



The Raintree Report Issue #5: Fall 2016

Welcome to Raintree Head Office

Thank you for reading the Fall 2016 edition of the Raintree Report. We are excited to deliver our 5th issue, marking the Raintree Report's first birthday. We hope you have enjoyed the quarterly read and have developed a deeper understanding of Raintree and the Private Capital Market.

This issue will provide you with some insight into Raintree Head Office and our corporate finance and compliance processes. Our practices are intended to protect you and your money and we take that commitment very seriously.

At the end of September, Raintree went through an important change. To date, Raintree Financial Solutions has been structured as a partnership (of the owners' companies). There were a few reasons for that particular structure, but time and growth have brought us to the decision to re-structure as a Corporation. So, effective October 1st, 2016, Raintree Financial Solutions Partnership is now Raintree Financial Solutions Inc. This will not change anything for our clients, investment companies, advisors or other stakeholders, but we thought we'd share the good news nonetheless.

Raintree had a great start to the fall — we placed 61st on *PROFIT 500*'s list of "Canada's Fastest Growing Companies in 2016" and 228th in *Alberta Venture*'s "Top 250 Highest Grossing Alberta Companies 2016" list. As just a six-year-old company, these achievements are something that we are extremely proud of. We thank all of our clients for helping us get to where we are today.

We appreciate readership feedback as we like to ensure our clients receive full value from these updates, so please don't hesitate to contact us on admin@raintreeEMD.com or by reaching out to your Private Wealth Advisor.



Investment Updates

ICM VI Realty Trust

ICM VI completed the final sale of its assets in September and will return their final capital and distributions to investors in October. The final results are approximately 13.3% IRR to investors over the life of the fund. ICM IX Real Estate Trust is currently available for investment.

Temperance Capital Income Trust

Temperance Capital launched its first offering with Raintree and had its first close in September. The proceeds were invested in a royalty investment with Succession Capital, a private equity firm based in the United States.

Compliance Philosophies and Processes

A commitment to a culture of compliance and adherence to regulation is one of the foundations on which Raintree Financial Solutions was built. As the saying goes, “we not only do the right things, we do things right”.

It was apparent before the inception of new regulations (namely NI 31-103) that changes were needed in the Exempt Market, or as we prefer to call it, the Private Capital Market. That piece of legislation created the opportunity for investment dealers to become major and essential participants in the industry — a responsibility that we take very seriously. There are many examples we can offer to illustrate, but we will focus on just a few today:

Staff: While we currently have a Compliance team of five, “compliance” and adherence to regulation permeates throughout all departments including Corporate Finance, Accounting, Operations and Marketing. Banking in Canada is a highly regulated industry so we are fortunate that all four of our support staff in the Compliance department were previously bankers and the Chief Compliance Officer came to us with four years of industry experience. In fact, Raintree’s first hire was our Chief Compliance Officer, Victoria Kouzmichova.

Processing: We saw the need to develop our own back office system (ROOTS) as nothing existed in the finance world to handle the nuances of the Private Capital Market. After a significant commitment of financial and manpower resources, we now have a state of the art processing system that allows our Private Wealth Advisors to produce highly accurate transactions that adhere to our policies and investment limits.

Products: Our product selection process has evolved over the years, and our Corporate Finance team is second to none in the Private Capital Market. Just this year we won four “Deals of the Year” awards. New investment

companies (“issuers”) who approach Raintree go through a very detailed and comprehensive evaluation and selection process before being chosen as an investment that we offer to clients.

Regulation: As a dealer that currently does business in six provinces, we report to six different provincial regulators with the Alberta Securities Commission as our primary regulator. We believe that positive relationships with the regulators are critical so we make every effort to run our business at the highest standard possible and in many cases, we exceed regulatory standards. We are also very active in both of the industry advocacy organizations, The National Exempt Market Association (NEMA) and the Private Capital Markets Association (PCMA) including a board position at NEMA.

While the above relates to the overall philosophies and operations of Raintree, the following delves deeper into the process our Private Wealth Advisors and Compliance team go through to determine suitability. What is suitability you may ask? It is a legal requirement that a proposed purchase or sale of a security meets the objectives and means of an investor.

At Raintree, we believe it is imperative that all investors have a thorough understanding of the risks associated with any investment that they make. This is even more important when investing in the Private Capital Market because these types of investments are generally illiquid, meaning they cannot easily be sold or exchanged because they are not traded on a stock exchange. They also have less transparency and financial disclosure requirements compared with public investments, so it is fundamental that interested investors seek the advice of one of our Private Wealth Advisors before investing.

Private Wealth Advisors have a legal obligation

under National Instrument 31-103 to ensure that each investment is suitable for a client. To accomplish this goal, a Private Wealth Advisor must have a thorough knowledge of the product, and understanding of their client’s upcoming financial needs, risk tolerance and income flows. It is our Private Wealth Advisors’ responsibility to assess how much of an investor’s funds can suitably be allocated to the Private Capital Market. If a loss were to occur, what is the realistic amount that they would be able to absorb, without impairing the investor’s ability to recover? This sort of assessment can only be accomplished if a client shares complete and relevant information with their Advisor.

It is the legal responsibility of Raintree’s Compliance department to supervise sales and ensure that we do not process transactions unless we have proof that a suitability assessment was adequately completed. How do we do this? We rely solely on the ‘Know Your Client’ form, notes and documentation that Private Wealth Advisors provide to us with every transaction. In other words, since we do not have the benefit of knowing the client the way our Private Wealth Advisors do, we depend on our Advisors’ notes to help us understand who the client is and whether the Private Capital Market and a particular investment is suitable for them. In our assessment, we pay special attention to clients’ financial circumstances, investment needs and objectives, investment knowledge and risk tolerance.

We hope this has provided you with some insight into our philosophies and processes regarding compliance and regulations. If you have any questions on any topics touched upon in this article, please don’t hesitate to contact your Private Wealth Advisor.

— D.R. (Nick) Fournier, President & CEO and
Victoria Kouzmichova, Chief Compliance Officer



A Day in the Life: Corporate Finance

Everyday brings something new for the Raintree Financial Solutions' Corporate Finance team. Our department is responsible for finding, selecting, structuring and completing due diligence on the investments that Raintree makes available to our clients. We thought you might find it interesting to live "a day in the life" of Greg Bainbridge, Director Corporate Finance. The following is a typical day, but does not include the distractions of unplanned phone calls, emails and office visits that are a natural part of everyday:

7:30 – 8:00: Arrive at the office. Check news feeds, check emails, grab a coffee.

8:00 – 8:30: Meet with my team as they arrive. Set priorities for the day.

8:30 – 9:00: Speak with the Compliance team and Operations team to discuss any investment related issues that require action.

9:00 – 10:00: Investment company ("issuer") conference call. The company informs us of an investment they are making by providing high-level details. This will require the investment to go "offline" for an Offering Memorandum update — go inform team of required actions leading up to this.

10:00 – 11:00: Review financial modelling for new investment fund with a Raintree Corporate Finance Associate. Review model provided by the issuer against our internal simplified model. Assess differences. Review the impact of changes to assumptions to future outcome.

11:00 – 11:30: Conference call with potential new issuer. The goal is to do a preliminary assessment of whether this investment has merit, understand the people involved, and make a high-level decision on whether it is something we want to spend more time on.

11:30 – 12:00: Make reference check calls on a new investment team we are looking to work with. Ensure references provide meaningful feedback on their experiences with the team member referenced.

12:00 – 1:00: Lunch meeting with a business development contact — sharing new investment ideas.

1:00 – 3:00: Documentation review on a new issuer. Review the Offering Memorandum, Declaration of Trust, Limited Partnership Agreement, Management Agreement and any other related documentation. Look for adherence to the terms of the agreements set up when we negotiated the offering. We also look for any anomalies that we believe would affect our investors in a prejudicial way.

3:00 – 4:00: Return phone calls and answer emails to Private Wealth Advisors. We do our best to support our Advisors when they have questions about specific investments on a timely basis. If there is extra time, I might work on the up coming Analyst Hour, our bi-weekly training session.

4:00 – 5:00: Conference call with a new issuer and their lawyer to go over key issues for their new offering. Provide feedback on areas we wish to improve upon or change in the investment structure, commercial terms or disclosure documents.

5:00 – 5:30: Clear off some final emails and set my fantasy football team for the coming weekend. Head home for an hour of playtime with my son.

Not everyday is the same, but most include many of the key components of activities outlined above. It's never boring — that's for sure!

— Greg Bainbridge, Director of Raintree Corporate Finance

Behavioural Finance: Part 5

The bias that we will be exploring in this issue of the Raintree Report is called **confirmation bias**.

Confirmation bias happens when we put too much emphasis on the good aspects, while minimizing or ignoring the red flags. As an example, upon hearing a “hot stock tip” from a neighbour, we look for information about the company that would suggest confirmation or support the tip we received while ignoring critical commentary or financial signals that may counteract positive information.

When we only focus on the positive aspects of an investment, we tend to overlook (or worse try to justify) the negative ones.

How To Avoid It?

Discussing your decision making process with a neutral third-party may help shed light on the other perspective of the investment opportunity. Raintree’s Private Wealth Advisors have gone through extensive training that focuses on dealing “fairly, honestly and in good faith” and on the importance of balance; meaning it is just as important to discuss the risks of a potential investment with a client as it is to discuss the potential benefits.

Next edition, we will explore *hindsight bias*.

Raintree in the Media

Raintree has been recognized in the media quite frequently over the past quarter. We were quoted in several articles in *Wealth Professional* magazine and were featured in a 13-page piece in the *Canadian Business Journal*.

Raintree also placed 61st on *PROFIT 500*’s list of “Canada’s Fastest Growing Companies in 2016” and 228th in *Alberta Venture*’s “Top 250 Highest Grossing Alberta Companies 2016” list. For a company that is only six years old, placing on these lists is a huge achievement and something we are very proud of. We owe our success to our staff, Private Wealth Advisors, business partners and most importantly, our clients and for that we sincerely thank you! For a full list of Raintree’s media appearances, please visit raintreeEMD.com/media.



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