



LETTER TO UNITHOLDERS

April 29, 2025

Dear Unitholder:

We would like to begin by thanking you for your investment in Westbow Capital Income Fund ("**Trust I**") and for the confidence you have placed in us.

Trust I currently manages a portfolio of over 460 rental units valued at over \$105 million diversified across western Canada. Since Trust I's inception in 2019, Trust I has exceeded its initial targeted total returns of 9-12% per annum. In an exit of Trust I, based on its current net asset value, an investor that subscribed for units of Trust I on day one would realize a total return of 16-24% per annum (inclusive of periodic distributions). Returns are dependant on if the investor chose the cash distribution or the DRIP option, and the series of units subscribed for. Our performance is a product of the strength of our management team and the quality of the assets in the portfolio. Our asset management team has successfully executed on our business plan for Trust I. We have acquired properties with significant upside potential, added value through operational improvements and active management, built a portfolio of high-quality stabilized assets, and generated significant returns for our investors. This was all accomplished despite the slew of challenges facing all industries since the time of Trust I's inception, including the pandemic, high interest rates and high inflation.

After Trust I stopped raising capital in 2021, we launched Westbow Real Estate Properties Trust ("**Trust II**"). Trust II is an open-ended real estate fund with a similar investment strategy to Trust I. Trust II currently manages a portfolio of 1,330 rental units valued at over \$350 million diversified across western Canada. Since Trust II's inception, Trust II has also exceeded its targeted total returns of 9-12% per annum. The open-ended structure of Trust II provides our management team with the flexibility to utilize various strategies to optimize the portfolio performance and generate strong risk-adjusted returns over the long term.

Trust I is a closed-ended fund that has an initial term ending in 2026. As Trust I approaches the end of its life cycle, we are required to provide unitholders of Trust I ("**Unitholders**" or "**Trust I Unitholders**") with a liquidity event. After extensive consideration of the liquidity options available to Trust I, we have determined that a "merger" transaction – pursuant to which Trust II would acquire all of the assets of Trust I and Unitholders would become unitholders of Trust II (the "**Transaction**", as described in more detail below and in the Information Circular (defined below)) – would achieve the best outcome for Unitholders. The Transaction would allow us to avoid several of the downsides presented by a third-party sale, including a lack of flexibility for Unitholders, unfavourable tax consequences and the risk of a lengthy disposition process. In addition, the Transaction will offer the following benefits to Unitholders:

1. Enhanced Property Diversification

If the Transaction is approved, Unitholders that remain invested will gain exposure to a larger, more diversified real estate portfolio, reflecting the combined assets of Trust I and Trust II. Trust I's assets satisfy all the acquisition and return criteria for Trust II. The combined portfolio will total over \$455 million of properties consisting of over 1,790 rental units diversified across western Canada. In addition, we believe there are strong market fundamentals (e.g., housing shortages, high cost of home ownership, and population growth) that lend support to continuing an investment strategy focused on owning and managing multifamily rentals.

As a result, Unitholders can expect broader exposure to growth opportunities, reduced risk and volatility and improved financial, operational and strategic flexibility (including better access to capital). If the Transaction is approved, Unitholders will be better positioned for long-term success.

2. Maximization of Investment Value

If the Transaction is approved, Unitholders will be able to retain exposure to Trust I's portfolio. Throughout the life of Trust I, our management team has gained a deep understanding of the assets in the portfolio and the markets in which they are located. As a result, Unitholders that remain invested will continue to benefit from a high-quality portfolio that is already well-positioned for optimized performance and continued, long-term success (rather than be forced to exit). By transferring Trust I's portfolio to Trust II, an open-ended fund, we will have the flexibility to

utilize financial and operational strategies aimed at enhancing the long-term value of the assets. We will be able to strategically dispose of the assets at opportune times, thereby maximizing value for Unitholders.

3. **Favourable Economic Terms**

If the Transaction is approved, Unitholders that remain invested will enjoy the features and economic terms of an investment in the units of Trust II ("**Trust II Units**"). Unitholders can expect the following:

- **More Frequent Distributions:** Unitholders will benefit from monthly distributions. In comparison, as a holder of units of Trust I ("**Trust I Units**"), Unitholders receive quarterly distributions.
- **Higher Profit Share Structure:** Unitholders will benefit from a higher profit share. Unitholders will be entitled to 80% of the profits once the hurdle rate and catch-up is achieved. In comparison, as a holder of Trust I Units, Unitholders are entitled to 75% of the profits once the hurdle rate and catch-up is achieved.
- **More Redemption Flexibility:** Unitholders will benefit from being able to redeem their Trust II Units at any time at the net asset value of the Units. In comparison, as a holder of Trust I Units, Unitholders would lose their upside for redeeming their Trust I Units prior to a liquidity event.

See also "Comparison of Fund I and Fund II" in the Information Circular for a detailed comparison of the features of an investment in the Trust I Units and the features of an investment in the Trust II Units.

4. **Greater Alignment**

If the Transaction is approved, Westbow management will roll all of our earned carried interest in Trust I into equity of Trust II (rather than receive the carried interest in cash in the event of a third-party sale). This will create greater alignment between Westbow and Unitholders that remain invested in Trust II and is a reflection of our confidence in the success of Trust II post-Transaction.

5. **Tax Efficiency**

The Transaction will allow Unitholders to continue to participate in a Westbow-managed fund without realizing income or capital gains on the disposition of Trust I's portfolio. If Trust I were to dispose of its portfolio to a third-party, the Unitholders would realize income and capital gains on such disposition.

6. **Optimize Disposition Timing**

The Transaction will allow Unitholders to realize the market value of their Trust I Units in a shorter period of time compared to a sale of the portfolio to a third-party. It will allow Trust I to avoid a potential lengthy disposition process for each property.

7. **Investor Liquidity and Flexibility**

If the Transaction is approved, Unitholders will have the option to exit the investment after the Transaction has closed (i.e., by redeeming their Trust II Units, subject to the terms of the declaration of trust of Trust II (outlined in the Information Circular)) or remain invested in Trust II. Unitholders that choose to exit the investment may request a redemption of some or all of their interest. Unitholders that choose to remain invested in Trust II can make long-term investment plans since they can choose when they liquidate their investment in the future based on their desired time horizon.

We are confident that the Transaction, for the reasons above, provides an excellent opportunity for investors to continue to generate strong risk-adjusted returns.

The board of directors of Westbow Asset Management Inc. (the "**Board**") and management have undertaken a robust process to consider and evaluate the merits of the Transaction and the alternatives to the Transaction, namely, a sale of the assets of Trust I to a third-party. After careful consideration and extensive analysis, the Board has unanimously determined that the Transaction is in the best interest of Trust I. In addition, the Independent Review Committee of Trust I has independently considered and unanimously approved the proposed Transaction.

DETAILS OF THE TRANSACTION

If the Transaction is approved, each Trust I Unitholder will receive Trust II Units of the same series at an exchange ratio equivalent to the current value of such Unitholder's Trust I Units. As the current value of a Trust I Unit of a particular series will vary based on the accrued unpaid preferred return of such unit, the exchange ratio will also vary within a range. Such value has been established based on Westbow management's valuation methodology (which is identical for Trust I and Trust II) with the benefit of the 2024 audited year-end financial statements.

The following table sets out the exchange ratio range for each series of Trust I Unit:

Trust I Unit Series (Units Exchanged)	Trust II Unit Series (Units Received)	Exchange Ratio Range (Number of Trust II Units Received per Trust I Unit Exchanged)
Series A Units	Series A Units	1.323360766 to 1.382287958
Series B Units	Series B Units	1.369852098 to 1.376462992
Series M Units	Series M Units	1.055386529 to 1.062309871
Series P Units	Series P Units	1.308640954 to 1.360496632

For example, if the Transaction is approved, a Trust I Unitholder that holds 50 Series A Units of Trust I will receive 66.168038300 to 69.114397900 Series A Units of Trust II (i.e., 50×1.323360766 to $1.382287958 = 66.168038300$ to 69.114397900).

Accordingly, if the Transaction is approved, Unitholders will become unitholders of Trust II and enjoy the features of an investment in the Trust II Units (as opposed to the features of an investment in the Trust I Units).

The following table compares the features of an investment in Trust I Units and the features of an investment in Trust II Units:

Feature	Trust I	Trust II	Comparison
Structure	Closed-ended	Open-ended	Trust II's structure is open-ended structure
Targeted Distribution Rate	\$0.60 / Unit	\$0.60 / Unit	Distribution rate is consistent
Distribution Frequency	Quarterly	Monthly	Trust II's distribution frequency is higher
Redemption Price	Cost	Net Asset Value (NAV)	Trust II Unit's are redeemed based on NAV
Management Fee	1.9% on Subscription Price	1.85% on NAV	Trust II's management fee is based on NAV
Hurdle Rate	\$0.70 / Unit per annum	7% per annum	Hurdle rate is based on NAV
Profit Share	75% of profits after the hurdle rate and GP-catchup	80% of profits after the hurdle rate and GP-catchup	Trust II's profit share is higher for investors
Total Return Target	9-12% per annum	9-12% per annum	Return targets are consistent

See "Comparison of Fund I and Fund II" in the Information Circular for a detailed comparison of the features of an investment in the Trust I Units and the features of an investment in the Trust II Units.

MEETING INFORMATION

To approve the Transaction, you are invited to attend the special meeting (the "**Meeting**") of Unitholders of Series A Units, Series B Units, Series M Units and Series P Units of Trust I.

The Meeting will be held virtually via Zoom teleconference on May 20, 2025 at 2:00 p.m. (Vancouver time).

The Meeting is being held for Unitholders to consider and approve the Transaction pursuant to which:

- (i) Westbow management will receive and roll all of its carried interest in Trust I into equity of Trust II;
- (ii) Trust I will sell all of its assets to Trust II and will receive Trust II Units as consideration; and
- (iii) following the completion of the sale, Trust I will terminate, wind-up and distribute the Trust II Units (received as consideration for the sale) to Trust I Unitholders.

The Notice of Special Meeting of Unitholders dated April 29, 2025 and Information Circular dated April 29, 2025 (the "**Information Circular**") contain important information with respect to the Meeting and the Transaction.

The Board unanimously recommends that the Unitholders vote for the special resolution approving the Transaction (attached as "**Schedule A**" to the Information Circular).

REQUIRED UNITHOLDER APPROVAL

For the Transaction to become effective, the special resolution of the Unitholders approving the Transaction (attached as "**Schedule A**" to the Information Circular) must be approved by the affirmative vote of more than 66⅔% of the votes cast by Unitholders who are entitled to vote and do vote on such resolution.

Subject to the required Unitholder approval and the satisfaction of all other conditions to the implementation of the Transaction, Trust I anticipates that the Transaction will become effective on or about May 27, 2025.

Your vote is very important. Whether or not you attend the Meeting, please take the time to vote your Trust I Units in accordance with the instructions contained in the form of proxy for the Meeting or other voting instruction form, as applicable.

Should you have any questions or require further clarification, please do not hesitate to contact us at 604-490-3451.

Yours very truly,

"Nick Westeringh"
Chief Executive Officer,
Westbow Asset Management Inc.