



QUARTERLY REPORT

2020-2021
Q4

**RESCO MORTGAGE
INVESTMENT CORPORATION**



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QUARTERLY REPORT

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of our investors' hard-earned money

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MESSAGE FROM THE COO

THE VALUE OF INVESTING IN WHAT YOU UNDERSTAND

In recent years, there has been tremendous media coverage and general interest in new, eccentric investment products. For example, you have probably heard about a wide range of exotic technologies, from cryptocurrencies to NFT (non-fungible tokens), their roller coaster prices and exponential returns that seem too good to be true.

Investing for your future does not always require diving head-first into “the next big thing” . In fact, getting involved with new investment fads without the necessary knowledge could be a costly mistake. To quote one of the most successful investors in history, Warren Buffet, “Never invest in a business you cannot understand.”

INVEST IN WHAT YOU KNOW WITH RESCO MIC

RESCO MIC’ s business model is straightforward and easy to comprehend. It does not require you to research the complex blockchain technology that cryptocurrencies such as Bitcoin rely on. Rather, it is as simple as something that you have likely dealt with in your own life - secured loans with real estate as the lending collateral, otherwise known as mortgages.

Projecting the future of crypto currencies and related technological assets often involve a high degree of uncertainty. By contrast, real estate has long been proven to be one of the safest and most recession-proof assets. Canadians will always be looking to purchase homes, causing real estate prices to appreciate steadily and continuously over time.

BACKED BY TANGIBLE PROPERTY

It is always critical to examine why any investment has intrinsic value and how such value is measured. For something as peculiar as cryptocurrencies, the answer is often “because people ascribe it value” . In other words, the value of the investment is derived solely upon another person’ s willingness to purchase it at a price that is constantly in flux. Bitcoin, for example, is significantly more volatile than even the riskiest equities.



With RESCO MIC, the answer is uncomplicated - our portfolio of mortgages is backed by tangible real estate in Canada. Investing your hard-earned wealth in something real with inherent value provides comfort and security that rolling the dice on “the next big thing” is the very opposite of.

I hope you and your family will continue to stay safe and healthy during the upcoming holiday season. Merry Christmas and Happy New Year.

Chris Cheng

CHIEF OPERATING OFFICER





RESCO MIC Q4 FINANCIAL HIGHLIGHTS

Mia Wu, Senior Accountants

RESCO Mortgage Investment Corporation is proud to announce yet another quarter of strong financial results for Q4 (August 1 to October 31, 2021, inclusive) of the 2020–2021 Financial Year.

- Gross revenue increased by 14.9% year-over-year
- Mortgage portfolio at \$56.81M, up by 24.6% year-over-year
- Investment portfolio grew by 22.4% in the last 4 quarters
- Dividends to Preferred Shareholders maintained at 8% per annum

Here is an overview of our Q4 financial metrics:

Term	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021
Funded volume	\$8,289,530	\$15,035,015	\$13,028,743	\$19,825,225	\$25,204,817	\$24,388,144	\$14,333,139
# of deals funded	44	38	41	71	63	45	36
% of first mortgage	51%	87%	37%	43%	76%	90%	62%
% of second mortgage	49%	13%	63%	57%	24%	24%	28%

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 Q4

+14.9%



GROSS REVENUE

Gross revenue increased by 14.9% year-over-year

+24.6%



MORTGAGE PORTFOLIO

Mortgage portfolio at \$56.81M, up by 24.6% year-over-year

8%



INVESTMENT PORTFOLIO

Investment portfolio grew by 22.4% in the last 4 quarters



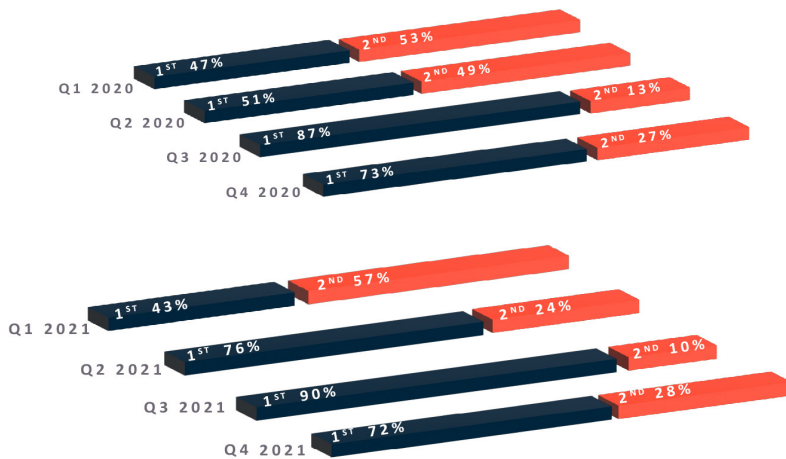
DIVIDENDS

Dividends to Preferred Shareholders maintained at 8% per annum

+22.4%



% OF MORTGAGE FUNDED VOLUME BY MORTGAGE POSITION



PORTFOLIO SIZE

\$ 64,005,821.10



NUMBER OF MORTGAGES

226

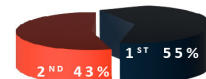


YTD DIVIDEND YIELD PER ANNUM

8.00%



MORTGAGE POSITION \$



AVERAGE LOAN-TO-VALUE

69.07%

69.05% October 31st, 2020 68.86% September 30th, 2021



GROSS REVENUE

Despite increased competition with other MICs and similar lenders in the market segment, gross revenue for Q4 increased by 14.9% compared to the same quarter last year primarily due to creative lending strategies and more favourable fee structures.

LINE OF CREDIT

We were able to continue taking advantage of our line of credit during this quarter. Due to the continued high demand for private mortgages, we drew as much as \$3.7M against the facility during the quarter.

NEW CAPITAL & REDEMPTION

Investor interest in RESCO MIC remained high during the quarter, as the amount of share subscriptions continued to grow in line with our historical trends. Our investment portfolio grew 22.42% year-over-year. Our total investment portfolio is now \$64.01M as of the end of the 2020–2021 Financial Year.

New capital continued to outpace redemption requests during Q4. New shares issued averaged \$646,930 per month while redemption requests averaged \$486,749 per month.

MORTGAGE PORTFOLIO

Our underwriting and marketing team again delivered outstanding lending results. Our mortgage portfolio grew at a healthy rate of 24.6% compared to Q4 2020, totalling \$56.81M as of October 31, 2021. We expect our lending pipeline to remain strong headed into the new financial year.

The overall risk profile of the portfolio remains very conservative while we continue to maintain our 8% dividend per annum. Our mortgage portfolio has a weighted average loan-to-value ratio of 71.1% with 71.9% of the mortgages funded in Q4 secured by first position.





RESCO MIC

MORTGAGE DELINQUENCIES

Jeffrey Shek, Barrister and Solicitor, Chief Legal Officer

- Delinquency rate remains negligible and virtually identical to pre-pandemic levels
- One mortgage in enforcement with full recovery expected

We are pleased to report that as with previous quarters, we have not experienced any significant mortgage defaults during the fourth quarter of the 2020–2021 Financial Year. The delinquency rate remains negligible and virtually identical to pre-pandemic levels. This shows that our borrowers continue to prioritize their monthly payments and are adapting to the changing environment.

Through this quarter, Ontario continued its reopening plan by lifting capacity limits for various businesses and implementing a proof of vaccination policy to limit the spread of COVID. With the economy continuing to trend upwards by most metrics including job creation and unemployment rate, the worst-case scenario of widespread mortgage defaults appears unlikely going forward.

RESCO remains optimistic about the future and confident in our procedures to help us navigate any issues that arise. As previously reported, we have increased our effectiveness 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 231 mortgages as of the end of this quarter, we have only one mortgage in arrears for more than 60 days. We have commenced power of sale proceedings to enforce this mortgage, making it only the second mortgage which have required such enforcement since the onset of the pandemic. We expect to have fully recovery on this mortgage, as we did for the previous mortgage which required enforcement.

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, Chief Risk Officer



- High demand for private mortgages continued into and throughout Q4
- 71.94% of mortgages funded by RESCO during Q4 were in first position
- Overall loan-to-value ratio of the mortgage portfolio was 71.08%
- Only 36 of the 160 applications received during Q4 were approved and funded
- Canada's unemployment rate hits pandemic low at 6.70%
- A projected 411,000 immigrants will enter Canada in 2022

In Q4 of RESCO MIC's 2020–2021 Financial Year (August 1 to October 31 2021), the Canadian housing market sustained high levels of demand and average selling price continued to climb. At the same time, many homebuyers still encountered challenges in qualifying for mortgages from traditional lenders due to regulations from The Office of the Superintendent of Financial Institutions (OSFI). These regulations continued to fuel strong demand for first mortgages from alternative lenders through Q4, during which 71.94% of the mortgages funded by RESCO MIC were in first position.

The accelerated growth in home prices and other inflationary pressures prompted the Bank of Canada to announce plans to increase the overnight interest rate some time in the second or third quarter of 2022. We believe that the possible effects of future rate hikes on real estate activity should be considered in light of several mitigating factors.



The savings rate of Canadians shifted dramatically during the pandemic. Due to the pandemic restrictions on travel and entertainment, Canadian households savings rate reached levels that surpassed pre-pandemic highs. As of June 2021, the savings rate of Canadian households was at 14.2% of disposable income, up from only 3.6% in January of 2020. These elevated cash savings by Canadian households provide prospective home buyers across Canada with additional capital to further bolster housing demand, regardless of higher rates.

Further, it is expected that the Bank of Canada would implement rate hikes in a measured and timely manner to avoid causing headwinds in the economy. As such, the average Canadian's mortgage payment is not expected to dramatically increase month over month. Rather, the amount is expected to remain relatively stable with more of the payment going to interest rather than the principal of the mortgage.

From a macroeconomic perspective, there are many positive signs when it comes to the Canadian economy. The unemployment rate has hit a pandemic low at 6.70%. Additionally, several provinces increased their minimum wage in 2021, with Ontario implementing an \$15.00 minimum wage effective January 1, 2022. In addition, Canada's target immigration is set at more than 400,000 annually until 2023. Renewed immigration to Canada is expected to be further bolster demand for housing and mortgages in the medium term.

Based on the foregoing, we expect demand for mortgages to remain stable in the short into medium term, even if and when the Bank of Canada overnight rate is increased. Combined with RESCO's conservative underwriting approach, we remain confident that our portfolio will continue delivering a consistent ROI.

EDUCATING OUR STAKEHOLDERS

MORTGAGE AGENTS AND BROKERS

We rely on licensed mortgage professionals to submit mortgage applications to us. That's why we made educating them our key focus in 2021.

Borrowers need advice and assistance when seeking mortgages. As everyone's situation is unique, the mortgage professional needs to understand their clients' situation and seek the best fit solution based on their needs.

When a mortgage application is submitted to RESCO, our underwriters always discuss the purpose of funds and exit strategy with the mortgage professional. Instead of simply obtaining and reviewing the application, appraisal and credit reports, we make sure we have a comprehensive understanding of the file before providing an approval. We also help mortgage professionals create customized and flexible solutions based on the borrower's special needs.

The non-traditional mortgage lending industry is getting very crowded with a glut of private lenders and mortgage investment entities of various scale. We believe quality of service and trust are the key factors to stay competitive in this industry.

ABOUT RESCO GROUP OF FUNDS

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 lingering concerns with COVID-19 variants and excessively speculative behaviour. 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 LP	RESCO First Mortgage Fund LP	RESCO Mortgage Investment Corporation
Security Offered	Class A Partnership Units	Class B Partnership Units	Class B Preferred Shares
Hold Period	1 year (12 months)	3 year (36 months)	4 year (48 months)
Investment Timeline	Short Term	Medium Term	Medium to Long Term
Minimum Investment	\$50,000	\$150,000	\$10,000
Target Return	5.25% per annum	6.00% per annum	8.00% per annum
Historical Return	5.25% per annum	Not Applicable	8.00% per annum
Registered Funds Eligible	No	No	Yes (RRSP, TFSA, RRIF etc.)
Distribution Frequency	Quarterly	Quarterly	Monthly
Distribution Reinvestment	Not available	Not Available	Available
Lending Base	Residential First Mortgages Only	Residential First Mortgages Only	Residential First and Second Mortgages
Loan-To-Value Ceiling	75%	75%	85%



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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