first introduced in 1963, the Chartered Financial Analyst designation, or CFA charter, has become a respected and recognized investment credential.

DISCIPLINE

Our approach to investing is disciplined. Gold Investment Management begins by developing an investment policy statement – an investment road map. We then concentrate on strategic investment management decisions such as asset allocation, sector selection and credit cycle. Finally, we employ tactical methods in an attempt to profit from volatility and restore portfolio balance.

RESULTS

By combining Gold Investment Management's disciplined investment management methods with potentially tax efficient investments such as exchange traded funds (ETFs), we expect to deliver competitive results. We look forward to meeting with you to discuss your investment needs.

We Look Forward to Serving You.

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[i] Rules on Distributions for U.S. REITs: Generally, must be at least 90% of Taxable Income without regard to distributions and excluding net capital gains. Canadian REITs: Set individually by the trust declaration, however usually around 85%-95% of distributable income. Source: Deloitte REIT Guide, 8th Edition.

[ii] http://www.gpo.gov/fdsys/pkg/CREC-2010-09-14/html/CREC-2010-09-14-pt1-PgS7081.htm.

[iii] RealFund was actually the first real estate mutual fund to convert to a closed-end fund. It was acquired by Riocan on May 31, 1999. Source: http://investor.riocan.com/English/investor-relations/highlights/default.aspx

[iv] http://www.realpac.ca/