

Aasen

PRIVATE EQUITY | REAL ESTATE



Private Equity Explained

Diversify Smarter, Invest Better

**Power Your Portfolio with
High-Performing Real Estate**



www.cynthiaaasen.com

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*Did you know?
Private equity
investments often
provide higher
returns and lower
correlation with
traditional assets.*

Why Should You Consider Private Equity Investments in Your Portfolio?

Private equity investments are not just another financial buzzword; they represent a growing trend among investors looking for ways to enhance their portfolios beyond traditional stocks and bonds.

In fact, just **20 years ago**, private equity investments represented **\$4.8 trillion**, or **6%**, of global assets under management, and hedge funds constituted much of that allocation.

Today, private equity investments are larger than ever, sitting at **\$22 trillion** in assets under management, or **15%** of global assets under management.

This section explores why private equity investments might be a smart addition to your financial strategy.

01 Diversification:

Low correlation with traditional asset classes such as stocks and bonds, reducing overall portfolio risk.

02 Potential for Higher Returns:

These investments often provide access to exclusive opportunities with attractive returns.

03 Specialized Opportunities:

Include sectors like real estate development, private credit, infrastructure, and more.

04 Inflation Hedge:

Real assets such as real estate and commodities help protect against inflation.

05 Tax Advantages:



Many private equity investments allow for tax-efficient growth, particularly through registered accounts.



Private equity investments provide an excellent way to enhance portfolio diversification, hedge against inflation, and access specialized opportunities that traditional investments may not offer. Carefully evaluating your financial goals and risk tolerance can help you decide if these investments align with your overall strategy.

Understanding the Differences

Investors often grapple with the choice between public securities and private equity real estate. Each offers unique benefits and risks, making it essential to understand their fundamental differences. This section breaks down how these investment options compare.

	Public Securities:	Private Equity Real Estate:
 Accessibility & Transparency:	Traded on exchanges, highly liquid, and transparent.	Illiquid, requires longer commitments, but offers access to niche markets.
 Risk & Reward:	Market-driven volatility but lower barriers to entry.	Higher potential returns with specialized management.
 Management:	Corporate management teams with regulatory oversight.	Actively managed by professionals with industry expertise.
 Regulation:	Strictly regulated with public disclosures.	Governed by private agreements with detailed due diligence.

In conclusion, understanding the trade-offs between public securities and private equity real estate is key to making informed investment decisions. Each option offers distinct advantages and risks, allowing investors to align their choices with their unique financial objectives.

“ Private equity real estate offers exclusive opportunities but requires patience and expertise. ”

What Is an Exempt Market Dealer?

An exempt market dealer (EMD) is a type of securities dealer registered with securities regulatory authorities. EMDs are authorized to sell securities that are not traded on a stock exchange or registered with securities regulators. These securities, known as "exempt securities," are sold through private placements and are not subject to the same level of regulatory oversight as publicly traded securities.

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EMD =
Exempt
Market
Dealer

Key Characteristics of EMDs:

01 Focus on Private equity Investments:

- ✓ EMDs primarily deal in private placement securities, structured products, and private equity funds that are not available through traditional retail channels.
- ✓ They often facilitate the sale of securities for emerging or smaller companies that may not meet stock exchange listing requirements.

02 Regulatory Requirements:

- ✓ EMDs must register with securities regulatory authorities and are subject to oversight.
- ✓ Registration and compliance requirements for EMDs are typically less stringent than for dealers involved in stock exchange trading.

03 Disclosure and Risk Warnings:

- ✓ EMDs are required to provide clients with detailed disclosure documents, including risk warnings, to ensure informed investment decisions.

04 Client Suitability:

- ✓ EMDs must assess and ensure that the securities they sell are suitable for the client's investment goals and risk tolerance.

Risks of Exempt Securities:



Lack of liquidity and higher price volatility.



Increased risk due to less regulatory scrutiny.



What Is a Dealing Representative?

A dealing representative is an individual licensed and registered with securities regulatory authorities to sell securities and provide investment advice on behalf of a registered securities dealer, such as an EMD. They are often referred to as "registered representatives" or "financial advisors."

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Dealing Representatives ensure you understand risks and rewards of private equity investments

Responsibilities of Dealing Representatives:

Client Interaction:

- ✓ Serve as the primary point of contact for clients, providing investment advice and selling securities tailored to client needs.
- ✓ Ensure clients understand the risks and benefits associated with their investments.

Compliance and Proficiency:

- ✓ Dealing representatives must pass proficiency exams, meet educational and experience standards, and comply with ongoing regulatory requirements.

Conflict Disclosure:

- ✓ Representatives are required to disclose conflicts of interest and prioritize their clients' interests.

Choosing a Dealing Representative:

Ensure they are licensed and registered with securities authorities.



Verify their qualifications and experience to assess their ability to guide informed investment decisions.



Working with a knowledgeable and licensed Exempt Market Dealer (EMD) can open doors to unique investment opportunities that go beyond traditional asset classes. EMDs are backed by experienced Dealing Representatives who serve as trusted advisors, ensuring clients understand the risks and rewards of private equity investments.

Partnering with the right EMD and Dealing Representative can offer the confidence and guidance needed to navigate the world of private equity investments, ensuring your portfolio aligns with your long-term financial objectives.

How To Evaluate Private Real Estate Equity Investment

Private real estate equity investments can offer lucrative opportunities, but they require careful analysis and research. This section provides a step-by-step guide to ensure you make informed decisions.



Understand the Investment Strategy:

- ✓ Review the type of property (residential, commercial, or land development) and its purpose.
- ✓ Assess the geographic location and local market trends.



Track Record of the Sponsor:

- ✓ Investigate the performance history and experience of the management team.



Analyze Financial Metrics:

- ✓ Examine projected cash flow, Internal Rate of Return (IRR), and overall profit potential.
- ✓ Ensure transparency in fee structures.



Assess Risk Factors:

- ✓ Look into economic trends, regulatory considerations, and potential challenges related to the property.



Perform Comprehensive Due Diligence:

- ✓ Carefully review offering memorandums, contracts, and legal agreements.

Thorough evaluation of private real estate equity investments not only mitigates risk but also positions investors for better returns. Taking the time to research, analyze, and seek expert guidance is critical to achieving your investment goals.

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Checklist:

Look for transparency, historical success, and a solid exit

What Are the Different Investment Structures for Private Equity Real Estate Deals?

Private equity real estate deals come in various shapes and sizes, each designed to cater to different investor preferences and project needs. This section highlights the most common structures and what sets them apart.

01 Joint Ventures (JVs):

- ✓ Partnerships between two or more parties, typically a real estate operator and an equity investor.
- ✓ Allows sharing of responsibilities, risks, and profits.
- ✓ Commonly used for large-scale or complex projects.

02 Direct Investments:

- ✓ Individual or institutional investors acquire ownership stakes directly in real estate assets.
- ✓ Provides full control but also assumes higher risk and responsibility.

03 Private Real Estate Investment Trusts (REITs):

- ✓ Organized as trusts, these allow investors to pool resources to invest in income-generating properties.
- ✓ Typically illiquid and available to accredited investors.

04 Real Estate Limited Partnerships (RELPs):

- ✓ A partnership structure where Limited Partners (LPs) provide capital and General Partners (GPs) manage operations.
- ✓ Offers limited liability to investors and focuses on large-scale projects.

05 Debt Investments:

- ✓ Investors provide loans to real estate developers or property owners in exchange for interest income.
- ✓ Secured by the underlying real estate asset.

Choosing the right investment structure depends on your financial goals, risk appetite, and desired level of involvement. Understanding these structures ensures you make decisions that align with your long-term strategy.

Choosing the right investment structure depends on your financial goals, risk appetite, and desired level of involvement.

Primary Differences Between Structures:

Control:

- ✓ Direct investments and JVs provide higher control to investors.
- ✓ REITs, RELPs, and debt investments offer more passive involvement.

Risk Exposure:

- ✓ Direct investments and JVs involve higher risk and responsibility.
- ✓ RELPs and REITs distribute risk among multiple investors.

Liquidity:

- ✓ Public REITs offer higher liquidity compared to private structures like RELPs or private REITs.
- ✓ Debt investments may offer shorter time horizons compared to equity investments.

Returns:

- ✓ Equity investments like RELPs and JVs offer potential for high returns tied to property appreciation.
- ✓ Debt investments provide steady income through interest payments.

Investing in Private Equity Real Estate

Private equity real estate can be a powerful addition to your portfolio, but understanding investor classifications and the governance surrounding these offerings is critical. This section breaks down the different types of investors and the oversight involved in private equity deals.

Key Benefits of Private Equity Real Estate

Diversification:

Access niche markets not available through public securities.

Higher Returns:

Potential for enhanced performance compared to traditional investments.

Expert Management:

Investments guided by experienced professionals.

Types of Investors:

01 Permitted Investors:

- ✓ Must demonstrate significant financial resources or experience in managing financial assets.
- Typically includes individuals or
- ✓ entities with \$5 million or more in financial assets.

Permitted Investor:

High financial resources or institutional backing.



02 Accredited Investors:

- ✓ Meet income or net worth thresholds set by regulators:
 - **Income:** At least \$200,000 annually (or \$300,000 with a spouse) in the last two years.
 - **Net Worth:** Exceeds \$1 million (excluding primary residence).
- ✓ Gain access to private equity offerings due to presumed financial sophistication.

Accredited Investors: Meets net worth/income thresholds, accessing exclusive offerings.



04 Non-Eligible Investors:

- ✓ Do not meet qualifications for other categories.
- ✓ Typically restricted to publicly available investments to ensure higher protections.

Non-Eligible Investor:

Restricted to public opportunities.



03 Eligible Investors:

- ✓ Meet less stringent qualifications:
 - \$400,000 in net financial assets or \$75,000 annual income.
- ✓ Can participate in certain private offerings but with investment caps to mitigate risk.

Eligible Investor:

More accessible but limited participation.

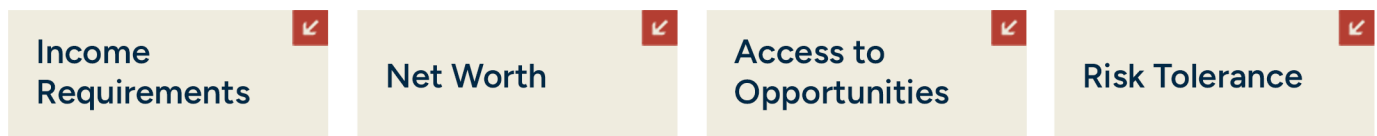


Investing in Private Equity Real Estate

Oversight and Governance:



By understanding these investor classifications and governance mechanisms, you can make informed decisions about whether private equity real estate aligns with your financial goals and risk tolerance.



Exploring Different Types of Real Estate Investments

Now that we've covered the foundational aspects of private equity investments, it's time to delve into the specific types of real estate-focused opportunities available. Each investment vehicle has its unique characteristics, benefits, and risks. The following sections will guide you through various options, including Mortgage Investment Corporations (MICs), Real Estate Investment Trusts (REITs), and Real Estate Limited Partnerships (RELPs). By understanding these distinctions, you can identify the investments that best align with your goals and risk tolerance.

Governance Layers

- 01 Transparent due diligence.
- 02 Active oversight through regulatory bodies.
- 03 Regular audits for financial accountability.

What Is a Mortgage Investment Corporation (MIC)?

Mortgage Investment Corporations (MICs) are a specialized form of real estate investment in Canada. They offer unique advantages for investors looking for consistent income and portfolio diversification. Here's a closer look at MICs.



Structure:

- ✔ Governed by Canada's Income Tax Act, requiring MICs to distribute 100% of income to investors.
- ✔ Typically organized as trusts or corporations.

Focus:

- ✔ Invests in residential and commercial mortgages, construction loans, and secured loans.

Returns:

- ✔ Generates steady income through interest payments, often higher than traditional fixed-income instruments.

Risk Management:

- ✔ Mitigates risk through portfolio diversification.

Liquidity:

- ✔ Some MICs offer redemption options, though liquidity levels vary.

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MICs are ideal for consistent returns and tax efficiency in Canada.

Advantages of MICs:

- 01 Consistent income streams.
- 02 Access to real estate without direct property ownership.
- 03 Eligible for registered accounts (e.g., RRSPs, TFSAs).

What Is a Mutual Fund Trust?

A mutual fund trust is a type of investment vehicle that pools money from multiple investors to acquire a diversified portfolio of securities. Managed by professional portfolio managers, these trusts aim to generate returns through a combination of income, capital gains, and interest.

Real estate mutual funds offer a low-cost way to access diverse real estate portfolios.

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Key Features of Mutual Fund Trusts:

Structure:

01

- ✓ Organized as trusts, mutual fund trusts distribute the majority of their taxable income to investors.
- ✓ Investors hold units in the trust, representing a proportional share of the trust's assets.

Investment Focus:

02

- ✓ Mutual fund trusts invest in a wide range of asset classes, including equities, bonds, real estate, and alternative assets.

Accessibility:

03

- ✓ Available to both retail and institutional investors.
- ✓ Units can typically be purchased through financial advisors or directly from fund companies.

Advantages of Mutual Fund Trusts:

Diversification:

01

- ✓ Provides exposure to a broad range of investments, reducing overall portfolio risk.

Professional Management:

02

- ✓ Managed by experienced portfolio managers who actively make investment decisions.

Liquidity:

03

- ✓ Units are often redeemable at their net asset value (NAV), providing liquidity to investors.

Risks of Mutual Fund Trusts:

Market Risk:

01

- ✓ Subject to fluctuations in the value of underlying assets.

Fees:

02

- ✓ Management and performance fees can impact net returns.

Tax Implications:

03

- ✓ Distributions are taxable, even if reinvested in additional units.

Mutual fund trusts offer a straightforward way for investors to achieve diversification and access professional management. However, it is crucial to evaluate the trust's objectives, fees, and risk profile to ensure alignment with your investment goals.

What Is a Private Real Estate Investment Trust (REIT)?

Real Estate Investment Trusts (REITs) are an excellent entry point for investors who want exposure to real estate without owning properties directly. This section explains how REITs work and their unique advantages.

Private REITs offer professional management and tax efficient income distributions.

Key Features of REITs:

Structure:

01

- ✓ REITs operate under specific regulations, requiring them to distribute the majority of their taxable income to shareholders as dividends.
- ✓ They are typically structured as publicly traded or private entities.

Investment Focus:

02

- ✓ Invest in diverse property types, including residential, commercial, industrial, and mixed-use.

Accessibility:

03

- ✓ Public REITs trade on stock exchanges, offering liquidity and transparency.
- ✓ Private REITs cater to accredited investors and require longer-term commitments.

Advantages of REITs:

- ✓ Provides exposure to income-producing real estate.
- ✓ Offers consistent dividend payments.
- ✓ Managed by professional real estate teams.
- ✓ Suitable for diversification within a portfolio.

Risks of REITs:

- ✓ Market risk influenced by economic and real estate market conditions.
- ✓ Interest rate sensitivity impacting property values and income.
- ✓ Liquidity risk for private REITs.

What Is a Real Estate Limited Partnership (RELP)?

For investors seeking large-scale real estate projects, Real Estate Limited Partnerships (RELPs) can be an attractive option. This section outlines the key features, advantages, and risks of RELPs.

RELPs offer exclusive opportunities to partner with industry experts in larger projects with limited liability.

Key Features of REITs:

Structure: 01

- ✓ GPs manage the daily operations, including property acquisition and management.
- ✓ LPs contribute capital and have limited liability, with their risk restricted to their investment amount.

Investment Focus: 02

- ✓ RELPs invest in large-scale projects such as commercial developments, residential communities, and land acquisitions.

Tax Advantages: 03

- ✓ LPs can benefit from tax deductions related to depreciation and expenses.

Tax Advantages: 04

- ✓ RELPs are long-term investments, often requiring commitments of 5 to 10 years.

Advantages of RELPs:

- ✓ Access to large-scale real estate projects.
- ✓ Potential for significant returns through value creation.
- ✓ Limited liability for LPs.

Risks of RELPs:

- ✓ Dependence on GP expertise for success.
- ✓ Illiquidity with limited secondary markets.
- ✓ Market risk related to real estate trends and economic conditions.



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Investing In Private Equity

Private equity investments, including private equity real estate, MICs, REITs, and RELPs, provide unique opportunities to diversify portfolios, hedge against inflation, and achieve higher returns.

By understanding the nuances of these options and conducting thorough due diligence, you can make informed decisions aligned with your financial goals.

Take control of your financial future today. Explore private equity real estate investments!”



Ready to enhance your portfolio?
Let's build your investment
strategy together.