

Levante Living Trust

Q2 Report of Performance

Period ending June 30, 2020

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This document may contain statistical data, market research and industry forecasts that were obtained from government or other industry publications and reports or were based on estimates derived from such publications and reports. Government and industry publications and reports generally indicate that they have obtained their information from sources believed to be reliable, but do not guarantee the accuracy and completeness of their information. While Levante believes this data to be reliable, market and industry data is subject to variations and cannot be verified with complete certainty due to limits on the availability and reliability of raw data, the voluntary nature of the data gathering process and other limitations and uncertainties inherent in any statistical survey. Levante has not independently verified any of the data from independent third-party sources referred to in this document or ascertained the underlying assumptions relied upon by such sources.

Investment Objective

Levante Living Trust (the “Trust”) was established for the purpose of indirectly investing in senior living facilities and related health care businesses in Canada. The objective of the Trust is to generate consistent cash distributions and capital appreciation. The Trust seeks to capitalize on favourable demographic trends such as an aging population, increasing life expectancies and the growing need for specialized care in the senior living sector.

The investment objective of the Trust is to provide holders of Trust Units with:

- A targeted annualized preferred return depending on the class of unit, payable monthly
- Capital appreciation on underlying assets throughout the term of the Trust
- Profit sharing participation depending on the class of unit used and the value of the Trust after the targeted return of capital is satisfied
- Tax advantaged, monthly distributions are anticipated to be >75% return of capital in the first three years
- A source of cash flow that may increase in an inflationary environment
- A hard asset investment backed by an underlying operating business

Trust Details	Portfolio Details
<p>Report date: June 30, 2020</p> <p>Investment Category: Income</p> <p>Inception: January 2018</p> <p>Assets Under Management: \$59.0 million</p> <p>Issue Price Per Unit: \$10</p> <p>Distribution: Monthly</p> <p>Target Yield: 7 - 8% p.a.</p> <p>Status: Open</p> <p>Issuer: Levante Living Trust</p> <p>Website: www.levanteliving.com</p> <p>Phone: 416-560-7491</p> <p>Investment Fund Manager: Invico Capital Corporation</p> <p>Auditor: KPMG</p> <p>Legal: Norton Rose Fulbright</p> <p>Trustees: Michael Petersen James MacDonald Mark Maxwell Scott Coghill</p>	<p>Roseglen Village: Port Hope, Ontario</p> <ul style="list-style-type: none"> • Property Type – Assisted Living • Suite Mix – 93 suites (Studio, 1 & 2 Bedrooms) • Average Occupancy – 83%  <p>Villa de Rose: Welland, Ontario</p> <ul style="list-style-type: none"> • Property Type – Assisted Living • Suite Mix – 94 suites (1 & 2 Bedrooms) • Average Occupancy – 96%  <p>Riverview: Brantford, Ontario</p> <ul style="list-style-type: none"> • Property Type – Assisted Living • Suite Mix – 66 suites (Private & Semi-Private) • Average Occupancy – 93%  <p>Wallaceburg: Wallaceburg, Ontario</p> <ul style="list-style-type: none"> • Property Type – Assisted Living • Suite Mix – 70 suites (Private & Semi-Private) • Average Occupancy – 77%  <p>Chez Nous: Belle River, Ontario</p> <ul style="list-style-type: none"> • Property Type – Assisted Living • The Partnership plans to redevelop Chez Nous. As of the date of this report, construction has been deferred and is expected to resume when COVID-19 has subsided. At June 30, 2020, Chez Nous represents less than 5% of the total assets of the Partnership. 

Executive Summary

The Trust is now at approximately \$59.0 million in assets and approximately \$12.0 million in annual revenue with 5 assisted living properties (based in Southern Ontario) in the portfolio. We are expecting improvements in cash flows over the second half of 2020 due to the following potential activities:

- Refinancing two Levante Living properties (Villa De Rose and Roseglen) mortgages from higher 1st mortgage rates of 6.5% to market competitive rates of 2.14%
- The potential acquisition of new assisted living property or properties. We currently have a portfolio of 5 properties under LOI and are completing purchase negotiations which will add approximately \$65.0 million, in asset value, to the current portfolio and double the size of the overall portfolio
- Commence the redevelopment of the Roseglen property in which we have approvals in place to complete a 30-bed expansion. This expansion will add substantial property valuation and substantially increase bed revenue which will have a positive effect to the Trust value

Levante Living has been able to maintain full operations in its facilities during the COVID-19 outbreak and to date, have had no outbreaks within the residents or the staff. We also have had no layoffs or staff losses during the period of the outbreak. Please see the article below that provides an update on Levante Living during the COVID-19 outbreak.

Levante COVID-19 Update

Levante Living: COVID-Free for the duration of the Pandemic

We are pleased to announce that as of the writing of this report, all five Levante Living retirement residences have been COVID-free for the duration of the pandemic. We never experienced an outbreak in any Levante community and, as far as we know, have not had a single resident or staff test positive for COVID-19. A great deal of thanks goes to our leadership and staff who took this virus seriously from the beginning and diligently followed and implemented Public Health guidelines. We are grateful to have come this far and are working hard to ensure we do everything we can to achieve ongoing success. If you are interested in further details about our Levante COVID-19 success strategy, you can read more about it by visiting our webpage at: <https://levanteliving.com/covid-19-response/>.

For those who have followed the Canadian media coverage of the numerous long-term care residences that suffered serious losses due to COVID-19, it might come as a surprise that Levante Living has done so well up to this point. We believe that much of our success does have a direct correlation to our early implementation of Public Health directives and diligently following those protocols throughout the pandemic. It also helps to understand the different levels of care for seniors in Ontario and how the pandemic affected those groups. In terms of COVID-19, the most important difference relates to the age and overall health of the clientele, and we believe this played a large part as to why long-term care residences were hit hard during this pandemic.

Difference between Long Term Care and Retirement Living

Senior living in Ontario can basically be broken down into three main groups: Retirement Living (that includes Independent Living and Assisted Living), Memory Care, and Long-Term Care; Long-term Care (LTC) is subsidized by the Ontario government. According to the Ontario Long Term Care Association, as of February 2019, there were roughly 34,000 seniors on a wait list to get into an LTC residence in Ontario.¹ LTC residents are typically older than those at retirement residences and, with age, they can have compromising health issues that leave them particularly vulnerable to illnesses like COVID-19 or even common influenza. Due to the high level of care, many of these residences are modelled after hospitals and some still maintain semi-private and ward rooms with up to 4 people. Any well-run long-term care residence would have outbreak and

pandemic plans that could help mitigate the effects of common influenza with its lower death rate. But it would seem like the higher death rate of COVID-19 and the ease of which it spreads offered a serious challenge in long-term care. As with any difficult situation, there is the potential to learn and grow and ultimately become more resilient. It is our belief that the long-term care sector will be able to build on the lessons learned during COVID-19 and create an environment that is far more resistant to outbreaks and pandemics in the future. Rethinking how we care for and protect the elderly and implementing changes will be pivotal toward creating more healthy and responsive communities.

All five of Levante Livings communities are retirement residences. Unlike long-term care, we receive no government funding but do receive oversight through governing bodies such as the RHRA (Retirement Homes Regulatory Authority) and ORCA (Ontario Retirement Communities Association). Regular inspections are made of retirement residences that are registered with the RHRA to ensure regulations and best practices are being followed. Whereas Long Term Care is primarily care driven, retirement residences are usually a combination of care and services and follow a more hospitality driven model. Retirement residences, whether independent living and/or assisted living, generally attract a younger clientele who have less of the aforementioned compromising health factors that are associated with the elderly and long-term care. Better health and physical activity could play a role in less COVID-19 contractibility and mortality. Because they are younger, residents in retirement residences may be more involved in the community, and that is why ongoing diligence in active screening, observing social distancing, sanitizing the surroundings, hand washing, and wearing a mask, will now be standard behavior in our communities.

The New Normal: Living with the Threat of COVID

While Levante Living is incredibly proud of our accomplishments during the pandemic and we are committed to ongoing diligence, there is no guarantee that we will not experience an outbreak of COVID-19, or something similar in the future. Even after a COVID-19 vaccine is distributed, the impact on behaviors like hand washing, social distancing and sanitizing in our residences will continue. Mitigating risk by following Public Health protocols will play a role in our future success. Being prepared to deal with an outbreak is equally essential. All Levante Living residences had outbreak and pandemic plans before COVID-19 and we were able to put into practice much of what those plans detailed. That experience is an unbelievably valuable teacher. Going forward, we will need to remain on the alert, hire quality leadership who are devoted to providing the best care for our residents, as well as maintaining positive accountability, providing oversight and collaboration, for our staff on a regular basis.

Although retirement residences do not receive government funding in Ontario, some of our residents do receive subsidized care through outside agency companies and these companies provide their own staff to provide this care. Agency staff often visit several residences or individual homes, during the course of a week, exposing them to a wide swath of the local community. At the beginning of the outbreak, Levante became concerned about the risk this posed to our residents and mandated that all agency staffing had to be dedicated to our local residence alone. This has now become the new normal at our residences and, we believe, helps alleviate some of the risk.

The Ongoing Need for Senior Housing

“The problem comes down to a failure of supply to keep up with demand. By 2026, more than 2.4 million Canadians aged 65 and older will need the “supportive care” offered by retirement homes, including monitoring of medication, regular housekeeping, meal preparation and other services. As more baby boomers turn 65, the number requiring such care is expected to reach “a staggering” 3.3 million by 2046, DBRS found. More senior housing units are being developed every year, but not enough to meet the anticipated demand. The rate of increase for Canada’s senior population swelled by 21.7 per cent between 2006 and 2016 — more than double the rate

*of the supply increase.” Powell, Naomi. May 13, 2018. *The looming housing affordability crisis is poised to hit seniors across Canada*. Financial Post. Accessed July 2020. (<https://financialpost.com/personal-finance/mortgages-real-estate/housing-crisis-to-hit-canadian-seniors-as-retirement-homes-fail-to-keep-up-with-demand>).*

There will continue to be a burgeoning aging population, and many will need the kind of care and socialization only a retirement residence or long-term care home can offer. Nothing will change that. With the enhanced infection control behaviors in place, we believe there are benefits to a retirement residence that exceed those of living alone or even living in an extended family household with the wider exposure to illnesses that can result from seniors and children sharing the same home. Should sheltering in place ever be necessary again, our seniors can have the peace of mind knowing that they are not completely alone or isolated for extended periods of time. They will have more immediate access to testing and emergency help if they need it. Medications and doctor’s visits are provided without having to leave the residence. There is a greater likelihood of obtaining PPE. As meals are provided for them, there is no worry about getting to the grocery store between 7 and 8am in the morning and the of risk exposure.

At Levante Living, we believe in the continued growth and value of the senior living sector in Canada, in the potential for retirement and long-term care residences to become even more resilient, and in management’s value creation strategy for current and future Levante Living retirement residences.

¹Ontario Long Term Care Association. February 2019. *About Long Term Care in Ontario: Facts and Figures*. Accessed July 2020. (www.oltca.com/oltca/OLTCA/Public/LongTermCare/FactsFigures.aspx)

Trust Update

The 2020 Trust capital raise through our contracted EMD’s has been going well, with approximately \$5.4 million of new capital added in the first half of 2020. The Trust has a strong capital position and pipeline of potential accretive opportunities and has not changed its redemption or distribution policies.

Description of the Trust

The Trust is an open-ended mutual fund trust established for the purposes of investing in securities that provide for a consistent level of cash distributions and capital appreciation by indirectly investing in senior living facilities and related health care businesses in Canada.

Information

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