



Next Edge RCM Private Yield Fund

Monthly Commentary as of February 28, 2020

Access to attractive yield via asset or cashflow-backed loans

PORTFOLIO UPDATE as of March 20, 2020

Dear Partners,

I am writing to provide an update on R.C. Morris Capital Management, Ltd. ("RCM"), given the recent and ongoing global turmoil stemming from the COVID-19 virus. Our business continues to operate normally, although the majority of our employees are working from remote locations. To date, all of our employees and their families are healthy.

RCM has been working closely with the management teams of our investee companies to understand the immediate and potential longer-term impacts of the COVID-19 virus. Given that the entire western economy – and not just the financial, commodity, and currency markets – has been in absolute turmoil, our views on the situations at our companies evolve every day. Our main concerns break out as follows:

- 1) that our companies continue to operate,
- 2) that they are able to continue to meet the terms that we have previously negotiated with them, and
- 3) that our collateral is safe.

At present, all of our investments meet these criteria. We do not have any investments where the underlying businesses have been forced, either by governments or the economic environment, to shut down. None of our companies are consumer-facing. However, the medium and longer-term effects of the current crisis are unknown. We are proactively working with our companies to cut costs and preserve liquidity.

We do have exposure in our Portfolio to oil and gas, both in production and services. All of our exposure in this sector is in first lien position and is supported by collateral, including equipment, real estate, unrelated businesses, and guarantees. While our companies continue to operate it is unclear, given commodity prices and the impending shutdown of large segments of industry and manufacturing, how long this will continue. But longer-term, we are confident in our collateral positions.

I think it is clear to everyone that we are facing an unprecedented economic deceleration, and that asset values of all classes, liquid and illiquid, will be affected in the short and medium-term. Liquidity as well will be impaired. Our role has always been to provide liquidity and restructuring expertise to companies at crossroads, both positive and negative. We believe that we are well-positioned to grow our business substantially over the coming year. We are seeing a very high volume of new opportunities and will do our best to pick and choose our opportunities and collateral wisely.

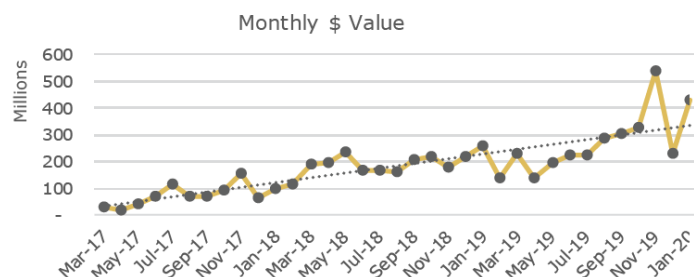
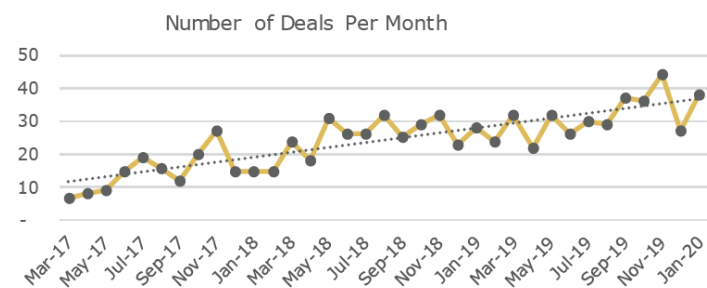
Regards,

Christopher Morris

The Next Edge RCM Private Yield Fund (the “Fund”) gains exposure to asset-based and cash-flow backed loans managed by R.C. Morris Capital Management Ltd. As of December 31, 2019, the Fund holds thirteen different loans.

ORIGINATION

In 2019 we reviewed, on average, 31 deals per month totaling \$257 million; up from 25 deals per month and \$180 million in 2018. Deals reviewed in 2019 were split geographically with approximately 50% from Ontario, and 50% split between British Columbia, Alberta, and the United States.



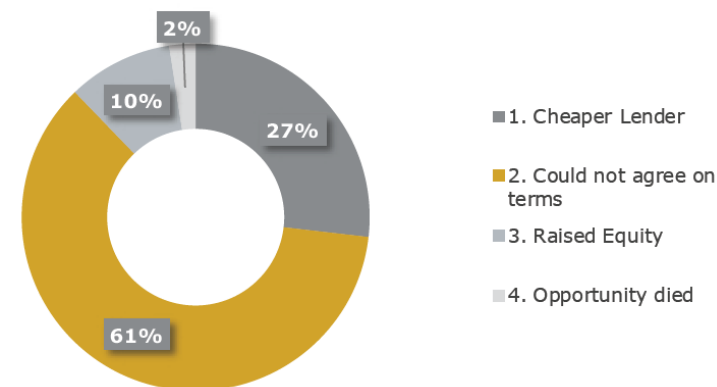
Since inception, the Fund has:

- Reviewed 1,014 potential opportunities (650 to 2018);
- Issued 90 terms sheets (8.83% issuance rate) and has closed 34 transactions; and
- Representing a “look to book” ratio of 3.35% (4.15% in 2018).

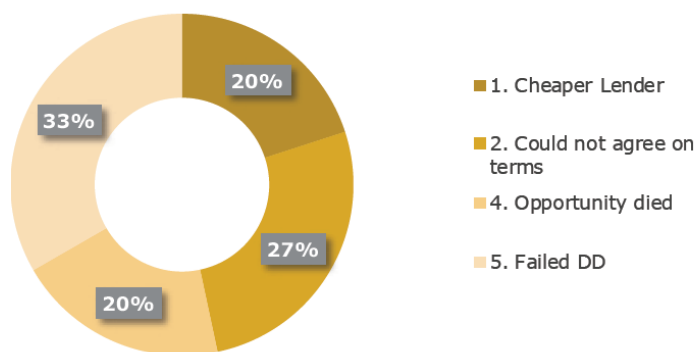
Why transactions do not close:

- 56 transactions have not closed after a term sheet has been issued
- 29 (or 52%) of these instances are due to a ‘Failure to Agree on Terms’ this results from RCM’s disciplined approach to deal structuring.
We avoid situations where we need to stretch on price, loan investment security coverage or other key terms to close a transaction.

Why Transactions Don't Close - Before Deposit



Why Transactions Don't Close - After Deposit



Of the 34 transactions closed referrals have come from:

- 30% other lenders (33% in 2018);
- 30% investment bankers (33% in 2018);
- 14% Lawyer and accountants; and
- 26% other referrals including RCM investors

Underlying Investments of the Next Edge RCM Private Yield Fund³ as at December 31, 2019

| Loan Investments | Term | Equity Participation |
|--------------------------|-----------|---|
| Software and IT Services | 55 months | The Fund holds 4,871,755 common shares which trade on the TSX-V exchange. As at February 29, 2020 the fair value of the warrants attributable to the Fund was \$73,076. |
| Oil Field Services | 48 months | The Fund holds non-dilutive warrants expiring February 26, 2022 to purchase up to 4% of the issued and outstanding common shares at an exercise price of \$0.001, with a put option, in favour of the Fund. |
| Oil and Gas | 11 months | N/A |
| Hardware and IT Services | 56 months | Warrants valued at 5x EBITDA for 10 years, with a put option, over 4.5% of the Company; additional interest of 8% per annum accruing and compounding quarterly. |
| Automotive Marketing | 36 months | The Fund holds non-dilutive, 5 year warrants to purchase up to 3.5% of the issued and outstanding common shares at an exercise price of \$0.001 per share, expiring August 15, 2022, with a put option in favour of the Fund. |
| Financial Services | 12 months | N/A |
| Telecommunications | 59 months | The loan carries a variable discharge fee between USD \$400,000 and \$850,000 which is determined by and becomes payable on the repayment date. |
| Financial Services | 6 months | N/A |
| Cannabis Producer | 10 months | The Fund was granted 5% warrant coverage at a strike price equal to the weighted average of the previous five trading days prior to the advance and expiring after 3 years. |
| Oil and Gas | 2 months | N/A |
| Educational Institution | 12 months | N/A |
| Oil and Gas | 4 months | The Fund is entitled to a proportionate share of Closing Fees, paid in three equal instalments, totalling 2.2% of the Fund's total funding commitment. |
| Property Development | 12 months | N/A |

Source: R.C. Morris Capital Management Ltd.

To date, we have been selectively introducing this investment opportunity due to the capacity constraints of the investment strategy. The depth of diligence, the selection bias, in addition to the loan investment criteria are just some of the limiting factors towards the capacity of the Fund. That being said, the pipeline of potential new transactions is strong, and we are currently looking to bring on new investment partners.

HISTORICAL PERFORMANCE¹ Class A

| | JAN | FEB | MAR | APR | MAY | JUN | JUL | AUG | SEP | OCT | NOV | DEC | YTD ² |
|-------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|------------------|
| 2020 | 0.24% | 0.50% | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | 0.74%* |
| 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% | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | 0.91%* |
| 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% |

IMPORTANT NOTES

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 2019 and 2020 are unaudited. Therefore, performance statistics containing 2019 and 2020 figures shown in this material are subject to final confirmation. The historical annualized rate of return as of February 28, 2020 for the Next Edge RCM Private Yield Fund Class A Units are 1 yr 9.01%, 3 yr N/A, 5 yr N/A, 10 yr N/A, CARR 12.50%; and Class F Units are 1 yr 10.13%, 3 yr N/A, 5 yr N/A, 10 yr N/A, CARR 13.31%.

2. Distribution - adjusted return

3. Next Edge Capital Corp. is the manager and trustee of the Fund (the 'Manager'). The investment objective of the Fund is to provide opportunistic financing to private and public companies via highly-customized investments which are primarily in the form of secured debt in order to achieve above average risk-adjusted returns with minimal correlation to most traditional asset classes. The Fund intends to achieve its investment objective by initially investing all of its net assets in a portfolio of debt and debt-like investments which may be obtained either directly through investments held by the Fund and sourced and administered by R.C. Morris Capital Management Ltd. ("R.C. Morris") or through exposure via an investment in units of R.C. Morris & Company Special Opportunities Fund III Limited Partnership, RCM NE Private Debt Fund LP or certain other partnerships as may be established from time to time by R.C. Morris or its affiliates (each a "R.C. Morris Partnership", and collectively, the "R.C. Morris Partnerships").

* Part Year

Capitalized terms not defined in this document are defined as set forth in the Offering Memorandum of the Fund (the 'OM'). There is no guarantee of trading performance and past or projected performance is not indicative of future results.

Note to Investment Professionals: The information in the Monthly Report is being provided to current investors in the Fund and is being provided to their registered dealers for informational purposes only.

This is not a sales literature and cannot be used as such. The Fund is not a trust company and does not carry on business as a trust company and, accordingly, the Fund is not registered under the trust company legislation of any jurisdiction. Units of the Fund are not 'deposits' within the meaning of the Canada Deposit Insurance Corporation Act (Canada) are not insured under provisions of that Act or any other legislation. No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. These securities have not been and will not be registered under the United States Securities Act of 1933, as amended, or any state securities laws and may not be offered or sold in the United States or to U.S. persons except pursuant to an exemption from the registration requirements of those laws.

The information provided herein is for information purposes only and does not constitute a solicitation, public offering, advice or recommendations to buy or sell interests in the Fund, the Portfolio, Units or any other Next Edge Product. Please refer to the Fund's Offering Memorandum for more information on the Fund as any information in this Report is qualified in its entirety by the disclosure therein.

Opinions expressed are those of the author as of the date of their publication, are subject to change and may not reflect the opinion of all members of the Company. Some statements contained in this material concerning goals, strategies, outlook or other non-historical matters may be "forward-looking statements" and are based on current indicators and expectations at the date of their publication. We undertake no obligation to update or revise them. Forward-looking statements are subject to risks and uncertainties that may cause actual results to differ materially from those implied in the statements.

PAST PERFORMANCE IS NOT INDICATIVE OF FUTURE RESULTS

For Existing Investors and Investment Professional Use Only. Please see accompanying important disclosures.

1 Toronto St, Suite 200, Toronto, ON M5C 2V6

 **CLIENT SERVICES** 1.844.656.2321

TF 1.877.860.1080 T +1.416.775.3600

 info@nextedgcapital.com

Follow us:



nextedgcapital.com