



Quarterly Report

Q3 2022

RealAlt[®] High Yield Mortgage Fund

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Fund Overview

In its simplest term, a developer or builder requires millions of dollars to buy land, service the land and build homes. RealAlt® Investments loans the funds and the loan is paid back with interest to RealAlt®. That interest payment becomes part of an investor’s monthly payout. This fund is designed to give investors the opportunity to participate in real estate mortgage investments that provide superior risk-adjusted returns.

THE MANAGER

Dorr Capital Corporation is a private (non-bank) lender and commercial mortgage broker licensed by FSRA, with over 50 years of combined management experience, knowledge, and relationships. With a broad network of investors, lenders, developers, and brokers allowing them to secure quality deals with fair terms for all partners. Dorr Capital has placed mortgage loans to borrow as high as **\$73.6M** in land/property at the time of funding and in total we have placed **\$2.5B** in loans.

OBJECTIVE

RealAlt® High Yield Mortgage Trust's investment objective is to preserve invested capital, while generating a consistent rate of interest income by investing in a diversified portfolio of land and new home developments, first and second position mortgages which target **80%** loan to value of the land/property at the time of funding.

Series A, F FUND DETAIL

| | |
|--------------------|--|
| Target Return | 7.5% |
| Minimum Investment | Series A: \$25,000 Series F: \$25,000 |
| Eligibility | Accredited Investors/ Minimum Investment/OM |
| Registered Status | Registered Account Eligible |
| Redemption | Amounts less than \$5M : 30 days notice with 2% early redemption charge if redeemed in first year of acquisition and 1% early redemption charge if redeemed in second year of acquisition |
| Distribution | Monthly (Cash/DRIP) |
| Management Fees | Series A: 1.25% fee Series F: 0.85% fee |
| Trade Date | Open ended Fund Trades Accepted throughout the month |

Series B FUND DETAIL

| | |
|--------------------|--|
| Target Return | 7.5% |
| Minimum Investment | Series B: \$25,000 |
| Eligibility | Accredited Investors/ Minimum Investment/OM |
| Registered Status | Registered Account Eligible |
| Redemption | Until the Fund reaches \$100MM Net Asset Value, the investors can redeem on demand, by providing 30 days' notice before the end of the quarter. When the Fund's NAV crosses \$100MM , the redemption will become annualized. The redemption notice window for the investors/advisors will be open from September 1 to November 30, with the redemption trade date of December 31 of the current calendar year. 2% of the aggregate Subscription Price of the Units if redeemed in the first 12 months of acquisition. 1% of the aggregate Subscription Price of the Units if redeemed in months 12-24 of acquisition. |
| Distribution | Monthly (Cash/DRIP) |
| Management Fees | Series B: 1.75% fee |
| Trailer Fees | Series B: up to 1% fee |
| Trade Date | Open ended Fund Trades Accepted throughout the month |

Message From The President

Announcements, a likely pause, and opportunity for 2023



With the New Year fast approaching, it's worth looking back on what has been a successful 2022, despite many challenges. The previous quarter was especially fruitful, with our fund still growing at an excellent pace. And culminating our team's hard work, dedication, and disciplined approach to investing, Dorr Capital was recognized as one of Globe and Mail's **Top Growing Business for 2022**, after achieving a revenue growth rate of 240% over the prior three years. I want to take some time to thank our team for their continued dedication and our partners for their continued support.

The investor event we held in October went incredibly well; it was great to finally see everyone in person again, and it was a lot of fun. Our speaker on intergenerational wealth transfers gave us insight into some of the future (tax) problems we hope to ease for future generations. We are already booking events for next year, stay tuned for updates.

Before we get into some details, we welcome a new external board advisory member, Peter Friedmann. An expert in housing in Canada, he comes to us with 35+ years of experience, including an extensive career at Canada Mortgage & Housing Corporation (CMHC). We will continue to add expertise for the benefit of our shareholders.

As for the fund, it is important to note that we are still growing! That being said, we are starting to see the effects of rising interest rates in the economy today, mostly in the form of hesitation. Interest rates are still likely to continue to rise, although they will likely stabilize and peak in Q1 2023. When those rates stop rising, we expect to see more activity in the housing market – though, recent housing starts have been anything but negative, with September housing starts coming in just shy of 300,000, up 11 per cent from August and the highest level since November 2021. Going into the winter and spring, though, expectations are for these to come down and present some new challenges.

Consider that, builders are still putting product on the market. And while there will be some percentage of builders waiting for more certainty on interest rates, i.e. their costs, there will still be a percentage building. Whether it's 50% building 50% waiting, 60% waiting 40% building, or some variation, what we know is there will be a significant amount holding back. Of course, the initial land purchases will still be being made, meaning a lot of builders will simply stay longer in their land loans.

So, while we may have some short-term fluctuations in the next couple of quarters, the next few years are looking positive for our investors. The market is fundamentally undersupplied, and any price corrections are more likely to be temporary than anything. In 18 months, it's looking more likely that we look back and ask what happened to all of those price decreases we were promised. We are ready and able to capitalize. We will go more into depth on the current situation in our next Dorr Insider Report, coming soon.

We look forward to wrapping up this challenging year and taking advantage of the opportunities next year as they present themselves. Tax Season is upon us, please top up your TFSAs and RRSPs with us soon. Investing in RRSPs and TFSA for your children/grandchildren in their 20's is a great way to introduce this investment as well as helping them start their wealth building at a young age. Please reach out if you have any questions.

Sincerely,

BRIAN DORR

MBA, CPA, CPM

President & Chief Executive Officer

Current Quarter Investments

STRATEGY & INVESTMENT APPROACH

Our strategy for the RealAlt Fund has been to invest in commercial mortgages in land, land development, construction and mezzanine products in Ontario, Canada. Our Current portfolio loans in the value of \$13.19MM. The loans are performing as expected and the Fund is generating a higher yield as compared to the market returns.

All the loans are operating as agreed and the interest reserve balance is maintained for monthly distribution. We at Dorr are monitoring the loans on a regular basis to make sure the borrowers are achieving their targets and the projects are completed in the anticipated timeline.

BARRIE, ON

The borrower is seeking to refinance the subject loan via a construction loan before maturity of May 2023. In the event the loan is refinanced before maturity, interest for the remaining term of the loan (approximately 5-6 months) will be due and payable upon discharge.

NEW TECUMSETH, ON

The borrower is carrying out the re-zoning work as per the schedule. The loan matures on November 1, 2022, and the borrower has requested for a 6-month extension.

VAUGHAN, ON

The Borrower is seeking to refinance the subject loan via a construction loan before its maturity of February 1, 2023. In the event the loan is refinanced before maturity, interest for the remaining term of the loan (approximately 2-3 months) will be due and payable upon discharge.

MARKHAM, ON

The overall construction budget increased by \$4.29MM for Donald Cousens Prkwy. and \$3.4MM for McCowan Rd. which caused the overall profit margin to change from 11.7% to 8.1%. The Borrower has put in an additional \$4.29MM of equity for Donald Cousens Prkwy. and \$3.4MM for McCowan Rd. to cover a cost overrun, which compensated for the risk of cost overrun. We are going to continue monitoring the cost of the project. The 8.1% profit margin (\$17.1MM profit) is still a healthy margin for the borrower. Closings for Donald Cousens Prkwy. are expected at the end of November 2023, which is about a 5-months delay from the original June 2023 projected closing. Closings for McCowan Rd. are expected at the end of July 2023, which is about a 5-month delay from the original February 2023 projected closing.

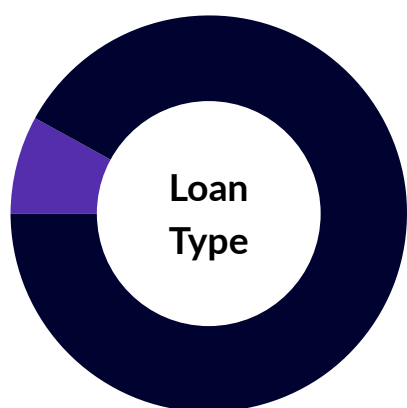
MISSISSAUGUA, ON

Currently, the site plan approval application is being processed and will be concurrent with the conditional permitting structure to commence construction. The borrower is in due course for arranging the construction finance, because the loan matures in January 2023, and he has requested a 3-month extension.

Sincerely,

RICCARDO PLATI
Executive Vice President

Current Loans Summary



Land
92%
Construction
8%



1st
49%
2nd
51%

| Location | Loan Type | Mortgage Position | RealAlt Loan Amount | % Portfolio | Loan Size |
|-------------------|--------------|-------------------|---------------------|-------------|-----------|
| Barrie, ON | Land | 2 | 3.50M | 27% | 37.5M |
| Dundalk, ON | Land | 1 | 3.25M | 25% | 3.75M |
| New Tecumseth, ON | Land | 1 | 2.85M | 22% | 15.2M |
| Mississauga, ON | Land | 2 | 1.30M | 10% | 34.0M |
| Vaughan, ON | Construction | 2 | 0.70M | 5% | 9.0M |
| Lindsay, ON | Land | 2 | 0.58M | 4% | 7.9M |
| Lindsay, ON | Land | 1 | 0.41M | 3% | 5.6M |
| Markham, ON | Construction | 2 | 0.35M | 3% | 89.1M |
| Dundalk, ON | Land | 2 | 0.25M | 2% | 0.6M |

Best Performing Deal

McCowan Rd.

The subject property is located on 7768, 7778, 7788, 7798 McCowan Rd & 5112, 5122, 5248 14th Ave. in Markham, ON. The subject project is approximately 4.51 acres and will be developed into 96 townhomes with a GFA of 186,356 square feet. All units are presold.



| | | |
|-----------------------------|--|---|
| Loan Facility | \$30,650,000 Second Mortgage Construction Loan | |
| RealAlt Investment | \$350,000 | |
| Term | 18 Months | |
| Net Yield to RealAlt | 17.145% | |
| Appraised Value | \$144,100,000 | As "completed" value - Donald Cousens Pkwy. |
| | \$89,221,107 | As "completed" value - McCowan Rd. |
| Loan to Value | 79.36% | |

Donald Cousens Pkwy.

The subject property is located on Donald Cousens Parkway in Markham, ON. The subject project is approximately 6.99 acres and will be developed into 147 townhomes with a GFA of 241,887 square feet. 122 units have been presold.

A SUMMARY OF UPCOMING DEALS - Q4 2022

Beeton Village Phase 1 & 2 (Bridge Loan- \$5,000,000)

The subject is located at 8th Line, New Tecumseth, Ontario. The site totalling 24.55 acres represents Phase 1 and the 128 acres of land (net developable area 93.6 acres) represents Phase 2 of a two-phase development of Beeton Village.

Dundalk Lands (100 acres Land Loan - \$12,000,000)

The subject land is located at 772288 Highway 10, Dundalk. It has a total land area of 99.4 acres. It is MZO-approved land with proposed 804 low-rise units (single, semi and townhouses).

2010-2016 Bathurst Street, Toronto (Second Mortgage Construction Loan- \$5,000,000)

The site comprises +/- 10,000 sf and is to be developed into an 8-storey, 25-unit residential building with a gross building area of +/- 54,180 SF and total saleable space of +/- 43,517 sf with underground parking.

Yonge Street and Bond Crescent, Richmond Hill (Second Mortgage Construction Loan) -\$1,300,000

The 3.1733-acre site is located southwest of Yonge Street and Bond Crescent, Richmond Hill, Ontario. The Property is developed into a 120-unit, 153,193 SF stacked townhouse project and 80% is completed.

Financial Highlights

QUARTER TO QUARTER CHANGE

| | Q4 2021 | Q1 2022 | Q2 2022 | Q3 2022 |
|---|-----------|-----------|-----------|-----------|
| Current Loans | \$3.1M | \$9.54M | \$13.19M | \$13.19M |
| Average Deal Size | \$33.3M | \$19.1M | \$25.8M | \$25.8M |
| Average Loan-to-Value | 66% | 68% | 61% | 61% |
| Number of Active Mortgages | 5 | 11 | 9 | 9 |
| Average Term (Months) | 13 Months | 15 Months | 14 Months | 14 Months |
| Interest Payment (3 months annualized) | 11.45% | 10.00% | 11.85% | 10.74% |

Distribution History

FINANCIALS & KEY PERFORMANCE INDICATORS

| | Mortgage Amount | Loan-to-value (LTV) | Monthly Yield (Annualized) |
|--------------------------|-----------------|---------------------|----------------------------|
| As of September 30, 2022 | \$13.19M | 61% | 10.81% |

DISTRIBUTION HISTORY

| | Aug-21 | Sep-21 | Oct-21 | Nov-21 | Dec-21 | Jan-22 | Feb-22 | Mar-22 | Apr-22 | May-22 | Jun-22 |
|-----------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| RealAlt Returns | 0.89% | 0.91% | 1.29% | 0.89% | 1.02% | 0.91% | 0.70% | 0.95% | 1.03% | 0.89% | 1.00% |
| | Jul-22 | Aug-22 | Sep-22 | | | | | | | | |
| | 0.90% | 0.89% | 0.89% | | | | | | | | |

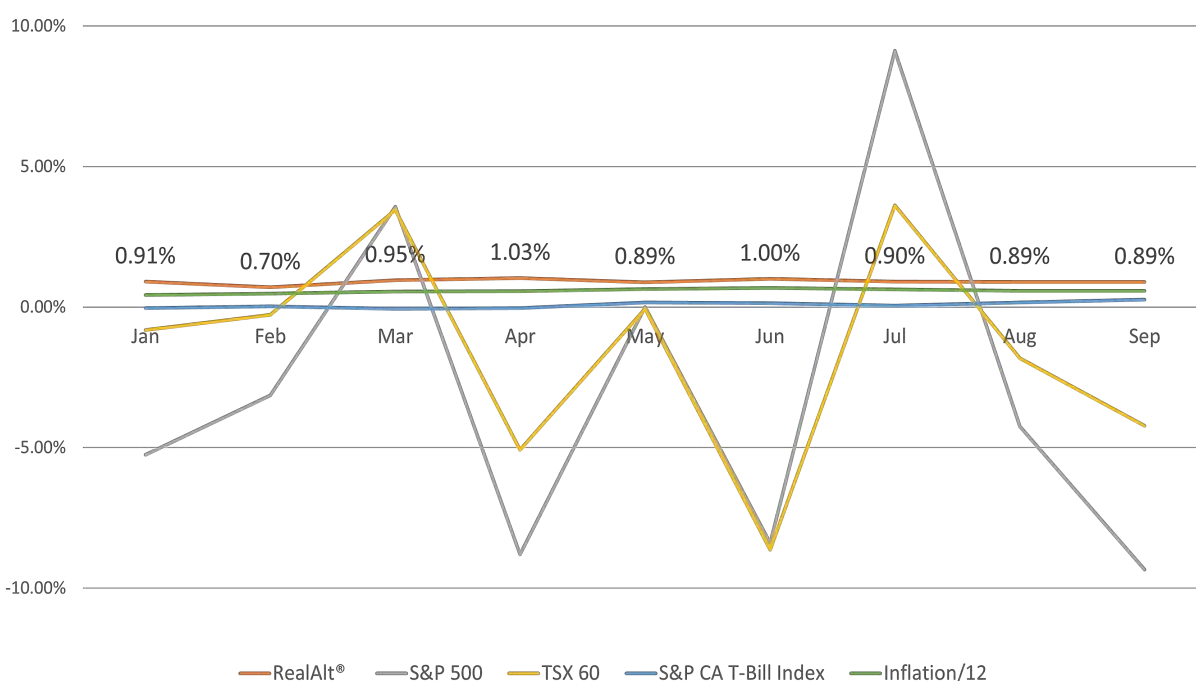
CURRENT YIELD

| | Aug-21 | Sep-21 | Oct-21 | Nov-21 | Dec-21 | Jan-22 | Feb-22 | Mar-22 | Apr-22 | May-22 | Jun-22 |
|-----------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Series AA | 0.79% | 0.82% | 1.21% | 0.82% | 0.96% | 0.88% | 0.67% | 0.90% | 0.98% | 0.83% | 0.95% |
| | Jul-22 | Aug-22 | Sep-22 | | | | | | | | |
| | 0.84% | 0.83% | 0.83% | | | | | | | | |
| | Aug-21 | Sep-21 | Oct-21 | Nov-21 | Dec-21 | Jan-22 | Feb-22 | Mar-22 | Apr-22 | May-22 | Jun-22 |
| Series AF | 0.82% | 0.85% | 1.23% | 0.85% | 0.99% | 0.89% | 0.68% | 0.93% | 1.01% | 0.86% | 0.98% |
| | Jul-22 | Aug-22 | Sep-22 | | | | | | | | |
| | 0.88% | 0.87% | 0.87% | | | | | | | | |

Financial Highlights

(CONT'D)

2022 YTD ROI REALALT® vs BENCHMARKS - AS OF SEPTEMBER 30, 2022



RealAlt® High Yield Mortgage Fund is

- ⇒ Effective hedge against inflation
- ⇒ Does not see high volatility as Equity funds
- ⇒ Provides superior risk adjusted returns

SOURCES

<https://www.spglobal.com/spdji/en/indices/equity/sp-tsx-60-index/#overview>

<https://www.spglobal.com/spdji/en/indices/equity/sp-500/#overview>

<https://www.spglobal.com/spdji/en/indices/fixed-income/sp-canada-treasury-bill-index/#overview>

<https://www.rateinflation.com/inflation-rate/canada-historical-inflation-rate/>

RealAlt® Team & its Associates

EXECUTIVE TEAM

- ⇒ Brian Dorr, **President and Chief Executive Officer***
- ⇒ Riccardo Plati, **Executive Vice President***
- ⇒ Judy Wong, **Vice President of Underwriting and Loan Servicing***
- ⇒ Tracey Dorr, **Vice President of Communication**
- ⇒ Shezan Mukadam, **Director of Finance**

*Trustees of the Fund

TEAM MEMBERS

- ⇒ Harshil Meraiya, **Dealing Representative**
- ⇒ Franco Zambrano, **Marketing & Sales Manager**

FUND ADMINISTRATOR

- ⇒ SGGG Fund Services

AUDITOR

- ⇒ SEGAL LLP

EXEMPT MARKET DEALER

- ⇒ Belco Private Capital Inc.

REGISTERED ACCOUNT ADMINISTRATOR

- ⇒ Olympia Trust Company

SECURITIES LAWYER

- ⇒ AUM Law

INVESTOR RELATION CONTACT

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DISCLAIMERS

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.

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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