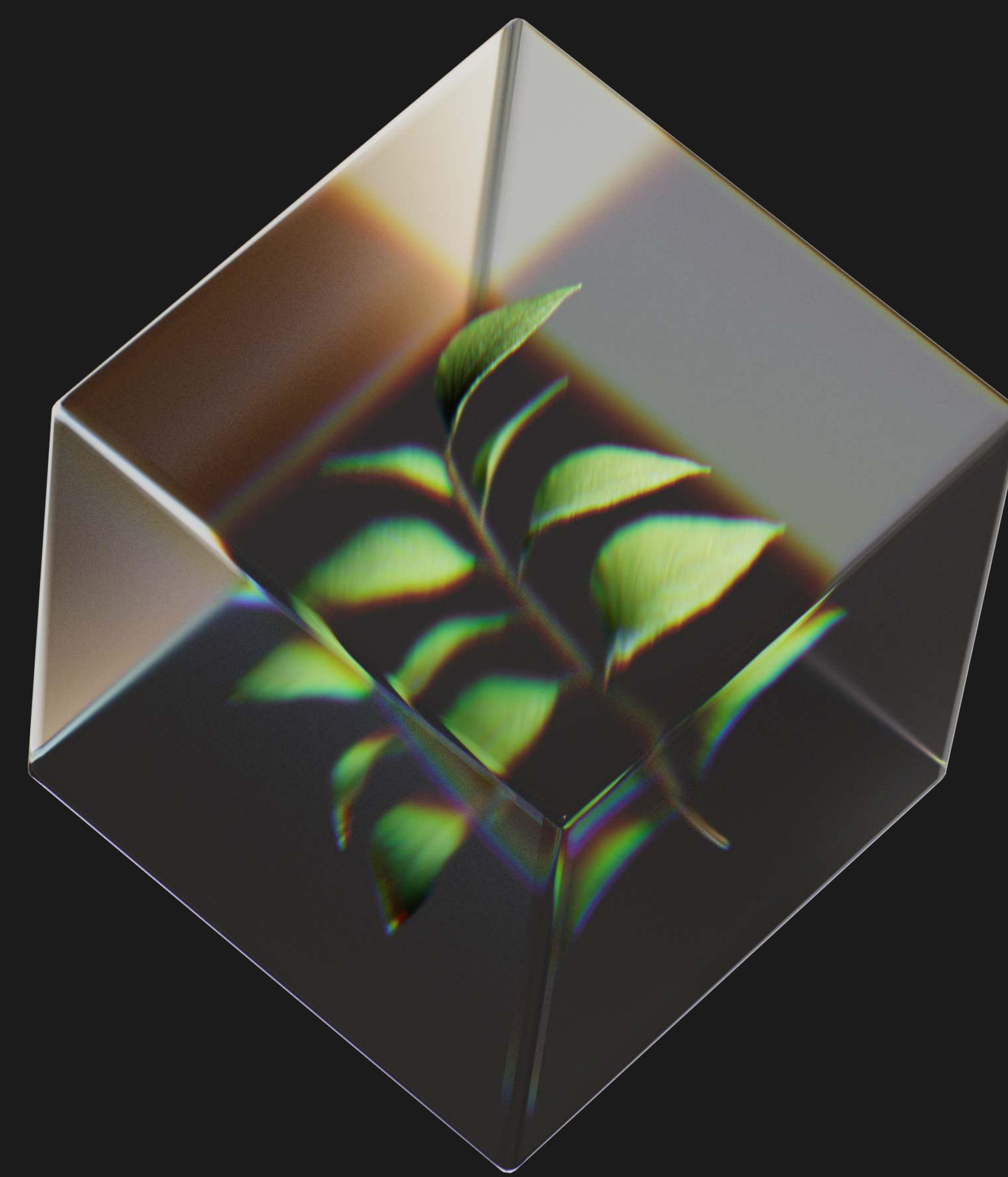


# Wealthsimple Private Equity



## Overview

The Wealthsimple Private Equity Fund gives Canadians access to globally diversified private equity investments as part of their portfolio. It is offered as part of Wealthsimple managed investing. The appropriate allocation for you depends on your circumstances and will be determined by a registered member of the Portfolio Management team.

The private equity sector has historically offered returns in excess of the public equity market<sup>1</sup> and can improve long-term wealth outcomes. (For more information regarding the comparison between private equity and the public market, please visit our [FAQ](#).)

Initially, Wealthsimple will invest in a fund that offers access to investments selected and managed by the Liechtenstein royal family's wealth management group, LGT.<sup>2</sup> The royal family's endowment and other external investors are expected to invest alongside Wealthsimple clients. Over a full economic cycle (expansion, peak, contraction, recovery), which is typically 5–10 years or more in duration, the Fund's annualized return target is 12%–14%, net of fees.

### Asset Class

Private equity is the ownership of private companies. Investment funds typically look for mature companies that they believe are well-positioned to increase in value, buy them, make improvements to them — often over a period of five to ten years — and later look to sell them at a higher price. Given the risk and required time horizon, it is mainly suited to wealth building, retirement saving, and other long-term financial goals.

### Management

Wealthsimple is the investment manager and conducts due diligence on various private equity managers.

LGT manages more than \$114 billion in alternative assets. Its private equity funds regularly place in the top or second quartile of returns compared to other funds.<sup>3</sup> The group has been building wealth for high-net-worth clients for over a century and has 25 years of experience investing in alternative assets around the world. As one of Europe's earliest and biggest private equity investors, LGT has an exceptional network, providing access to many of the biggest private equity opportunities.

## Overview (continued)

### Returns

Private equity has the potential to outperform broad equity benchmarks for a few reasons. These companies are riskier than the broader market, and investors are compensated for taking that risk. Also, managers tend to use more leverage than typical companies would, which increases both the risk and potential return. After a fund invests in a private company, managers seek to add value by improving operations (something LGT has a particularly strong background in doing) and, since they often have seats on the company board, by influencing corporate governance and shifting priorities to focus on investor returns.

Although no returns are guaranteed, and history does not indicate future results, over the past 22 years, the average annualized return of an index of private equity investment was 10.5%, compared to 5.7% for the broader public market.<sup>1</sup>

### Redemption

Cash redemptions of up to 5% of the portfolio's value are expected to be available once per quarter with a 100-day notice. That means that clients can collectively withdraw up to 5% of the portfolio value. In the event that total withdrawal requests exceed 5%, we will allow clients to withdraw on a *pro rata* basis. Redemptions may be suspended in certain circumstances. (See "Liquidity" in the terms section for more details.)

## Offering

The Fund will consist primarily of co-investments alongside other private equity funds, as well as investments in secondaries — funds that have already deployed their investments. Co-investing reduces overall fees, and investing in secondaries allows the portfolio to be highly diversified, since those investments provide immediate access to a broader spectrum of companies. Secondaries can also increase returns, thanks to potential discounts in net asset value (NAV).

The Fund's initial investment will be in a fund managed by LGT. As the Fund grows, investments in funds sponsored by other private equity managers may be added. Investments will be made through a trust managed by Wealthsimple and should be considered as one part of a diversified portfolio.

## Differentiation

### Accessibility

Historically, private equity has been reserved for institutional investors (like pension funds) and the ultrawealthy: groups and people able to lock up millions of dollars in capital for years at a time. The Fund brings private equity to more investors, offering access to an asset group — and its returns — that has until now been off-limits.

### Co-investors as fund managers

The royal family of Liechtenstein's endowment is expected to co-invest in the same assets the Fund is initially invested in. That means LGT is highly incentivized to manage for returns rather than simply gathering assets to collect more in fees.

## Differentiation (continued)

### Lower fee structure

Manager fees are reduced in two ways:

1. By investing alongside private equity companies instead of within them, we remove the need for a separate manager and the associated fees.
2. Buying mature portfolios from existing investors often allows for discounts to NAV and/or bespoke fee arrangements.

### Newly deployed capital

Private equity's general illiquidity means many existing funds may currently have inflated valuations. Buying into them can come at a premium, so instead the Fund will deploy only new capital, allowing investors to achieve more attractive valuations — and a shorter path to returns.

### Experienced management team

LGT has 25 years of experience structuring and managing private equity portfolios. In that time, they have delivered returns over 18%, gross of fees.<sup>4</sup> There are important differences between the Fund and LGT's fund, however. For help understanding them and figuring out the impact of our fees, please contact your portfolio manager.

## Terms

### Structure

Trust

### Minimum

\$10,000 minimum investment

### Account type

The Fund can be held in Wealthsimple non-registered accounts, TFSAs, and RRSPs.<sup>5</sup>

### Deposits

New and ongoing deposits will be made into the Fund monthly. New deposits must be deposited into the client's Wealthsimple Private Equity account by the 15th of every month. Any cash held in the Wealthsimple Private Equity account as of the 15th of the month will be locked in and allocated to the Fund.

### Fees

Along with the standard Wealthsimple advisory fee, the investment with LGT will have a 1.5% management fee and, subject to a minimum rate of return of 8%,<sup>6</sup> a 12.5% performance fee.

### Liquidity

Because private equity is a relatively illiquid asset, we expect cash redemptions of up to 5% of the Fund's value to be available to clients each quarter.

Redemption requests must be submitted at least 100 days before the end of a quarter (i.e., by December 21 for a March 31 withdrawal, if April 1 was the first day of a new quarter). The withdrawal request must be submitted by the last trading day prior to that day.

## Terms (continued)

Redemptions will be subject to a settlement period of up to 100 days after the end of the quarter in which the redemption is requested.

In the event that total cash redemption requests exceed any cash redemption limits, we will allow clients to redeem their units in the Fund for cash on a *pro rata* basis. Redemptions may be suspended in certain circumstances and may vary depending on the liquidity of the Fund's portfolio. Redemption requests in excess of any cash redemption limit may be satisfied by the issuance of redemption notes, which are non-transferable.

## Notes & Disclaimers

### Notes

1. **Wealthsimple Private Equity Fund terms:** The terms disclosed represent only a summary of the fees and liquidity of the Fund. Any prospective investor should review the terms of the constating documents of the Fund for full details of the terms applicable to an investment in it.
2. **Targeted return:** Although the Fund may seek a targeted return, the portfolio's performance may be affected by numerous factors. It is new and has no performance history. Past performance of LGT (or the funds it sponsors) or other securities or investment strategies is not an indicator of future performance, and past performance may not be repeated.
3. **Illiquidity:** An investment in the Fund is illiquid, meaning that it cannot be readily sold at a current market price. See also "Liquidity" in the terms section above for more details.
4. **Fee reductions:** Wealthsimple has negotiated Underlying Fund Fee Reductions<sup>7</sup> with LGT on the management and performance fees charged by LGT's fund. Wealthsimple is entitled to receive from the Fund a fee equal to the Fund's *pro rata* portion of the aggregate Underlying Fund Fee Reductions for each calendar year (subject to an annual cap of 5% of the net asset value of the Fund). We intend to waive a portion of this fee so that unitholders of the Fund will benefit from the Underlying Fund Fee Reductions.

### General

1. This material is not, and under no circumstances is to be construed as an offering memorandum, advertisement, or offering of any securities described herein in any province or territory of Canada (each, a "Canadian Jurisdiction"). Under no circumstances is this material to be construed as an offer to sell fund interests or other securities; or the provision of advice in relation to any fund interests or other securities; or legal, tax, investment, or any other advice. Rather, this material describes an opportunity for Wealthsimple Premium or Generation clients to participate in an investment portfolio that will include an allocation to private equity, which will be implemented initially through an allocation to the Fund. A registered member of the Portfolio Management team is available to discuss this investment opportunity with any interested client to determine whether an investment in the Fund is suitable for the client. They will update the client's "know-your-client" information on file with Wealthsimple and will confirm that the updated investment portfolio, which includes an allocation to private equity, is a suitable investment portfolio for the client.
2. An investment allocation to the Fund and its direct and indirect underlying investments will be subject, directly or indirectly, to management fees, incentive fees, and other fund expenses. Like all investments, an allocation to the Fund will be subject to material investment

Notes & Disclaimers (continued)

risks, which may result in significant economic losses. Such investment risks include risks related to economic and market conditions, interest rates, the availability and performance of investment opportunities, regulatory and tax law changes, and business and company news and developments.

3. Generally, any offer or sale of, or advice related to, any securities described in this material will be made only by an advisor or dealer registered in the appropriate registration category in the applicable Canadian Jurisdiction. No Canadian securities regulatory has reviewed or in any way passed upon the information contained in this material or the merits of any securities described in this material, and any representation to the contrary is an offense.
4. This material may contain “forward-looking information” within the meaning of Canadian securities laws. Forward-looking information is typically identified by words such as “expect,” “believe,” “could,” “goal,” “intend,” “seek,” “will,” “may,” “should,” and similar expressions. Forward-looking information reflects current estimates, beliefs, and assumptions, which are based on Wealthsimple’s perception of historical trends, current conditions, and expected future developments, as well as other factors Wealthsimple believes are appropriate in the circumstances. Wealthsimple’s estimates, beliefs, and assumptions are inherently subject to significant business, economic, competitive, and other uncertainties and contingencies regarding future events and, as such, are subject to change. Wealthsimple can give no assurance that such estimates, beliefs, and assumptions will prove to be correct.

<sup>1</sup> Based on Bloomberg [MSCI World Total Return index](#) and [Preqin Global Private Equity Benchmark](#) from 2001/01 to 2023/03. The past performance of private equity or any other security or investment strategy is not an indicator of future performance, and past performance may not be repeated. All investments involve risk.

<sup>2</sup> The initial primary private fund investment by the Fund will be in the LGT Global Private Equity S.A. SICAV-RAIF, which is managed by LGT Capital Partners (Ireland) Limited.

<sup>3</sup> As compared to Preqin Global Private Equities benchmark, 12 funds were top quartile, six funds were second quartile in 2022, and five funds were second quartile in 2023. The information provided in this document represents a discussion of aggregate LGT funds. The Fund is new and has no performance history. The ranking applies to funds that have reported data within the past five quarters.

<sup>4</sup> Based on LGT Capital Partners internal data dated 1998/01 to 2023/03. Calculated returns includes all LGT CP direct and secondary transactions (dollar invested weighted) and fees and costs charged by the underlying funds but excludes LGT fees. The past performance of an LGT or other security or investment strategy is not an indicator of future Wealthsimple performance, and past performance may not be repeated. All investments involve risk.

<sup>5</sup> TFSA and RRSP eligibility is subject to the Fund obtaining “mutual fund trust” status under the Income Tax Act (Canada).

<sup>6</sup> The performance fee is based on the realized value of each of the private equity investments made by LGT’s fund, on a deal-by-deal basis.

<sup>7</sup> “Underlying Fund Fee Reductions” means certain beneficial economic treatment of the Fund in relation to its investment in underlying fund(s) with a view to any non-investment related costs and expenses charged by the underlying fund(s) to its investors, including the Fund’s *pro rata* portion of any rebates and discounts on management, performance or similar fees at the underlying fund level as a result of (a) cumulative amounts committed to, or expected to be to committed to, the underlying fund by the Fund and one or more other investment vehicles managed by Wealthsimple or its affiliates, or (b) the Fund’s participation as a seed investor in underlying fund(s).