

The Raintree Report

Issue #9: Fall 2017

Investment Manager Growth

Over the short seven years that Raintree Financial Solutions has grown its business, we have witnessed the investment managers that we work with identify great new opportunities to invest capital in emerging strategies. We believe this benefits investors by gaining familiarity with the investment management teams. Raintree is excited to be working with Matco Financial Inc. and ICM Capital to explore new investment strategies.

Raintree has been approached numerous times over the past five years from groups looking to fund their cannabis ventures. Until we met with the Matco team about their strategy, we just couldn't get behind the sector. Canada is now poised to be a world leader in the industry. We have learned that the verticals and markets that are opening up are much broader than merely recreational production. Matco Financial Inc. are subject matter experts and we're excited about the possibility of partnering with them on this strategy.

Raintree Ranks on Profit 500 List

This quarter Raintree Capital Inc., umbrella company for Raintree Financial Solutions, Raintree Wealth Management and Raintree Corporate Finance, ranked No. 366 on the 29th annual PROFIT 500, the ranking of Canada's Fastest-Growing Companies. The PROFIT 500 ranks Canadian businesses by their five-year revenue growth.

Raintree Capital Inc. made the 2017 PROFIT 500 list with five-year revenue growth of 142%.

We are honoured to have placed in the PROFIT 500 ranking for the second year in a row. This achievement reflects the strength of our product shelf and the dedication of our team. 2017 has seen significant change for Raintree with the launch of our Portfolio Management arm Raintree Wealth Management. Now, through its subsidiaries, Raintree Capital Inc. can provide an end-to-end service by helping our clients manage all of their wealth.

Product Update: Rockspring Capital

Hero Way Distribution

In July, Rockspring closed on the sale of 19.628 acres out of their 28.444 acre Hero Way property in Austin. The entire 28.444 acre property was originally purchased in October of 2014 in a joint venture with Rockspring Capital Texas Real Estate Trust I (70%), Canada Accredited Fund (20%) and RCTRE Momentum Fund (10%). Hero Way was purchased for \$2.65/ft-USD (28.444ac) and this portion of the sale (19.63ac) was for \$4.00/ft-USD.

Crystal Falls Distribution

Rockspring Capital Texas Real Estate Trust II (Rockspring II) sold a portion of its interest in the Crystal Falls, JV in July. Crystal Falls was purchased for \$5.10/ft-USD (19.7ac) and this sale was for \$14.00/ft-USD (2.25ac).

Hurricane Harvey

Unfortunately, many of Rockspring's team members had homes directly impacted by the storm - those who didn't embodied the Texas spirit and helped their neighbours and loved ones. We have been notified that nearly all of Rockspring's properties were unaffected by the hurricane. The only one that was directly impacted was their multifamily property (Longpoint) which experienced a small amount of flooding from the rising water. If you are looking for a reputable organization to donate to, Rockspring have recommended Convoy of Hope. You can find more information about them here:

convoyofhope.org/donate/harvey/

Why Now: The Case for Investing in Cannabis

MATCO FINANCIAL INC. | BY EVERETT S. KNIGHT, CFA | OCTOBER 2017

Why Invest in the Cannabis Industry?

Rarely in our lifetime will we have the opportunity to not only witness the birth and maturation of an industry, but to invest alongside while it grows at a healthy rate. This is precisely the opportunity that the cannabis industry represents over the next five to seven years. Whether it is the encouraging results from medical cannabis studies driving increased patient demand or the increased social acceptance causing governments like Canada's to legalize recreational cannabis, the future remains bright for the industry.

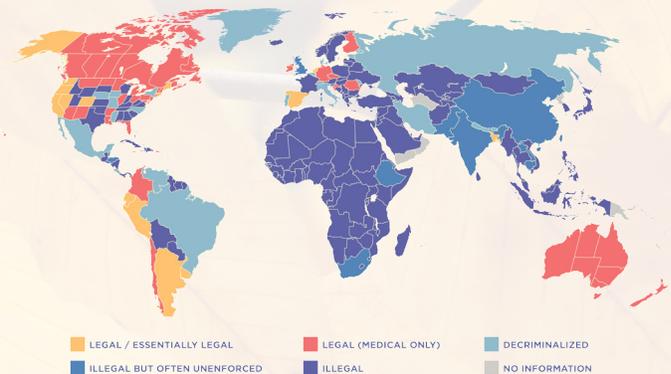
Capitalize on a Global Movement

We believe we are in the beginning of a global movement where the cannabis industry is in the midst of transformational change. It is estimated that the global market could be a ~\$200 billion opportunity with Canada at the forefront to capitalize globally.

- Medical:** Medical cannabis legalization has been rapidly spreading across the world with Canada, 29 US states (still federally illegal), Colombia, Netherlands, Czech Republic, Romania, France, and more recently in 2017, Germany, Argentina, Greece, and Mexico allowing medical cannabis consumption. An increasing number of clinical trials are being funded every day, allowing physicians and governments around the world to become more aware of the medical benefits of cannabis.
- Recreational:** Five years ago, Uruguay became the only country in the world to legalize recreational cannabis with eight US states following suit. However, with cannabis in the US still being illegal at the federal level, Canada is looking to be the first G8 country to legalize cannabis for recreational use in July 2018.

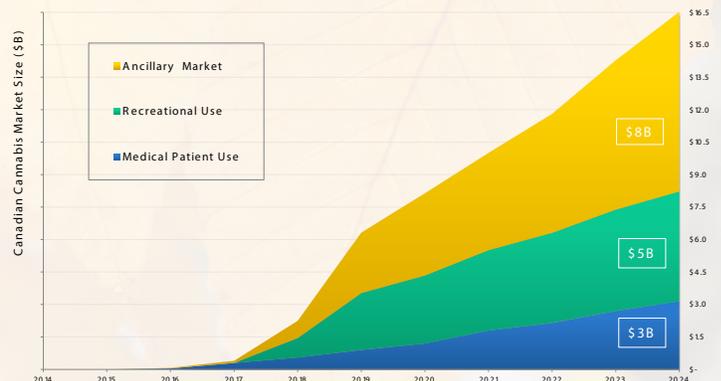
Why is Canada Positioned to be a Leader?

- Experience:** Medical cannabis was legalized in Canada in 2001 but when the industry was privatized in 2013, we saw a large jump in patients as private investment drove more studies and consumption methods. In recent years, the cannabis industry has experienced growth of over 30% compounded annually in Canada. With this strong track record of experience, we believe Canada has set itself up to be the global leader in cannabis. This leadership position will be further compounded if recreational legalization is to become a reality.
- Regulation:** Canada has industry leading controls and regulations; setting us apart globally and creating a precedent for countries around the world that are also looking to legalize medical cannabis.
- Research:** Canada is now leading the world in registered cannabis patients and is one of the leaders in cannabis research.
- Patients:** As more and more research has been done, the number of cannabis patients has grown from 16,000 at the end 2014 to over 200,000 today sprouting sophisticated cultivators and ancillary businesses.
- Under-supplied:** If the legalization of recreational cannabis becomes a reality, we project the overall market to be under-supplied for the next two to three years.
- Established Recreational Market:** The most unique aspect is that we are tapping into an already established multi-billion dollar recreational and medical industry that has been operating as a "black market" up to now.
- Consistent Demand:** Furthermore, cannabis demand has very little correlation with economic cycles providing investors with a defensive revenue base.
- Growth Potential:** We estimate revenue could grow 4,125% from ~\$400 million dollars annually today to an estimated \$16.5 billion dollars annually in 2024 including medical, recreational, and ancillary businesses.



- Global Market = Estimated at \$200 Billion Annually

Source: Privateer Holdings Inc.



- Current capacity will have to grow from 60,000kg today to over 700,000kg in 2024

Source: Matco Financial Inc, Stats Canada, Eight Capital, International Monetary Fund, Deloitte

MATCO CANNABIS INVESTMENT FUND

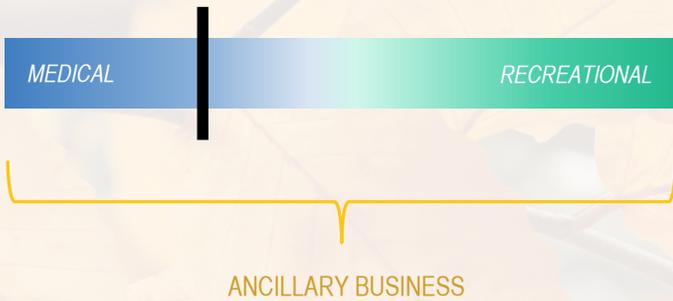
Mandate: A private investment fund that invests in the cannabis industry through public and private companies that allows investors to capitalize on the growth of a global industry.

Private Company Strategy: Valuations for early-stage private companies remain very attractive and well below public levels. We are targeting fast growing companies that have scalable business models that will go public within two to three years.

Public Company Strategy: Gain exposure to some of the most sophisticated and fastest growing companies in the world that account for over \$10 billion in market capitalization today.

Fund Objective: To achieve superior risk-adjusted returns through long term capital appreciation by investing primarily in securities of micro to large capitalization companies that will benefit from the evolving global cannabis industry.

MEDICAL VS. RECREATIONAL



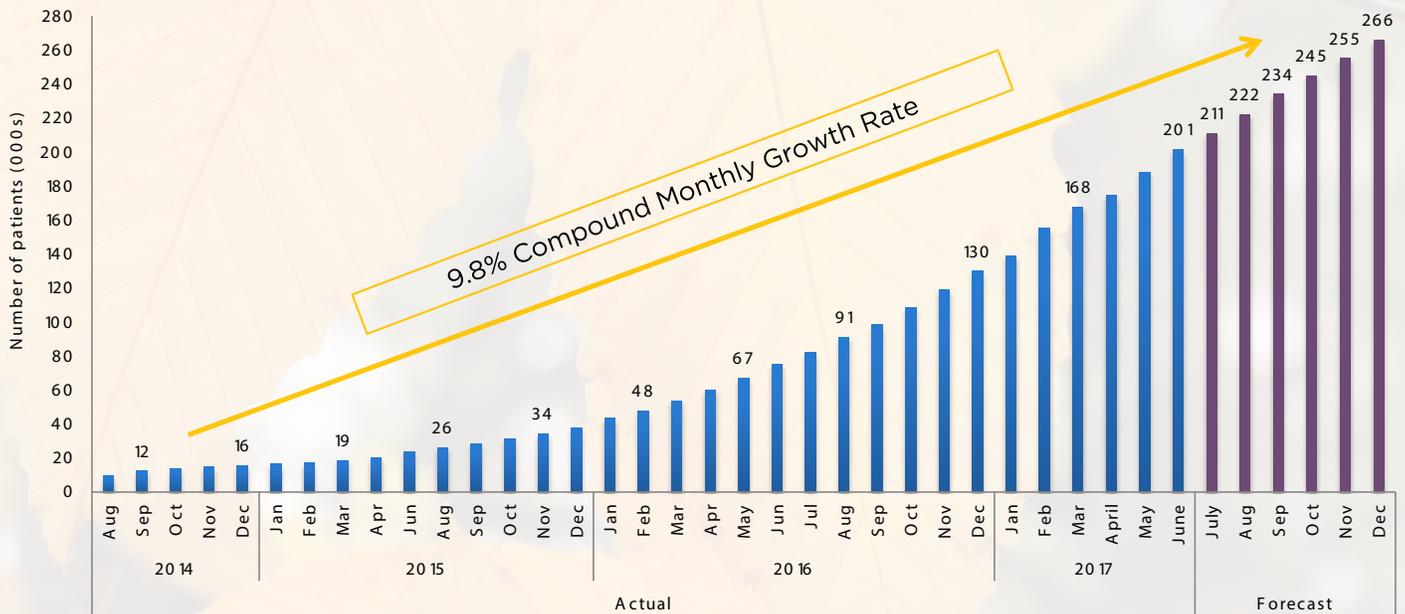
INDUSTRY SUB-SECTOR FOCUS



- Focused on high growth medical market until recreational becomes closer to legalization. Ancillary businesses decrease risk by supplying both markets.

Source: Matco Financial Inc.

Canadian Registered Medical Cannabis Patients



Source: Matco Financial Inc., GMP Capital Inc, Health Canada

In conjunction with Raintree Financial Solutions (subject to ongoing due diligence proceedings), we anticipate that we will launch the Matco Cannabis Fund in Q4 of 2017. If you would like more information on this, please contact your Private Wealth Advisor or admin@raintreeFS.com.

ICM Asset Management: Growth & Evolution from a Real Estate Asset Manager to a Global Alternative Investment Manager

Since our entry into the Canadian capital markets in 2012, ICM has championed the virtues of investments outside of traditional stock and bond asset classes. This advocacy comes from a place of deep-rooted understanding of how institutional and ultra-high-net-worth investors have long used real assets and alternative investments within their portfolios. Our understanding is born not of research or market tracking, but is founded on the first-hand experience we have gained through decades of working with some of Germany's wealthiest families and observing what they own, their investment decision making process and the manner in which they perceive risk. These relationships and experiences have played a material role in shaping ICM to date and the direction we see the firm growing in the years to come.

While alternative investments are becoming far more commonplace in the investment world as investors begin to acknowledge the benefits of incorporating such investments into their portfolios, they are still far from mainstream. We believe however, that this change is afoot. KKR's (a leading global investment firm) 2017 *Outlook for Ultra-High-Net-Worth Investors* shows a 46% allocation to alternative assets classes, well beyond what most traditional wealth managers have historically targeted and is reflective of a growing trend towards seeking absolute returns. A recent TD Wealth report, *The New Standard*, highlights that traditional portfolio allocations are not sufficient and provides strong guidance that wealth managers are increasingly adopting alternatives. As this class of investments makes the transition from the fringe to being a core component of investor portfolios, we believe there is significant opportunity for groups such as ICM who have a long and successful history of operating in the alternative investment space. We identified this trend in the investment industry long ago and charted a course for the firm nearly five years ago to capitalize on the opportunity that we see.

The recent formation and introduction to the market of ICM Asset Management, a registered and unrestricted

Portfolio Manager and Investment Fund Manager, is a milestone and a meaningful step in the evolution of the firm. Given the management proficiency requirements that are requisite to achieving registration and the ongoing scrutiny of regulatory oversight, it immediately qualifies ICM as a competent and able fiduciary of client capital. It allows us to credibly broaden the scope of both the capital sources and investment opportunities that we pursue, to the benefit of our current and future clients.

We intend to leverage the capabilities that our recent registration affords us to gradually grow and transition ICM into a global alternative investment manager. This means expanding beyond real estate and building firm expertise in private equity, infrastructure and renewable energy. It means expanding beyond the borders of Canada and the United States and building firm expertise and infrastructure that's able to support a larger operational footprint. This growth and development will not be immediate and will require significant dedication. It will require us to invest significant resources in ensuring that we understand both the opportunities and the risks that exist in each step we take. It will require us to grow our team with qualified individuals who share the value-based and disciplined approach that we apply to all of the investments we currently underwrite. It will require us to ensure that the investment experience of our current clients remains unchanged, and that our real estate operating teams remain focused on their specific areas of expertise. Most of all however, it will require the trust of and belief by clients that we are able to take each step prudently and meticulously to ensure that the success that we've had to date in managing client capital can be replicated as we grow.

We have been diligently working to set the stage for this growth, taking significant steps to execute on the strategy we've set for the firm. In June, after over six months of discussion and concurrent with ICM's achievement of registration as a Portfolio and Investment Fund Manager, David Vankka joined our

team in Calgary to build ICM's private equity platform. Dave is preparing to come to market with ICM's first diversified private equity fund later this year. Additionally, nearly 18-months ago, ICM established an in-market presence in Mexico City through hiring a real estate professional with significant experience to explore opportunities, leading to a strategy that we intend to unveil in 2018. Further, we have recently launched a U.S. real estate strategy focused on partnering with developers to deliver exceptional new properties to market. Due to the structure of these investment opportunities, none would have been available prior to ICM having achieved registration. Lastly, since achieving registration, we have been actively pursuing additional distribution channels and hope to have select ICM offerings made available through numerous bank-owned and independent dealerships in the coming weeks and months.

We are keenly focused on maintaining our long history of pursuing value-based investments in a disciplined manner and generating strong risk-adjusted results for our clients from an expanded platform in the years to come. We are proud of our philosophy and our track record of having generated greater than 15% p.a. asset level returns from our realized investments to date, with no realized investor losses. We are excited to share this phase of ICM's growth with our partners and believe that it will bring new and exciting opportunities for your clients.

The ICM Team | October 2017



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