



QUARTERLY REPORT

2020 - 2021
Q1



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RESCO MORTGAGE
INVESTMENT CORPORATION



QUARTERLY REPORT

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ABOUT RESCO
GROUP OF FUNDS



RESPONSIBLE STEWARDSHIP
of our investors' hard-earned money

EXCELLENCE AND ACCOUNTABILITY
in everything we do

SOcially RESPONSIBLE
to our community and stakeholders

CONSERVATIVE AND PRUDENT
in our approach

OPEN AND TRANSPARENT
in our dealings



MESSAGE

FROM THE COO

USHERING IN THE NEW YEAR WITH HOPE AND OPTIMISM

Since our last quarterly report, we have ushered in the New Year, both on the Gregorian Calendar and the Lunar Calendar. The Lunar New Year of the ox began on February 12, 2021. The animal assigned to each year of the Lunar Calendar is based on a repeating twelve-year cycle of animal signs in the Chinese zodiac. According to folklore, each animal has certain ascribed attributes, and those of the ox undoubtedly represent RESCO Group of Funds.

In Chinese culture, the ox is a highly valued animal because of its importance in agriculture. Positive characteristics such as being industrious and hardworking are attributed to the ox, while oxen are perceived as honest and earnest. They work quietly and diligently in the background without looking for praise; they are low key, never seeking to be the centre of attention.

At RESCO Group of Funds, we especially pride ourselves in our honesty and hard work. Throughout the years and even in the most challenging times such as the current pandemic, our team has never stopped focusing on delivering solid results for our investors. Protecting your investment is and will always be our primary objective.

The turning of the calendar to a new year – Gregorian, Lunar or otherwise – brings renewed optimism and a bullish sense of hope, pun intended. But we are still facing financial uncertainty and great care should still be exercised when it comes to managing your finances in the new year. Here are a few helpful tips:

1. Set up a Rainy-Day Fund

If you have been fortunate enough to maintain your level of income without any financial setbacks, you should be prepared for a possible third wave of the pandemic or other major unanticipated events in the future. A rainy-day fund is money set aside for expenses in case you experience a drop or loss of income. In general, it is recommended that your rainy-day fund should have the equivalent of 3 to 6 months' regular expenses. Start by saving a small amount on a regular basis, and it will make a big difference over time.



2. Contribute to TFSA and RRSP

Some of the silver linings of having no dining, entertainment or travel are significantly lower personal expenses and forced savings. By locking these forced savings into registered savings plans such as TFSAs or RRSPs, that money will help to achieve your long-term financial goals such as retirement.

- The annual TFSA contribution limit for 2021 is \$6,000. If you are contributing into a TFSA for the first time in 2021, you are eligible to make \$75,500 in total contributions; provided you have been over 18 years of age since 2009 and have a valid social insurance number.
- The annual RRSP contribution limit for 2021 is 18% of your 2020 earned income, up to a maximum contribution limit of \$27,830.

Instead of making future contributions in one or a few large lump sums at or near the deadline, it is much easier to set a monthly contribution goal. Investments in RESCO MIC are both TFSA- and RRSP-eligible, which means that the interest income you earn is deferred for maximum tax efficiency.

3. Put your Cash to Work

During these times, many are opting to hold cash instead of investing for various reasons. Some want to avoid market volatility; others need liquidity to cover short-term expenses; while others are unsure how and where to invest. However, with interest rates near zero, sitting on the sidelines with too much cash could hurt the overall performance of your investment portfolio.

RESCO First Mortgage Fund LP (“RESCO LP”) is the ideal alternative in these circumstances because it is a short-term investment with a hold period of only one year. The target rate of return is a very favourable 5.25%, with interest payable quarterly. Managed by the same team behind RESCO MIC, you can invest confidently in light of their stellar track record.

Just like RESCO MIC, RESCO LP is a mortgage lending investment that is secured by marketable residential properties – with the key difference that RESCO LP’s mortgage portfolio will consist entirely of first mortgages. Thus, RESCO LP is a more conservative investment and even more insulated against potential losses than RESCO MIC. It is the alternative investment of choice for parking your short-term cash while earning an attractive return.

Managing your finance can be complicated and stressful, and especially so during these days. RESCO Group of Funds is here to give you peace of mind with alternative investment options.

The RESCO Team wishes you and your loved ones the very best and a healthy, prosperous and ox-picious New Year.

CHRIS CHENG
CHIEF OPERATING OFFICER



RESCO MIC Q1 FINANCIAL HIGHLIGHTS

Michelle Hoang, CPA, Finance Manager
Mia Wu, Senior Accountant

RESCO Mortgage Investment Corporation is proud to announce continuing strong financial results for the first quarter of 2020-2021 Financial Year (November 1, 2020 to January 31st, 2021, inclusive).

- Quarterly Gross revenue increased by 5.4% year-over-year
- Quarterly Net income increased by \$58,500 year-over-year
- Investment portfolio increased by 10.93% in last four quarters
- Dividends to Preferred Shareholders maintained at 8% per annum

Despite the pandemic, RESCO MIC continues to be a strong financial institution that supports our investors and borrowers. Here is an overview of our financial results for Q1 of this Financial Year:

Term	Q2 2020	Q3 2020	Q4 2020	Q1 2021
Funded volume	\$8,289,530	\$15,035,015	\$13,028,743	\$19,825,225
# of deals funded	44	38	41	71
% of first mortgage	51%	87%	73%	43%
% of second mortgage	49%	13%	27%	57%

DID YOU KNOW...?

We have found that many investors hold a mistaken belief that their RESCO investments must be redeemed when they mature.

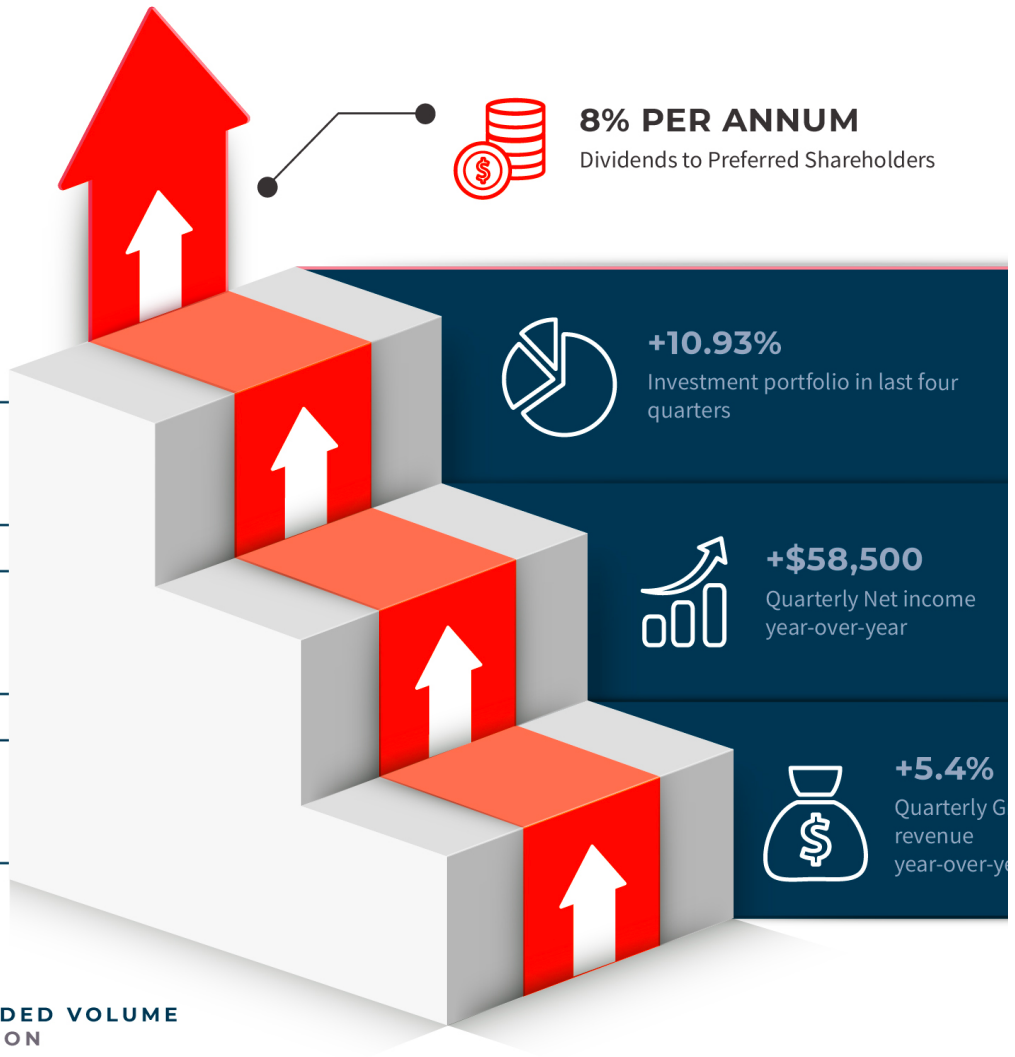
The confusion may have arisen from the hold period (four years for RESCO MIC Preferred Shares and one year for RESCO LP Units), whereby penalties would be levied if the investment were redeemed prior to the expiry of the hold period.

In fact, RESCO MIC Preferred Shares and RESCO LP Units have no maturity date. Beyond the hold period, an investor can request a redemption at any time and without penalty, but there is certainly no requirement to do so. For as long as you remain a RESCO investor, your investment will continue to receive dividends as and when declared.



FINANCIAL HIGHLIGHTS

RESCO MIC 2021 Q1

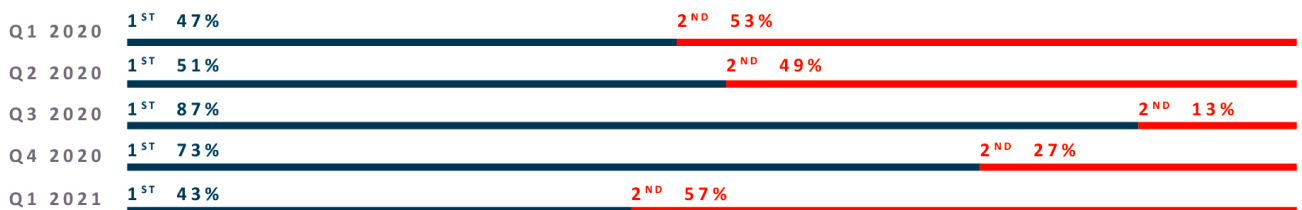


PORTFOLIO SIZE
\$55,560,703.24

NUMBER OF MORTGAGES
259

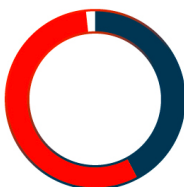
YTD DIVIDEND YIELD PER ANNUM
8.00%

% OF MORTGAGE FUNDED VOLUME BY MORTGAGE POSITION



MORTGAGE POSITION \$

1 ST MORTGAGE	42%
2 ND MORTGAGE	57%



AVERAGE LOAN-TO-VALUE
70.19%

JAN 31, 2020	70.47%
DEC 31, 2020	71.27%



GROSS REVENUE

Despite increased competition with other MICs and similar lenders in the market segment, gross revenue for Q1 increased by 6% over the previous quarter (2019-2020 Q4) primarily due to creative lending strategies and more favourable fee structures.

OPERATING EXPENSES

Our total operating expense for this quarter remained the same on a year-over-year basis, but increased slightly by 2% above the last quarter. This increase is relatively insignificant compared against the growth in both investment and mortgage portfolios over the same period. Increased investments in remote working technology and resources for our employees account for most of the increase in operating expenses.

NEW CAPITAL RAISED AND SHARE REDEMPTION

The amount of share subscriptions continues to grow in line with our historical trends. Compared to previous quarter, our investment portfolio grew at 5.03%. Reflecting the confidence level of our investors in RESCO MIC, redemption requests for Q1 were 61% less than the previous quarter.

NET INCOME

A solid growth of 6% in revenue together with only a slight increase in total operating expenses has resulted in a very positive bottom line for Q1 2021. This will boost our accumulated retained earnings to buffer against any possible delinquencies and bad debts.

MORTGAGE PORTFOLIO

Our underwriting and marketing teams have designed and implemented innovative fee structures and funding strategies which led our mortgage portfolio to a healthy growth of 6.62% on a year-over-year basis, and 5.58% compared to the last quarter. Our lending pipeline remains strong for next quarter.

The overall risk profile of the portfolio remains very conservative with a weighted average loan-to-value ratio of less than 70% and 43% of portfolio secured by first mortgages.





RESCO MIC

MORTGAGE DELINQUENCIES

Jeffrey Shek, Barrister and Solicitor, Chief Legal Officer
Clement Vaccaro, Client Relationship Manager

- Delinquency rate remains negligible and virtually identical to pre-pandemic levels.
- There are no mortgages in legal enforcement.

The first quarter of the 2020-2021 Financial Year saw the approval and first administrations of COVID-19 vaccines. We hope this will pave the way for a reopening of the economy and the return to some normalcy.

We are pleased to report that as with previous quarters, we have not experienced any significant increases in mortgage default. The delinquency rate remains negligible and virtually identical to pre-pandemic levels.

As previously reported, we have been more effective in pursuing repayment and shortening the length of delinquencies. Within the handful of instances of

payment default per month, we have been able to obtain replacement payments in most cases before the next payment was due.

In our mortgage portfolio of 259 mortgages as of the end of this quarter, we had only two mortgages which were more than one month in arrears and only one deferred payment remains outstanding.

We did commence Power of Sale proceedings on one mortgage during this quarter. The mortgage in question was a first mortgage with relatively low LTV and RESCO had extremely limited potential exposure. As it turned out, our mortgage was fully paid out shortly thereafter with full recovery of principal and interest.

Looking ahead, we will continue to monitor our mortgage portfolio closely and diligently deal with any situations of default, as and when they arise.





FROM THE UNDERWRITING DESK

Phoebe Lam, Director, Risk Management

- Demand for alternative mortgage lending remains strong.
- RESCO MIC funded almost \$20M in residential mortgages in Q1.
- Well-defined risk management and mitigation strategies protect our investors' capital.

The first quarter saw continuing strong demand for our mortgages, with funding volume reaching \$19,779,338. We utilize our proven conservative underwriting and disciplined approach to manage risk and protect our investors' capital. We are also constantly improving our operational processes and procedures, such as with our proprietary in-house software, to drive our business forward and deliver outstanding results.

Our risk management and mitigation strategies begin with the types of financing we engage in. All of RESCO MIC's loans are secured by mortgages against residential properties and we do not lend on riskier loans types such as mortgages for construction and development, commercial mortgages, business financing or vacant land. In addition, the terms of our mortgages are structured prudently to further reduce risks:

TERM LENGTH

We keep the term lengths of our mortgages short, which allows us to adjust quickly to market changes. Of the total mortgage funding volume in Q1, 98.5% had a term length of one year or less, including 42.3% with a term length of six months or less.

LOAN SIZE

We diversify our portfolio by funding many smaller mortgages as opposed to just a few larger mortgages such as those against high-priced homes. As a result, the risk and exposure of our mortgage portfolio are deconcentrated across 259 mortgages with an average loan size of only \$185,817 each.

LOAN-TO-VALUE RATIO

The weighted loan-to-value-ratio (LTV) of RESCO MIC's mortgage portfolio remains low at 70.19% and is comparatively very low in the industry.

MORTGAGE POSITION

We lend on more first mortgages wherever possible to lower our risk exposure. Of the total mortgage funding volume in Q1, 62% were in first position.

STRINGENT UNDERWRITING

We received about 250 applications during Q1 period. After judicious review and scrutiny by our underwriting team, only 67 of the applications received approval and funding. The resulting funding ratio of 26.8% shows that we have been highly selective.

Looking forward, we remain confident in the fund's ability to continue achieving our targets.



ABOUT

RESCO GROUP OF FUNDS



IT'S TIME TO CONSIDER THE ALTERNATIVES.

If you haven't already, now is a good time to meet with your financial advisor and review how your investments align with your long-term objectives.

Please feel free to contact our offices in Ontario or B.C. and one of our associates will be glad to assist you.



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At RESCO, our investment objective is to generate sustainable and stable income for our investors while preserving investment capital through making prudent investments in mortgages secured against Canadian real estate.

RESCO is led by a group of experienced professionals with expertise in banking, mortgage lending, real estate, law, land development, mutual funds, financial planning and risk management.

Stock market performance is likely to remain volatile due to a possible COVID-19 "second wave". At the same time, deposit and GIC rates are at historical lows.

Instead of letting your investable funds sit on the sidelines, It's Time to Consider the Alternatives offered by the RESCO Group of Funds:

	RESCO First Mortgage Fund Limited Partnership	RESCO Mortgage Investment Corporation
Established	2019	2013
Hold Period	1 year (12 months)	4 years (48 months)
Investment Timeline	Short to Medium Term	Medium to Long Term
Minimum Investment	\$150,000	\$10,000
Target Return	5.25%-6.00% per annum	8.00% per annum
Historical Return	5.25% per annum	8.00% per annum
Registered Funds Eligible	No	Yes (RRSP, TFSA, RRIF, etc.)
Distribution Frequency	Quarterly	Monthly
Distribution Reinvestment	Available	Available
Primary Lend- ing Criteria	Residential First Mortgages Only	Residential First and Second Mortgages
Loan-To-Value Ceiling	75%	85%



DISCLAIMERS

This publication is for information purposes only and is not, and under no circumstances is to be construed as, an invitation to make an investment in RESCO Mortgage Investment Corporation or RESCO First Mortgage Fund LP. The rate of returns and other information disclosed herein have been prepared by Management and have not been independently verified or audited. Financial information and figures reported herein are as of July 31, 2020 unless stated otherwise. This publication contains forward-looking statements. Although RESCO Group of Funds believes the expectations expressed in such forward-looking statements are based upon reasonable assumptions, such statements are not guarantees of future performance. Actual results may differ materially from those in forward-looking statements due to various factors, including adverse results from mortgage investments, general economic, market or business conditions, and failure to successfully negotiate or subsequently close transactions. Forward-looking statements are based on the beliefs, estimates and opinions of RESCO Group of Funds' management on the date that statements are made. RESCO Group of Funds undertakes no obligation to update these forward-looking statements in the event that management's beliefs, estimates or opinions, or other factors, change. Investing in RESCO Mortgage Investment Corporation involves significant risks. There is currently no secondary market through which RESCO Mortgage Investment Corporation preferred shares can be sold and there can be no assurance that any such market will develop. A return on an investment in RESCO Mortgage Investment Corporation preferred shares is not comparable to the return on an investment in a fixed-income security. The recovery of an initial investment is at risk, and the anticipated return on such an investment is based on many performance assumptions. Investing in RESCO First Mortgage Fund LP involves significant risks. There is currently no secondary market through which RESCO First Mortgage Fund LP Units can be sold and there can be no assurance that any such market will develop. A return on an investment in RESCO First Mortgage Fund LP Units is not comparable to the return on an investment in a fixed-income security. The recovery of an initial investment is at risk, and the anticipated return on such an investment is based on many performance assumptions. The price of the security mentioned here and the income it produces may fluctuate and/or be adversely affected by market factors, and investors may realize losses on investments in such security, including the loss of investment principal. Investments in RESCO Group of Funds are not CDIC insured. Prospective investors should thoroughly review the offering memorandum and are advised to consult with their own legal and tax advisors before investing. The information contained herein: (1) may not be copied or distributed, and (2) is not warranted to be accurate, complete or timely. Neither RESCO Group of Funds nor its content providers are responsible for any damage or losses arising from any use of this information.

