

Fund Objective: The Next Edge RCM Private Yield Fund (the ‘Fund’) aims to achieve consistent total net returns of 10%+ per annum by providing opportunistic financing via secure debt or debt-like instruments to chosen companies throughout North America which are typically 6 - 36 months in duration, but may be as long as 60 months. The Fund will pay out an 8% per annum yield distribution on a quarterly basis.

The Credit Advisor: The Fund’s credit advisor is R.C. Morris Capital Management Ltd. (‘R.C. Morris’). Founded in 2008, R.C. Morris is a privately-owned fund management company based in Vancouver, British Columbia.

INVESTMENT HIGHLIGHTS

The primary investment strategy of the Fund will be to provide asset or cash flow-backed debt to chosen companies based on the following parameters:

- Privately originated and negotiated
- Short to medium term repayment schedule – typically 6 to 36 months; but may be as long as 60 months
- General Security Agreement and Registered Security
- Debt capacity fixed by determined liquidation values of specific secured assets, pools of assets or verifiable future cashflows

Past Performance - RC Morris Partnerships

R.C. Morris has built a track record of solid performance, providing partners attractive net returns

Fund	Inception	Committed Capital	Status	Annualized Return ¹
Fund I	December 2011	\$2.2 million	Closed in December 2016	12.4%
Fund II	May 2013	\$8.4 million	Closed in December 2016	15.1%
Fund III	January 2016	\$65 million ²	Winding down	15.0%
Fund IV	July 2018	\$188 million ³	Ongoing	7.1%

1. Annualized Return since inception based on internal rate of return (“IRR”), net of fees and expenses but before the application of carried interest due to the general partner. Carried interest payments are contingent on the Fund achieving certain return hurdles. The investments in the RC Morris Partnerships are expected to be similar to the types of investments that R.C. Morris intends the Fund to make. Past performance is not indicative of future results. The performance of the RC Morris Partnerships should not be construed to be an indication about the future performance of the Fund or the Underlying Investments. This information is solely provided to illustrate the performance of the RC Morris Partnerships and should not be construed as a forecast or projection. The Credit Advisor manages the Underlying Investments similarly to the RC Morris Partnerships, however, while it is intended that the Underlying Investments may be managed with the same investment objectives as managing the assets of the RC Morris Partnerships, their investments may not be identical and the returns will differ due to a number of factors including but not limited to fees, expenses, taxes, currency hedging, foreign exchange, variations in trading programmes and allocations, variations in notional exposure, investments not being identical, cash flows and asset size. The leverage, strategy and investments of the RC Morris Partnerships have varied over time and as a result performance in any future period will vary.

2. \$44.8 million in capital outstanding as of June 30, 2020

3. \$130.9 million in capital outstanding as of June 30, 2020

INVESTMENT STRATEGY

The Fund aims to achieve net returns of 10%+ per annum by providing asset and cash flow-backed debt facilities to small and medium-sized enterprises.

Who we Invest In

- Companies unable to access traditional sources of capital because of:
 - ▶ Stage of Development
 - ▶ Size
 - ▶ Perceived riskiness
 - ▶ Complexity
 - ▶ Management or Board issues
 - ▶ Legacy balance sheet problems

Funding Criteria

- Privately originated and negotiated financing
- Short to medium term time horizon: typically 6 - 36 months; but may be as long as 60 months
- General Security Agreement, Registered Security and customized security solutions
- Debt capacity fixed by liquidation values of secured assets or asset pools, or verifiable future cashflows
- Maximum investment amount set at 15%

Market Positioning

- Traditional subordinated and mezzanine lenders rely on lower security priorities, weaker lender rights and decreased controls over borrowers to generate higher returns than term debt. We achieve higher returns with lower risk by using in-house structuring to ensure:
 - ▶ Thorough Due Diligence
 - ▶ Comprehensive security
 - ▶ Monitoring, Involvement, Intervention
- Competition in the Tactical Opportunities Fund investment space is limited to:
 - ▶ Large lending companies in financial hubs (Toronto, New York) - geographic remoteness and deal size usually precludes them from these deals
 - ▶ Private individuals – lack the resources to effectively conduct the due diligence and monitoring required
 - ▶ Company insiders – lack the ability to raise capital, especially given that their existing net worth may already be invested

Preserving Capital

We focus on maintaining safety of principal in the event that the investee does not achieve their goals

Pre-Investment Analysis and Negotiations

- Thorough due diligence and liquidation analyses on underlying assets and cashflows
- Extensive security coverage and agreements
- We always answer the question: “What is our way out?”

Post-Investment Monitoring and Control

- Regular general ledger monitoring and review
- Ongoing reviews of past and forecasted financial performance
- Frequent conversations with management
- Active involvement in finance and operations where necessary

Risk Mitigation

- We invest in companies where we believe that if the company fails in its objectives we can ensure a successful exit through multiple avenues:
 - ▶ Managing out a recurring revenue tail
 - ▶ Aggressive working capital management
 - ▶ Direct asset ownership, management and liquidation
 - ▶ Security backed by cashflow of ‘recurring revenue’ streams
 - ▶ First place security over company assets

Integral to the investment strategy is our experience and capability in turnarounds, restructurings, forensic accounting, mergers & acquisitions, disposals, and interim management services.

HISTORICAL PERFORMANCE¹ Class A

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	YTD ²
2020	0.24%	0.50%	0.21%	0.28%	0.22%	0.55%	0.89%	0.52%	0.00%	-	-	-	3.46%*
2019	1.75%	0.83%	1.42%	0.78%	0.87%	0.80%	1.19%	0.68%	1.22%	0.73%	0.12%	0.11%	11.02%
2018	0.70%	1.22%	0.54%	1.25%	0.81%	1.43%	1.58%	1.50%	1.45%	1.48%	0.93%	0.85%	14.65%
2017	-	-	-	-	-	-	-	-	-	-	-	0.66%	0.66%*

HISTORICAL PERFORMANCE¹ Class F

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	YTD ²
2020	0.32%	0.59%	0.29%	0.37%	0.30%	0.64%	0.98%	0.61%	0.08%	-	-	-	4.25%*
2019	1.84%	0.92%	1.51%	0.87%	0.96%	0.89%	1.28%	0.76%	1.30%	0.82%	0.21%	0.20%	12.17%
2018	0.73%	1.32%	0.63%	1.34%	0.91%	1.52%	1.67%	1.58%	1.54%	1.57%	1.02%	0.93%	15.80%

	1 Month	YTD*	1 Year	3 Year Annualized	Annualized Since Inception	Inception Date	NAV	Monthly Distribution
Class A¹	0.00%	3.46%	4.47%	N/A	10.79%	December 2017	\$9.67	\$0.1985
Class F¹	0.08%	4.25%	5.53%	N/A	11.65%	January 2018	\$10.09	\$0.2056

FUND DETAILS

Manager	Next Edge Capital Corp.
Credit Advisor	R.C. Morris Capital Management Ltd.
Fund Type	Mutual Fund Trust
Fund Status	Open on a limited basis
Launch Date	October 2017
Registered Plan Status	Eligible
Minimum Initial Investment	\$10,000; for Accredited investors only
Minimum Subsequent Investment	\$10,000; for Accredited investors only
Redemptions	Monthly with 6 months notice
Effective Management Fee	Class A 2.5% (1.00% service fee payable out of the management fee) Class F 1.5%
Performance Fee	20% above a 8% hurdle (with a catch-up)
Valuation Pricing	Monthly
Distributions	8% per annum, paid quarterly
Fund Codes (Interim - For Purchase)	Class A NEC 511 Class F NEC 513
Fund Codes (Final)	Class A NEC 521 Class F NEC 523

The Benefits of Including Private Lending In Investment Portfolios

A key tenet of successful long-term portfolio performance is the inclusion of high quality, non-correlated assets. Finding fixed income investments that complement core bond portfolios in terms of both attractive yield and diversification has become progressively difficult.

Private Lending can be broadly defined as privately negotiated loans to companies or individuals that takes place outside the traditional banking sector.

Post 2008, regulatory changes have forced traditional banks to notably pull back their lending activities creating an opportunity for non-bank lenders. Private Lending is a term which encompasses a wide and diverse number of debt investments. Many of these can provide a variety of benefits to investors.

Some of these benefits include:

- Strong historical return and cash flow characteristics relative to other fixed income vehicles.
- Solid focus on preservation of capital.
- Low historical correlation to equity and bond markets.

Integral to the investment strategy of the Fund is the experience and capacity of the Credit Advisor in restructuring, workouts, turnarounds, forensic accounting, mergers, acquisition disposals, and interim management services. This makes possible both the creative structuring of financing solutions while safeguarding the capital of the Fund, and proactive involvement with the investee companies to ensure both present and future compliance with financing terms.

The Fund will only make debt investments where the Manager and the Credit Advisor believe that in an event of default, the full amount owing to the Fund can be repaid by taking control of the secured assets and actively pursuing any or all of the following:

- Asset liquidation
- Aggressive working capital management through taking direct control
- Managing out a recurring revenue tail

IMPORTANT NOTES

The Next Edge RCM Private Yield Fund or the “Fund” means the Next Edge RCM Private Yield Fund.

1. The Next Edge RCM Private Yield Fund (the ‘Fund’) returns are net of all fees and expenses associated with Class A Units charged from December 1, 2017 (trading start date.) The Next Edge RCM Private Yield Fund (the ‘Fund’) returns are net of all fees and expenses associated with Class F Units charged from January 1, 2018 (trading start date.) Returns for 2020 are unaudited. Therefore, performance statistics containing 2020 figures shown in this material are subject to final confirmation. The historical annualized rates of return for the Next Edge RCM Private Yield Fund Class A Units as of September 30, 2020 are 1 yr 4.47%, 3 yr N/A, 5 yr N/A, 10 yr N/A, and CARR 10.79%; for Class F Units are 1 yr 5.53%, 3 yr N/A, 5 yr N/A, 10 yr N/A, and CARR 11.65%.

2. Distribution - adjusted return

*Part Year

THIS FUND IS ONLY AVAILABLE TO ACCREDITED OR ELIGIBLE INVESTORS.

This communication is not, and under no circumstances is to be construed as, an invitation to make an investment in the Fund nor does it constitute a public offering to sell the Fund or any other products described herein. Applications for the Fund will only be considered on the terms of the Confidential Offering Memorandum (the ‘OM’). Each purchaser of the units (the ‘Units’) may have statutory or contractual rights of action under certain circumstances as disclosed in the OM. Please review Schedule A to the OM or provisions of the applicable securities legislation for particulars of these rights. No securities commission or similar regulatory authority in Canada has passed on the merits of the securities offered nor has it reviewed the Fund’s OM and any representation to the contrary is an offence. Persons who will be acquiring units pursuant to this OM will not have the benefit of the review of the material by the securities commissions or similar authorities in Canada. The units offered by the Fund will be issued through registered dealers and under exemptions from the registration and prospectus requirements of the applicable securities laws of the provinces and territories of Canada, and the rules, regulations and policies thereunder and will be subject to certain resale restrictions. Units of the Fund have not been and will not be registered under the United States Securities Act of 1933, as amended (the “U.S. Securities Act”), or the securities laws of any state of the United States. Units of the Fund may not be offered or sold in the United States except pursuant to exemptions from registration under the U.S. Securities Act and all applicable states securities laws. The term “United States” is as defined in Rule 902 of Regulation S under the U.S. Securities Act. The following does not purport to be a complete summary of all of the risks associated with an investment in the Fund. Please see the Fund’s OM for a complete listing and description of the risks associated with an investment in the Fund. The Fund is generally exposed to the following risks: speculative investment; general investment risk; limited operating history; class risk; changes in investment strategy; limited ability to liquidate investment; capital depletion risk; redemptions; unitholders not entitled to participate in management; reliance on the manager; dependence of the manager on key personnel; taxation of the fund; no ownership interest in the portfolio; distributions; potential indemnification obligations; liability of unitholders; lack of independent experts representing unitholders; no involvement of unaffiliated selling agent; not a public mutual fund; charges to the fund; class risk; valuation of the portfolio trust’s investments; lack of independent experts representing unitholders; general economic and market conditions; liquidity of underlying investments; fixed income securities; equity securities; currency risk; foreign investment risk; leverage; concentration; liquidity; hedging; indebtedness; suspension of trading; credit risk and default in repayment obligations by borrowers; decline in the industries in which the portfolio invests; inability to realize on or dispose of security granted by borrowers on a defaulted instrument.

PAST PERFORMANCE IS NOT INDICATIVE OF FUTURE RESULTS

For Existing Investors and Investment Professional Use Only.

1 Toronto St, Suite 200, Toronto, ON M5C 2V6
CLIENT SERVICES: 1.844.656.2321
416.775.3600 Toll Free: 1.877.860.1080
info@nextedgecapital.com

Follow us:



nextedgecapital.com