



# Quarterly Report

Q1 2022

**RealAlt<sup>®</sup> High Yield Mortgage Fund**


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# Message From The President

## Here we go again – Turbulence in the Canadian Economy

Lately, there has been a lot of chatter about several new macroeconomic forces at play, and one word sums up what happened in markets the last quarter – turbulence. There were headlines aplenty, whether it be in the stock market, the bond market, the housing market, interest rates, or inflation. Because of this, I felt it essential to address a few issues, give you an update, and let you know what we expect throughout the rest of the year and beyond.

Let's start with the macro environment and how it is changing. After slashing interest rates to barely above zero in March 2020 in response to a pandemic, the Bank of Canada recently hiked its benchmark interest rate by 50 bps to a 1% target. This was in a (delayed) response to combat runaway inflation, at 6.7%, its highest level in 31 years. The rate hikes aren't done either, and many are concerned about what that means for real estate going forward.

On the one hand, higher interest rates should have an impact on the economy, slowing it down to tame inflation. We've seen this response in the stock markets in North America, with selloffs happening as inflation and interest rate expectations move higher with every report. On the other hand, the economy is growing fast, with demand outpacing supply, resulting in said inflation. In addition, real estate has historically been an excellent inflation hedge.

Where does that leave us? Many experts agree on one thing – they don't know. However, there are things we do know. The Canadian real estate sector is robust over the long run and has historically performed well in times of rising inflation and rising interest rates. Long-term affordability in real estate is undoubtedly a problem that needs to be addressed, whether it be by increasing supply or financial engineering. Still, there are secular forces that have been driving real estate prices higher for decades. Those do not reverse overnight.

Will the rising interest rate environment bring about a recession, as it has many times in the past? Likely. Will that lead to a crash in the short run? Maybe. As owners try to get in before rate hikes, will we

see a boom period? Possibly. What we do know is that over the long term, even a recession has had a hard time knocking real estate prices much lower, and over longer periods, the trend has been from the bottom left to the upper right.

I don't think we've ever been in a period where this many significant events – a War in Europe, multi-decade high inflation, supply chain woes, shortage of housing in Canada, and rising interest rates – are happening simultaneously. We're probably going to see a recession, but it's more likely to be a good thing where the economy resets and becomes more efficient rather than a prolonged downturn.

With so much pent-up demand for real estate, I believe a pullback would be short-lived, and the more likely situation is that we are in for more strong years ahead. We're excited and optimistic about the long-term future and look forward to hearing from you.

Sincerely,

**BRIAN DORR**

President & Chief Executive Officer





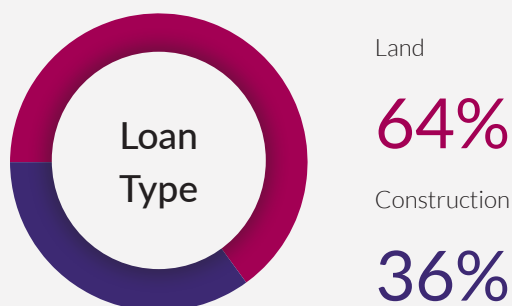
Q1 2022

## Financial Highlights

### Top Facts

- ⇒ \$9.54 M Investment Volume
- ⇒ 67/33 split for 1st and 2nd
- ⇒ mortgage 68% Loan-to-value
- ⇒ 10.00% Interest payment \*

\* 7.5% is the Funds projection



## Did You Know...?

### What is involved in buying land?

When a developer is looking to acquire a piece of land, here are some of the considerations:

- ⇒ Location, location, location
- ⇒ Raw land or Vacant Land - Raw land has never been developed. Vacant land is serviced or partially serviced
- ⇒ Subdividers Agreement - this may be the restriction of multi-unit homes or height of a building
- ⇒ Zoning - determine how the land can be used. Rezoning may be required, or bylaws amended. Then building permits are required.
- ⇒ Land survey - this will determine land boundaries, easements, and structure/features of the lot.
- ⇒ Soil Test - if this is raw land, soil test will help determine bearing capacity and height of the water table
- ⇒ Utilities - gas, water, phone lines and power lines need to be considered. Does the land have water sewage system? Are the electrical connection in place?
- ⇒ Access - does the land have road access or will roads need to be built
- ⇒ Natural Disaster - the land could be on a flood plain
- ⇒ Environmental protection - there are protections in place for some animal or plant species, as well as water and archaeological protection.
- ⇒ Financing - Depending on the type of land, 30% to 50% will be required to make a down payment.

	Q3 2021	Q4 2021	Q1 2022
Current Loans	\$2.2M	\$3.1M	\$9.54M
Average Mortgage Size	\$16.3M	\$33.7M	\$19.1M
Average Loan-to-Value	68%	66%	68%
Number of Active Mortgages	4	5	11
Average Term (Months)	11 Months	13 Months	15 Months
Interest Payment	9.46%	11.45%	10.00%



Portfolio Size  
**\$10.2M**



Number of Mortgages  
**11**



Average Mortgage Size  
**\$19.1M**  
RealAlt® investments is a portion of the average loan



Average Terms  
**15 Months**



Average Loan-to-value  
**68%**



Q1 Dividend Yield Per Annum  
**10.00%**

## Financial Highlights



1st Mortgage

**67%**

2nd Mortgage

**33%**

## About Us

RealAlt® High Yield Mortgage Fund is designed to give investors the opportunity to participate in real estate mortgage investments that provide superior risk-adjusted returns. By investing in the fund, investors will gain exposure to the growing real estate market in Ontario.

RealAlt® Investments is an opportunity to invest like wealthy Canadians. In its simplest term, a developer or builder requires millions of dollars to buy land, service the land and build homes. RealAlt® Investments provides mortgage loans and the loan is paid back with interest to RealAlt®. That interest payment becomes part of an investors monthly pay out.

The Fund seeks to provide returns that have lower correlations to stock or bond market indices in the form of income and capital preservation with monthly distributions.

## Fund Details

Target Return	7.5%
Minimum Investment	Series A: \$25,000 Series F: \$25,000
Eligibility	Accredited Investors or Minimum Investment or OM
Registered Status	Registered Account Eligible
Redemption	Amount less than \$5M, 30 days notice with 2% if redeemed in first year of acquisition and 1% early redemption charge if redeemed in second year of acquisition
Distribution	Monthly
Distribution Reinvestment	DRIP Available
Management Fee	Series A: 1.25% Fee Series F: 0.85% Fee
Trade Date	Trades accepted on the last day of each month

## Educating our Stakeholders

### What is involved in securing a mortgage for the purchase of Land?

The Dorr Capital underwriting team is presented dozens of requests a year for mortgages for land and construction loans. For land loans the team considers the following information:

- ⇒ **Location:** Specifically, the land will be developed into a new home development – the team looks for population growth, economic development of the area, current housing sale prices, amenities.
- ⇒ **Zoning / Proposed Development:** what is the current zoning status and what is the timeline to get the land fully zoned for the proposed development.
- ⇒ **Environmental report:** is this land safe for proposed development. The team looks for 'clean' reports from the Environmental engineers.
- ⇒ **Geo-technical report/Soil test:** Is the soil suitable for the proposed development i.e. quality of the soil and water table.
- ⇒ **Appraisal report:** The developer's Appraiser will determine the current land value based on comparable land and residual land valuation.
- ⇒ **Exit strategy:** how and when will the land loan be repaid i.e. refinance or the advance of construction loan.
- ⇒ **Proforma** of the profitability after the completion of the construction/home development.
- ⇒ **Net worth of Borrower.**
- ⇒ **Previous Development experience** from the borrower.

The fund has retained Belco Private Capital Inc. ("Belco") as its exempt market dealer and investment fund manager. Introductions are permitted exclusively through registered exempt market dealers. If you are interested in investing in the fund, please contact Harshil Meraiya, a registered dealing representative with Belco, at [hmeraiya@belcopc.com](mailto:hmeraiya@belcopc.com).

**Disclaimers** - An investment in RealAlt® High Yield Mortgage Trust. Any offering is made only pursuant to the relevant offering memorandum together with the relevant subscription agreement, both of which should be read in their entirety. Neither the Ontario Securities Commission nor any other securities regulatory authority of any Canadian jurisdiction has passed upon the accuracy or adequacy of this information material, and any representation to the contrary is unlawful. The contents of this presentation are not to be construed as legal, financial or tax advice. Each individual should contact his, her or its own legal adviser, independent financial adviser or tax adviser for legal, financial or tax advice.

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