

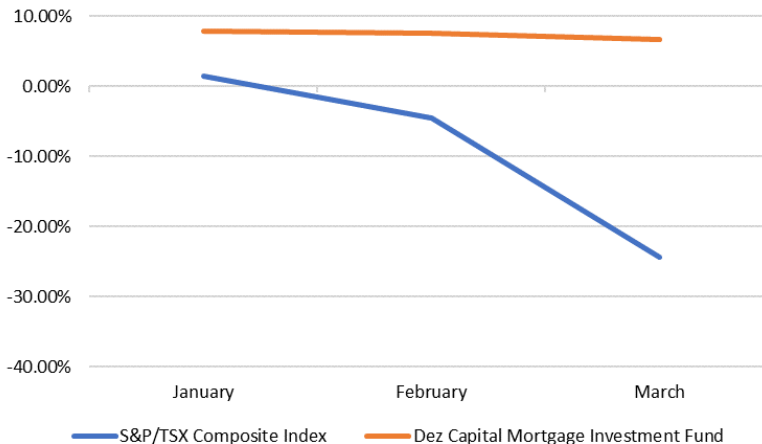
Dear Investor,

We are approximately 4 weeks into the new reality of COVID-19, social distancing, and the economic disruption it has brought to our society. I would like to take this opportunity to provide you with an update regarding the impact of recent market disruption on Dez Capital, and outline our strategy to cope as well as how we intend to maneuver in the short term.

The Market

The economy in both Canada and the United States started the year strong. Real estate in the Greater Toronto Area, where we are most active, began very positively. By the end of February, the sales activity was up 45%¹ compared to February 2019 (15%² for January 2020/2019). Average price was on the rise, and there was great expectation for strong performance in both volume and price for 2020. Then COVID-19 hit, and social distancing - our collective defense against the virus - became a priority. On March 13th, the Ontario government closed all educational institutions, by March 20th working from home was strongly advised, and on March 24th, all non-essential businesses were ordered to shut down. This resulted in near historic drops in the stock market, including the S&P/TSX Composite Index which fell by almost 25%³. We continue to see governments around the world rushing to introduce record breaking stimulus packages to soften the economic blow. The chart below compares our performance to the S&P/TSX Composite Index in the first quarter of 2020.

**S&P/TSX Composite Index
vs.
Dez Capital Mortgage Investment Fund**



Our observation regarding the real estate market thus far has been: lending institutions have upheld their prior (to shut down) obligations, but the consensus is that the liquidity will decrease in the short term, and there will be hesitation in issuing new loans. There are strict regulations for real estate showings and appraisals are suspended due to social distancing concerns, both affect transaction volume. To date, prices have not moved thanks to government and bank programs supporting rents and mortgages, but if the lock-down continues for an extended period, we anticipate some downward pressure on home prices.

Dez Capital Strategy

Although we do not qualify for government subsidies announced for financial institutions, and are not obliged to assist borrowers with deferrals as per the mortgage regulations the government has introduced, we decided to offer as much assistance to our clients as possible on a case-by-case basis in these extraordinary circumstances. Requests for deferral of interest for the next two to three months was close to 30% of Dez Capital's total revenue. We accepted close to 100% of the requests made by offering a prudent solution – to add the deferred interest payments to the principal of the mortgage. The deferred amount will be accruing interest on a monthly basis and will be collected together with the interest on the principal at the end of the borrower's deferral program term. Due to these accommodations, the annualized return for the month of March was 5.13%, compared to 7.10% in February - a drop of almost 28% (7.4% net return in 2019). We are confident we will recover this loss by the end of each borrower's mortgage term.

Looking Forward

We believe that the battle with COVID-19 is long from over. The pandemic will affect the flow of new immigrants in 2020 and 2021 which will have a direct influence on Toronto real estate. Lower interest rates, looser bank regulations, and capital leaving the public markets (due to future volatility) will strengthen competition and force rates down. We will be very selective in our lending in the next two quarters, and will either hold or increase our first mortgage holdings (currently at 65%), and more than double our cash reserves.

¹ February 2020 Sales were 7,256 compared to 4,982 in February 2019, up 45%. <http://trreb.ca/index.php>

² January 2020 Sales were 4,581 compared to 3,968 in January 2019, up 15%. <http://trreb.ca/index.php>

³ <https://ca.finance.yahoo.com/quote/%5EGSPTSE?p=AGSPTSE>

Dear Investor,

Canadian provinces have been combating Covid-19 for the last 4 months. Moving from a total lock down at the end of Q1, to second and third phases of easing restrictions in the last 2 weeks of the second Quarter. Toronto and GTA, where Dez Capital is focused, is slightly behind the rest of Ontario in easing restrictions.

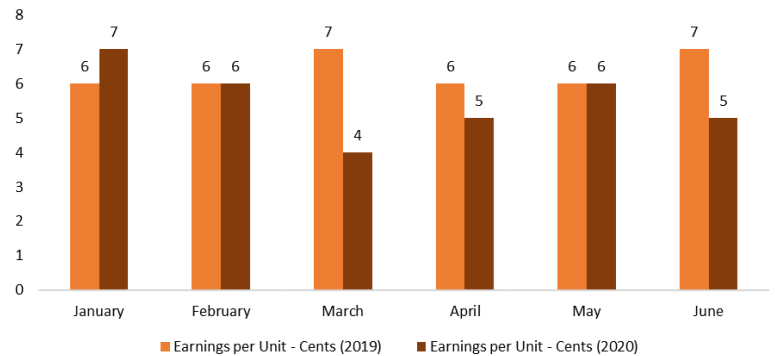
Market

Real estate transaction volumes were significantly down in the second quarter of 2020. In April, the transaction volumes were down 45% compared to the same period in 2019; however, in the last week of June the market saw an uptake in activity. For the most part prices held steady in the second quarter, due to the liquidity provided by the Federal and Provincial governments, mortgage deferral programs offered by banks and financial institutions, as well lower interest rates and less restriction in mortgage guidelines. All of this contributed to the stability of the real estate market. The easing of restrictions will enable more economic activity, and will be interesting to see how the real estate market will respond in the third Quarter.

Dez Capital Business

Dez Capital faced a large number of deferral requests in the later part of the first quarter, around 30% of the portfolio, and we obliged almost 100% of the requests. The interest deferrals ranged from 1 to 4 months. We added these payments to the principal, will collect interest on this deferred interest, and will distribute these deferred payments at the end of the mortgage terms. In parallel, we have announced to our borrowers that we no longer accept interest deferrals. After a significant decrease in March earnings, we are seeing upward movement in earnings. We remain active at a slower pace and are lending cautiously. We are focusing primary on first mortgages, and providing funding at lower loan to value (LTV). Our portfolio is now composed of 70% first mortgages (compared to 60% Q1 2020, and 54% 2019). This will provide greater stability, at the expense of earnings, however we believe this to be the right course of action for the foreseeable future.

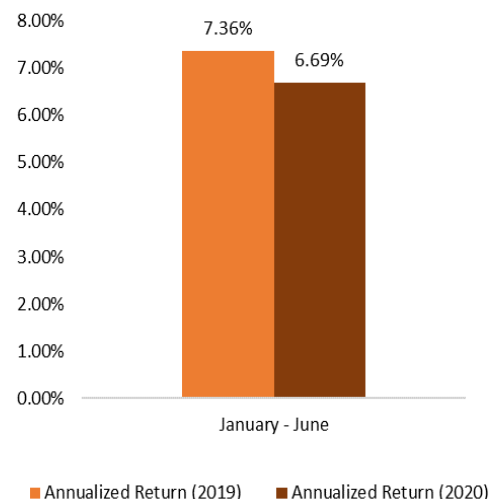
**Dez Capital Mortgage Investment Fund
Monthly Earnings per Unit - 2019 & 2020**



Looking Forward

The battle with the pandemic is far from over, and the possibility of a second wave and the end to liquidity programs offered by government and banks will influence the real estate market. The unemployment rate and the federal government's immigration program in the next 6 months are also important factors into which we have little insight at this stage, and both will affect the real estate market. Another factor that will influence the market is the behaviour of individuals towards real estate products; it is anticipated that the demand, in the short term, for condominiums will be less. Dez Capital policy never included lending into condominium market. We will continue to be selective in our lending, concentrating mostly in first mortgages and placing capital on lower Loan to Value deals.

**Dez Capital Mortgage Investment Fund
Annualized Return - First Half of 2019 & 2020**



Dear Investors,

In Q3, Ontario lifted many restrictions, and the academic year started with partial attendance in September. The number of Covid cases were reasonably managed during Q2 closures, at the expense of economic activity. Although we have better economic activity in the Q3, it will be costly as every indication points to higher cases and the flu season will not help this dilemma, which will lead to further closures and reduce economic activity.

Market

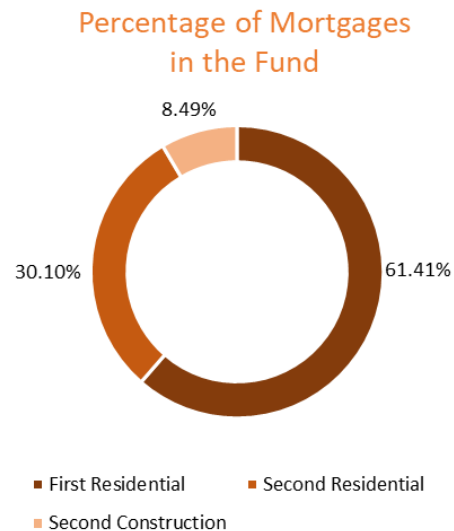
The real-estate market was very active in July, August and September; sales volumes were 20-30% higher than the same quarter in 2019 (1). This was attributed to pent up demand, with low volumes in Q2 due to restrictions, lack of procedure in home showings, and low interest rates. This activity influenced home prices with single family detached homes experiencing the biggest increase. In some neighbourhoods, the price increase was as high as 20% compared to the same quarter 2019 (1).

Activity was not uniform across all products, as small condo units in the downtown area saw a decrease in both volume transaction and price compared to the same period in 2019 (2). A second wave of the virus is predicted for Q4, which will result in more restrictions, hence impacting market activity.

Dez Capital Business

We saw a significant drop in deferral requests in Q3, and many of our clients, particularly in construction mortgages, were able to take advantage of the market activity and sell their completed homes. Our activity in this quarter compared to Q2 was higher and we will continue to be cautious and concentrate primarily on first mortgages. Percentage of first

mortgages in our portfolio is now around 61%, putting The Mortgage Fund in a more conservative position - a position warranted given the current climate.



Looking Forward

Many are predicting a second wave of the virus in Q4, bringing about additional restrictions and closures. This will inevitably cool activity in the real-estate market. The liquidity programs offered by governments and banks have ended or have been reduced, although both the federal and provincial governments have promised more assistance. The level and duration of such programs remains unclear.

There is still little visibility into two fundamental factors, unemployment and immigration, which will have a significant impact on the real-estate market. We believe there are many uncertainties going into Q4, therefore we will continue to be selective in our lending, concentrating mostly in first mortgages and placing capital on lower Loan to Value deals.

(1) http://trre.ca/files/market-stats/housing-charts/TREB_Housing_Market_Charts-September_2020.pdf

(2) <https://financialpost.com/real-estate/tiny-condos-now-the-biggest-losers-in-toronto-real-estate-market-shakeup>

Dear Investors,

The year 2020 will forever make its mark in history. COVID-19 virus has been humanity’s biggest challenge since the end of World War II. The infection caseload increased steadily in Q4 forcing Ontario to implement strict lockdown protocols once again. The news of effective vaccines has brought much needed optimism, however the task of immunizing the population will take time and demands patience and discipline from citizens.

Although the pandemic brought uncertainty and turmoil to many markets, the real-estate market in Ontario has shown resilience and continues to be active.

Market

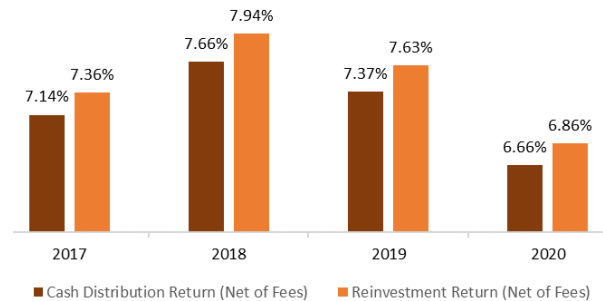
Activity in Q4 did not match the activity in Q3, however surpassed sales volumes for the same period in 2019 (1). This shows the resilience of the GTA real-estate market. Single family homes and town homes in suburbs saw the most activity (2). This is due to the new trend of working from home, where many people seek larger dwellings and less crowded neighborhoods.

New townhome development products have also done extremely well, both home buyers and investors are picking up the inventory as soon as it enters the market. Sales volume for condominium products has been flat for most of Q4, however evidence has shown an increase in activity towards the end of Q4. Lack of supply in detached, semi and townhomes will put upward price pressure for these product in 2021.

Dez Capital Business

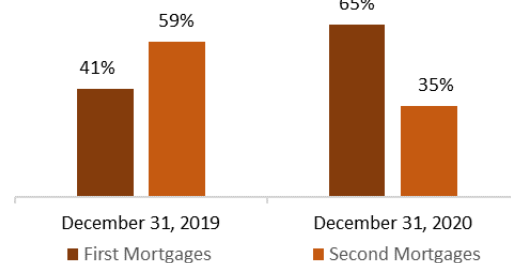
Our performance was lower compared to previous years due to two factors: first, the amount of mortgage deferrals we faced in Q1 and Q2 of 2020. These deferrals were roughly 30% of the portfolio. The good news is that the deferred interest will be collected on maturity and will then be distributed to investors.

Cash Distribution Return vs. Reinvestment Return 2017 - 2020



The second factor leading to decreased returns was our decision to take a more conservative stand, increasing the portion of first mortgages, in these uncertain times.

Percentage of Portfolio in First & Second Mortgages 2019 vs. 2020



Looking Forward

The real estate market throughout the GTA and Golden Horseshoe has proven resilient, and all indications point to healthy activity in 2021 (2). Interest rates are at historic lows and will create a downward pressure on Dez’s rates. In 2021, we are looking to expand our geographical area by cautiously entering markets in Hamilton, Kitchener, Waterloo, Burlington, and St. Catharine’s. These markets are performing well and will provide more options for Dez Capital.

There is a chance that a long lockdown will dampen activity in the real estate market, however we believe, lessons learned in Q2 and Q3 will reduce this possibility. There are indications that by Q3 most of the general population will be immunized, and life can return to, more or less, what we remember.

1-[TREB Housing Market Charts-December 2020.pdf \(trreb.ca\)](#)

2-[Housing Market Assessment – December 2020 \(cmhc-schl.gc.ca\)](#)