



Dancap General Investment Philosophy & Criteria

Dancap's General Investment Philosophy

As a Single Family Office, our flexible investment mandate allows us to invest in any opportunity that meets our minimum net return criteria, while our nimble team allows us to act quickly.

For the most part, we are a passive, minority investor, and most our investments are managed by third party managers. On certain occasions, our team has taken on a more active role as an investor. For example;

In 2003, as one of two partners, we took over the operations and ownership of Beaver Power Corporation with four hydroelectric generating facilities in Northern Ontario totaling approximately 50 megawatts of generating capacity. All of the power produced by these facilities is sold under long term power purchase agreements with the Ontario Electricity Financial Corporation, with an average remaining duration of 38 years then sold it to Brookfield Power in 2006 <https://www.mccarthy.ca/en/work/cases/brookfield-power-completes-acquisition-beaver-power-corporation>

In 2007, we launched Dancap Productions Inc., a commercial theater company dedicated to producing and presenting the Best of Broadway-style theater. Some of the past shows included: Memphis, The Addams Family, West Side Story, South Pacific and the blockbuster hit, Jersey Boys.

In 2015, we were one of three General Partners involved in the acquisition, management, and disposition of a portfolio of multifamily apartments across the Greater Toronto Area. In the end, we were able to help drive rental growth through capital improvements and operational changes and optimize our exit value in only a few short years.

In 2018, we launched EmpowerPharm Inc. We will strive to become the first Canadian pharmaceutical company to earn a Drug Establishment License (DEL) for manufacturing CBD products in Canada. We will lead the way from Canada by undertaking clinical research studies to fully determine CBD's efficacy. Our prescription CBD products will be widely distributed and accepted by the medical community, formularies, 3rd-party insurers and government payers. Each of our products will require a Drug Identification Number (DIN) and will be approved individually by national and international regulators including Health Canada and the FDA.

As mentioned, for the most part we are a passive, minority investor and we take great pride in our investment portfolio and fund managers we team up with. Most of our passive investments are with third party managers through blind pool funds or pledge funds. **Blind Pools Funds** are a type of private fund where investors invest in the fund and a fund manager has wide latitude in determining what investments are made and when they are made. Investors in the blind pool fund participate in all deals in the fund, which are made solely by the fund managers. **Pledge Funds** have the distinct advantage of putting investment decisions in the hands of the individual investors. They are not bound to invest in what the majority of the investors in the fund want to invest in.

All new investment opportunities go through an extensive due diligence process where we try to understand all the key return drivers and their underlying assumptions, potential risks, and exit outlook. We rely on financial models, supporting documentation, and third party reports, among other documents, as part of the process and will often perform our own sensitivity analysis to better understand the potential range of outcomes. Our overall goal is to understand an investment from all angles and scenarios, not just on its own, but within the context of our overall portfolio, and to communicate our analysis in a clear way to our Investment Committee.

Once an investment is added to our portfolio, we trust our managers to execute their thesis and outperform their benchmarks and peer group across various stages of the economic cycle. We conduct periodic reviews for all of our investments to ensure this is the case. If a manager continues to meet our expectations, we look to allocate future investments to them and continue to build our relationship.

Dancap's General Investment Selection Criteria

At a minimum, our managers are proven in their respective fields and strategies and provide complete transparency at all times.

Investment Managers with Proven Strategies

We rely on track record in the first instance to determine if an investment meets our minimum net return requirements (see the table below for more information). The ideal track record is consistent year-after-year, fund-after-fund, across multiple cycles, and is generated by the current investment team in place. We also look at performance relative to appropriate peer groups and benchmarks in order to ensure we are partnering with the best-in-class managers. We only look to partner with managers who consistently rank in the first or second quartile relative to their peers across multiple funds. We avoid investments where returns are 'lumpy,' i.e. mostly generated from either by a single investment, a single fund, or all within a short period of time.

Any new opportunities must meet our minimum net return targets in order to move onto the next phase of diligence. Below is a summary of our minimum net return targets by asset class, assuming a five year time horizon:

Dancap's Minimum Return Targets Net of all Fees, Deductions, and Non-Recoverable Foreign Taxes

Asset Class	Net IRR Target	Net MOIC Target
Private Equity	15% 1st and 2nd quartile managers	2.0x
Real Estate	15% for Value Add Strategies 20% for developments	2.0x
Private Debt/ Fixed Income	10% for senior secured 15% for second lien 1st and 2nd quartile managers	1.5x
Hedge Funds	10% Benchmarked to the appropriate HFRI Index	-
Public Equity Strategies	10% Benchmarked to the appropriate Index	-

Investment Managers who Provide Complete Transparency

Our managers provide complete transparency starting at the due diligence phase. This typically comes in the form of data room access which includes marketing materials, detailed financial models and projections, sample investment committee memos, audited financials, and legal documentation among other materials. In certain cases where physical or electronic copies cannot be shared, our managers have welcomed us to their offices and given us the opportunity to review materials behind closed doors and meet with the appropriate team members to answer any queries. Our managers and their investment team members try to make themselves available for calls and meetings when necessary throughout the entire life of the investment.

We encourage constant and thorough communication with our managers and partners in order to help achieve the best performance results. As a family office, we very much appreciate and understand the importance of confidentiality and Non-Disclosure Agreements (NDA).

