



CMLS Mortgage Fund

Canada's Mortgage Company.

PRIVATE & CONFIDENTIAL

The CMLS Financial Group



*Strong proprietary deal flow is integral to finding
attractive risk-adjusted returns in the private mortgage market*

-
- Established in 1974 by Phillips, Hager & North, now 100% management-owned¹
 - Over \$23 billion in mortgages under administration with a focus on commercial mortgages secured against Canadian real estate
 - The highest-rated commercial mortgage servicer in Canada (DBRS & Fitch ratings)
-

\$23.1B

Assets Under Administration

\$6.1B

Of proprietary mortgage
deal flow in 2019 *YTD

FitchRatings



Operational Excellence

¹Phillips, Hager & North is now a unit of RBC Global Asset Management

Corporate Organization

Full Service Firm, Integrated Business Lines



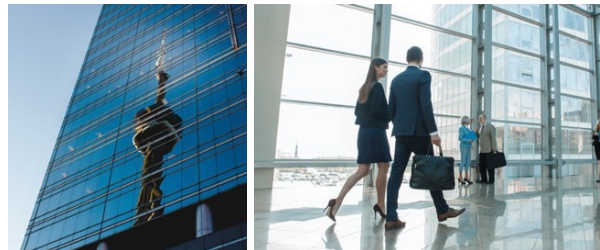
Single Family

Business Development, Credit Risk, Servicing, Operations & Securitization



Commercial / Multi-Family

Origination, Credit Risk, Servicing & Securitization



Fund Management

Investment Services



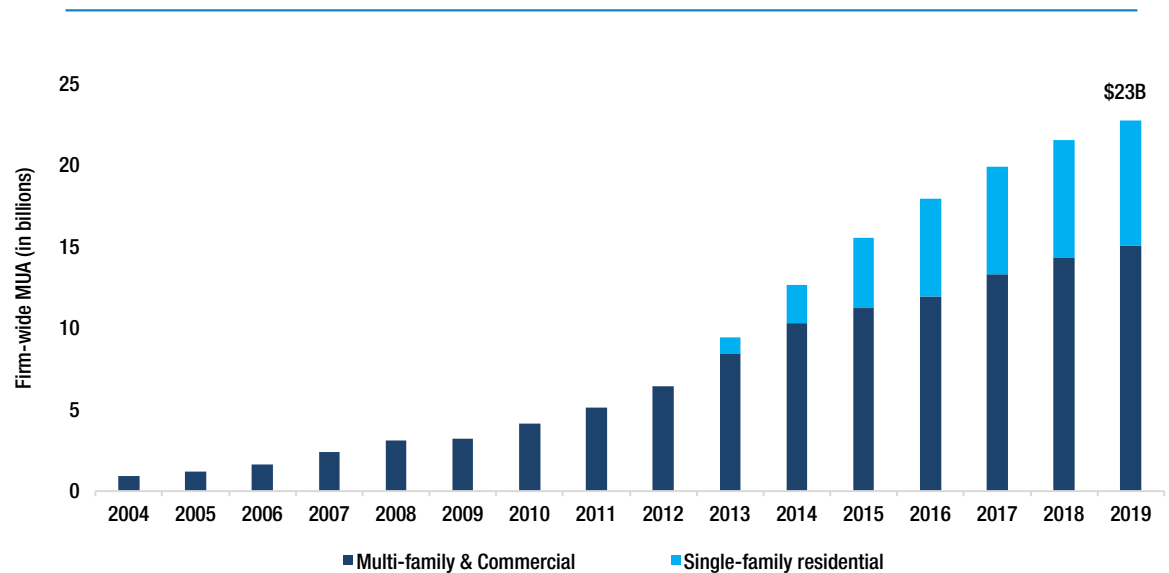
Mortgage Analytics & Technology

Portfolio Intelligence, Mortgage Risk Ratings, Valuation, Lending systems



Mortgages Under Admin

The CMLS Financial Group is one of the largest mortgage lenders in Canada with over \$23 billion in mortgages under administration



Years of Experience

45+

Origination, Credit,
Servicing Specialists

290+

National Offices

8

Nationwide Service

290+ employees
across eight offices



- Single-Family Underwriting Centre
- Commercial/Multi-Family Mortgage Office

Institutional Relationships

PHILLIPS, HAGER & NORTH
Investment Management®

RBC
Dominion
Securities

GREYSTONE
MANAGED INVESTMENTS INC

ATB Financial®

POLAR
ASSET MANAGEMENT PARTNERS

MD
MD Financial
Management
CMA Companies

FIERACAPITAL

KingSett
CAPITAL

AIMCo
Alberta Investment Management Corp.

ADDENDA
CAPITAL

ICBC
Insurance Corporation
of British Columbia

Otéra
Caisse de dépôt et placement
du Québec

CMLS
ASSET MANAGEMENT LTD.

bc imc

CMHC SCHL

NICOLA
WEALTH MANAGEMENT

CMLS Mortgage Fund

Investment Objectives



The Fund's Investment Objective is to Preserve Capital and Provide Investors with a Stable and Attractive Monthly Distribution.

Investment Strategy:

- **Enhance returns** by investing in less competitive/inefficient markets
 - **Protect income** by focusing on quality borrowers and stable underlying collateral
 - **Reduce idiosyncratic risk** by investing in a broad selection of mortgages
 - **Reduce interest rate risk** by investing in short duration mortgages
-

CMLS Mortgage Fund

Investment Results

*The CMLS Mortgage Fund was Originally Created to Give CMLS Partners
an Opportunity to Invest Alongside our Institutional Clients*

Investment Highlights & Results:

- 11 year track record of 5-8% returns
 - Low correlation with traditional asset classes
 - Capital preservation
-

Investment Process

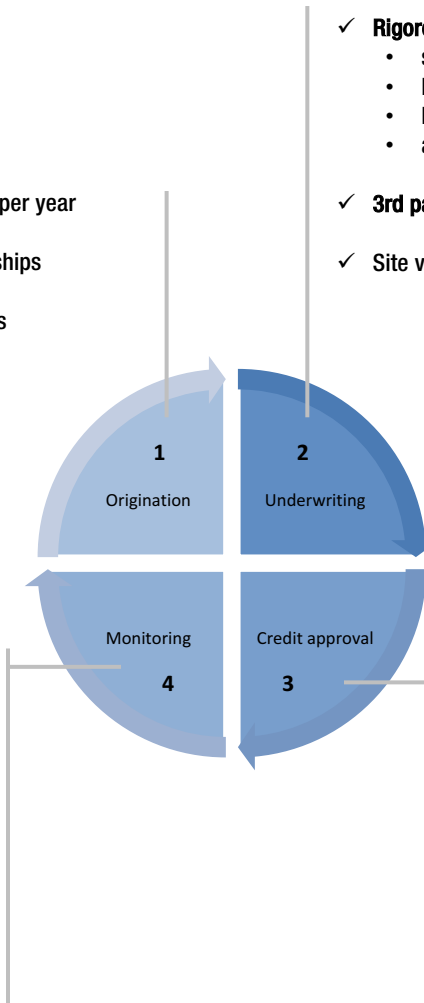
CMLS has over 40 years' experience refining the mortgage investment process

- ✓ **\$5.5 billion** of proprietary deal flow per year
- ✓ **over 2,000** direct borrower relationships
- ✓ Access to third-party brokered deals



FitchRatings

- ✓ Ongoing borrower communication
- ✓ Proprietary loan covenant monitoring technology
- ✓ **Industry-leading servicing with DBRS (superior) and Fitch ratings**

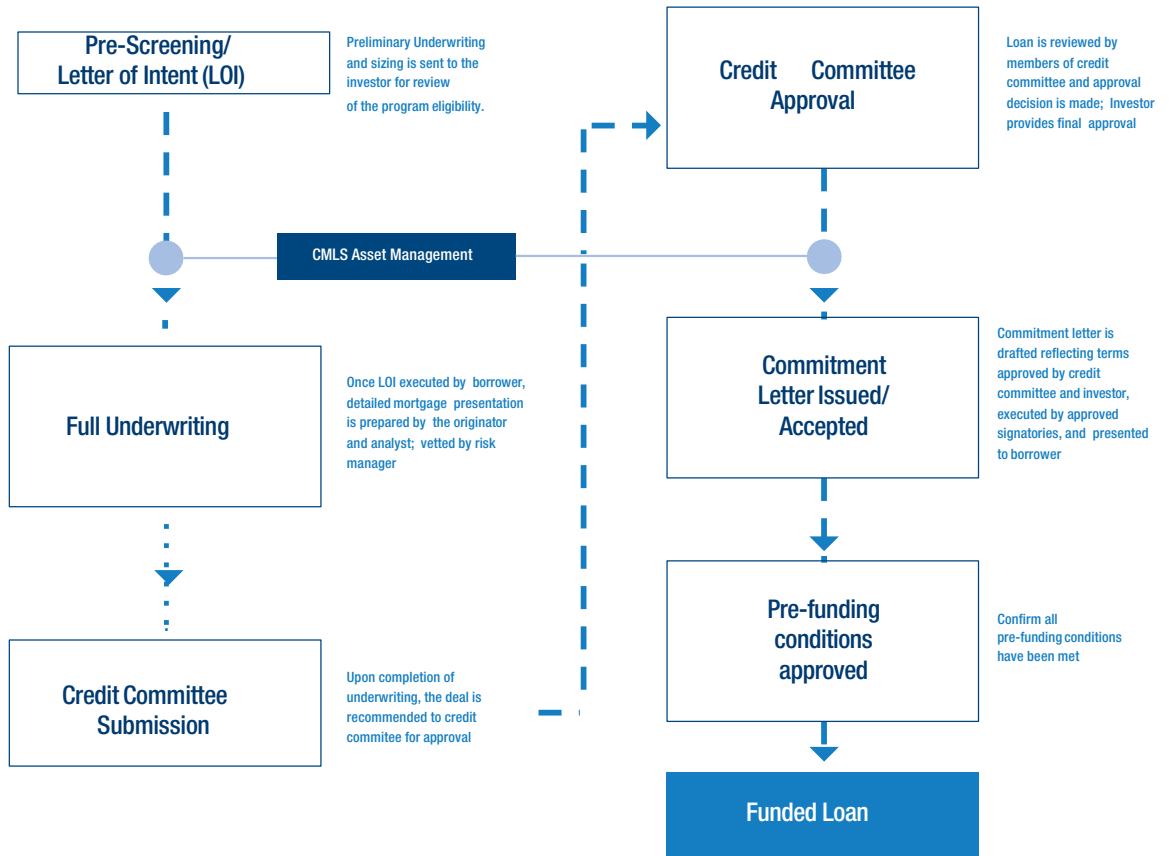


- ✓ **Rigorous underwriting** process focused on:
 - sponsorship quality
 - location and quality of real estate
 - loan to value and
 - alignment of interests
- ✓ **3rd party reports**
- ✓ Site visits



- ✓ Investment committee with **60+ years' experience**
- ✓ **Proprietary risk rating system**
- ✓ Standardized credit submissions
- ✓ Proprietary technology used to track pre-funding conditions

Underwriting Process



Investment Guidelines

We have a flexible strategy with a bias toward cash-flowing commercial mortgages

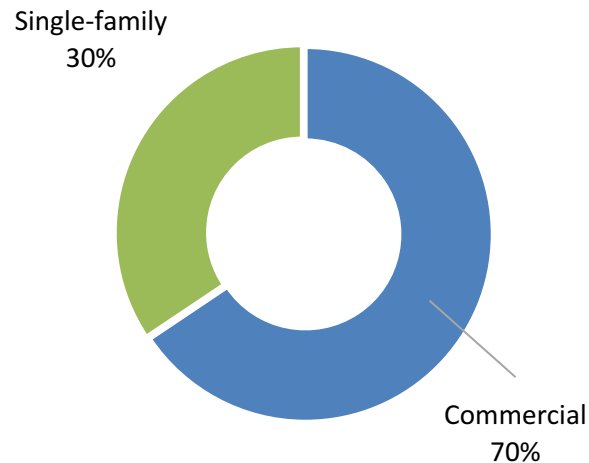
Commercial Mortgages

50-100%

Single Family Mortgages

0-50%

Current Asset Class Exposure



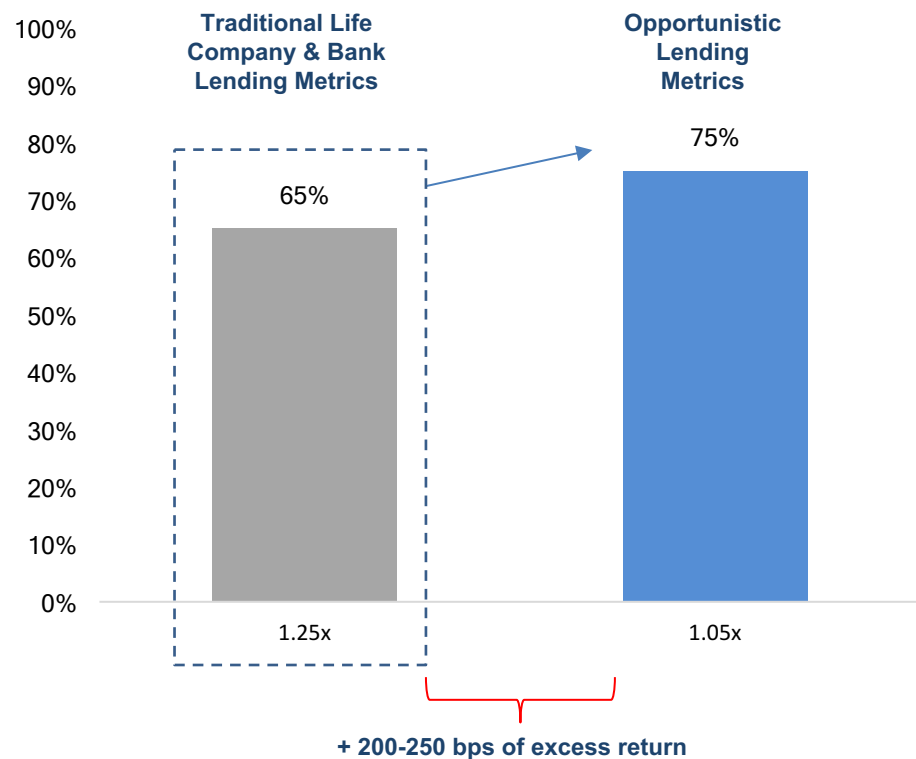
Investment Policy Snapshot

Asset Sub-Class:	Commercial & Single-Family Residential Mortgages
Concentration Limits:	10% to Any Entity
Max Loan Size:	10% of Fund Assets
Target Duration:	2-3 Years
Target Loan to Value:	65%
Target Fund Leverage:	0%

Commercial Mortgage Market

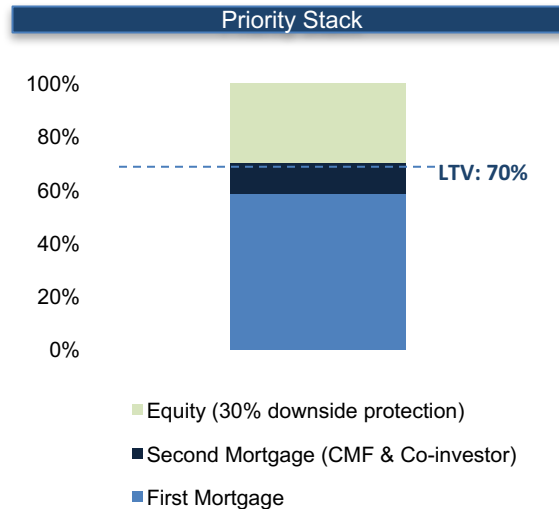
New Lending Markets Have Developed as Cap Rates Have Compressed and Sophisticated Borrowers Look for Innovative Ways to Finance Value-Add Strategies

- **Opportunities** exist to increase leverage (e.g. 75% LTV and cash flow coverage of 1.05x debt payments) to facilitate value-add strategies to experienced borrowers.
- **Value-Add Strategies** tend to be shorter-term so they don't lend themselves well to traditional life insurance company ALM strategies.



Commercial Mortgage Deal Example

Purpose: To assist with the acquisition of nine multifamily properties located in prime rental nodes; the Fund **partnered** with an institutional co-investor to provide \$750,000 of an \$18 million second mortgage.



Investment Summary	
Transaction Type	Purchase
Loan Size	\$750,000
Location	Hamilton
Amortization	30 years
Term	4 years
Rate	5.75% + 1.0% fee (~6.00% Ann.Yield)
Recourse	\$875 Million Corporate Guarantee

Credit Positives:

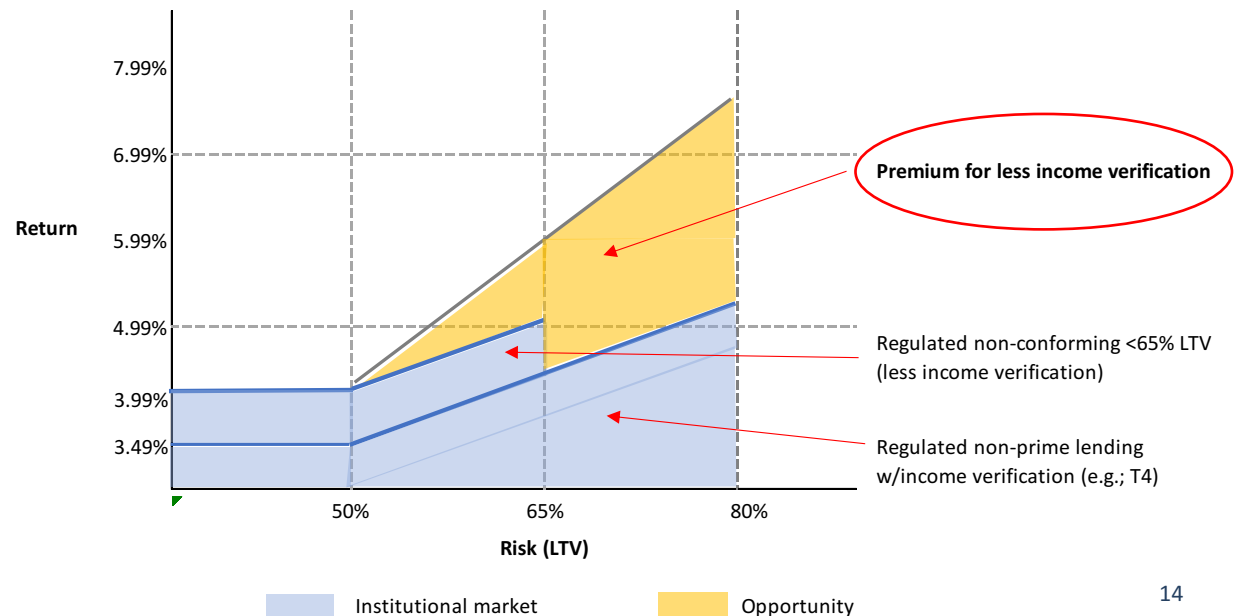
- **Equity:** 70% LTV; cash equity of \$64MM+
- **Debt Service:** 1.10x on existing diversified multifamily tenant base
- **Experienced Sponsorship:** Guarantee for the full loan; 80+ years experience in all property types

Single-family Mortgage Market

Low Institutional Presence Results in an Inefficient Market

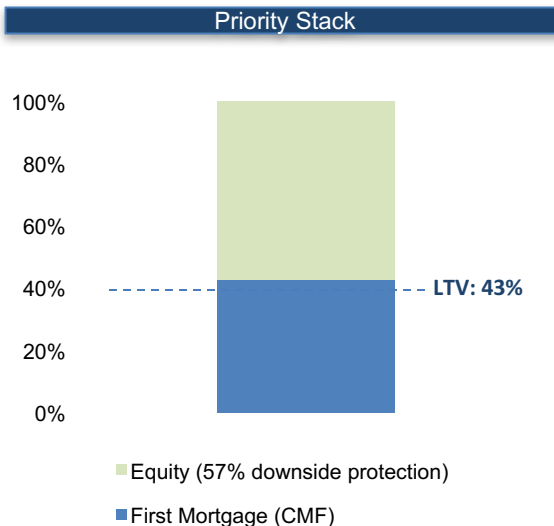
- **Regulatory Arbitrage:** opportunity exists largely because banks, the dominant players in the market, are subject to restrictive OSFI regulations.
- **Lack of Opportunities:** few opportunities of scale for large institutions to deploy meaningful capital.

Illustrative Non-Prime Risk Pricing (%)



Single-family Mortgage Deal Example

Purpose: purchase of an owner-occupied property. Borrowers were turned down at a Schedule I bank due to short closing timeline (8 days)



Investment Summary	
Transaction type	New purchase
Loan size	\$450,000
Location	Greater Vancouver Area
Amortization	35 years
Term	6 month open
Rate	6.49% + 2.0% fee
Beacon score	855/895

Credit Positives

- **Equity:** 43% LTV; cash equity of \$600,000
- **Debt Service:** Gross Debt Service Ratio of 39%
- **Quality Borrowers:** Excellent 800+ credit score for both borrowers and solid repayment history

Managing Investment Risk

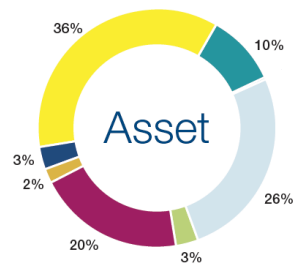
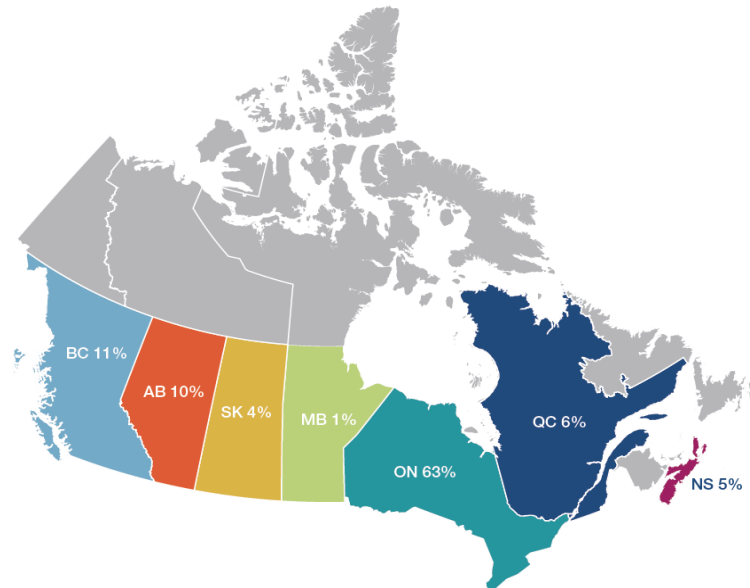
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- Idiosyncratic risk
 - Credit risk
 - Downside risk
 - Interest rate risk
 - Liquidity risk
-

Diversification Profile

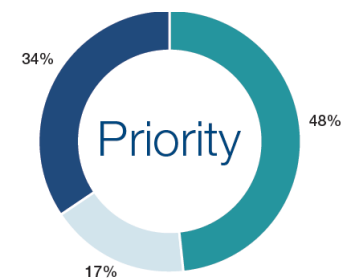
67%
Loan to value

1.55
Terms to maturity

40
Loans



- Single Family
- Mixed Use
- Multi-Family
- Office
- Retail
- Senior Housing
- Industrial



- First
- Junior First
- Second

Stable Income

*CMLS has Developed Strong Relationships with Quality Borrowers
Over the Last 45 Years, Reducing the Probability of Default*

Commercial Portfolio:

Average Borrower Net Worth

\$84M

Number of Tenants Across 21
Properties

1,607

Average Debt Service

1.08x

Residential Portfolio:

Average Borrower Credit Score

757

Weighted Years to Maturity

0.74

Focused on Major Markets
in the GTA and GVA

100%

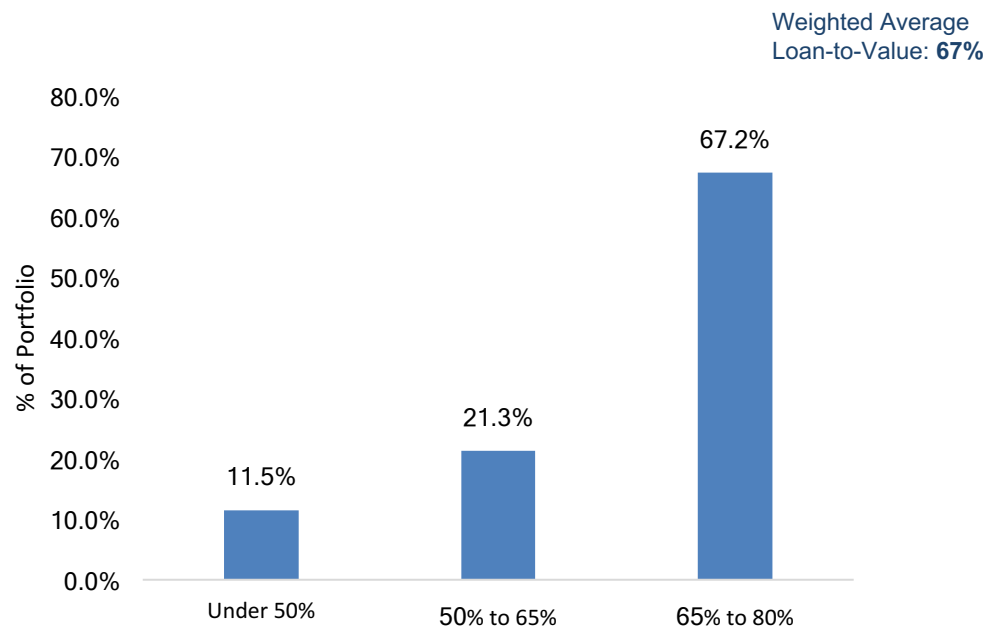
Downside Protection

Weighted Average Loan-to-Value of 67%

Real estate values could compress **33%** on average before the Fund may incur a loss¹.

Loan-to-Value Dispersion

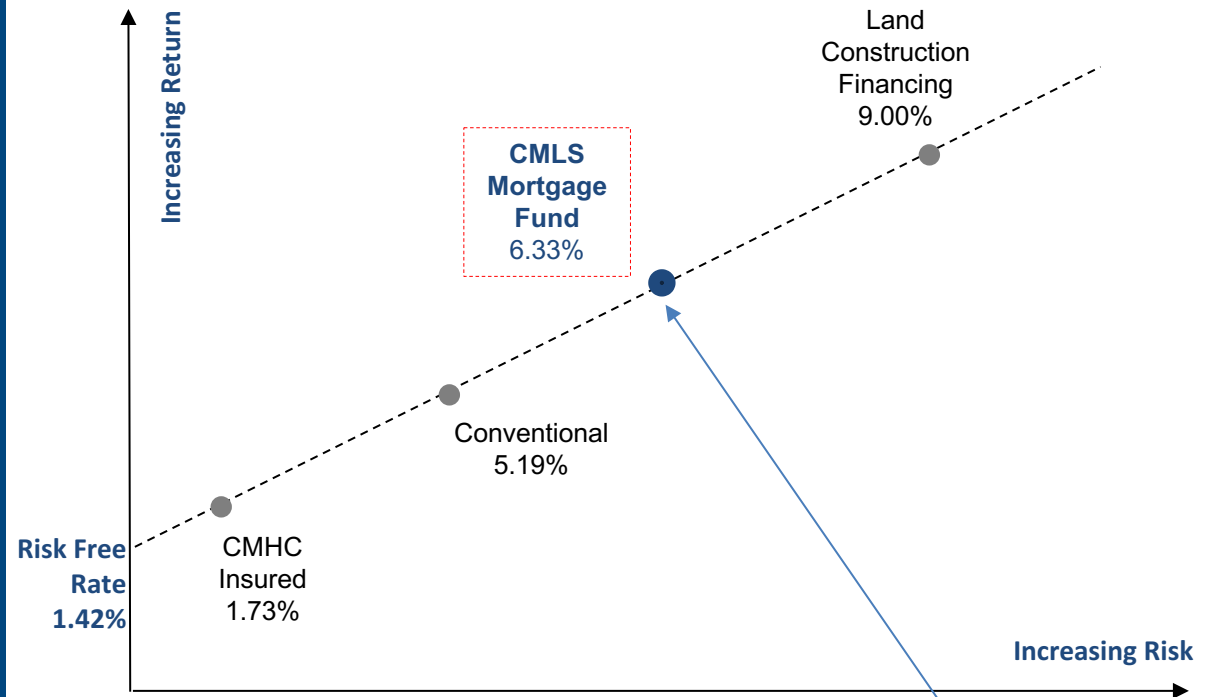
(%)



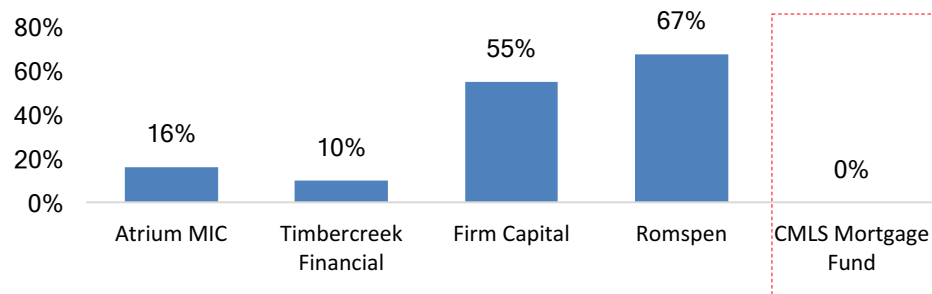
Risk Management

Risk and Return Analysis

Return and Risk Comparison Among Competitors



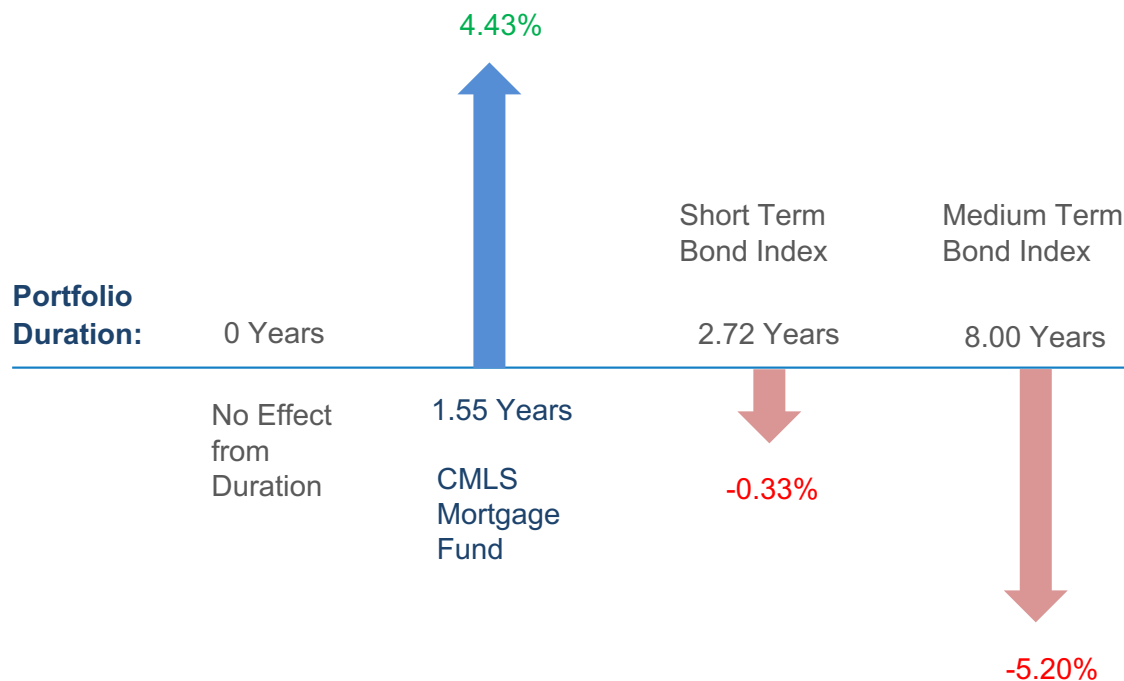
Competitor Profile by % in Land & Construction Financing



Protection Against Rising Rates



Total Return after a 1.00% Rise in Interest Rates



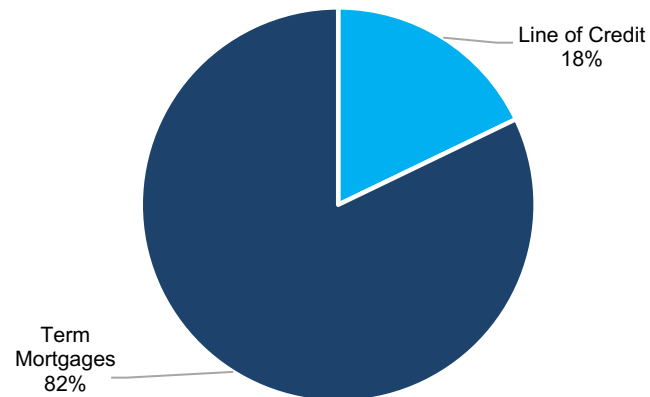
¹ Blackrock iShares XSB and Blackrock iShares XBB were used as proxies for the FTSE Canada Short Term Bond Index and FTSE Canada Universe Bond Index, respectively.
² CMLS Mortgage Fund duration is represented by term to maturity. Actual duration would be lower.
Data as of September 30th, 2019

Liquidity Management

Monthly Liquidity

Redemptions within the first year will be charged a 1% fee, payable to the remaining unitholders (not the manager).

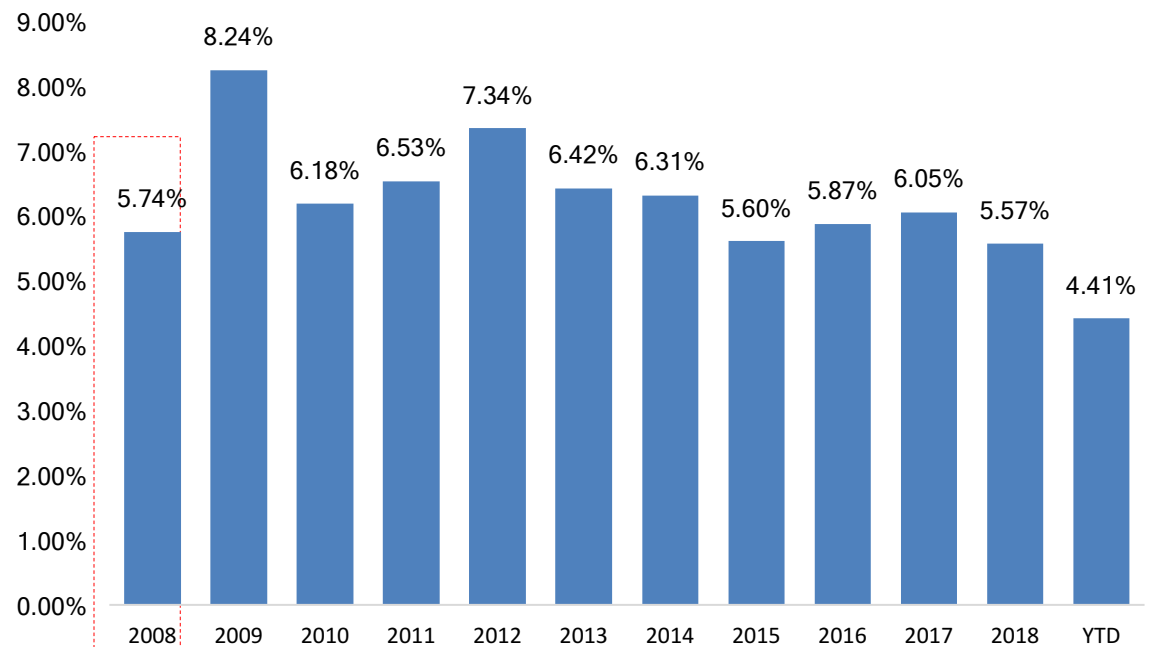
- **Line of credit for 18% of Assets**
- **Short duration** portfolio (~1.5 years) produces a high turnover of loans
- **Selling agreements** with Institutional Investor base for loan sales if required



Historical Returns

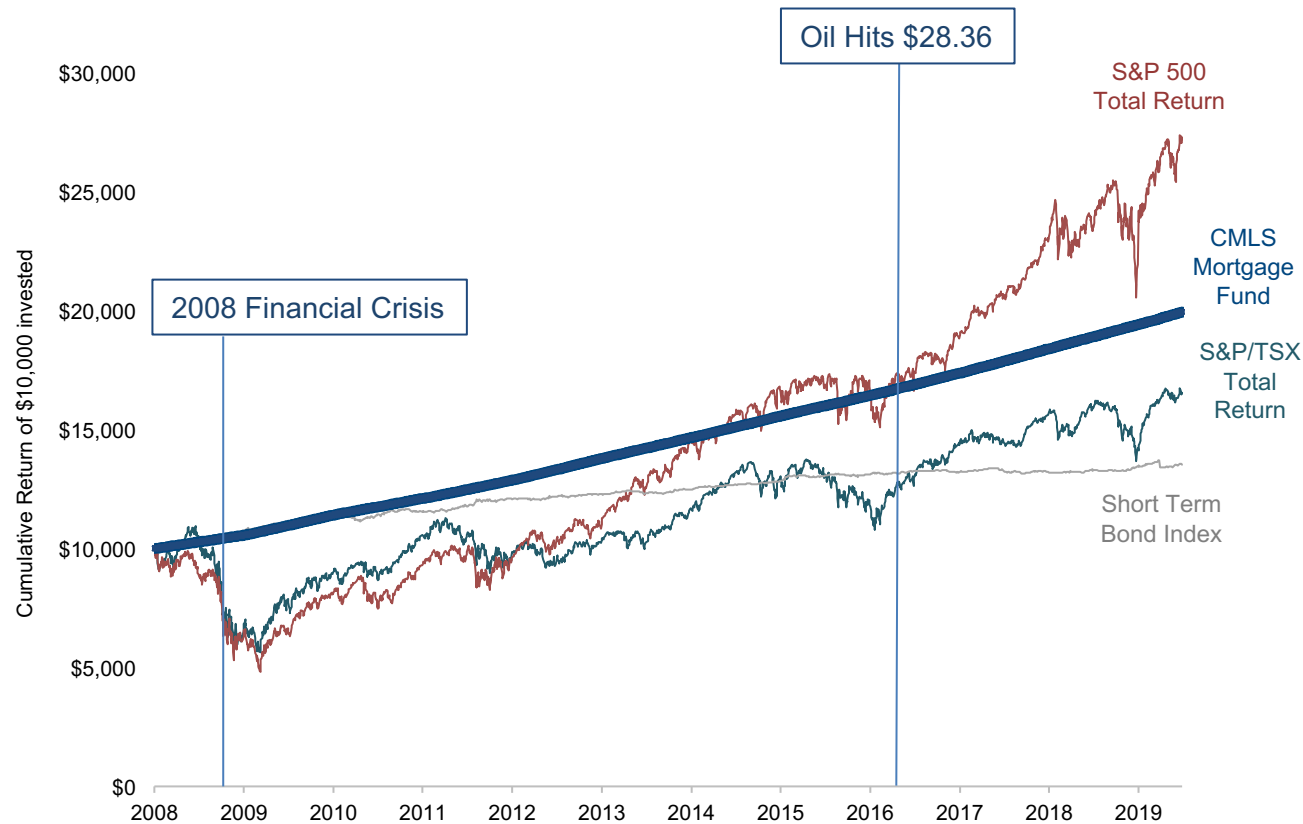
6.33%

Return Since Inception



Stable performance during market downturn

VS. Traditional Assets



Source: Bloomberg data from 2008 to June 2019.

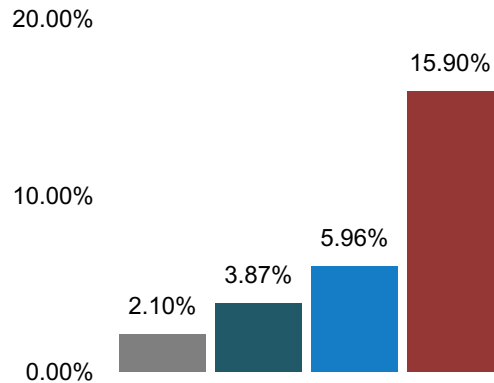
Note: Index return is calculated based on the last price on Jan 2, 2008. Blackrock iShares XSB index was used as a proxy for the FTSE Canada Short Term Bond Index.

Comparative Performance

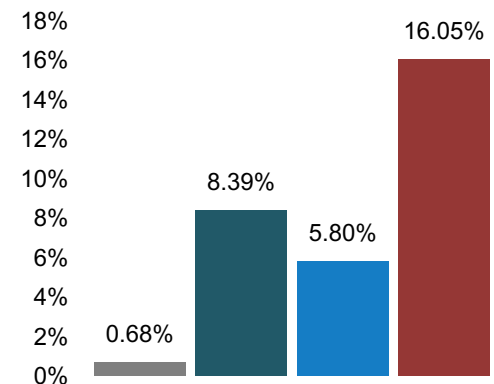
Annual Return



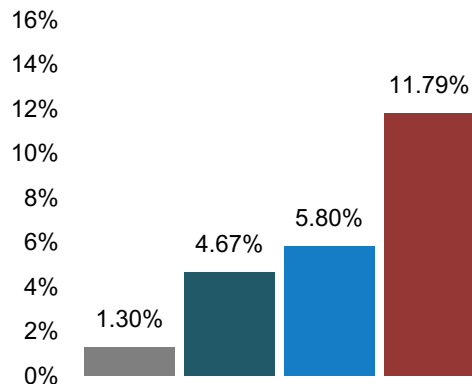
1 Year Performance



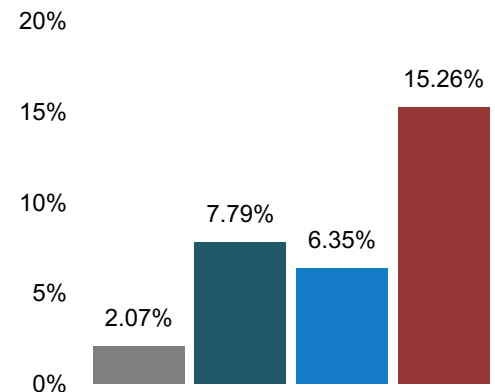
3 Year Performance



5 Year Performance



10 Year Performance



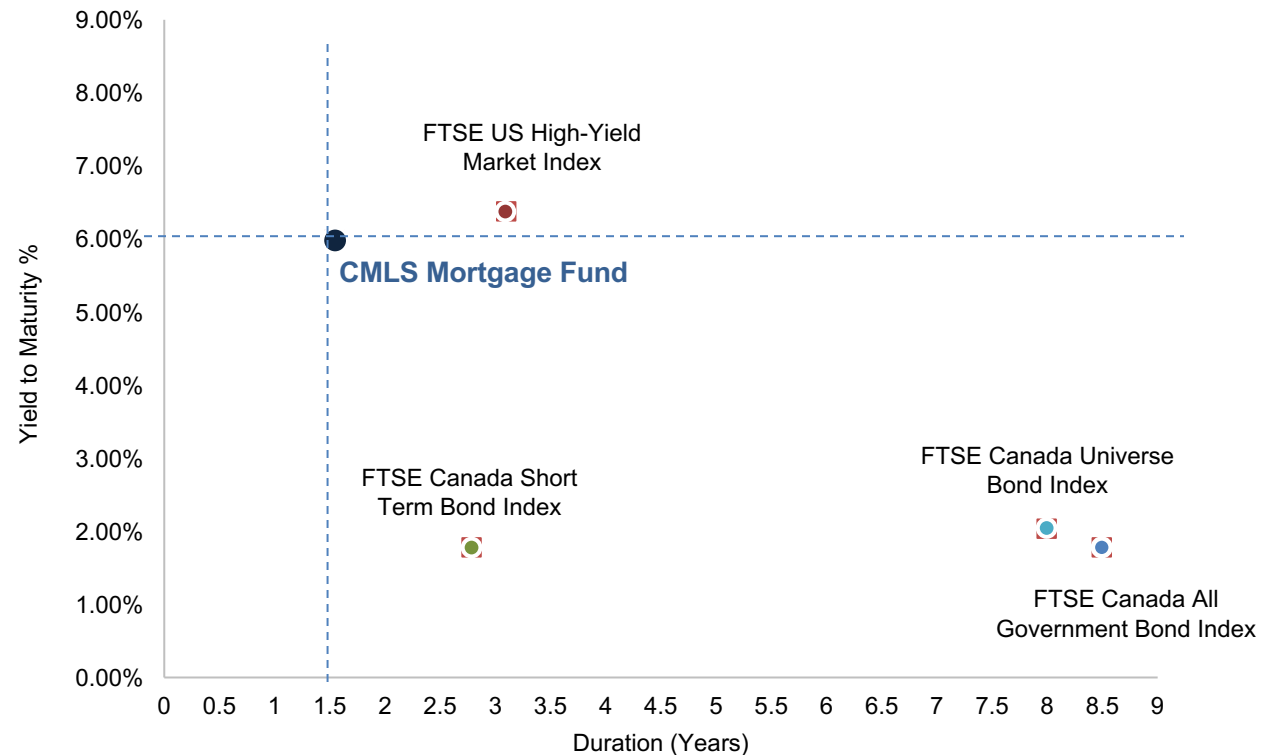
● CMLS Mortgage Fund
● Short Term Bond Index

● S&P 500 Total Return
● S&P/TSX Total Return

Source: Bloomberg; Blackrock iShares XSB index was used as a proxy for the FTSE Canada Short Term Bond Index.

Absolute Return

Enhanced Yield and Lower Duration Provides an Attractive Opportunity for Those Seeking Absolute Returns



Source: Canadian Indexes: <https://www.ftse.com/products/FTSETMX/Home/Indices>. Data is as of September 30th, 2019. US index: https://www.yieldbook.com/x/ixFactSheet/factsheet_quarterly_hyi.pdf. Data is as of September 30th, 2019.

Note: CMLS Mortgage Fund's modified duration is estimated using term to maturity.

Low Correlation

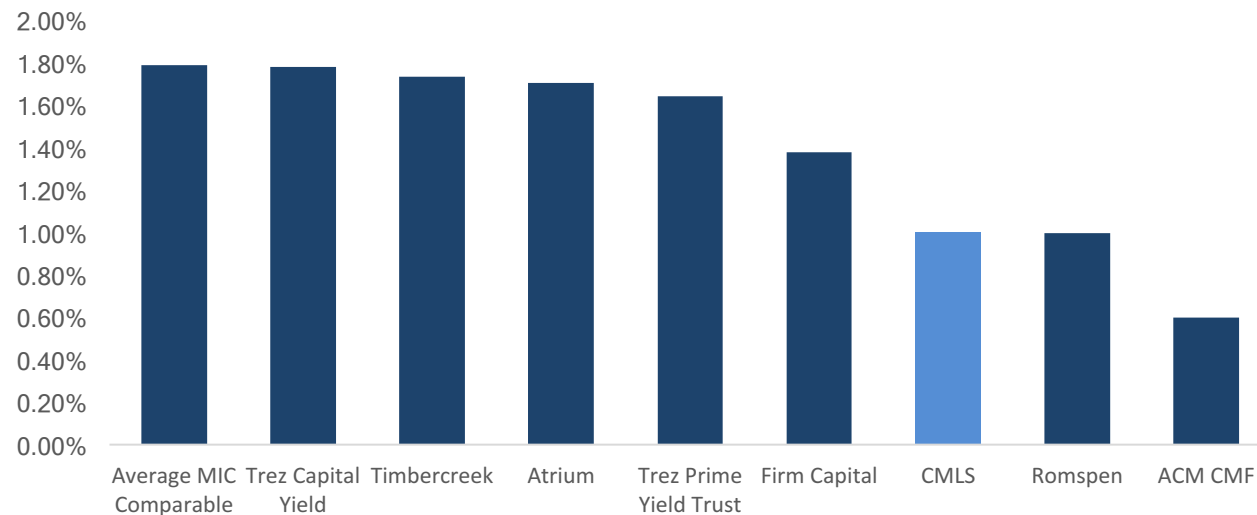
CMLS Mortgage Fund Historically Exhibited a Low Correlation to Other Asset Classes

	<i>CMLS Mortgage Fund</i>
<i>CMLS Mortgage Fund</i>	1.00
<i>S&P 500</i>	0.07
<i>S&P/TSX</i>	0.10
<i>Blackrock iShares XSB</i>	0.18
<i>MSCI Emerging Market Index</i>	0.31
<i>Barclays US High Yield Index</i>	0.47

Management Fees

*Simple and Transparent Fee Structure with NO Performance Fees
Reducing the incentive to reach for yield at the expense of credit quality*

Comparable Management & Performance Fees (last twelve months)
(%)



Investment Team & Advisory Board



Investment Team

Sean Adamick, CFA, CPA, CA |
Portfolio Manager

- Responsible for the investment management of the Fund
- Over 10 years' of experience in real estate finance and investment management
- Previous experience with RBC Capital Markets' top-ranked mortgage & housing equity research team. Began his career in 2004 with KPMG LLP
- Graduated from the University of British Columbia; holds the CFA and CA designations

Adam Dean, CFA |
Portfolio Manager

- Responsible for the investment decisions of the Fund
- Over 7 years' experience in the real estate finance industry during which he has structured and managed complex securitization transactions totaling over \$2 billion
- Obtained his Bachelor of Commerce Degree from the University of British Columbia, and holds the CFA designation

Ryan McArthur |
Analyst

- Responsible for credit analysis and portfolio reporting functions of the Fund
- Experience in mutual fund administration, REITs, and consulting
- Obtained his Bachelor of Commerce Degree from Dalhousie University, and has passed all three levels of the CFA exam

Advisory Board

Anthony Gage |
Director

- Past president, CEO and chair of Phillips, Hager and North IM
- Past board member and chair of Public Service Pension Plan's investment committee

Chris Brossard, CA, CPA |
Director, UDP

- CEO of CMLS Financial since 2004. Oversaw AUA growth from \$1.0B to \$20.0B
- Over 20 years of experience in real estate and as a principal in private equity

David Franklin, R.I. (BC) |
Director

- President of CMLS Financial. Oversaw \$10.0B of AUA growth in commercial origination
- Over 30 years experience in real estate finance across Canada

Glen Malcolm, MBA |
Director

- Head of CMLS Financial's capital markets and CMBS team
- Over 30 years of experience in capital markets and structured finance

Jonathan Lee, CFA, CPA, CA |
Chief Compliance Officer

- Chief Compliance Officer of CMLS Asset Management Ltd.
- Previously with the BC Securities Commission Capital Markets Regulation Division

How To Invest



Fundserv Code	Series A: MAJ 520R Series B: MAJ 524R Series F: MAJ 521R
Minimum Investment	\$25,000
Minimum Increments	\$5,000 (excluding DRIP)
Eligibility	OM / Accredited Investors / Minimum Investment only
Registered Status	RRSP, TFSA, RRIF, RESP, RDSP eligible
Redemption	Redeem monthly with a minimum of 15 days notice before the last business day of the month. Subject to 1% retraction penalty if redeemed within 1 st year. 100% of the penalty fee goes back to fund and unitholders
Distribution	Monthly
Distribution Reinvestment	Yes
Management Fees	1.00% (Class F); 1.25% (Class A) - 25 bps trailing commission 1.45% (Class B) - 45 bps trailing commission No Performance Fees
Closing Schedule	Trades accepted on the first day of every month

Notes: Under the Dividend Reinvestment Plan investors may elect to reinvest any and all cash distributions received. Refer to the Offering Document and Subscription Package for more information.

Investor Relations



Contact Information

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