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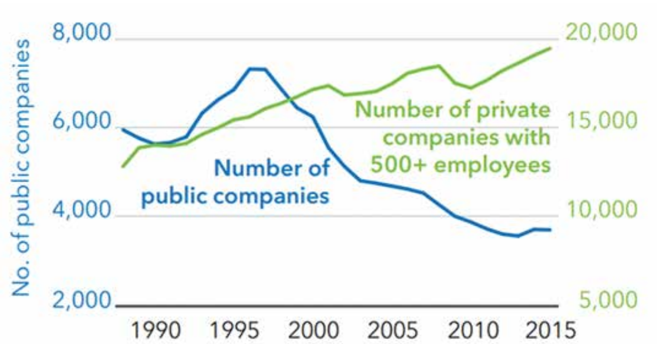
Introducing Laurier Private Equity – Invest Like a Pension

In January, we advised you of our newest investment opportunity and depending on the portfolio, we made an initial allocation of between 5% and 8% of client accounts over $50,000 to this new investment pool. We want to explain in more detail why we have taken this step and how we believe it will help us achieve more consistent stable returns for your investment portfolio.

What is Private Equity?
The Private Equity Market is made up of thousands of companies worldwide that are privately owned and funded by pension funds, endowment funds, and wealthy investors through financial institutions. These companies are not publicly listed or traded. According to Investopedia, the value of private equity firms was approximately $3.9 trillion in 2019. This represented an increase of over 12% from the year prior. There are more than 20,000 private companies employing 500 or more people in the U.S. today according to Blackrock (see below graph). This is up from only 5,000 in the 1990s. While there are more private companies today, the number of large public companies has fallen dramatically over the same time. Finding a way to access this growing market is critical to your investment success.



Sources: BlackRock Investment Institute, with data from U.S. Census Bureau - Statistics of U.S. Businesses; Droidge, Karolyi, and Stulz (1988-2012); Wilshire Associates (2013-2014)

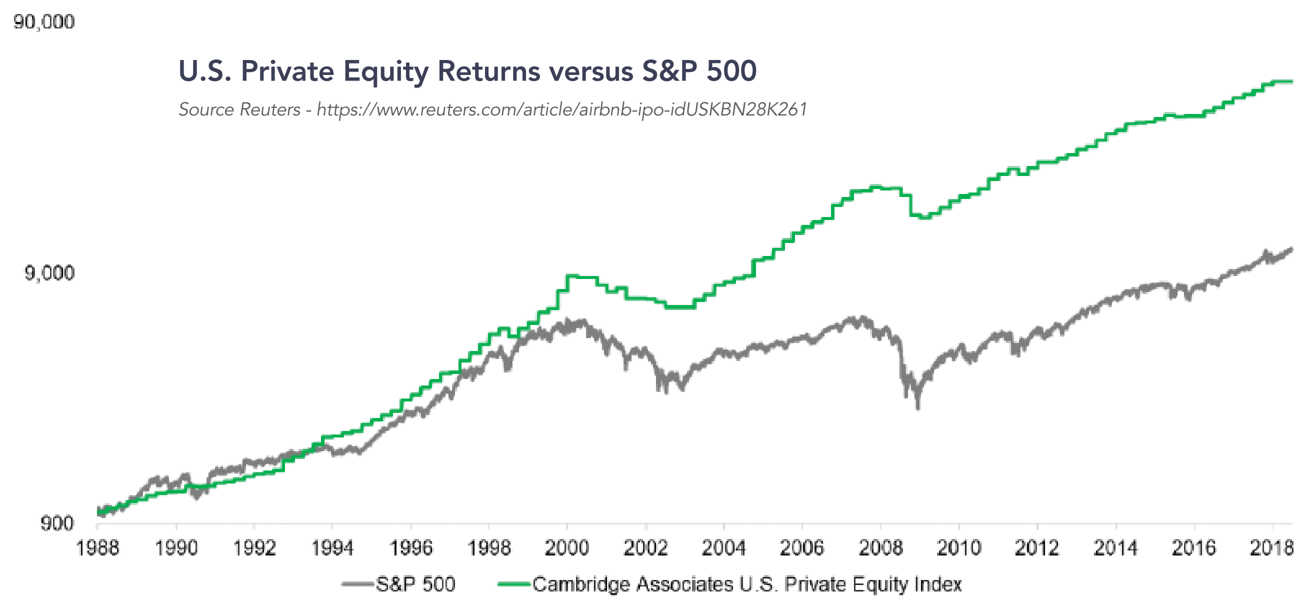
Who is Investing in Private Equity?
In reviewing the annual reports of large pension funds in Canada, and endowment funds such as Yale in the U.S., you will see a significant allocation to Private Equity. For example, The Ontario Teacher's Pension plan reveals an allocation to non-public equity of 19% in their 2019 annual report. The Canada Pension Plan has an allocation of 23.7% and the Yale Endowment fund has an allocation as high as 37% to PE. These allocations have been increasing over the past decade as their boards look to identify the best way to grow and protect their capital. Recently reported on CNBC – Tiger 21 investment group has also indicated that their member allocation is 23% in private equity. The average Canadian Investor has 0% allocation to this asset class because they either do not qualify as an accredited investor or do not have the significant capital required to meet the high minimums, often $200,000 or more.

Why Invest in Private Equity?
Lower volatility and higher returns; because Private Equity is not traded daily, it is not subject to short-term volatility associated with the public markets. Take, for example, the wild ride Gamestop shares have been having recently. In late January, Reddit forum users caused the share price to rise from $17 to over $340 per share before falling back to $50 simply by creating a villain of the Wall Street short sellers who bet on this company falling in value. The stock price movement had no correlation to company earnings or outlook. It simply became a beach ball for market participants to try to keep afloat. Ultimately, there were thousands of winners and losers on both sides of the trade. Fear of a more widespread impact of this "Reddit movement" created a pullback in the public markets in a short period. This is just one example, but there are reports daily that create short-term volatility in public companies. We can use volatility to your benefit, as it allows us to find quality companies at a discount to improve returns, but a combination of public and private equity can work to achieve those goals with less volatility.

Private Equity is not valued daily, so the share price does not reflect short-term volatility. Without the daily noise of public markets, management teams can be more focused on increasing shareholder value for the long-term. Private Equity has shown to provide better returns to investors over the long-term. As this chart (top of next page) from Factorresearch.com shows, Private Equity has significantly outperformed Public Equities since 1988 and it has done so with less volatility.

During the Credit crisis in 2008 - 2009, the S&P 500 dropped significantly further than the Private Equity Index and took years longer to recover. We see a similar pattern in 2000 - 2003 (dotcom bust) and in late 2018 in the chart on the next page. Research by Blackrock and Bloomberg show that as you increase the allocation to PE in a typical balanced portfolio and reduce the public stock and bond exposure, the volatility of the portfolio (risk) declines and the investment returns increase. This aligns well with our core philosophy of increasing returns, not risk.

Private companies are staying private longer and coming to market more fully valued than in the past. As an example – Airbnb, a successful private company founded in 2008, went public in December 2020 at $68 per share generating $3.5 billion of return for the private shareholders. Once the stock was trading in the public markets, the price rose to over $170



per share, bringing the company valuation to over $100 billion. This was five times the value of the company at the start of the pandemic, a significant pay day for private shareholders.

Source Reuters - https://www.reuters.com/article/airbnb-ipo-idUSKBN28K261

What Are the Risks of Private Equity?

Liquidity and concentration risk are among the biggest risks in Private Equity. Private companies move through various stages from start up to public offering and require injections of capital along the way, each with varying degrees of risk. Early startup companies require venture capital and incur significant risk. We have focused investments in the Laurier Private Equity Pool on investing in later stages, within a year or two of the initial public offering (IPO). This is the least risky time to invest, as the companies tend to be preparing for the IPO and have acquired the appropriate management teams, established market share, and have a clear direction.

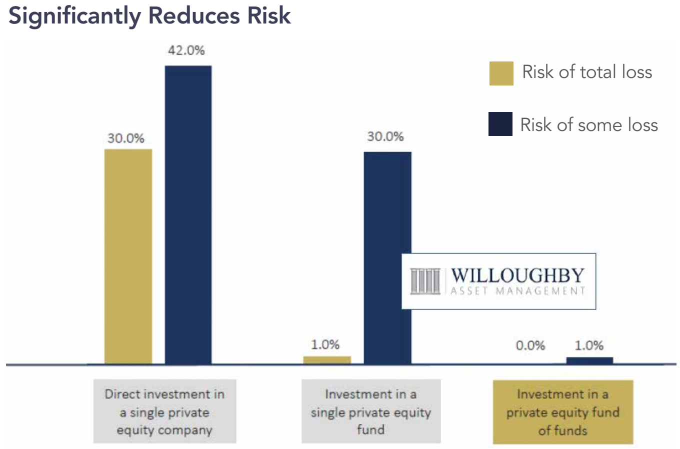
Liquidity can be an issue as private companies use investment dollars to increase company value, so funds are not available to be repaid on demand such as the case with public equities. There is also no secondary market to trade the shares in. In addition, during the early stages of development, dividends are not paid.

To reduce risk and increase liquidity, the Laurier Private Equity Pool (the "Fund") uses a fund of fund structure. The portfolio managers for the fund have identified eight managers that meet the portfolio criteria and will allocate funds across these managers. This allows the Fund to diversify your investments across geographic regions, by company size and stage of growth and gives investors access to over 135 private companies at present, with a list that is growing monthly. Through firms such as Blackrock, Invest X and Fiera Comox, the Fund has assembled a best-in-class slate of managers for our clients.

This fund structure allows the Fund to provide quarterly liquidity, subject to an early redemption fee in the first 365 days. For long term investments in all types of accounts, this is an incredibly great opportunity to reduce risk and improve returns in your portfolio. You will see in your account statements, that the price of the Laurier Private Equity Pool will be adjusted quarterly at the end of the month, following the Quarter End. For example, you will see the first price adjustment on your statements at the end of April.

We will continue to be innovative in bringing you best-in-class investment solutions, allowing you to reach your goals and enjoy your retirement.

A Hybrid Approach to Private Equity Investing Significantly Reduces Risk



WILLOUGHBY ASSET MANAGEMENT *Source: Weidig and Mathonet Report, "The Risk Profiles of Private Equity", January 2004*

The comments and information pertaining to the Laurier Private Equity Pool ("The Portfolio") are not to be construed as a public offering of securities in any jurisdiction of Canada. The offering of units of The Portfolio is made pursuant to the Offering Memorandum and only to investors in Canadian jurisdictions. Important information about The Portfolio is contained in the Offering Memorandum available through Willoughby Asset Management.

I have prepared this commentary to give you my thoughts on various investment alternatives and considerations which may be relevant to your portfolio. This commentary reflects my opinions alone and may not reflect the views of Harbourfront Wealth Management. In expressing these opinions, I bring my best judgment and professional experience from the perspective of someone who surveys a broad range of investments. Therefore, this report should be viewed as a reflection of my informed opinions rather than analyses produced by Harbourfront Wealth Management Inc.

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