

A free guide

20

Questions to Ask Before You Invest in a **Private Offering**

A plain-language due diligence guide for Canadian
investors

From



Access Capital
ADVISORS

Introduction

Private investments can offer things public markets can't: access to real assets, different sources of return, and less day-to-day price movement. They also work differently from public investments: your money is usually committed for longer, fees are structured differently, and most of the information comes from the offering documents. Understanding those differences is the foundation of a confident decision.

That's why the questions you ask before investing matter. Well-run offerings and experienced advisors welcome them, because clear answers are what let you invest with confidence.

How to use this guide

The 20 questions are grouped into five areas: the offering itself, the people behind it, fees, risk and liquidity, and how it fits your own situation. Each question explains why it matters and what a strong answer looks like.

1

The offering and its structure

2

The team and governance

3

Fees and costs

4

Risk, liquidity and exit

5

Your fit

You don't need to be an expert to use them. Bring them to any conversation with an issuer or dealing representative, and read the offering documents with them beside you. A one-page checklist at the end lets you track the answers as you go.

This guide is educational. It isn't a recommendation to buy any investment, and it doesn't replace advice suited to your circumstances.

The offering and its structure

Questions 1–4

1 What exactly am I buying?

Why it matters: “Investing in a project” can mean owning shares, holding units in a trust or partnership, or lending money as a bond or note. Each gives you different rights, different risks, and a different place in line if things go wrong.

A strong answer names the type of security you'll hold and the rights that come with it.

2 How does this investment make money, and what has to go right?

Why it matters: every return depends on assumptions, such as rents rising, borrowers repaying, or a property selling at a certain price. Knowing those assumptions lets you judge how realistic they are.

A strong answer sets out the key assumptions and how the investment is expected to perform if results come in below plan.

3 How will my money be used?

Why it matters: offering documents usually show how the money raised is spent. Some goes to the investment itself and some to fees, commissions, and costs. The larger the share that reaches the actual asset, the more of your money is working for you.

A strong answer points you to a clear use-of-proceeds breakdown in the offering documents.

4

Where does my investment sit in the capital structure?

Why it matters: if an investment underperforms, lenders and some classes of investors are paid before others. Secured lenders typically rank first and common equity last. Your position decides how much you could recover.

A strong answer explains who ranks ahead of you and what protections, such as security over assets, are in place.

Section 2

The team and governance

Questions 5–8

5

Who is managing the investment, and what experience do they bring?

Why it matters: in private markets, the management team's experience and judgment drive results. Their background, including how they've navigated different market conditions, shows how the investment will be run.

A strong answer covers the team's experience with similar investments and how they've managed through changing conditions.

6

How is past performance reported?

Why it matters: audited financial statements and independently reviewed figures give you a reliable basis for understanding a manager's history.

A strong answer refers you to audited statements or clearly sourced figures covering the full record.

7

How are conflicts of interest identified and managed?

Why it matters: the manager or its affiliates may earn fees from the investment, sell assets to it, or lend to it. The dealer offering it may also be related to the issuer. These arrangements are typically disclosed in the offering documents, along with how they're managed.

A strong answer walks you through any related-party arrangements and the safeguards around them.

8

How are the dealer and representative compensated?

Why it matters: knowing how your dealing representative and their firm are paid on an investment, whether through commissions or other fees, completes your picture of its costs.

A strong answer is direct and matches what's disclosed in the offering documents.

Section 3

Fees and costs

Questions 9–12

9

What are all the fees, at every level?

Why it matters: private investments can carry fees in several places: selling commissions, management fees, acquisition or financing fees, and fees charged inside underlying investments. Seeing them together shows you the total cost of the investment.

A strong answer lists every fee in one place, with how and when each is charged.

10

How much of each dollar I invest is actually put to work?

Why it matters: after commissions and offering costs, less than 100% of your money may reach the investment. Knowing that figure helps you understand what the investment needs to earn.

A strong answer gives a clear percentage or dollar figure for up-front costs.

11

Are there performance fees, and how are they calculated?

Why it matters: a performance fee (sometimes called a carried interest) gives the manager a share of profits. The details, such as whether investors receive a minimum return first, show how the manager's interests are aligned with yours.

A strong answer explains the calculation simply enough that you could explain it back in your own words.

12

Who pays the ongoing operating costs?

Why it matters: legal, audit, administration, and other costs may be paid by the investment, which means by investors, or absorbed by the manager. Over a multi-year hold, this is worth understanding.

A strong answer explains which costs the investment bears and gives an estimate or cap.

Risk, liquidity and exit

Questions 13–17

13 What is the expected holding period, and what are the options for getting money out early?

Why it matters: private investments are designed to be held for a period of time, often with a fixed term or planned exit. Securities bought under a prospectus exemption usually can't be freely resold, and redemption features, where they exist, may be limited or suspended.

A strong answer explains the expected timeline, any redemption features and their limits, and how redemption requests are handled.

14 How is the investment valued, and by whom?

Why it matters: private investments don't trade on an exchange, so their value is an estimate. Who sets it, how often, and using what method affects the numbers you'll see on your statements.

A strong answer describes the valuation method, how often it's done, and any independent appraisal or review.

15 What are the key risks, and how are they managed?

Why it matters: offering documents include a risk factors section. Reading it, and asking which risks matter most for this particular investment, gives you a balanced, complete picture.

A strong answer identifies the risks most relevant to this investment and how the manager plans to address them.

16 How much debt does the investment use?

Why it matters: borrowing can increase returns when things go well and magnify losses when they don't. Rising interest rates or falling asset values hit leveraged investments harder.

A strong answer gives the level of debt and explains how it's managed if rates or values change.

17 What reporting will I receive, and how often?

Why it matters: once you invest, regular financial statements and updates are how you'll know what's happening with your money.

A strong answer describes the statements and updates you'll receive, including audited annual financial statements.

Section 5

Your fit

Questions 18–20

18 Which exemption am I investing under, and what limits and rights come with it?

Why it matters: private offerings in Canada are sold under exemptions from the usual prospectus rules, such as the accredited investor or offering memorandum exemptions. Depending on the exemption and your province, there may be limits on how much you can invest, a risk acknowledgement form to sign, and rights such as a short window to cancel your purchase.

A strong answer tells you which exemption applies to you, why, and what it means for you.

19 How does this fit my overall portfolio and timeline?

Why it matters: because private investments are hard to sell, they generally suit money you won't need for the full holding period. Putting too much into one investment, or one type of investment, concentrates your risk.

A strong answer is grounded in your other investments, income needs, and time horizon.

20 What are the tax and account implications?

Why it matters: some private investments can be held in registered accounts such as an RRSP or TFSA, and others can't. How income is taxed, and what slips you'll receive, also varies by structure.

A strong answer explains the general treatment and encourages you to confirm the details with your own accountant.

Every investment involves trade-offs. The purpose of these questions is to understand exactly what you're investing in, so you can commit with confidence. Clear, complete answers are the foundation of a strong long-term relationship with any investment and the people behind it.

Want to talk these questions through?

If you're considering private investments and would like to work through these questions with someone, you can book a no-obligation conversation with an Axxess Capital Advisors dealing representative at axcesscapital.com/info-request. We'll start with your goals and situation, not with a product.



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Book a conversation

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Your one-page checklist

Tick each question once you have a clear answer.

Notes

The offering and its structure

- ☐ 1. What exactly am I buying? _____
- ☐ 2. How does it make money, and what has to go right? _____
- ☐ 3. How will my money be used? _____
- ☐ 4. Where does my investment sit in the capital structure? _____

The team and governance

- ☐ 5. Who manages it, and what experience do they bring? _____
- ☐ 6. How is past performance reported? _____
- ☐ 7. How are conflicts of interest identified and managed? _____
- ☐ 8. How are the dealer and representative compensated? _____

Fees and costs

- ☐ 9. What are all the fees, at every level? _____
- ☐ 10. How much of each dollar is put to work? _____
- ☐ 11. Are there performance fees, and how are they calculated? _____
- ☐ 12. Who pays the ongoing operating costs? _____

Risk, liquidity and exit

- ☐ 13. What's the holding period, and what are the early-exit options? _____
- ☐ 14. How is it valued, and by whom? _____
- ☐ 15. What are the key risks, and how are they managed? _____
- ☐ 16. How much debt does it use? _____
- ☐ 17. What reporting will I receive, and how often? _____

Your fit

- ☐ 18. Which exemption applies, and what limits and rights come with it? _____
- ☐ 19. How does it fit my portfolio and timeline? _____
- ☐ 20. What are the tax and account implications? _____