



# It starts here.

## UNLOCKING THE POWER OF RETURN OF CAPITAL

### THE RETURN OF CAPITAL ADVANTAGE

**Return of capital (RoC)** refers to the funds distributed to an investor from a portion of their initial investment rather than from profits or income. As a result, it is not subject to taxation as distribution income or capital gains until the investment is sold and gains are realized.

Think of your initial investment as a principal deposit secured in a vault. When a portion of your distribution includes RoC, it's like unlocking that vault and drawing from your original deposit without diminishing the overall market value of your investment. Since it represents your own capital being returned, there are no immediate tax implications.

RoC can also contribute to cash flow stability, providing investors with consistent distributions even during periods of lower earnings.

### WHAT ALLOWS INITIAL CAPITAL TO BE DISTRIBUTED TO INVESTORS?

Since certain investment types earn income from physical assets, like Skyline Real Estate Investment Trusts (REITs), they're allowed to claim depreciation—a non-cash accounting expense that lowers their taxable income without reducing the actual cash they bring in.

This means that REITs, as trust structures required by law to distribute all taxable income, can generate more cash than is subject to income tax. The extra 'profit' that isn't taxed right away is treated as RoC, which is a way of distributing back part of your original investment bit by bit over time.

In certain cases, RoC may result from the disposition of assets, with proceeds returned directly to investors.

### A LOOK AT TAX IMPACT BY INVESTMENT INCOME TYPE

INVESTMENT INCOME TYPE	DESCRIPTION	TAXED NOW?	TAX TREATMENT
Capital Gains	Your share of profits from a corporation or REIT	✓	50% of the capital gain is taxable in the year it is realized
Distributions	Your share of profits from a corporation or REIT	✓	Taxed annually if held outside a registered account
Dividends	Your share of profits from a corporation or REIT	✓	Taxed annually with dividend credits that reduce your tax owing
Interest	Profit from lending your capital	✓	Taxed fully as regular income in the year received, just like employment income
RoC	The return of your original capital—not income or profit	✗	Tax deferred until disposed; reduces ACB

### THE TAX-DEFERRAL POWER OF ROC

Since RoC represents a portion of your initial investment rather than profit, it is not subject to taxation upon receipt. Instead, it serves to decrease your Adjusted Cost Base (ACB), postponing tax obligations until you ultimately sell the investment. At that point, you will incur capital gains tax calculated on the reduced ACB.

This strategy enables you to defer taxes and retain a greater amount of capital for compounding over time.

*\* Once your Adjusted Cost Base (ACB) reaches \$0, any further RoC you receive is taxable as a capital gain in the year it's received.*

# Defer Tax, Not Growth.

Discover the power of return of capital. A smarter way to manage cash flow without triggering immediate tax liability.



## The Skyline Difference

With a strong track record of delivering consistent cash distributions and rising unit values, Skyline's REITs offer more than just reliable performance—we provide a simple and effective way for everyday investors to grow wealth over time. If you're looking for a smarter way to invest, Skyline's REITs can be a powerful tool for turning passive income into lasting, long-term growth.

**Smarter tax outcomes. That's RoC in action.**

### CANADIAN PRIVATE REIT Return of Capital Tax Treatment Example

#### Investment Scenario

**\$100,000**  
Initial Investment

**\$6,000**  
Annual Distribution

#### Year 1 Distribution Breakdown

**\$3,000**  
Other Income

**\$2,000**  
Return of Capital

**\$1,000**  
Capital Gains

#### Tax Impact (Non-Registered Account)

COMPONENT	TAX TREATMENT	IMPACT
\$3,000 — Other Income	Taxed at full marginal rate	Immediate tax payable
\$2,000 — Return of Capital	Not taxed now	ACB reduced to \$98,000
\$1,000 — Capital Gains	50% taxable inclusion	Taxed on \$500

#### Adjusted Cost Base After Year 1

**\$100,000** → **\$98,000**

Original ACB reduced by \$2,000 Return of Capital

*Disclaimer: The composition of REIT distributions may vary annually and is influenced by several factors, including source income and its use of non-cash deductions like depreciation and capital cost allowance (CCA). Investors should refer to their annual tax slips for the specific breakdown applicable to their holdings. Any RoC distributed is funded from operating cash flows, or in certain cases, asset dispositions, and not from the sale or issuance of additional units.*

### OBTAIN DISTRIBUTION INCOME WITH THESE SKYLINE FUNDS

Click / tap the fund name for more information



Skyline Apartment REIT



Skyline Retail REIT



Skyline Industrial REIT

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