

## CONSTRUCTIVE COMMUNICATION

### Overcoming Misperceptions

The Institute works to resolve popular confusion, misconceptions and misdirected questions. For example:

- Can sellers promote these cash yielding equities as if they are interest-bearing debt?
- Are trusts just products of tax dodgers who cause unfair tax losses for the government?
- Can all income trusts be described as opportunistic Ponzi schemes?
- Do issuers and sellers intentionally create false confidence and take advantage of investors by calling structured equities "trusts"?

### Measured Answers to Good Questions

We will explore, discuss & test key concepts through inquiry into meaningful questions such as:

- How significantly does the frequency of cash distributions enhance returns relative to risk?
- To what extent can retirees or pension managers depend on income trusts for income?
- What are the specific and general economic benefits of flow-through entities?
- How does trust and corporate tax compare?
- What is the net value of foreign ownership and investment in Canadian trusts & other equities?
- What is the growth potential of income trusts?
- What value-added role can a trust indenture and trustees play in governance or management of a public enterprise?
- Do financial disclosures and regulatory policies or practices, that are stricter than the current regime, offer value to Canadian securities issuers and investors? Do trust requirements differ from those of other securities?

## WHO WE ARE

### Partners in a Development Process

The iTrust Institute will use an iterative process to probe, test and chart findings, analyze, evaluate & review income trust markets using such means as:

- ✓ Stakeholder surveys and interviews;
- ✓ Third party research and literature reviews;
- ✓ Presenting in or hosting conferences & events;
- ✓ Briefing & engaging market participants in constructive dialogue.

We work with market stakeholders, intending as well to reach beyond the trust market into financial circles in general and to welcome knowledgeable input from those in Canada and abroad.

### Informed Market Participants and Members

The iTrust Institute was formalized in late 2005 as it brought together people from all sides of the market. An Institute was born from interests of members in TrustInvestor.com, a leading independent information resource for more than 3900 individuals including investors, advisors, brokers, bankers, traders, financial pros & issuers.

TrustInvestor members were persuaded of need for an Institute when the Canadian Department of Finance issued its Consultation Paper on Flow-through Entities in September 2005. Confusion surrounding the Paper and related working policies revealed an inherent gap between the information available in official and public domains and the perspective required to find answers to shared concerns and interests.

**As meaningful answers were lost to political turmoil, we saw that real problem-solving in a complex environment can only be achieved with an inclusive and open dialogue.**

### INTRODUCTION

The iTrust Institute was established to explore the benefits of Canadian income trusts and flow-through equities, and to provide insight into their features and role in a dynamic market and growing economy.

Institute research involves and its findings provide prescient insight for a broad public and professional audience including its founders & market stakeholders:

- ❖ Several million investors holding \$200 billion in trusts earning \$20 billion of income a year;
- ❖ Managers running \$20 billion in closed end funds and \$130 billion more in mutual funds;
- ❖ Canadian tax authorities & policy makers;
- ❖ Trust issuers, trustees and managers running more than 225 companies with trust issues;
- ❖ Market regulators and dealers;
- ❖ Financial advisory firms and professionals;
- ❖ Securities brokers and promoters;
- ❖ Investment analysts and underwriters.

Our work complements that of other organizations and remains accessible to the full spectrum of interests. We offer distinct value as a truly inclusive and independent research & education institute focused on this unique Canadian form of security & the income dimension of the global financial market.

Leslie Hayman  
President

## INDEPENDENT & OBJECTIVE

### MISSION

The iTrust Institute encourages awareness & new understanding of income trusts, other flow-through equities, their markets & potential for development.

### COMPELLING REASON

Income trusts constitute a \$200 billion market, low cost capital for productive enterprise and \$20 billion per year of income for millions of investors. Yet, they remain misunderstood by public investors, many sellers, marketers & policy makers.

### STRATEGY

The Institute monitors the income trust market along with its policy and regulatory environment and makes informative representations on behalf of our members. We engage leaders and stakeholders in thoughtful dialogue to identify and answer key questions, and to foster an inclusive, honest & sustained exchange of useful insight & information.

#### Services Offered by iTrust Institute

- ✓ Conduct research and provide education in respect to income trusts and flow-through equities on a range of pertinent topics;
- ✓ Provide news briefs and market updates;
- ✓ Publish abstracts of studies & analyses;
- ✓ Promote & facilitate information dissemination and exchange among investors, financial advisors and others through publications and hosting seminars and other events;
- ✓ Deliver specialized research, training, consulting & reporting services in partnership with other institutions and organizations.

## RESEARCH & EDUCATION

### HIGH RETURN RELATIVE TO RISK

iTrust Institute is studying the key features, perceived potential & benefits of income trusts starting from observations and the premise that:

Equities managed and structured like income trusts flow net gains through to owners by way of frequent & regular distributions of cash. As such:

**Income trusts can offer superior rates of overall return, support market and economic growth including growth of the tax base with less risk than other equities;** Given honest managers and competitive markets supported by open communications.

We will test this notion & explore related questions.

### OPPORTUNITY TO LEAD NOT JUST RESPOND

The Institute shares authoritative perspective with members and others to enhance their knowledge of trusts, the role of trusts in a dynamic market and to grow the economy. Enabling an exchange of information, we benefit market participants:

- ❖ Investors and their advisors;
- ❖ Financial analysts & service providers;
- ❖ Issuers, marketers and brokers;
- ❖ Tax and other regulatory authorities;
- ❖ Educators, public advocacy & service groups;
- ❖ Standard setters and exchange authorities.

As income trusts and their markets evolve, we will equip members to better read and benefit from trends, but to effectively lead that change as well.

## DISTINCT POTENTIAL IN AN EVOLVING SECURITIES MARKET

The Institute will gain and share insight into the distinct potential of income trust and flow-through forms of structured equity:

**(1) LEGAL STRUCTURE:** The trust indenture can offer value to managers & investors by clarifying expectations and formalizing policies & practices;

**(2) CASH DISTRIBUTIONS:** Cash distributions have economic value in the form of tangible business information for investors while providing a useful priority for disciplined management;

**(3) FREQUENT RETURNS:** High frequency of cash distributions can reduce risk while hastening tangible returns & economic multiplier effects;

**(4) LIQUIDITY:** Market liquidity has value at a number of levels;

**(5) EFFICIENCY & PRODUCTIVITY:** Flow-through securities motivate prudent cash management and investments more efficient & productive than others;

**(6) GROWING TAX BASE:** Stable real returns from trust investments provide a basis for growth in the local economy and national tax base;

**(7) INCREMENTAL ECONOMIC GAIN:** By attracting capital to Canada income trusts provide a vehicle to repatriate Canadian enterprise;

**(8) BENEFICIAL STANDARDS:** As a popular form of security, trusts provide a valuable focus for development of accounting standards, financial policies, governance practices and market regulations.