

# CMLS Mortgage Fund

Q4 2021 Report



**CMLS Asset Management®**



## Contents

|                      |    |
|----------------------|----|
| Business Overview    | 02 |
| Commentary & Outlook | 02 |
| Financial Highlights | 04 |
| Portfolio Allocation | 05 |
| Financial Statements | 07 |

## Business Overview

The CMLS Mortgage Fund (the “Fund”) is a mortgage investment fund, which was established in 2008. The Fund lends money to borrowers secured by first and second priority mortgages on commercial and single-family real estate located in Canada. The Fund was established by the Declaration of Trust, as an unincorporated investment unit trust, under the laws of the Province of British Columbia on May 2, 2008.

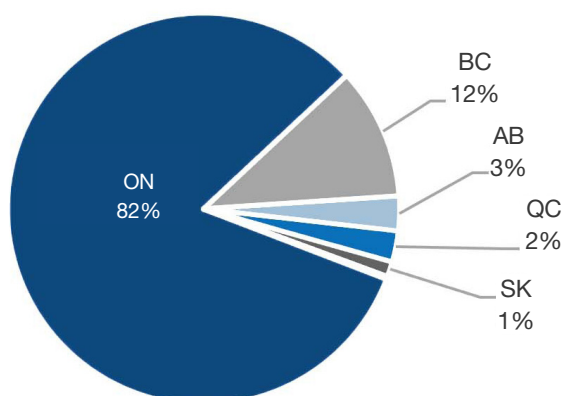
The Fund qualifies as a ‘unit trust’ under the Income Tax Act (Canada). As such, units are qualified investments under the Tax Act for registered retirement savings plans (“RRSPs”), tax-free savings accounts (“TFSA”), deferred profit-sharing plans (“DPSPs”), or registered retirement income funds (“RRIFs”).

The investment objectives of the Fund are to preserve investor capital and provide investors with an attractive monthly distribution. The Fund meets its investment objectives by investing in a diversified portfolio of high yielding mortgage investments, secured by first and second priority mortgages on commercial and single-family residential real estate located primarily in large urban markets in Canada.

## Commentary & Outlook

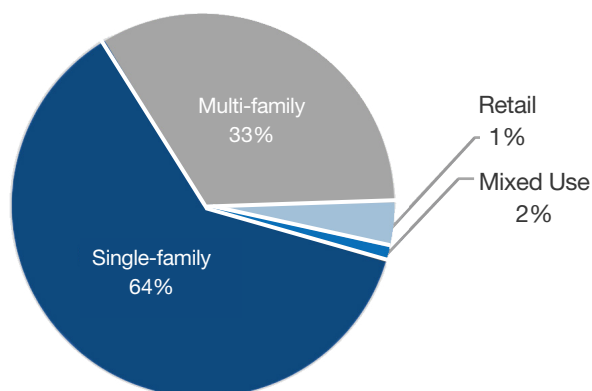
As at December 31, 2021, the Fund had total Assets Under Management (“AUM”) of \$87.6 million compared to \$72.7 million as at September 30, 2021. The increase in AUM quarter-over-quarter was due primarily to net investment inflows of \$14.9 million including reinvested distributions. As at December 31, 2021, the weighted average coupon of the portfolio excluding cash was 6.45% and the weighted average term to maturity was 0.78 years vs. a weighted average coupon of 6.32% and a weighted average term to maturity of 0.83 years for the quarter ended September 30, 2021.

**Exhibit 1 – Geographic composition**



**Notes:** as at December 31, 2021

**Exhibit 2 – Asset class composition**



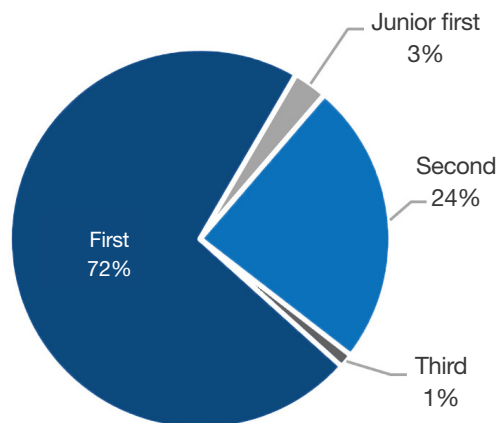
**Notes:** as at December 31, 2021

## Commentary & Outlook (continued)

**We're excited to announce that subsequent to year-end,** we crested over \$100 million in assets under management in the CMLS Mortgage Fund. 2021 was also a break-through year for us from a funding perspective as we funded close to \$135 million in new deals, our largest year since inception.

**The single-family side of the portfolio** represented 64% of the mortgage portfolio as at quarter-end. The focus has been to build a high-quality portfolio of single-family residential collateral in major markets, and the headline metrics indicate we're executing according to plan - the weighted average loan-to-value was approximately 61% and the average credit score was 710 (borrowers with credit scores over 680 are typically considered "prime"). Approximately 85% of the single-family residential portfolio was comprised of detached homes or row houses and 15% was secured against condominiums. 77% of the portfolio was owner-occupied, an important subjective factor when considering a borrower's willingness to pay. With no arrears over 90 days at quarter-end, we're very pleased with the performance of the portfolio.

**Exhibit 3 - mortgage portfolio priority**



**Source:** as at December 31, 2021

Single-family home prices continued to increase in February 2022 with prices up 16.4% y/y in Vancouver and up 20.8% y/y in Toronto. We believe the y/y price increases are likely due to a continued lack of supply in the market, however, given the widespread increases in housing prices nationally, it's also possible that borrowers who locked in lower rates are rushing to buy in advance of anticipated tighter monetary policies. While it's possible price appreciation may abate with higher rates, we feel it is unlikely that there will be a hard landing given Canada's stated immigration quotas of 432k for 2022 and its recent decision to allow potentially unlimited immigrants from the Ukraine.

Given this is largely a credit strategy, we monitor the health of the underlying economy for indications of stress. Employment, a leading indicator of loan performance, has almost fully recovered to pre-pandemic levels across most industries. The one exception being accommodation and food services, where employment continues to remain about 200k below pre-pandemic levels. We expect the accommodation and food services industry to rebound this spring as health restrictions have been lifted.

**Multi-family residential made up the largest component of the commercial side of the portfolio at 33% at quarter-end** (see Exhibit 2). The commercial component of the portfolio continues to perform well, and as of the date of printing we had no arrears or deferrals in our commercial mortgage portfolio. Our commercial mortgage strategy continues to focus on 1- to 3-year bridge loans to borrowers executing value-add strategies on multi-family residential buildings, which we believe offers a good balance between risk and return.

## Financial Highlights

### Mortgage Investments

|  | Quarter Ended<br>Dec 31, 2021 | Quarter Ended<br>Sep 30, 2021 |
|--|-------------------------------|-------------------------------|
| Mortgage Investments                                   | \$84,949,658                  | \$78,704,756                  |
| Total Number of Mortgage Investments                   | 124                           | 119                           |
| Average Mortgage Investment                            | \$685,078                     | \$661,385                     |
| Weighted Average Interest Rate                         | 6.45%                         | 6.32%                         |
| Weighted Average LTV Ratio                             | 62.66%                        | 61.56%                        |
| Weighted Average Term To Maturity (Years)              | 0.78                          | 0.83                          |
| Leverage   | 0.00%                         | 7.83%                         |
| Net Assets Attributable To Holders of Redeemable Units | \$87,564,703                  | \$72,699,537                  |
| Net Asset Value ("NAV") per unit                       | \$10.00                       | \$10.00                       |

### Net Asset Value ("NAV")

|                           |                      |
|---------------------------|----------------------|
| NAV - Sep 30, 2021        | \$ 72,699,537        |
| Subscriptions             | 14,931,996           |
| Redemptions               | (784,258)            |
| Reinvested Distributions  | 711,777              |
| Unrealized Gain           | 5,651                |
| <b>NAV - Dec 31, 2021</b> | <b>\$ 87,564,703</b> |

## Portfolio Allocation

As at December 31, 2021, the Fund's portfolio included mortgage investments of \$84.9 million and was comprised of 124 investments, which were allocated across the categories listed below (excludes cash).

### Geography

|    | Number of<br>Mortgages | Outstanding<br>Balance | % of Portfolio |
|----|------------------------|------------------------|----------------|
| ON | 105                    | \$ 69,715,069          | 82%            |
| BC | 12                     | 9,776,562              | 12%            |
| AB | 4                      | 2,485,943              | 3%             |
| QC | 2                      | 1,990,000              | 2%             |
| SK | 1                      | 982,084                | 1%             |
|    | <b>124</b>             | <b>\$ 84,949,658</b>   | <b>100%</b>    |

### Asset Type

|               | Number of<br>Mortgages | Outstanding<br>Balance | % of Portfolio |
|---------------|------------------------|------------------------|----------------|
| Single-family | 103                    | \$ 54,231,575          | <b>64%</b>     |
| Multi-family  | 19                     | 27,736,000             | <b>33%</b>     |
| Retail        | 1                      | 982,083                | <b>1%</b>      |
| Mixed Use     | 1                      | 2,000,000              | <b>2%</b>      |
|               | <b>124</b>             | <b>\$ 84,949,658</b>   | <b>100%</b>    |

## Portfolio Allocation (continued)

### Maturity

|                  | Number of<br>Mortgages | Outstanding<br>Balance | % of Portfolio |
|------------------|------------------------|------------------------|----------------|
| Less than 1 year | 112                    | \$ 66,658,501          | 78%            |
| 1 to 3 years     | 12                     | 18,291,157             | 22%            |
|                  | <b>124</b>             | <b>\$ 84,949,658</b>   | <b>100%</b>    |

### Interest Rate

|                    | Number of<br>Mortgages | Outstanding<br>Balance | % of Portfolio |
|--------------------|------------------------|------------------------|----------------|
| Less than 6.00%    | 59                     | \$ 37,684,639          | 45%            |
| 6.00% to 6.49%     | 21                     | 19,593,881             | 23%            |
| 6.50% to 6.99%     | 16                     | 8,096,294              | 10%            |
| 7.00% to 7.49%     | 12                     | 7,058,146              | 8%             |
| 7.50% to 7.99%     | 8                      | 5,327,355              | 6%             |
| Greater than 7.99% | 8                      | 7,189,343              | 8%             |
|                    | <b>124</b>             | <b>\$ 84,949,658</b>   | <b>100%</b>    |

### Loan-to-appraised value

|              | Number of<br>Mortgages | Outstanding<br>Balance | % of Portfolio |
|--------------|------------------------|------------------------|----------------|
| 60% or below | 44                     | \$ 26,362,050          | 31%            |
| 60% to 70%   | 64                     | 40,014,859             | 47%            |
| 70% to 80%   | 9                      | 9,926,749              | 12%            |
| above 80%    | 7                      | 8,646,000              | 10%            |
|              | <b>124</b>             | <b>\$ 84,949,658</b>   | <b>100%</b>    |

# Statement of Net Income

For the quarter ended Dec 31, 2021  
(Unaudited)

|   | Dec 31<br>2021      | Sep 30<br>2021    |
|---|---------------------|-------------------|
| <b>Investment Income</b>                |                     |                   |
| Interest                                | \$ 1,375,224        | \$ 1,172,077      |
| Other fees                              | 105,166             | 107,007           |
|   | <b>1,480,390</b>    | <b>1,279,084</b>  |
| <b>Expenses</b>                         |                     |                   |
| Management fee, net of rebates          | 163,293             | 138,881           |
| Financing fees                          | 76,793              | 66,249            |
| Mortgage service fees                   | 60,937              | 63,243            |
| Accounting and recordkeeping            | 17,457              | 17,588            |
| Legal and Audit                         | (952)               | 22,470            |
| FundServ                                | 10,009              | 10,984            |
| Consulting                              | 6,736               | 7,445             |
| Custodian                               | 3,390               | 3,390             |
| Trustee                                 | 2,232               | 2,232             |
| Standby fees                            | -                   | 133               |
| Interest Expense                        | 26,862              | 20,844            |
| Other expense                           | 5,372               | 7,007             |
| <b>Total Expenses</b>                   | <b>372,129</b>      | <b>360,466</b>    |
| Expenses waived/absorbed by the Manager | (22,853)            | (63,242)          |
| <b>Total Expenses (net)</b>             | <b>349,276</b>      | <b>297,224</b>    |
| <b>Net investment income</b>            | <b>\$ 1,131,114</b> | <b>\$ 981,860</b> |
| Unrealized Gain/(Loss)                  | 5,651               | 5,197             |
| <b>Net investment income</b>            | <b>\$ 1,136,765</b> | <b>\$ 987,057</b> |



# Statement of Net Assets

For the quarter ended Dec 31, 2021  
(Unaudited)

|  | Dec 31<br>2021       | Sep 30<br>2021       |
|--|----------------------|----------------------|
| <b>Assets</b>                            |                      |                      |
| Cash                                     | \$ 3,436,036         | -                    |
| Net Mortgage investments                 | 84,949,658           | 78,704,756           |
| Investment income receivable             | 348,997              | 1,292,760            |
| Deferred Financing Fees                  | 2,975                | 8,596                |
| Prepays                                  | -                    | 75,103               |
| Due from Manager                         | 11,417               | 41,320               |
|  | <b>88,749,083</b>    | <b>80,122,535</b>    |
| <b>Liabilities</b>                       |                      |                      |
| Bank indebtedness                        |                      | 6,160,923            |
| Accounts payable and accrued liabilities | 770,182              | 964,172              |
| Distribution payable                     | 414,198              | 297,903              |
|  | <b>1,184,380</b>     | <b>7,422,998</b>     |
| <b>Net assets</b>                        | <b>\$ 87,564,703</b> | <b>\$ 72,699,537</b> |
| Units outstanding                        | 8,757,031            | 7,271,013            |
| <b>Net assets per unit</b>               | <b>\$ 10.00</b>      | <b>\$ 10.00</b>      |

# Statement of Net Assets Attributable to Holders of Redeemable Units

For the quarter ended Dec 31, 2021  
(Unaudited)

|                              |               |
|------------------------------|---------------|
| Balance, beginning of period | \$ 72,699,537 |
| Net income                   | 1,136,765     |
| Issuance of units            | 14,931,996    |
| Units reinvested             | 711,777       |
|                              | 16,780,538    |
| Unitholder redemptions       | (784,258)     |
| Distributions to unitholders | (1,131,114)   |
|                              | (1,915,372)   |
| Balance, end of period       | \$ 87,564,703 |

## CMLS MORTGAGE FUND Q4 2021 REPORT

CMLS Asset Management Ltd. | Vancouver, BC  
2110-1066 W Hastings, V6E 3X2

Copyright © 2022 CMLS Asset Management Ltd.  
All rights reserved.



CMLS Asset Management