

Hillsdale Canadian Micro Cap Equity Fund

Highest Return Potential, Significant Valuation Discounts, Undiscovered Stock Gems

WHAT CAN THIS FUND DO FOR INVESTORS?

Micro cap companies present a compelling growth opportunity for investors today. With approximately 3,000 publicly traded companies, the Canadian equity market ranks fifth in the world in terms of stock breadth. Over 2,300 of these names are micro cap, meaning they have a market capitalization under \$250 Million. With most research focused on large cap stocks, micro cap companies are neglected by institutional investors, resulting in significant valuation discounts. Moreover, many names within this universe offer strong growth characteristics and have sound long-term growth plans, making them ripe for takeover or eventual graduation to the TSX.

Investing in micro cap stocks is both challenging and hugely rewarding. While only a portion will ultimately succeed, those that do will grow to many times their original investment. Effective micro cap investing requires far more skill than simply buying the average company or tracking the market. It implies having very detailed fundamental information on a large universe of stocks, actively filtering using very specific criteria, taking initial positions well before others, monitoring holdings daily, executing trades efficiently and exiting positions at the right time. It also demands a thorough understanding of risk with the ability and willingness to take on and control risk in a consistent manner.

The rewards of micro cap investing are claimed by a combination of skill, discipline, effort, experience and patience. The Hillsdale Canadian Micro Cap Equity Fund is designed to harvest these rewards. Leveraging skills developed over Hillsdale’s 18 years in small cap investing, Hillsdale employs a disciplined multi-strategy approach designed to uncover 40-60 stock gems within this universe.

WHAT ARE THE KEY BENEFITS OF THIS STRATEGY?

- ❖ A premium return when compared to larger capitalization and passive strategies
- ❖ An ideal complement to large cap equities or as a substitute for small cap equities
- ❖ One of two Canadian micro cap funds available in Canada (*Morningstar, November 2013*)
- ❖ Access to companies that are under-followed or ignored (*Institutional investors account for only 20% of micro cap ownership*)
- ❖ Ownership of companies that are the centre of mergers and acquisitions activity (*average of 140 deals per year since 2009*)
- ❖ Experienced Canadian small cap investment team with one of the longest and most successful track records in Canada
- ❖ Rigorous real-time risk management with stocks selected from a diversified range of sectors

WHO IS THIS FUND FOR?

The Fund is suitable for investors who seek to maximize capital growth and have an above average risk tolerance. The Fund targets a volatility level similar to that of the traditional Canadian small cap market index.

Targeted Volatility Level



WHAT DOES THE FUND INVEST IN?

The Fund invests a minimum of 75% of its assets in a diversified selection of small capitalization Canadian corporations and trusts trading on major Canadian stock exchanges with a market capitalization between \$25 million and \$250 million at the time of investment. The Fund will have no fewer than 20 holdings encompassing no less than five sectors. The Fund may invest in ETFs to quickly gain exposure to market indices and sectors or in inverse ETFs to protect against losses from changes in market indices and sectors.

WHAT IS THE FUND’S INVESTMENT OBJECTIVE?

The investment objective of the fund is to provide investors with long term capital growth in excess of the S&P/TSX Small Cap Index over five years by investing primarily in Canadian equities of smaller capitalization companies.

FUND DETAILS

Fund Type	Canadian Equities
Fund Structure	Pooled Fund
Launch Date	December 2, 2013
Launch NAV	Classes A and F: \$10.00 per unit, Class I: \$100.00 per unit
Minimum Initial Investment	Classes A and F: \$150,000 (\$50,000 if Accredited Investor), Class I: \$2,000,000
Minimum Subsequent Investments	Classes A and F: \$10,000, Class I: \$100,000
Fund Benchmark	S&P/TSX Small Cap TRI
Valuation/Liquidity	Daily
Contributions	Daily
Settlement Period	T+3
Registered Plan Eligibility	Yes
Fund Codes	Class A: HIL230 and HIL231 (Performance), Class F: HIL232, Class I: HIL235
Management Fees	Class A: 2.50%, Class F: 1.75%, Class I: 1.50%
Performance Fees	20% above Fund benchmark and high watermark
Trailer Fees	Class A (Standard): 1.0% trailer fee only Class A (Performance): 0.75% trailer fee plus 25% of client's net performance fee
Short Term Trading Fees	Classes A and F: 2.0% redemption fee if redeemed within 90 days of purchase Class I: 1.0% redemption fee if redeemed within one year of purchase
Front End Load Commission	Class A: 0-5%, Class I: 0-2%
Administration & Transfer Agent	Citigroup Fund Services Canada, Inc.
Custody & Prime Broker	BMO Nesbitt Burns
Legal	McMillan LLP
Audit	Deloitte LLP

*Units offered for sale in BC, AB, SK, ON, QC and NB. Investors residing in other provinces should contact Hillsdale.

ABOUT HILLSDALE

Founded in 1996, Hillsdale is an independent Canadian investment boutique providing a full range of traditional equity and alternative investment strategies to both institutional and individual investors. Hillsdale has developed a proprietary investment approach with the goal of providing superior investment performance within a rigorous real-time risk management process. The firm currently manages over one billion dollars and has a staff of thirty including ten CFA charter holders.

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