



## ONTARIO FINALLY OPENS UP THE PRIVATE CAPITAL MARKETS TO RETAIL INVESTORS

Ontario has joined the rest of the Canadian Provinces and is finally making it easier for retail investors to access the private capital markets by giving investors access to new and different kinds of investment opportunities, and introducing new ways of raising capital.

Recently, the Private Capital Market Magazine (**PCMA**) asked the Pinnacle Executive team to explain the new opportunities in the private capital markets for investors by responding to questions about the new investment landscape.

As Pinnacle's President and General Counsel, and Vice-Chairman of the Private Capital Markets Association of Canada, along with my colleagues at Pinnacle, Darvin Zurfluh, Chairman and Chief Executive Officer, and Lloyd McDonald, Vice President of Business Development-Canada, we feel privileged to share with you the latest industry insights.

We are incredibly excited about these new investment opportunities opening up as it offers more choices, accessibility and options to new investors that were previously only available to high net-worth, institutional and pension investors.

The article covers a diverse range of topics including:

- what investing in private, or "exempt" market means
- what the offering memorandum exemption is, and how it works
- why individuals would want to invest in the private markets
- what Pinnacle's role in capital raising is
- how Pinnacle helps to minimize risk with an eye towards higher investment returns
- what competitive advantages Pinnacle can offer over its rivals, and much more.

To read the full article, please visit PCMA Magazine at:  
[http://www.pcmacanadamagazine.com/privatecapitalmarkets/spring\\_2016?pg=18#pg18](http://www.pcmacanadamagazine.com/privatecapitalmarkets/spring_2016?pg=18#pg18)



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# ONTARIO TEACHERS PENSION INVESTMENT POLICY AND USE OF PRIVATE INVESTMENTS

## Interview with Wes Mills, Pinnacle’s Chief Investment Officer

Ontario Teachers Pension Plan (**Teachers**) is a leading Canadian institutional investor with \$168 billion in assets under management. They just reported their 2015 investment results where they earned a 13% rate of return on the year. Teachers have posted an annualized return of 10.3% since its inception in 1990, and is an institution focused on “responsible investing” and evolving their process to reflect best practices.

As Pinnacle seeks to provide high quality investments to retail and high net worth clients, Teachers is one of those organizations that we can learn from. In this context, we have asked Wes Mills, Pinnacle Wealth Brokers Chief Investment Officer, to answer certain questions:

### 1) Based on your 35 years of experience, how is the investment model used by Teachers different than a model used by large financial institutions (FI’s) for most Canadian Investors?

**WES MILLS:** Teachers is a pension manager with a 70-year time horizon, a large asset base and a professional in-house staff that manages 80% of their assets. Therefore, they have the luxury of a time horizon that possibly only people in their 20’s have today.

Teachers believe in active management (that you can outperform your benchmark) and they have effectively added value by allocating assets in a timely and appropriate manner. Since inception they have outperformed their benchmark by 2.1% per annum, equivalent to \$35.1 billion. They also recognize the

importance of asset allocation, as set out in their Annual Report.

“Recognizing that asset-mix selection is the primary driver of long-term performance, the plan devotes considerable attention to choosing the types of assets owned and the relative emphasis placed on each asset group and geography.”

(Source: 1.OTTP Annual Report 2015)

As set out in the Table below, Teachers has a diversified asset mix with a strong emphasis on Private Equity within the Real Assets portfolio, Real Assets, and Absolute Return Strategies. On the year, the Infrastructure portion of the Real Assets portfolio was the best performer generating 21.4%, with Canadian Equities the worst at -11.7%. It highlights the importance of diversification and the use of alternative asset classes, as they still earned 13% on the year.

### NET INVESTMENTS BY ASSET CLASS

(Canadian \$ billions)



**TOTAL \$168.2**

\*Money market asset class provides funding for investments in other asset classes  
(Source: 2.OTTP Annual Report 2015)

**2) As the CIO of Pinnacle and the manager of the Pinnacle Absolute Return Trust, how do these results effect your own modeling for the fund you manage?**

**WES MILLS:** First of all, my role as CIO of Pinnacle is to continue and further the mission and mandate of Pinnacle, which is “to continually seek unique investment opportunities to increase wealth”. Pinnacle is pleased to have launched our new private and public investment solution with the Pinnacle Absolute Return Trust (PART), and we are confident it will further our mission. PART is built on the premise that the diversification of a private portfolio with a lower correlation public portfolio will generate absolute or positive returns, with less risk over time than a traditional portfolio.

This is consistent with what Teachers is doing, and puts us in good company with our approach as a firm and our objectives with respect to PART.

**3) Do you see a trend of public and private asset classes coming together in Canada?**

**WES MILLS:** Investment trends in Canada typically follow those of the U.S., which is a larger market with more innovation and early adoption at the institutional

level. Institutional investment practices then trickle down to retail investors over time with a lag of up to 10 -15 years. The move into private and alternative markets by institutions in the U.S. started over 20 years ago. Those same practices are now common in institutions such as Teachers, or the Canada Pension Plan, and are slowly being introduced to retail and high net-worth clients in Canada.

I do not see a convergence of public and private markets, as they are distinctly different in terms of liquidity, transparency, and with respect to reporting obligations. There is however, an increased awareness of the benefits of private markets as part of your portfolio and in that sense, there is a much greater acceptance of private market solutions in a portfolio. As major financial institutions adopt more private market solutions, it will narrow the knowledge gap and increase their role in individual portfolios.

Teachers results in 2015 were outstanding, in part because they realized some gains in their private infrastructure and private capital portfolios. I would not expect this sort of outperformance to be the norm, but they have done well over time and in that sense it was not exceptional, but the result of good decision-making and a process of proper asset allocation. We should strive for the same.

LLOYD MCDONALD  
VP BUSINESS DEVELOPMENT - CANADA





# RECENT SUCCESS STORIES



**ICM Realty Group (ICM)** operates as a fully integrated real estate investment firm with approximately \$500 million of assets under management focused in the U.S. and Canada. 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

**Gulfstream Plaza:** ICM successfully sold Gulfstream Plaza in Feb. 2016, an 83,000 SF retail centre in West Palm Beach, FL, after just over two years of ownership. After resurfacing the parking lot, installing a new roof, building new storefronts and leasing the majority of the vacant space, ICM sold the plaza for \$13.05 million. The total investment in the property was approximately \$9.6 million in January 2014, including \$5.0 million of equity.

**Mill Place:** ICM successfully acquired Mill Place in Minneapolis, MN, for \$10.25 million. The acquisition represents the fifth asset in the ICM (VII) U.S. Core Plus Realty Trust portfolio. Mill Place was acquired at a favourable valuation in an off-market transaction. This well situated, character office property is in the heart of a strong market that is undergoing substantial revitalization. ICM will undertake significant renovation of the property to maximize the potential of this

historic brick and timber building, and reposition the asset in the market with the intention of capturing much higher lease rates than when the building was acquired.

**ICM (VII) U.S. Core Plus Realty Trust**  
*Winner of the 2016 Private Capital Markets Association (PCMA) "Commercial Real Estate" Award*

In what has been a number of great successes for ICM (VII) U.S. Core Plus Realty Trust, we are honoured to receive the "2016 PCMA Commercial Real Estate Award" presented by the Private Capital Markets Association of Canada.

ICM completed its capital raise for ICM (VII) at the end of April 2016, reaching almost \$60M. To date, the Trust has acquired five assets totaling 415,000 sq. ft of commercial real estate and is well on its way to building a diverse portfolio of commercial assets in various U.S. cities and sub-markets. The Trust has the objective of generating income and capital growth for investors, and seeks to earn a strong risk-adjusted total return over the Trust's 5 to 6 year horizon.

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