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THE
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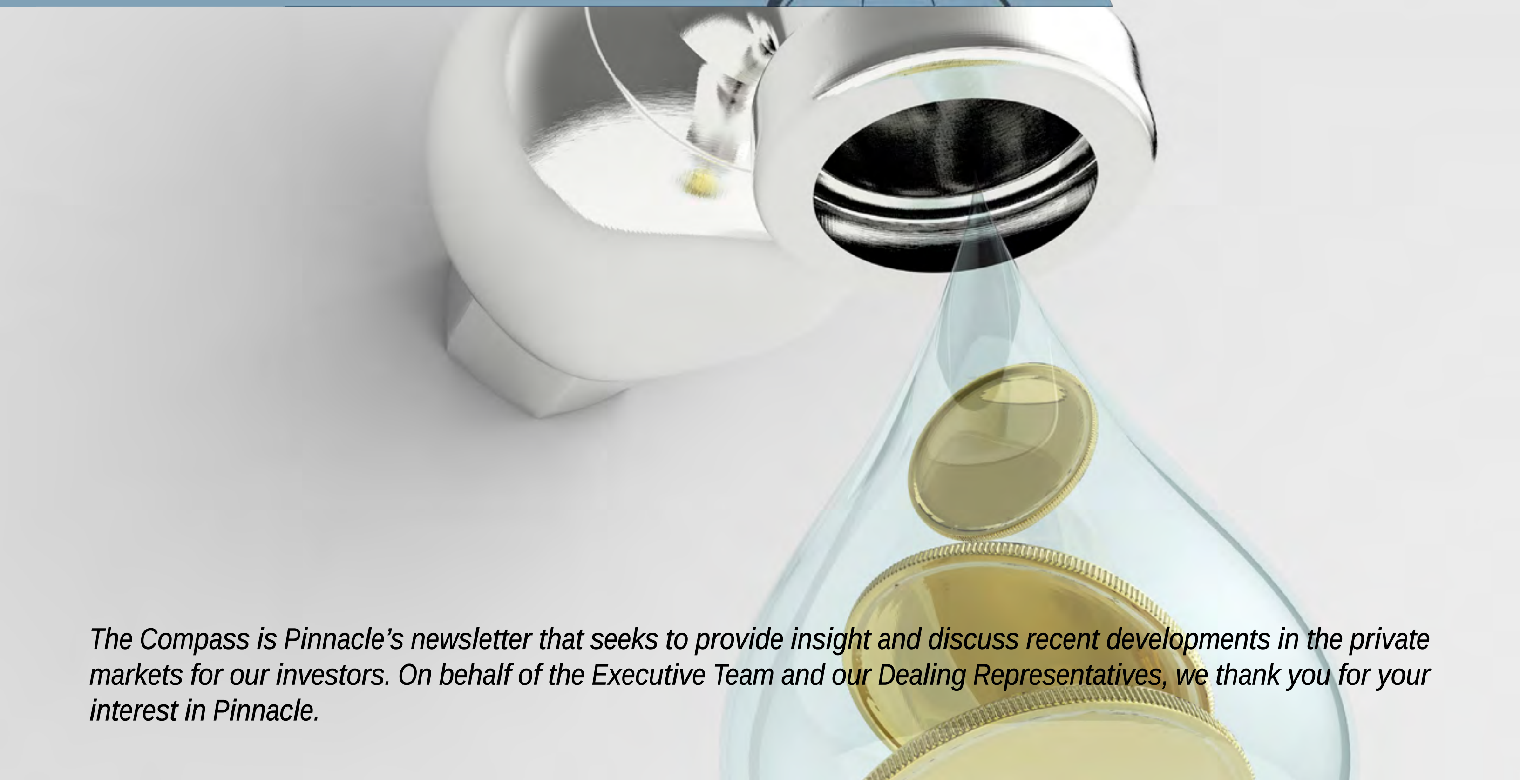

The Compass is Pinnacle's newsletter that seeks to provide insight and discuss recent developments in the private markets for our investors. On behalf of the Executive Team and our Dealing Representatives, we thank you for your interest in Pinnacle.

LIQUIDITY RISK AND REDEEMING/SELLING YOUR PRIVATE MARKET SECURITIES

BY: BRIAN KOSCAK, PRESIDENT, CHIEF COMPLIANCE OFFICER AND GENERAL COUNSEL

Investors sometimes ask about the meaning of the term **liquidity risk** and how they can redeem/sell their securities and convert them to cash. For example, an investor may want to make another investment or use the cash proceeds for other purposes, such as paying down debt. This article provides investors with an explanation about such matters.

Liquidity Risk

Liquidity refers to an investor's ability to resell or redeem securities they have purchased. Private market securities are different than public market securities for various reasons, including that they are generally illiquid securities. **"Illiquid"** means there is no readily available marketplace where such securities can be sold or traded, such as a stock exchange. The offering memorandum of an issuer that sells private market securities will generally discuss the illiquid nature (or lack of liquidity) of a private market investment.

Selling Your Private Market Securities/Redemption Rights

So how does an investor sell their private market securities absent the termination of a trust or limited partnership or any secondary market? Simply, investors must exercise what are called their **"Redemption Rights"** which are generally available, subject to certain terms and conditions, to investors who acquired private market securities under a registered Deferred Plan.[1] A **"Deferred Plan"** means a trust governed by a registered retirement savings plan ("RRSP"), registered retirement income fund ("RRIF"), registered education savings plan ("RESP"), deferred profit sharing plan ("DPSP"), registered disability savings plan ("RDSP") or tax-free savings account ("TFSA").

One document that provides a summary of an investor's Redemption Rights is set out in the offering memorandum of an issuer whose securities an investor acquired.[2] **However, it is important to note that**

Redemption Rights *do not* necessarily provide full liquidity where an investor gets all their money back in cash.

Redemption Rights ≠ Cash Full Liquidity

Unlike mutual funds, which are redeemable upon demand [subject to certain fees and expenses], private market securities are subject to certain other terms and conditions, some of which are discussed below.

Investors are cautioned to read their issuer's constating document (e.g., articles of incorporation, limited partnership agreement or declaration of trust) in order to understand their Redemption Rights involving any particular securities [which differ among issuers] and/or discuss their rights with their Pinnacle Dealing Representative.

Redemption Notice

In order to sell or redeem securities, an investor must provide an issuer with a Redemption Notice. This is a written notice provided by an investor to the issuer, in a form acceptable to the issuer, setting out the investor's desire to redeem or sell all or some of their securities. An issuer may reject a Redemption Notice if it is not in the prescribed form, as required, and/or not within the required Redemption Notice Period.

Investors must be aware that issuers typically have a Redemption Notice Period during which redemptions must be made **prior** to any redemption date. Investors are also cautioned that a Redemption Notice Period could be as short as a one or two-week period, or a longer period. For example, it could be 60 days before the end of a financial quarter for an issuer that has quarterly redemptions. If an investor provides a Redemption Notice after that date, for example, 50 days prior to the end of a quarter, the issuer does not have to accept such Redemption Notice and may only give effect to such notice in the following financial quarter.

Investors are generally cautioned to provide as much notice as possible before the end of any Redemption Notice Period. Investors must also ensure they have evidence of having provided a Redemption Notice to an issuer (e.g., by e-mail if permitted by an issuer which provides evidence of delivery and provided it is the form of notice required by the issuer).

The Redemption Date

The Redemption Date is the actual date securities are redeemed on the books and records of an issuer. If investors are receiving income from an investment that makes distributions, investors should make sure they understand whether distributions stop at the point that a Redemption Notice is provided, on the Redemption Date, or otherwise.

Redemption Price

The Redemption Price is the amount that an investor will receive upon the redemption of their securities that may be a combination of cash (up to a maximum limit) and/or Redemption Notes. Such matters are discussed below.

Redemption Cash Limits

Redemptions involving private market securities sold under a Deferred Plan involving the offering memorandum prospectus exemption are generally subject to a cash redemption limit. This means that an investor may not necessarily receive 100% of the value of their investment in cash rather an issuer may impose a limit on the amount of cash they will provide a redeeming investor, with the balance payable by the issuance of a Redemption Note of the issuer.

Issuers include cash limits for various reasons, including those where their underlying investment does not have sufficient cash liquidity in order to meet all or any redemption demands by investors. For example, an issuer may invest in real estate, which is not typically liquid, and may place cash limits on redemptions at any time, and from time to time.

The maximum cash limit of a Redemption Price may be expressed as a percentage of, or the fair market value of, all securities issued and outstanding on a per security basis.
As an example, an issuer may impose a quarterly redemption limit of $100,000 per quarter.[3] Alternatively, an issuer could impose a redemption limit based on a percentage of the fair market value of an issuer's securities as at a Redemption Date, for example, a 10% limit.

However, there is nothing to preclude an issuer from paying any amount in excess of any cash redemption limit, and some do, but an issuer's legal obligation (irrespective of business considerations or for investor relations purposes) is the cash limit set out in an issuer's constating document (e.g., articles, declaration of trust or limited partnership agreement, as applicable).

If investor redemption requests exceed any redemption limit, an issuer will generally redeem for cash on a pro-rata basis up to the maximum redemption limit and, unless any applicable regulatory approvals are required, pay the balance by a distribution of Redemption Notes.

Redemption Notes

If the aggregate redemption requests exceed any redemption cash limit, the issuer will satisfy the balance by issuing a Redemption Note in addition to the cash payment, up to the amount of the Redemption Price. Typically, these Redemption Notes are:

- Unsecured;
- Subordinated and postponed to all senior indebtedness, and which may be subject to specific subordination and postponement agreements;
- Set at a fixed interest rate;
- Subject to earlier prepayment, set for a fixed number of years; and
- Payable, both interest and principal as a single payment at the end of the term or earlier at the discretion of the issuer. (This means there are usually no periodic payments and an issuer can repay the note at any time, and from time to time).

Redemption Notes are not liquid and generally will not be a qualified investment for Deferred Plans and may be a prohibited investment for Deferred Plans.

Redemption Notes ≠ Qualified Investments for Deferred Plans

Investors must understand there could be adverse tax consequences to an investor who acquired securities under a Deferred Plan and/or its annuitant beneficiary as a result of an investor seeking a redemption of securities. Accordingly, investors that propose to (or have) invested in securities through Deferred Plans should consult with their own tax advisors before doing so (or having done so), to understand the potential tax consequences of exercising their Redemption Rights attached to such securities. In certain circumstances, an investor may consider withdrawing their Redemption Notice if there are adverse tax consequences.

Redemption Fees

Investors should be aware that most issuers will charge a redemption fee, or similar fee, in connection with any redemption and is generally expressed as a percentage of the redemption price or a flat dollar amount.

Issuers may also charge an early redemption fee to investors that could be step-rated, where the fee would be higher in the early investment years and lower the longer an investor holds the investment (to the point where there is no charge if an investment is held for a specified length of time).

Conclusion

We hope you enjoyed this article and have a better understanding on how redemptions and the sale of private market securities work.

This article is for general educational purposes and is not intended to be, nor it should be construed as providing, legal advice. Investors are encouraged to speak with their Pinnacle Dealing Representative for more information about your Redemption Rights.

[1] Please note that not all issuers offer redemption rights and such securities are subject to an indefinite hold period unless the securities can be resold under another available prospectus exemption. For example, an accredited investor who acquired private market securities under the accredited investor exemption and which securities are not registered under a Deferred Plan, may only be able to sell such securities to, for example, another accredited investor under the accredited investor exemption, otherwise, their securities are subject to an indefinite hold period.

[2] The primary document for understanding an investor's Redemption Rights are in the constating document of the issuer's securities you acquired, such as a declaration of trust, if an investor acquired trust units, or a limited partnership agreement, if an investor acquired limited partnership units.

[3] Note this is not an annual amount and any unused amount in a given quarter is generally not transferrable to the next quarter so this should not be construed as a $400,000 cash limit per annum).

RECENT SUCCESS STORIES

ICM

ICM Realty Group ("ICM") operates as a fully integrated real estate investment firm with approximately $550 million of assets under management. ICM's objective is to provide clients with quality real estate investments by leveraging its capabilities in property management, asset/portfolio management and international investment solutions.

Recent Success

ICM VI Realty Trust: ICM is pleased to report ICM VI Realty Trust ("ICM VI") was successfully dissolved on December 30, 2016, after completing its investment objectives. ICM VI was established to capitalize on investment opportunities in the U.S. commercial real estate market, focusing on properties ICM believed to be undervalued relative to economic and operating fundamentals. The investment objectives of ICM VI were to generate quarterly income and capital growth for investors with an overall target annualized rate of return equal to 12-15% over a six to seven year hold period.

Starting in 2012, ICM VI raised $14.5 million and acquired three properties totaling 200,000 sf. The properties were improved through ICM's hands on approach to renovate, lease, decrease operating costs, and re-position. Investors received quarterly cash distributions amounting to 6.8% per annum from the date of their investment, and special distributions upon the sale of the properties. ICM VI sold its first property in November 2015, the second in March 2016, and the final asset in October 2016. ICM VI investors realized a gross IRR of 13.3%* an equity multiple of 1.4x, over a holding period that was two to three years shorter than had been projected.

ICM (IX) Real Estate Trust

ICM is currently raising capital for ICM (IX) Real Estate Trust ("ICM IX"). ICM IX was established to capitalize on investment opportunities in the U.S. commercial real estate market, focusing on properties ICM believes to represent value relative to economic and operating fundamentals. The investment objectives of ICM IX are to generate quarterly income and capital growth for investors, and seeking to earn a strong risk-adjusted total return for investors over the anticipated five to six year hold period. Since its launch in Q3 2016, ICM IX has successfully raised approximately $20.0 million and has thus far made three investments in properties totaling 249,450 net sf. of office and retail space. Consistent with ICM IX's stated objectives, investors are currently receiving quarterly distributions of approximately 5% per annum. ICM IX continues to raise capital, acquire new assets, and implement our active management strategy to improve the properties.

One Corporate Center IV: This well situated 112,000 sf six-story office building is one of four identical buildings in the center of a historically strong submarket, being Edina Minnesota. ICM will begin a leasing campaign to improve occupancy, stabilize the rent roll, and increase lease rates, which are currently on average 13% below market.

6101 Carnegie: This well positioned 107,645 sf five-story building is located in the Charlotte metropolitan area. ICM will undertake modest renovations to the common areas of the property to support a new leasing initiative, increasing occupancy and lease rates, while maintaining the exceptional existing tenant roster. (ICM IX holds a 50% interest in this asset.)

Jones Bridge Square: This strategically located 83,000 sf grocery-anchored shopping centre is located in a strong and growing submarket of the Atlanta metropolitan area. The grocer anchor intends to build a fuel center and ICM expects to increase lease rates gradually while leasing the remaining vacancy.
*Gross of U.S. withholding taxes. Net of all fees, costs and commissions.

For more information regarding ICM, its recent successes and its current offerings, please contact your Pinnacle Dealing Representative.

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LIMITED TIME ONLY

PINNACLE

ABSOLUTE RETURN TRUST

WHAT IS THE LIMITED INVESTMENT OPPORTUNITY?

PINNACLE ABSOLUTE RETURN TRUST (PART) invests in the securities of:

- the Pinnacle Diversified Private Income Limited Partnership (the Private LP); and
- the Pinnacle Diversified Public Investment Limited Partnership (the Public LP).

Class I and Class II trust units of PART (Trust Units) provide investors with an indirect exposure to the investment performance of the Private LP and the Public LP based on the initial investment allocations as set out below.

Class of Trust Unit	Initial Private Portfolio Allocation (Income)	Initial Public Portfolio Allocation (Growth)
Class I	90%	10%
Class II	10%	90%

The Public LP exclusively invests in securities of the Fiera Long/Short Equity Fund (the Fiera Fund).

In 2016, the Public LP entered into an Allocation Agreement with FIERA CAPITAL CORPORATION (FIERA CAPITAL), the portfolio manager of the Fiera Fund that provides PART with the ability to acquire up to $20,000,000 of units of the Fiera Fund (the Allocation).

As at February 28, 2017, PART has invested $4.5 mm in units of the Fiera Fund and now has a remaining Allocation of $15.5 mm or approximately 75% of the overall Allocation.

The Allocation Agreement expires at the end of May 2017 (the Expiry Date) so investors have a limited time only to take advantage of an investment opportunity into Trust Units that indirectly invest in securities of the Fiera Fund.

INVESTORS HAVE A LIMITED TIME TO ACCESS THE SECURITIES OF THE FIERA FUND THROUGH PART UNTIL THE REMAINING ALLOCATION *EXPIRY DATE!*

INVESTORS CAN CHOOSE ANY ALLOCATION OF CLASS I OR CLASS II TRUST UNITS:

Class I = 90% allocated to the Private Portfolio with a targeted yield of 7-8% per annum; 10% allocated to the Public Portfolio with targeted capital gains of 10-15% per annum

Class II = 90% allocated to the Public Portfolio with targeted capital gains of 10-15% per annum; 10% allocated to the Private Portfolio with a targeted yield of 7-8% per annum

THIS IS A LIMITED INVESTMENT OPPORTUNITY TO ACCESS THE FIERA FUND THROUGH AN INVESTMENT IN PART

FIERA CAPITAL

Fiera Capital is one of Canada's largest independent, publicly-traded investment managers. Fiera Capital is recognized as a reference for portfolio management excellence, industry-leading investment solutions, and its ability to exceed client expectations.

A LEADER IN ALTERNATIVE AND "TRUE ALPHA" TRADITIONAL STRATEGIES

$116 billion*	28%*	Approx. $5 billion*
in assets under management	in assets under management for Retail Markets	in alternative investment strategies

A UNIQUE DIFFERENTIATOR: INNOVATIVE ALTERNATIVE STRATEGIES

Since its creation, Fiera Capital has established itself as a leader in alternative investment solutions. Today, the firm offers a full spectrum of leading-edge alternative strategies.

Fiera Capital also provides unique and unrivaled expertise covering a complete array of award-winning "true alpha" traditional investment strategies.

BEST IN CLASS PORTFOLIO MANAGEMENT CAPABILITIES

Fiera Capital combines the flexibility and efficiency of a boutique investment manager with the scale of resources offered by a leading investment management firm. With offices throughout North America, the firm has over 600 employees and harnesses the extensive expertise of more than 150 investment professionals.

Strong risk management oversight with rigorous and disciplined investment processes help deliver superior and consistent investment performance.

ESTABLISHED INSTITUTIONAL CREDIBILITY

3rd largest	6th largest	#1 largest
independently owned investment manager in Canada	pension investment manager in Canada	endowment and foundation manager in Canada

Fiera Capital is one of Canada's top alternative asset class managers and the portfolio manager of the Public Portfolio. As at December 31, 2016, the assets under management in the Fiera Fund was approximately $681 million.

Fiera Long/Short Equity Fund

Fund Objective: Absolute return strategy based on a three-tier approach of "pairs trading", net long, and net short North American equity positions. This dynamic approach continuously seeks alpha regardless of the sector or market environment. Through rigorous risk management parameters including neutral currency exposure and strict liquidity constraints, the Fund targets positive long-term returns and limited volatility while providing downside protection versus a long only portfolio.

Information about Fiera and the Fiera Fund is available at: www.fieracapital.com.

HOW CAN PART INVESTORS ACCESS THE FIERA FUND?

Investors can access the Fiera Fund by acquiring either Class I Trust Units and/or Class II Trust Units of PART, depending on how much exposure they want to the Fiera Fund. For example, Class I Trust Units provide an initial allocation of 10% to the Fiera Fund while the Class II Trust Units provide an initial allocation of 90% to the Fiera Fund. Therefore, investors who seek a maximum exposure to the Fiera Fund would consider purchasing Class II Units provided that the investment is suitable.

The Public LP which solely invests in securities of the Fiera Fund is for investors whose main investment objective is primarily growth.

Please contact your Pinnacle Dealing Representative if you would like to learn more information about PART.

PART HAS SOLD *OVER 50%* OF ITS MAXIMUM OFFERING