



# *Canadian energy specialists*

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# Kootenay Capital Management Corp.

## Disclaimer

- This communication is for information purposes only and is not, and under no circumstances to be construed as an invitation to make an investment in the KOOTENAY CAPITAL GLOBAL ENERGY ABSOLUTE RETURN FUND and/or the KOOTENAY ENERGY RSP FUND (“the Funds”), nor does it constitute a public offering to sell the Funds or any other products described herein. It should not be relied upon when evaluating the merits of a potential investment in any funds managed by KOOTENAY CAPITAL MANAGEMENT CORP.
- Application for the Funds will only be considered on the terms of the Confidential Offering Memorandums for investors in jurisdictions of Canada that meet certain eligibility or minimum purchase requirements.
- There is no guarantee of performance, and past or projected performance is not indicative of future results. Only investors who do not require immediate liquidity of their investment should consider a potential investment in the Fund. The risks involved in this type of investment may be greater than those normally associated with the other types of investments. Please refer to the Confidential Offering Memorandums for a further discussion of the risks of investing in the Fund.



# Overview of Kootenay

- **Independent, Calgary based Investment Fund Manager**
- **Fundamental value approach to investing across the full spectrum of the energy value chain**
- **Fund Managers independently recognized (and previously top ranked) for natural gas and LNG expertise**
- **Strong governance & control systems**
- **Invested & aligned with our unitholders**



# Calgary-based, industry specialists

ROYAL CANADIAN  
**NAVY**



**CIBC**  
World Markets



**TRISTONE**  
CAPITAL



**TRISTONE**  
CAPITAL



**TALISMAN**  
ENERGY

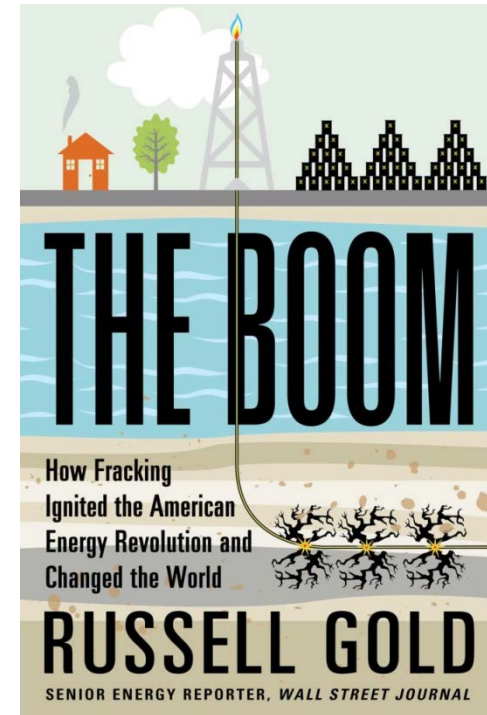


**Chris Theal, CFA, CIM**      **Leon Knight, CFA**



# Energy leadership

- **Russell Gold, Senior Energy Reporter with the *Wall Street Journal*, on April 8<sup>th</sup> 2014 published *The Boom***
  - Book on the profound impact fracking has made on the energy revolution and the geopolitical balance
- **Kootenay fund managers, (from their work as analysts at Tristone Capital), cited in the book as the “*earliest prominent reference to a Shale Gas Revolution*”**
  - **We published a report in October 2008 titled “*The Shale Gas Revolution*”**



# Kootenay Advisory Committee

**Strong governance with established group of highly regarded industry leaders**

**Robert Booth, QC**

Partner, Bennett Jones LLP

**Tom Ebbert, BSc, Geological Engineering, MBA**

CFO, Northwest Upgrader; Director, Talisman Energy

**Ira Gluskin**

Co-founder & Vice Chairman, Gluskin Sheff + Associates Inc.

**Matt Janisch, BSc, Petroleum Engineering, MBA**

Vice President & CFO, Legacy Oil + Gas Inc.

**Brian Lavergne, BSc, Mechanical Engineering**

President & CEO, Storm Resources Ltd.

**H. Cameron Ross, Major General (ret'd), CMM, CD**

President, HCR Security International

**Chris Theal, CFA, CIM**

President & CEO, Kootenay Capital Management Corp.

Governance

Leadership

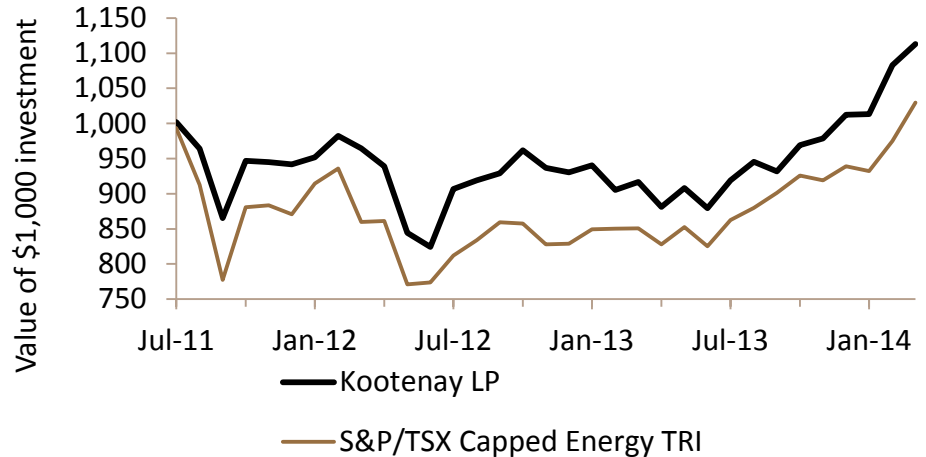
Advice



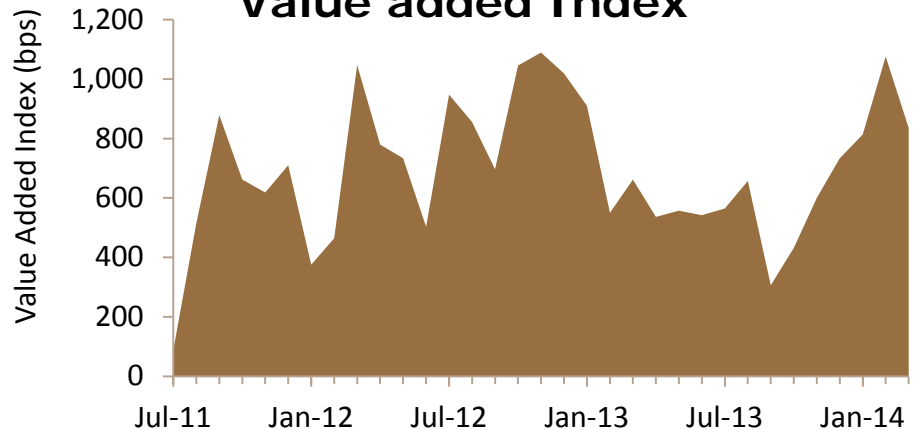
# Fund performance to date

- **Kootenay Energy Fund up 10.0% vs. gain of 9.7% in Capped Energy Index in 1Q2014**
- **1-year return of +21.4% vs. Index +21.0% with 0.48 Beta**
  - 1-year Sharpe ratio of 1.8
  - 2.4% Alpha (risk adjusted excess return)

## Relative Performance Since Inception



## Value added Index



### \*Notes:

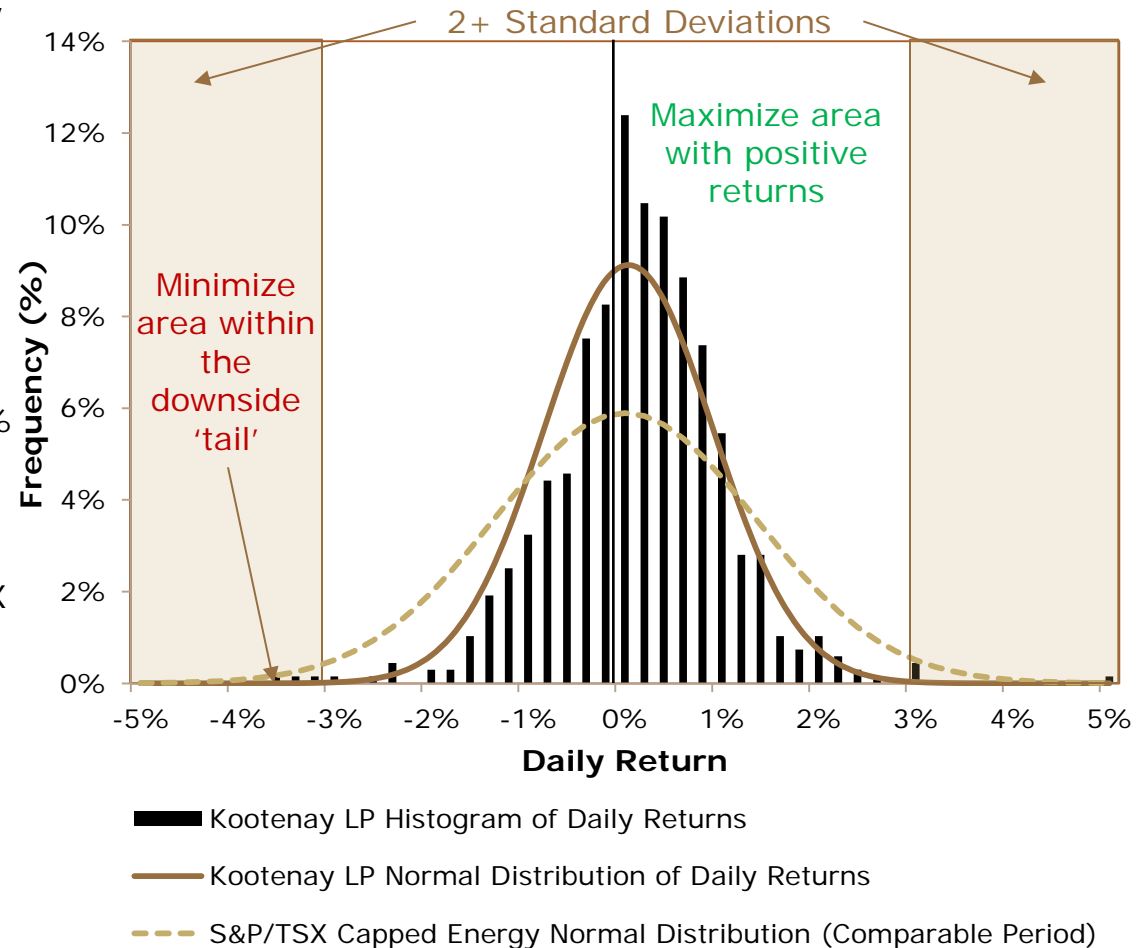
- Returns are since inception July 18, 2011 as of March 31, 2014 for the initial Kootenay LP Class 'A' series
- Kootenay LP returns are calculated net of transaction costs, management and performance fees
- Value Added Index is Kootenay LP return relative to the S&P/TSX Capped Energy Total Return Index since inception
- Source: Kootenay, Bloomberg



# Risk management

- Disciplined hedging strategy results in significant narrowing of the Fund's volatility versus benchmark
- Objective to maximize area with positive returns; minimize exposure to downside 'tail risk' events
  - Frequency of <-3% days for Index is 2.0%
  - Frequency of <-3% days for Fund is 0.2%
- Beta of 0.48 to the S&P/TSX Capped Energy Index since inception
- Fund volatility of 14.0% compares to Energy Index volatility of 21.5% over comparable period

## Distribution of Daily Returns



Source: Bloomberg, Kootenay





# Why invest with Kootenay?

- **Decades of experience in the energy sector**
- **Proven track record of protecting capital in adverse markets and generating alpha in any market condition**
- **Consistently manage risk via long / short strategy**
- **Our alpha generation is stock picking, NOT leverage**



# Fund Summary and Structure

|                                      |   |   |
|--------------------------------------|---|---|
| <b>Fund type</b>                     | Fundamental long / short equity   |   |
| <b>Portfolio structure</b>           | Seek low or negatively correlated strategies to reduce volatility and drawdowns   |   |
| <b>Fee structure</b>                 | 2% Management Fee, 20% Performance Distribution   |   |
| <b>High water mark</b>               | Yes; no reset   |   |
| <b>Hurdle rate</b>                   | None  |   |
| <b>Key manager reinvestment</b>      | 50%   |   |
| <b>Initial manager investment</b>    | \$1.0 million   |   |
| <b>Key partners</b>                  | KPMG LLP (Auditor), CIBC World Markets Inc. (Prime Broker), Pinnacle Canada Fund Administration Ltd. (Administrator), Bennett Jones LLP (Legal Counsel) |   |
|                                      | <b>Limited Partnership</b>  | <b>Mutual Fund Trust</b>  |
| <b>Subscription amounts</b>          | \$50,000 or at manager's discretion   | \$25,000 or at manager's discretion   |
| <b>Load Type</b>                     | No Load   | <b>New Class A up to 5% front-end load.</b><br>1% trailer on Class A units, 20% of performance fee to allocating Advisors |
| <b>Purchase/redemption frequency</b> | Monthly   | Monthly   |
| <b>Early redemption charge</b>       | 5% redemption charge in first 6 months  | 5% redemption charge in first 6 months  |
| <b>Eligible accounts</b>             | Non-registered only   | Non-registered and Registered (RRSP, RRIF, LIRA, LIF, TFSA, RESP)   |
| <b>FundSERV codes</b>                | n/a   | Class 'A': KCM100<br>Class 'F': KCM101  |



Table is for reference only.  
Please refer to the Confidential Offering Memorandum for full details

# ABOUT ACCREDITED & ELIGIBLE INVESTORS

***Kootenay Energy RSP Fund is available only to Accredited or Eligible Investors. Some of the common accredited investor criteria<sup>(1)</sup> are as follows:***

- *an individual whose net income before taxes exceeded \$200,000 in each of the two most recent calendar years or whose net income before taxes combined with that of a spouse exceeded \$300,000 in each of the two most recent calendar years and who, in either case, reasonably expects to exceed that net income level in the current calendar year; or*
- *an individual who, either alone or with a spouse, beneficially owns financial assets having an aggregate realizable value that before taxes, but net of any related liabilities, exceeds \$1,000,000; or*
- *an individual who, either alone or with a spouse, has net assets of at least \$5,000,000; or*
- *a person, other than an individual or investment fund, that has net assets of at least \$5,000,000 as shown on its most recently prepared financial statements.*
- *a person or individual registered, or formerly registered, under the securities legislation of a jurisdiction in Canada, as an adviser or dealer (this generally includes PM advisors signing for their clients).*

## **Eligible Investor:**

- a person (an "Eligible Investor") whose **[circle one or more]**
  - net assets, alone or with a spouse, in the case of an individual, exceed **CDN\$400,000**,
  - net income before taxes exceeded **CDN\$75,000** in each of the two most recent calendar years and who reasonably expects to exceed that income level in the current calendar year, or
  - net income before taxes, alone or with a spouse, in the case of an individual exceeded **CDN\$125,000** in each of the two most recent calendar years and who reasonably expects to exceed that income level in the current calendar year,

**Please consult your investment advisor and refer to National Instrument 45-106 for more information on available exemptions.**

*(1) The exemptions listed above have been summarized for your reference and are also summarized in greater detail in the Subscription Instructions and Subscription Agreement for the Kootenay Energy RSP Fund. Investors should review applicable securities laws with their advisor before investing. A copy of National Instrument 45-106 can be found here: [National Instrument 45-106](#).*



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# **DISCLOSURE ADVISORIES RIDER FOR KOOTENAY FUND PRESENTATION**

## **Forward-Looking Statements**

Certain statements contained in this presentation constitute forward-looking statements. These statements relate to future events or the Fund's future performance. All statements other than statements of historical fact are forward-looking statements. The use of any of the words "anticipate", "plan", "contemplate", "continue", "estimate", "expect", "intend", "propose", "might", "may", "will", "shall", "project", "should", "could", "would", "believe", "predict", "forecast", "pursue", "potential" and "capable" and similar expressions are intended to identify forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. No assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this presentation should not be unduly relied upon. These statements speak only as of the date of this presentation. In addition, this presentation may contain forward-looking statements and forward-looking information attributed to third party industry sources.

In particular, this presentation contains forward-looking statements pertaining to the following: the Fund's process for selecting stocks; use and success of differing strategies; the Fund's assessment of factors driving resource play mispricing; the Fund's ability to benefit from merger and acquisition driven pricing inefficiencies; the Fund's ability to benefit from land sale arbitrage and the Fund's ability to capitalize on market inefficiency during reorganizations.

With respect to forward-looking statements and forward-looking information contained in this presentation, assumptions have been made regarding, among other things: merger and acquisition driven pricing inefficiencies; land sale pricing arbitrage; market inefficiencies during reorganization; the Fund's ability to obtain qualified staff in a timely and cost-efficient manner; the regulatory framework governing the Fund and its business; operating costs; future expenditures to be made by the Fund; availability of capital; the Fund's future debt levels; and the Fund's ability to successfully deploy capital.

The forward-looking statements included in this presentation are expressly qualified by this cautionary statement and are made as of the date of this presentation. The Fund does not undertake any obligation to publicly update or revise any forward-looking statements except as required by applicable securities laws.

## **Market Data**

This presentation contains statistical data, market research and industry forecasts that were obtained from government or other industry publications and reports or based on estimates derived from such publications and reports and management's knowledge of, and experience in, the markets in which the Fund operates. 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. Often, such information is provided subject to specific terms and conditions limiting the liability of the provider, disclaiming any responsibility for such information, and/or limiting a third party's ability to rely on such information. None of the authors of such publications and reports has provided any form of consultation, advice or counsel regarding any aspect of, or is in any way whatsoever associated with, the public offering. Actual outcomes may vary materially from those forecast in such reports or publications, and the prospect for material variation can be expected to increase as the length of the forecast period increases. While management believes this data to be reliable, market and industry data is subject to variations and cannot be verified due to limits on the availability and reliability of data inputs, the voluntary nature of the data gathering process and other limitations and uncertainties inherent in any market or other survey. Accordingly, the accuracy, currency and completeness of this information cannot be guaranteed. None of the Fund, its affiliates or agents has independently verified any of the data from third party sources referred to in this presentation or ascertained the underlying assumptions relied upon by such sources.



## **RIGHTS OF ACTION FOR DAMAGES OR RESCISSION**

Securities legislation in certain of the provinces of Canada provides investors with (or requires that investors be provided contractually with), in addition to any other right they may have at law, rights of rescission or damages, or both, where an investor presentation and any amendment thereto contains a misrepresentation (as such term may be defined in the applicable statute). However, such rights must be exercised by the investor within the prescribed time limits and are subject to the defences contained in applicable securities legislation. Investors should refer to the applicable provisions of such securities legislation for the particulars of these rights or consult with a legal advisor.

The following summary is subject to the express provisions of the relevant securities laws and regulations thereunder and reference is made thereto for the complete text of such provisions. The following is a summary of the rights of rescission or to damages, or both, available to investors under the securities legislation of the specified provinces of Canada or provided by contract. Such rights are expressly conferred upon investors in the subscription agreement to be executed by investors in connection with the offering contemplated hereby. The rights of action discussed below are in addition to and without derogation from any other rights or remedies available at law to the investor.

Ontario. Rule 45-501 under the Securities Act (Ontario) provides that investors resident in Ontario purchasing under this investor presentation will have the rights of action provided in Section 130.1 of the Securities Act (Ontario) and that such rights must be described in this investor presentation. Such rights are described below.

If this investor presentation, together with any amendment hereto, contains an untrue statement of a material fact or omits to state a material fact that is required to be stated or that is necessary in order to make any statement herein not false or misleading in light of the circumstances in which it was made (herein called a "misrepresentation"), an investor who purchases securities of the Fund during the period of distribution will be deemed to have relied upon such misrepresentation if it was a misrepresentation on the date of purchase and will have, subject as hereinafter provided, a right of action for damages which must be commenced not more than the earlier of (i) 180 days after the investor first had knowledge of the facts giving rise to the cause of action or (ii) three years after the date the securities were purchased hereunder, or, alternatively, for rescission, which must be commenced not more than 180 days after the date the securities were purchased hereunder, provided that:

- The Fund will not be held liable under this paragraph if the investor purchased the securities with knowledge of the misrepresentation;
- In an action for damages, the Fund will not be liable for all or any portion of such damages that it proves do not represent the depreciation in value of the securities as a result of the misrepresentation relied upon; and
- In no case will the amount recoverable under this paragraph exceed the price at which the securities were sold to the investor.

