



INVESTOR RELATIONS REPORT

JUNE 2022



**RESCO MORTGAGE
INVESTMENT
CORPORATION**

**RESCO
First Mortgage
Fund LP**

■ PRESIDENT

David Ho

■ CHIEF OPERATING OFFICER

Chris Cheng

■ CHIEF RISK OFFICER

Phoebe Lam

■ CHIEF LEGAL OFFICER

Jeffrey Shek

■ DIRECTORS

Will Sung

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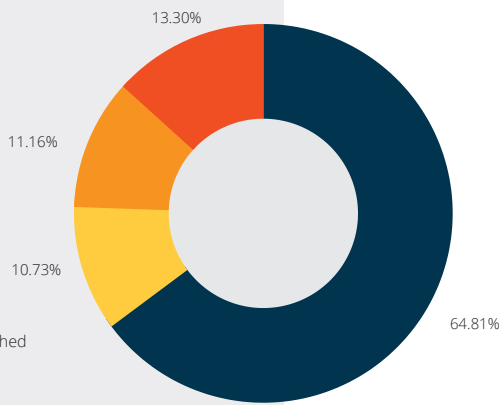
Performance Metrics

RESCO Mortgage Investment Corporation

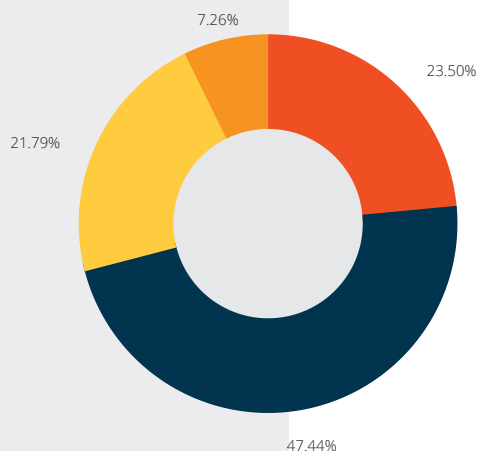
Mortgage Position



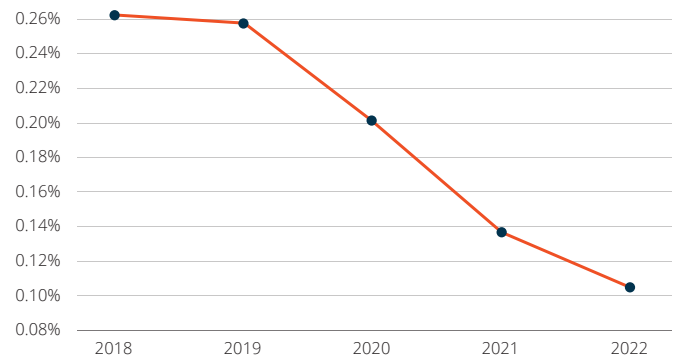
Property Type



Credit Score

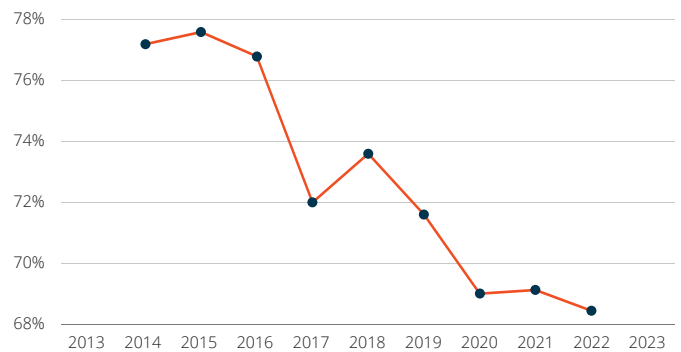


Cumulative Bad Debt Rate



—●— Cumulative Bad Debt Rate

Loan-to-Value Ratio

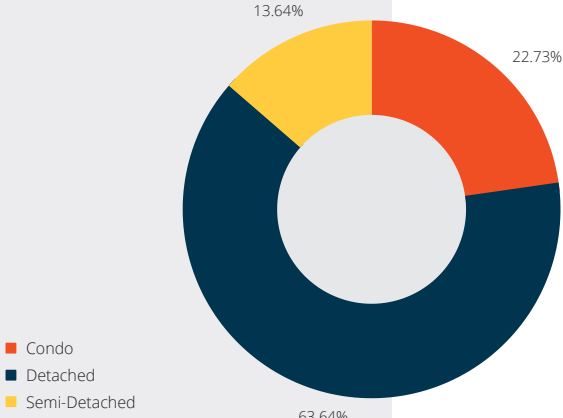


—●— Loan to Value Ratio

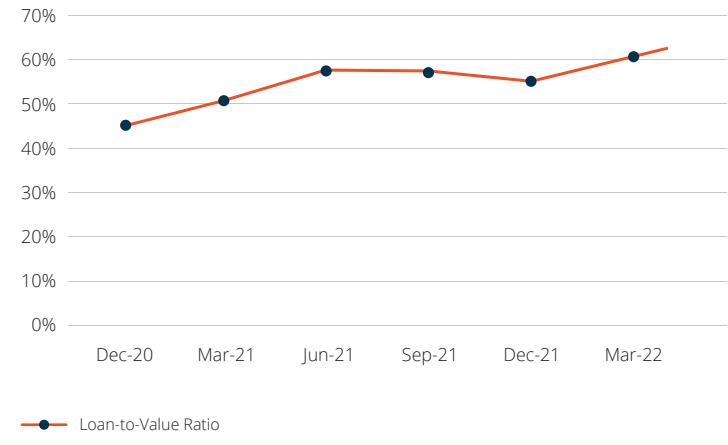
Performance Metrics

RESCO First Mortgage Fund LP

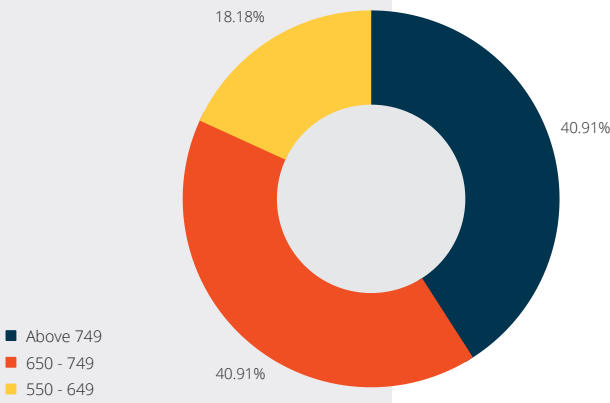
Property Type



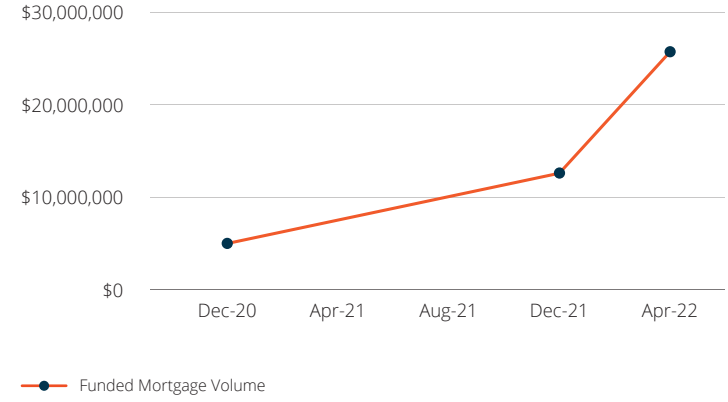
Loan-to-Value Ratio



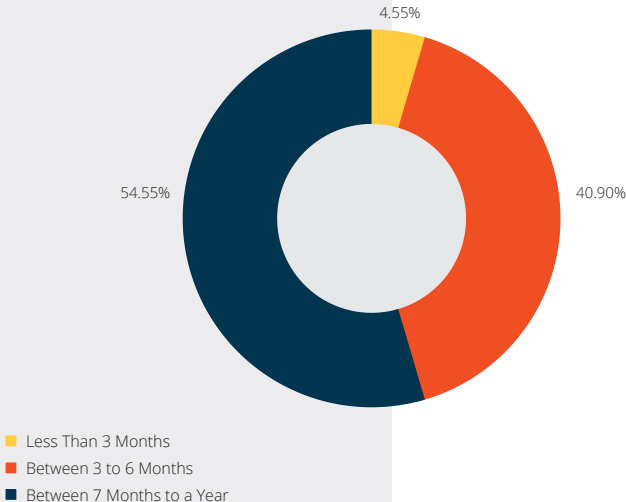
Credit Score



Funded Mortgage Volume



Term of Mortgage



“Fix Your Course to a STAR
and you’ll navigate any storm.”

— **Leonardo Da Vinci**



Report from the **CHIEF OPERATING OFFICER** - CHRIS CHENG



Dear Valued Investors and Stakeholders,

When RESCO was established in 2013, we set out to build a resilient business that can weather any storm. At the time, no one could have anticipated a global pandemic at the scale and scope we just experienced.

At the risk of sounding boastful, we have indeed built a business that weathered the COVID-19 storm. Despite the pandemic, we continued to grow our business and delivered the results you expected from us. Thanks to the hard work of our dedicated employees and leaders who stayed focused and motivated, we faced the challenges of pandemic head on and had our two strongest financial years on record.

Some other initiatives and accomplishments in the last two-plus years include:

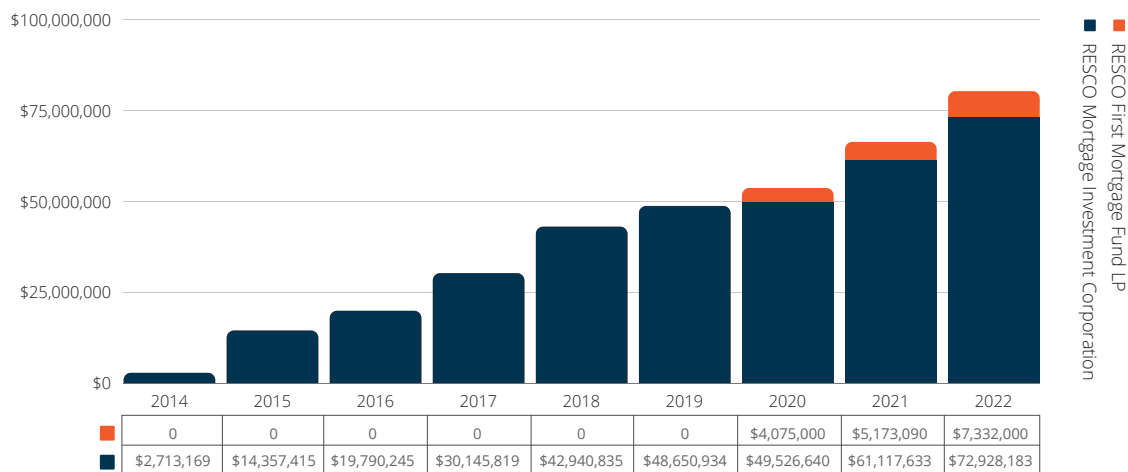
- ▶ **Office Purchase and Renovation:** In November 2021, our ownership group purchased the office that RESCO has been calling home since 2017. It has recently undergone major renovations to accommodate the future expansion of our business.
- ▶ **New Investment Products:** We launched two new investment products through RESCO First Mortgage Fund LP to offer more tailored options for your financial needs.
- ▶ **Improved Corporate Governance:** We expanded our Board of Directors to include more independent directors. These are individuals with exceptional reputations and accomplishments from mortgage and related industries.

- ▶ **Expanded Team and Expertise:** We continued to grow our team at every level so we can better service our investors, advisors, mortgage brokers and borrowers. Notably, seasoned lawyer Jeffrey Shek has joined the Management Team in the new position of Chief Legal Officer. He has been instrumental in our recent growth.

- ▶ **Credit Facilities:** We secured two credit facilities from Schedule 1 Banks to improve our operational efficiency and lower our cost of funds. More significantly, these credit facilities are validations RESCO’s reputation in the alternative lending industry and the quality of our portfolios.

Looking ahead, the total Assets Under Management will soon reach the \$100MM mark. With this growth, we have more first mortgages in our portfolios than ever before. Taken together, these trends provide further risk diversification and risk mitigation.

RESCO GROUP OF FUNDS ASSETS UNDER MANAGEMENT



Although the evolving virus still presents a fluid situation and the extent of the economic impact of the pandemic is still uncertain, we have the utmost confidence in the precautionary measures we have taken and in our continuing risk management into the future. RESCO remains extraordinarily well-positioned to face any challenges which the future may present. Borrowing on Leonardo Da Vinci’s quote above, you simply need to fix your course to RESCO, and we will help you navigate through any storm.

Last but not least, we are enormously grateful to our clients, business associates and other stakeholders for their continuous support, especially during these extraordinary times. Thank you.

*"It does not matter what market you are in;
it matters how you are in that market."*

Report from the **CHIEF RISK OFFICER** - PHOEBE LAM

Even though we have returned to some degree of normalcy after battling the pandemic for over two years, plenty of economic headwinds could have potentially adverse effects. We are seeing high inflation and corresponding interest rate increases by the Bank of Canada, supply chain shortages, an ongoing global health crisis; and a geopolitical catastrophe caused by Russia's invasion of Ukraine, which also threatens to create a world food and energy crisis.

The market will always fluctuate, and we do not control what the market does or what comes with it. But we can control what we do to protect our investors' capital through a disciplined approach to proactively manage risks and mitigate the short and long-term challenges.



Our strategies include:

► **More First Mortgage Funding**

One measure we take to protect potential downside risk is to increase the proportion of first mortgages in our portfolio. Over the last eight years, we have gradually shifted from second mortgages to funding more first mortgages to reduce risk exposure. As of April 30, 2022, \$65MM of the combined \$80MM mortgage portfolios are invested in first mortgages.

► **Low Loan-to-Value and Short Term Lengths**

The equity behind our mortgages and short mortgage terms provide a generous buffer against potential declines in real estate values. As of April 30, 2022, the RESCO Mortgage Investment Corporation portfolio has a weighted average loan-to-value (LTV) of 70.06% and a weighted average term length of 8 months. Similarly, the RESCO First Mortgage Fund LP portfolio has a weighted average of 62% and a weighted average term length of 9 months.

► **Focused Expertise**

We believe in doing fewer things with a high level of execution and efficiency. We only focus on the residential real estate market, which we know best. Instead of having a mixed portfolio with residential, commercial, land development and construction mortgages, each with its unique risks and nuances, RESCO has only lent on Canadian residential real estate since its inception.

► **Risk Diversification through Growth**

By the end of 2022, we expect to have as much as \$150MM of total assets between the two investment pools. This represents an increase of more than 100% from the end of 2021. As the portfolios grow, we will be holding more mortgages that allow for greater diversification and reduce the portfolios' risk. In addition, we aim to increase our presence in the alternative mortgage landscape and further improve our processes to be even more selective and efficient while adjudicating mortgage applications.

Going forward, we remain committed to our core values and proven risk management principles and will continue to work diligently to provide capital preservation and consistent income to our investors.

*"Intellectuals solve problems,
geniuses prevent them."* —Albert Einstein

Report from the **CHIEF LEGAL OFFICER** - JEFFREY SHEK

In February 2020, I had the good fortune of joining RESCO's management team as Chief Legal Officer. At the time, we had no idea that our world was about to be turned upside down. In hindsight, it was extremely timely that I joined RESCO so that my expertise and skill set could be of assistance in a tumultuous period.

Below, you will find a brief report on my keys areas of responsibility since assuming this position:

■ **Delinquencies**

At the onset of the pandemic, there were fears of widespread layoffs and unemployment, leading to substantial mortgage default across the country. Fortunately, this worst-case scenario has not occurred, and RESCO has not seen any delinquency spikes. With close to three hundred mortgages in our portfolios at any given time, the instances of payment default have been minimal and virtually identical to pre-pandemic levels.

We have improved our procedures to deal with delinquencies when they do arise. By increasing and improving our communication with delinquent borrowers, we have been more effective in pursuing repayment and shortening the length of delinquencies.

In the two-plus years since March 2019, we have only commenced power of sale actions twice. Both matters were concluded at an early stage, with RESCO achieving full recovery. As of the time of writing, there are no mortgages in power of sale.

■ **Stakeholder Communications**

When the pandemic lockdown prevented us from meeting in person with our investors and other stakeholders, we had to find new and creative ways to fill the communication void. This was especially important at the onset of the pandemic when anxiety was understandably high.

We hosted video calls and published quarterly reports to keep our stakeholders fully informed on business performance amidst the developing situation and on the measures we were taking to safeguard our investors' capital.



■ **Payment Accommodations Program**

We are incredibly proud that RESCO was one of the first alternative lenders to introduce an accommodation program to assist borrowers who were facing financial hardship caused by the pandemic. The plan offered creative options based on the borrower's circumstances, including payment deferral, extending the mortgage term and increasing the principal to provide liquidity to borrowers.

The program has proved to be extremely successful, and all deferred payments have been repaid on schedule, with great gratitude from our borrowers.

■ **Lending Practices**

There has been an unfortunate rise in predatory lending in recent years, leading to a plethora of court decisions with new guidelines and principles to be followed on issues ranging from fees and penalties to policies and procedures.

As a socially responsible organization, RESCO's revenue model has never been premised on imposing onerous fees on borrowers – a practice which is regrettably common in the private lending industry. We constantly work to ensure that our lending practices are always up-to-date and compliant with both the letter and the spirit of the law.

■ **External Counsel**

As a single individual, a Chief Legal Officer cannot possibly possess sufficient breadth and scope of expertise across all areas of law. As such, I am fortunate to work with RESCO's top-notch external counsel in various fields. With their assistance, we can close high volumes of mortgage transactions without incident and complete large projects such as the launch of RESCO First Mortgage Fund LP, securing the credit facilities and periodic updates of the offering memoranda. Befittingly, I wish to conclude my report by personally thanking all of them for their professionalism and hard work for RESCO.

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:

**It's Time to
Consider the
Alternatives.**

	RESCO First Mortgage Fund LP Class A	RESCO First Mortgage Fund LP Class B	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 Years (36 months)	4 Years (48 months)
Investment Timeline	Short Term	Medium Term	Medium to Long Term
Minimum Investment	\$50,000	\$150,000	\$10,000
Historical Return	5.25% per annum	6.00% per annum	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%

Disclaimers: 1. Past performance not indicative of future performance 2. Frequency and amount of distribution is not guaranteed 3. Exceptions to lending criteria and loan to value ceiling may apply

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 office in Ontario and one of our associates will be glad to assist you.

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