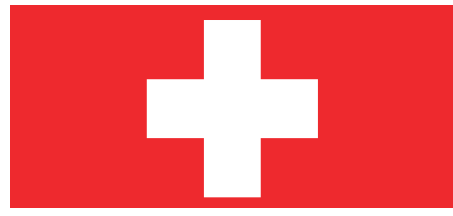


SURVEY | Canada tops ranking of world's most reputable countries

**No. 1: Canada**

After two years, Canada is back as the world's most reputable country in a Reputation Institute survey from its 2017 *Country RepTrak* report

**No. 2: Switzerland**

Switzerland placed a close second in the survey, which rates countries according to the esteem, admiration and good image that they evoke

**No. 3: Sweden**

Also a close contender for the top spot was Sweden, which ranked No. 1 last year. The study consists of more than 39,000 ratings by G8 citizens

**No. 4: Australia**

Australia is the country most valued by G8 citizens in the category of "appealing environment"

SOURCE: REPUTATION INSTITUTE

Sandpiper – Vancouver's triumphant proxy warrior

INVESTMENT | B.C. shareholders win battle to shake up board of directors at Toronto's Granite REIT

BY NELSON BENNETT
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When a Canadian public company becomes the target of a proxy battle, it is usually a New York hedge fund or private equity firm leading the charge, and their intentions can sometimes be mercenary.

But when Toronto's **Granite REIT** (TSX:GRT.UN) was forced to shake up its board of directors recently, a Canadian company – Vancouver's **Sandpiper Group** – was one of the activist shareholders behind the effort.

On June 15, Sandpiper and **FrontFour Capital Group**, a Connecticut-based private equity firm, won shareholder support to place three of their nominees on Granite's board of directors after convincing key shareholders that the company was undervalued and in need of new blood.

One of the three new directors is **Samir Manji**, CEO and founder of Sandpiper Group – a new real-estate-focused private equity firm that Manji founded just last year, following the 2015 sale of **Amica Mature Lifestyles Inc.**, a retirement community development company he founded, for \$578 million.

Following the sale of Amica, Manji assembled a team of

analysts and attracted high-net-worth investors to create Sandpiper. It now has \$150 million in capital under management and plans to launch a second fund later this year.

The company invests in all sectors of real estate, including hard assets and securities. Sandpiper's analysts take deep dives on publicly traded real estate companies, identify those that are undervalued and then take significant stakes in them.

"What we've found over the first year of our existence here is that some of the greatest opportunities where we believe there is this mispricing is in the public space," Manji said.

Most big real estate companies are private. Manji said the few that are publicly traded are sometimes undervalued by the marketplace and therefore present opportunities for Sandpiper to buy in at a low price and then boost the company's value through strategic changes.

"When you have transactions in private real estate unfolding at certain values and cap rates, and when you take that same asset base and house it in a public company, there are times where, for some reason, the valuation that the market gives that same company for that same portfolio is lower than what the private



Following a successful proxy battle against Granite REIT, Sandpiper CEO Samir Manji now has Hudson's Bay Co. in his sights | SUBMITTED

market would value those assets at," Manji said.

Granite REIT is such a company. The Toronto-headquartered company owns industrial real estate. Around the time that activist investor **Zachary George** of FrontFour Capital was taking a big stake in Granite with plans for a shakeup, Sandpiper was doing likewise.

"We had both come to similar conclusions and agreed to work together," Manji said.

George and Manji concluded that the company was holding on to too much cash.

"Granite has today the most

underutilized balance sheet in the entire REIT [real estate investment trust] universe," Manji said.

Because the company's stock is undervalued and it had about \$175 million in cash on its balance sheet, they felt Granite should have been buying back shares. They also felt that the company's growth could have been better and that its board's compensation was "well above the norm."

While Manji will be busy with his new role on Granite's board of directors, he is also keeping a close eye on another investment he thinks is undervalued – **Hudson's Bay Co.** (TSX:HBC).

As with Granite, Sandpiper holds "a sizable position" in HBC and, like Granite, it's a company Manji believes is worth a lot more than what the market has deemed it to be worth.

Recently, **Jonathan Litt** of **Land and Buildings Investment Management**, who has a 4.3% stake in HBC, has argued that the company's real value is in real estate, not retail.

In a letter to HBC's board of directors, Litt calculated HBC's real value at \$35 per share, based on its real estate holdings. Its **Saks Fifth Avenue** store in New York alone is worth \$5 billion, Litt said, or \$16 per share.

Manji agrees.

"When we made our investment, we saw, like he did, a rare opportunity to acquire something that – our estimate is – we purchased at a 70%-plus discount to underlying value.

"We have in HBC a retail company that happens to be sitting on some of the most valuable real estate in North America – real estate that, if repurposed, can readily achieve management's own estimate of \$35 per share value."

In mid-June, HBC's shares had hit a new low – \$8.46 – as the company pursued a merger partner. The company's shares have since gone to nearly \$12, thanks in part to Litt's public assertions that the company is sitting on a fortune in real estate. But even at \$12 per share, Manji believes HBC is still woefully undervalued.

"It's because they're being valued as a retail company with no regard given to the underlying real estate that the company is sitting on," Manji said.

So, does that mean Sandpiper is planning to tag-team with Litt in a proxy battle with HBC? Manji isn't sure at this point if it will come to that.

"We're happy to stand on the sidelines and participate along the way by virtue of our investment." ■



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