

Levante Living Trust

Q3 Report of Performance

Period ending Sept. 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
- 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: Sept. 30, 2020</p> <p>Investment Category: Income</p> <p>Inception: January 2018</p> <p>Assets (as of Sept.30,2020) 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 – 84% <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 – 93% <p>Riverview: Brantford, Ontario</p> <ul style="list-style-type: none"> • Property Type – Assisted Living • Suite Mix – 66 suites (Private & Semi-Private) • Average Occupancy – 89% <p>Wallaceburg: Wallaceburg, Ontario</p> <ul style="list-style-type: none"> • Property Type – Assisted Living • Suite Mix – 70 suites (Private & Semi-Private) • Average Occupancy – 74% <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 Sept. 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 (as of Sept.30,2020) 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 4th quarter of 2020 due to the following potential activities:

- Refinancing is confirmed for two Levante Living properties mortgages (Villa De Rose and Roseglen) from higher 1st mortgage rates of 6.5% to market competitive rates of 1.95%.
- The confirmed acquisition of new assisted living property or properties. We currently have a portfolio of 3 properties under Purchase and Sale Agreement and are completing purchase closing details which will add approximately \$40.0 million in asset value to the current portfolio, and a substantial increase in revenue. This is a strategic acquisition for the Trust as it will almost double the size of the current portfolio. We anticipate an early 2021 closing of the acquisition.
- Commence the redevelopment of the Roseglen property in which we have approvals in place to complete a 30-bed expansion. This expansion will increase the property valuation and help drive bed revenue which will have a positive impact on the Trust value.

Levante Living has been able to maintain full operations in its facilities during the COVID-19 outbreak. We have had no layoffs or substantial 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: A 2020 Covid-19 Review

As the pandemic has continued to challenge healthcare in Canada, Levante Living has been observing the changing landscape and fortifying its defenses. From March to late October, all five Levante Living retirement residences remained Covid-free. These challenges gave us the chance to accomplish three things:

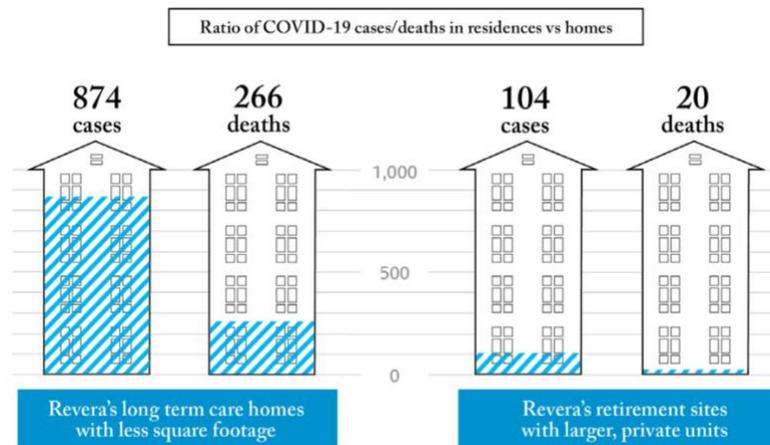
1. Study the difficulties faced in the senior living sector as a result of Covid-19,
2. Based on that knowledge, prepare our residences in case we experienced an outbreak ourselves, and
3. If we experienced an outbreak, put that knowledge and plan into action to mitigate the risk as much as possible.

Studying the Covid-19 Challenges in the Senior Living Sector: Hindsight is Everything

Since the Covid-19 virus was indeed “novel”, during the months of March through May, we saw the medical community scrambling to understand the nature of the virus and how to deal with it. Without an understanding of where the greatest risk lay, most of the provincial resources were initially focused on hospitals, leaving the senior living sector to fend for themselves for things like PPE. As Public Health tried to keep up with the steep learning curve, managing outbreaks within both retirement and long-term-care (LTC) has been complicated by inconsistent messaging and initially exacerbated by an overall lack of testing. With carriers of the virus often remaining asymptomatic, and no way to test residents even if they had symptoms, senior living residences faced a unique risk.

Early on in the pandemic, it became apparent that LTC residences were suffering the brunt of the virus. Unlike retirement residences (Levante Living only has retirement residences in its portfolio), LTC residents are, by and large, older than those in retirement residences. Because of their age, they are more likely to have medical conditions that increase their risk of developing a more severe case of Covid-19. Added to all of this was the fact that LTC communities have a greater number of residents who share living spaces with others in semi-private or ward units (up to four people in a room) and this, we now know, contributed to the spread in these facilities.

Retirement residences were impacted but fared much better. The generally younger residents had less complicating health factors, and were more likely to be living in private quarters with their own washrooms. Revera, one of Canada’s largest providers of retirement and LTC in Canada, was initially hit extremely hard by Covid-19, particularly in their LTC residences. In a recently published report, *A Perfect Storm: The Covid-19 Experience for Revera and the Long Term Care Sector*, Revera demonstrated the difference in the following chart:



“Source” Revera Pandemic Report, *A Perfect Storm: A Covid-19 Experience for Revera and the Long Term Care Sector*, December 2020. Accessed December 2020. <https://cdn.reveraliving.com/-/media/files/pandemic-response/expert-advisory-report.pdf?rev=ab07bda3417340739bd72a2a108ddf72&hash=C82A36E935031F37892DEE02E2B59B11&ga=2.156794813.72168436.6.1607352800-1859844612.1600352201>

One of the greatest initial challenges Levante Living had with our healthier retirement residents was mobility. Independent and Assisted Living residents tend to go out of the residence more. They spent more time with family and in the community. Directives made through Public Health, the Ministry of Seniors and Accessibility, ORCA/RHRA, that restricted some of that movement during times of greatest regional spread went a long way toward reducing exposure.

Making Preparations

The summer months, with its decline of positive cases in Canada, gave us all a chance to catch our breath. Directives from Public Health, including screening all residents and staff twice a day as well as the 14 day quarantine for all incoming new residents became more consistent and effective. Without having to deal with positive cases or outbreaks, Levante Living had time to intentionally put these directives into place and solidify them as part of our daily routines. As we watched and learned, we regularly reviewed and modified our outbreak plans as they related to Covid-19.

Putting our Preparation and Learning into Action

On October 25, 2020, one of the Levante residents and one of the staff in the same Levante Living residence tested positive for Covid-19. The alerts went out, first to Public Health and head office, then to family members and key business partners in the community. All residents and staff were subsequently tested, and

the results revealed that 10 residents and 3 staff were positive. While obviously concerned, this was the chance for Levante Living management and staff to put into action all we had learned and practiced over the previous eight months.

What made the outbreak unique was that eight of the ten residents were asymptomatic; they showed no symptoms at all for the duration of the outbreak. Along with two staff members, the remaining two residents showed mild atypical symptoms; symptoms not often relating to Covid-19. With such an initial high positive count, after implementing our outbreak plan, our main concern was to contain the spread of the virus within the residence.

The following two weeks were critical, and we all felt it. With regular, mostly daily, virtual meetings taking place between the Director of Operations, Regional Director and residence staff, Levante managed to keep a good flow of communication going. This allowed for the easy transfer of information, questions and suggestions. There was great support from the families of our residents. The local hospital and LHIN offered their support as well. Working diligently, we managed to contain the spread—no other residents or staff tested positive—and none of the residents or staff developed serious symptoms or were hospitalized. The outbreak was declared over on November 16, 2020.

Since then, we've had a chance to meet as a Levante community the General Managers, Directors of Care, the Regional Director and the Director of Operations. The team gave the staff at the residence where the outbreak took place a chance to review with the team what worked, what didn't, and what, if anything they would have done differently. The experience, while not welcomed, was an invaluable experience.

Overall, Levante was extremely proud of the way our staff came together, put into practice our outbreak plan and mitigated the risk of further exposure to other residents. With the introduction of a vaccine on the horizon, Levante is hopeful that we can begin to formulate a "new normal." One that includes the lessening of restrictions for our seniors, while at the same time encourages an ongoing diligence in risk management.

Trust Update

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

As of September 30, 2020 the Levante Living Trust has raised approximately \$6.4 million of new capital through our contracted EMD and IIROC brokerage channels. We expect an increase in new capital raise throughout the 4th quarter of 2020.

Information

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