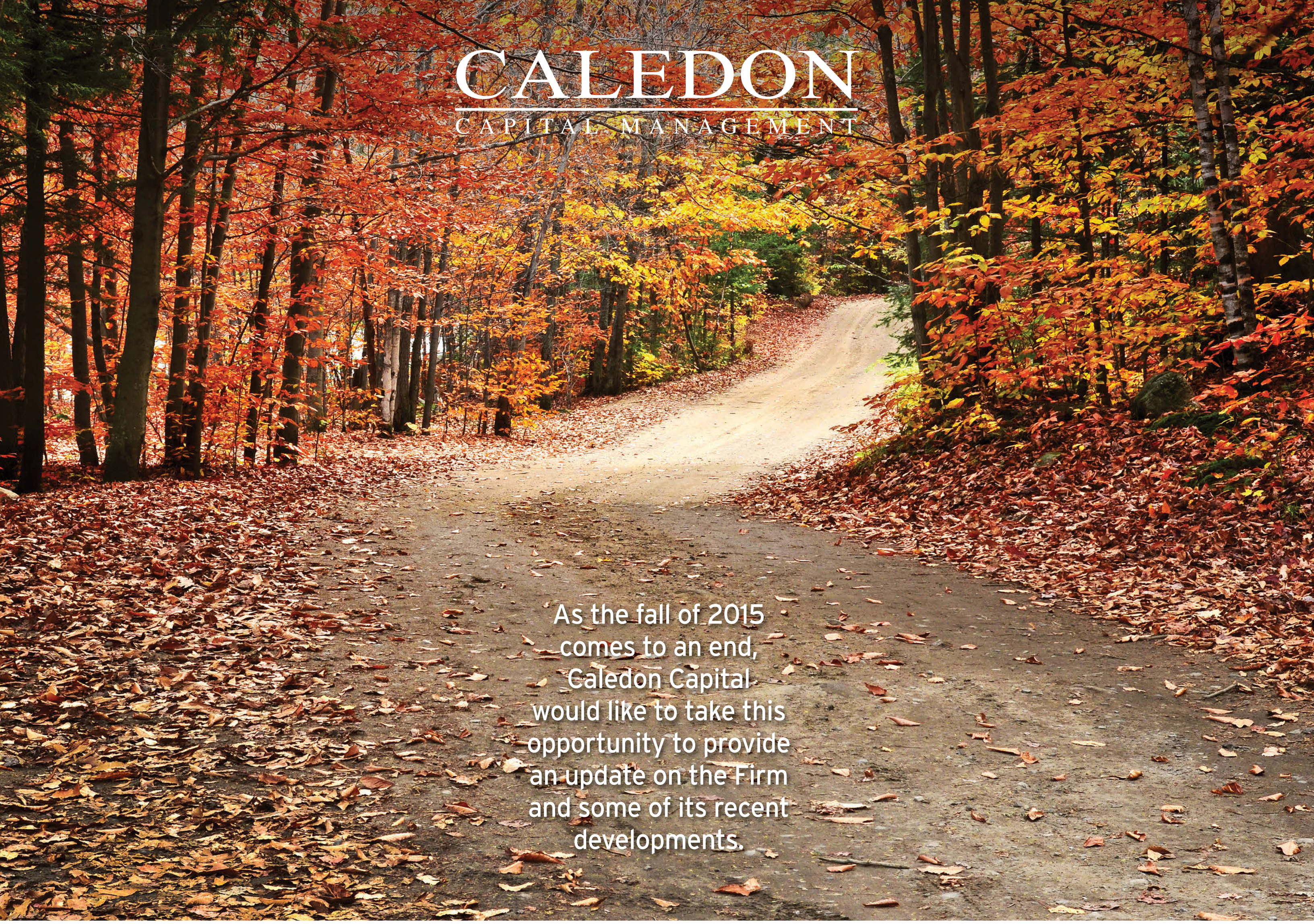
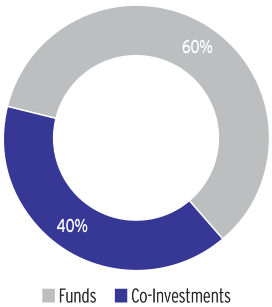


The Firm has continued to expand its client base and is now providing advisory and portfolio management services to institutional investors with plan assets exceeding $65 billion. Caledon also continued to be an active investor in 2015 having committed or invested over $700 million in private market opportunities.

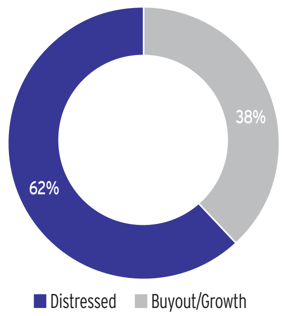
Deals Done - Caledon 2015

The Caledon investment team has been busy in 2015 and has so far committed or invested over $700 million to infrastructure and private equity funds and co-investments.

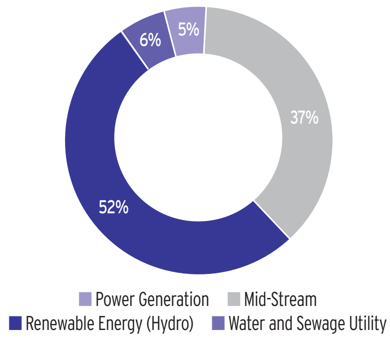
PE and Infra Funds and Co-Investments



Private Equity Funds



Infrastructure Co-Investments

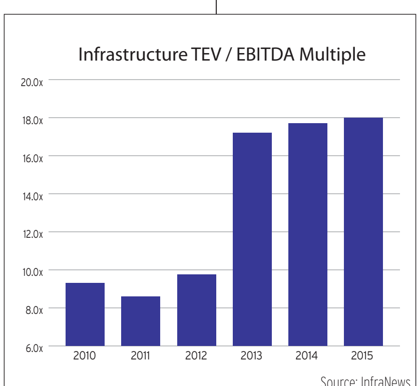


Infrastructure Market Commentary

Current Macro Environment

Infrastructure investors continue to express concerns about an eventual rise in interest rates and the impact they will likely have on asset valuations. Overall, after many years of declining and low interest rates, we are more likely to see a slow rise in interest rates, although not in all major economies.

Mitigating this somewhat, however, is the recent correction in global public markets that has likely delayed any sudden rate rises. China's devaluation of its currency and the belief among market participants that this is an attempt to hide underlying weakness in the export driven economy is another factor that may contribute to a prolonged low rate environment.



Growth rates in the U.S. and Eurozone remain above-trend. Spain in particular has continued its recovery and is expected to grow at above 3% for the remainder of 2015. With continuing downward pressure on commodities, exporters such as Australia and Canada continue to show notable weakness.

Low interest rates, unprecedented levels of liquidity from central banks and an influx of capital from institutional investors have contributed to rising asset values in the infrastructure space. The continuing volatility within the public markets is also expected to exacerbate the demand for non-cyclical real assets that are often linked to GDP growth. This will create even more competition for core infrastructure assets in OECD countries.

In The Spotlight – Energy Markets

The energy market has remained in the spotlight throughout 2015. The slump in oil prices has placed pressure on commodity-linked assets within the infrastructure space. The result has been further rig count declines and flat-to-declining dry gas production indicating that, at current prices, the industry has likely reached its limit. The increase in oil supply and reluctance from Saudi Arabia to curb production is also having a significant impact on oil prices which is further impacting the economies of other oil producing nations.

Building an Infrastructure Program
A Canadian Pension Fund's Perspective

Yannick Ménard is the Managing Director, Pension Investments for BMO Bank of Montreal. He is responsible for the investment and overall management of the bank's primary pension plan, including the development and implementation of the investment strategy, risk management and financial management. He joined BMO in September 2011 and has more than 20 years of industry experience.

Yannick received his BSc in Actuarial Mathematics from the University of Montréal. He is a Chartered Financial Analyst (CFA) and a member of the Toronto CFA Society. Yannick is also a Fellow of the Society of Actuaries (FSA) and of the Canadian Institute of Actuaries (FCIA).

1. Can you provide a brief overview of BMO pension plan's investment strategy?

The pension plan currently has about $6 billion in assets invested globally across public and private asset classes. As a result of recent accounting changes, managing the volatility of the plan has become a key priority. We divide our plan into two categories – a portfolio of long bonds to meet liability matching objectives and a portfolio of return seeking assets to generate higher risk adjusted returns. Infrastructure falls within the return seeking portfolio.

2. What role does infrastructure play in your portfolio?

The main reason to include infrastructure in our portfolio is to provide attractive risk adjusted returns that diversify the existing risk exposures in the plan. The attraction of infrastructure as compared with private equity is that it is much less correlated with equity markets. The predictable and stable cash flows commonly found in core and core plus infrastructure are especially attractive to us because of the stability of returns that it provides.

Inflation protection is also an attractive characteristic of infrastructure, but it's not the primary reason for our allocation. While many infrastructure assets will perform reasonable well in an inflationary environment, not all assets will respond favourably as rising inflation would likely put pressure on interest rates.

3. Can you describe your infrastructure program?

Given our size, we invest in co-mingled funds rather than direct infrastructure. In particular, we like open-ended funds as we believe that they provide a good alignment of objectives given our long investment horizon. We invest in private rather than public infrastructure investments given the equity market sensitivity of public infrastructure. Our infrastructure investments are global in nature with a focus on OECD markets to reflect the greater opportunity set outside of Canada. From a strategy perspective, we focus on core or core plus funds given their ability to generate consistent and predictable cash flows. We have a strong bias to limit commodity exposure in our infrastructure portfolio due to our existing Canadian equities exposure to the commodities sector.

4. What has your experience been to date implementing an infrastructure program?

Compared to other asset classes, we recognized the specialized nature of infrastructure assets. There is a lot of information available on public market strategies like bonds and equities, whereas infrastructure is a much more opaque space. That's the main reason we looked for a private markets consulting firm like Caledon that has specific, practical experience and knowledge in infrastructure. Caledon has been able to help us navigate the asset class and has in-depth knowledge of the underlying assets.

5. What are your long term return/risk expectations for infrastructure investments?

Our expectation is to achieve mid to high single digit returns that are stable over the long run. We are not looking for private equity type of returns, given that the primary role for infrastructure is to provide relatively stable risk adjusted returns.

6. Can you comment on differences managing a private markets vs public markets program?

Ultimately, a critical distinction with private markets infrastructure is that a fund manager is effectively managing a number of businesses rather than simply investing in financial assets. This has major implications on the level of management and operational experience required in respect of the underlying assets. Another important consideration is that investing in private infrastructure requires more resources than investing in public asset classes. In-depth legal and tax reviews of the funds is necessary at the time of investment and, once a commitment is made to a closed-end fund, frequent capital calls and distributions have to be carefully managed.

7. What advice would you provide to other pension plans

considering investing in infrastructure?

In an environment of low bond yields and subdued prospective equity market returns, infrastructure can give competitive returns and help diversify the plan portfolio.

The main advice I would give is to know what kind of infrastructure the plan is looking for. Infrastructure is not homogenous. Two power plants can have very different inherent risk profiles depending if they are contracted or merchant power. Similarly, two identical assets in different countries with different political and regulatory regimes can have very different risk profiles. It's important to have clearly understood return and risk objectives and it's important to partner with an expert who has in depth knowledge of the asset class.

We've Expanded Our Team

Toms Lokmanis (Vice President, Business Development) joined Caledon in July and is focused on business development and marketing activities for the North America market. He has extensive experience working with institutional investors helping them to achieve their investment objectives in the alternative asset classes. Prior to joining Caledon, Toms was a Managing Director at Manulife Asset Management. He is a CFA Charterholder and Chartered Alternative Investment Analyst (CAIA). Toms completed Honours of Economics from McMaster University and was a proud member of the Varsity Basketball team.

Eric Yu (Senior Financial Analyst) joined Caledon in November. Prior to joining Caledon, Eric was a Senior Analyst at the Canada Pension Plan Investment Board. His primary responsibility was governance of legal entities which included financial reporting and operational oversight. Eric received his Bachelor of Commerce from University of Toronto and is a CFA Charterholder.

Caledon's Speaking Engagements

Recent Conferences

SuperReturn International 2015
Berlin, Germany, February 24th, 2015
David Rogers moderated a panel discussion "Determining the Role of Infrastructure in a Wider Portfolio"

Berlin Summit 2015
Berlin, Germany, March 10th, 2015
Stephen Dowd moderated a panel discussion "Infrastructure Trends and Outlook"
David Rogers participated in a panel discussion "Fund Structures – Fit for Purpose"

Partner Connect East
Boston, United States, March, 24th, 2015
Martin Day participated in a panel discussion on "Co-Investments: Getting Your Fair Share of Opportunities While Managing Risks"

SuperReturn US 2015
Boson, United States, June 15th, 2015
Martin Day led a course "Becoming the Co-investor of Choice" and also moderated a panel on, "How & Where is Value Being Found in Infrastructure Today?"

Private Equity Exclusive 2015
Chicago, United States, July 20th, 2015
David Rogers moderated a panel discussion "Infrastructure Investing"

SuperReturn Infocus Infrastructure
London, England, September 16th, 2015
Martin Day moderated a panel "Direct and Co-Investment Returns"

Private Equity Summit
Toronto, Canada, November, 4th, 2015
Martin Day will participate in a panel discussion "Growing Returns in Co-investments and Directs"

Upcoming Conferences

LP Summit
New York, U.S., November 12th, 2015
Stephen Dowd will participate in a panel discussion "How Will Infrastructure Behave in a Rising Interest Rate Environment?"

CAIP West 2015,
Lake Louise, Canada, December 2nd, 2015
Stephen Dowd will participate in a panel discussion "Evaluating Models & Strategies Infrastructure Investments"

CALEDON
CAPITAL MANAGEMENT

141 Adelaide Street West, Suite 1500, Toronto, Ontario, Canada M5H 3L5 • Tel: 416-861-0700 Fax: 416-861-0770 • info@caledoncapital.com