

## The Scott McGillivray Real Estate Fund III FAQs

The Scott McGillivray Real Estate Fund (SMREF) offers investors a chance to invest passively alongside Scott McGillivray and his expert team in an exciting portfolio of residential development projects in some of Canada's fastest-growing markets. McGillivray Capital Partners, the asset manager of the SMREF, partners with top-tier, experienced developers to source and create what we feel is a strong portfolio of real estate assets in our target areas.

With Fund III, we are building on the success of our first two funds and following a similar strategy. We're leveraging our relationships and the current market to source high-quality, off-market deals that are not traditionally accessible to individual investors.

### Frequently Asked Questions

#### How is the Fund structured?

We designed this Fund to be accessible to as many people as possible, so we've set it up as a Mutual Fund Trust with an Offering Memorandum. This structure allows us to accept both qualified Eligible and Accredited investors and offers the flexibility to invest using cash, corporate funds or registered funds such as an RRSP, TFSA, or LIRA account.

#### Describe the Fund strategy – will it be more than one project? Where are you investing?

We're all about creating value through real estate development, focusing on residential mid-to-high-rise housing in Southern Ontario. Our plan is to invest in 3–5 different residential projects, giving us a diversified portfolio approach. We take an active ownership stake in every one of our investments and play an active role in managing these developments.

Southern Ontario offers significant opportunities with its strong population growth, housing supply gaps, and government support for new housing construction. By partnering with experienced development teams with a proven track record, we aim to maximize value while mitigating risk by always taking an active role in managing our projects.

#### What is the minimum investment? Can I use Registered Funds?

The minimum Investment is \$50,000. You can invest using cash, corporate funds or registered accounts including RRSP, TFSA, LIRA, etc.

## **What are the expected returns? How can they be so high?**

We target an Annual Return of 20% or more on our investments. These returns come from the profit margins of the development projects we invest in. As a project progresses, the value of your investment grows along with it. Generally, value is created throughout each stage of the development process, so getting in at the beginning can make these opportunities very attractive.

Of course, there are always risks, but when done right, the margins—and the potential returns for investors—can be significant.

## **How do the returns work? When should I expect Distributions?**

Your investment starts earning returns as soon as you invest - there's no need to wait for the fund to raise all the required capital.

You'll receive your returns when each project in the fund is either completed or sold. At that point, any realized profits are distributed to investors, along with their original investment.

The estimated fund timeline is approximately 5 years, starting from the time that the capital raise is completed but may be shorter or longer depending on the projects in the portfolio.

## **Can I get my money back before the end of the term?**

This is a closed-end fund which means there is a finite timeline and investors receive their payouts at the end of the Fund term. The underlying investments for this type of Fund are inherently illiquid, and therefore the fund structure must align with that - each investor should be aware of the illiquid nature of this fund, and plan accordingly. The reason for this is to ensure the integrity of the investments within the fund and to ensure they are capitalized in a stable and responsible manner for all investors.

## **Is my money Guaranteed?**

We're confident in our team's ability to make smart investment decisions, but it's important to remember that there are no guarantees. Guaranteed returns typically come with much lower potential returns - examples of products offering guaranteed returns are GIC's and government bonds. We manage risk through strong management, conservative leverage, strict investment criteria and portfolio diversification.

The property acts as the security or collateral for the investment. The fund invests equity, meaning the ownership position in the projects, and it's our job to ensure that the security is strong and properties are leveraged responsibly to reduce risk.

As a further safeguard and to ensure alignment between investors, the fund is structured so that the investor capital has 'priority' for repayment and a 'preferred return' before any profits are shared with the development partners (if applicable). At the Fund level, investor capital is the first to be repaid in what's called a Distribution Waterfall.

## **What are the fees? Explain how we are aligned**

There's an asset management fee of 2% per year which supports the ongoing operations of McGillivray Capital Partners, the Asset Manager of the Fund. This fee covers the day-to-day management, including investor relations, investment selection, due diligence and on-going oversight throughout the lifetime of the Fund.



In addition, the Asset Manager is entitled to a share of the profits. This is based on the fund's success and only happens after investors have received back their initial investment and the fund has met a minimum performance threshold called a hurdle rate. This setup, known as a 'waterfall distribution structure,' is common in private equity funds and is designed to align the interests of both management and investors. Put simply, management only participates in a share of the profits if the fund performs above a certain level.

For Fund III, the profit split is 80/20 – 80% to Investors, 20% to management, and the annual Hurdle Rate will be the RBC prime rate.

It is important to note that the Partners also invest their own money alongside all investors, ensuring they have a personal stake in the fund's performance.

## **I want to Invest. What are the next steps?**

Investments will be accepted on a first-come first-serve basis. The Closing schedule for the Fund is generally bi-Monthly – which means investors can come into the Fund at the end of every other month, until the capital raise target has been met.

If you're interested in investing, we'll connect you with a licensed Exempt Market Dealer (EMD) representative. They'll guide you through the initial qualification process and help you complete a Know Your Client (KYC) document. This step ensures the investment is a good fit for you.

We operate in a highly regulated environment, meeting the compliance standards set by the Ontario Securities Commission. We've designed our process to be both compliant and as straightforward as possible for investors.

Once you've completed the KYC document and been approved, your licensed dealing representative will guide you through completing the subscription agreement—the contract for your investment—and submitting it to McGillivray Capital for approval. After that, they'll assist with setting up the transfer documents for your cash or registered account investment.

The role of a registered Exempt Market Dealer is to oversee and simplify the investment process. Canadian securities regulators require private funds like ours to work with an EMD when raising capital. The EMD conducts due diligence on our fund to provide you with added confidence, and is licensed to give financial advice about the fund and its associated risks.

Be sure to review the Offering Memorandum for all the details!

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### **Professional Service Partners**



### **Get in Touch!**

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Disclaimer: Investors should read the Offering Memorandum before making an investment decision. The use of any of the words "target", "anticipate", "continue", "estimate", "expect", "may", "will", "project", "should", "believe", and similar expressions are intended to identify forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. We disclaim any intent or obligation to update such information or statements, whether as a result of new information, future events or results otherwise, other than as required by applicable securities laws. All references to target returns or target investments are targets only, and there can be no assurance the targets will be achieved. See Offering Memorandum for full details

