

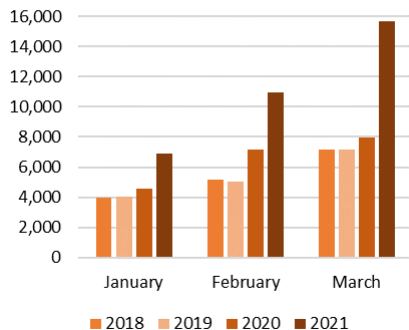
Dear Investors,

As the vaccine roll out gained momentum, optimism for normalcy took shape. Unfortunately, the new variants and a premature stop to the shutdown that started in Q1 escalated the infection counts and prompted a new lock down. Fortunately, despite the ups and downs in the pandemic cycle, the real estate market in Ontario continues to be strong.

### Market

The market was strong in the first quarter of 2021. Fueled by historic low interest rates, performance has surpassed previous years in all categories including: volume of sales transactions, new listings, construction starts, and average home prices. (1,2)

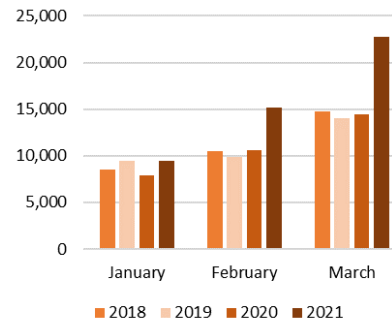
Monthly MLS Sales  
2018 - 2021



Average home prices in Toronto increased by 21% compared to same period last year (March 2020 \$902,787--March 2021 \$1,097,565). The Condo market has also seen positive activity in this Quarter, prices has seen a slight increase, but volume has been up compared to last two Quarters.

Fears of a bubble in the residential market in Ontario is growing. The historic low interest rates are a prime reason, but governments and the central bank are hesitant to increase the rates for the fear of causing stagnation in other markets. Although banks have increased their five-year rate slightly, rates remain extremely low.

Monthly MLS New Listings  
2018 - 2021



### Dez Capital Business

Due to looser mortgage qualification by the banks, we are not seeing the deal flow we are accustomed to; the amount of capital in the private lending market is surprisingly high (3), creating pressure to lower rates for potential deals. Our rates have decreased by 1.00%, compared to the same period in 2020, across all mortgage products. This trend is expected to continue in the near future.

We have seen an increase in construction mortgage activity and will take advantage and participate. We continue to hold a conservative portfolio, maintaining our high ratio of first mortgages from 2020. We are cautious regarding the increase in real estate prices and anticipate a correction, and hence have decreased our maximum LTV in new deals.

### Looking Forward

The market in Ontario will continue to be strong. The rapid increase in home prices cannot be sustained long term, and we hope that the governments and central bank bring in measures to cool down this frenzy. The bubble effect will have dire consequences if not dealt with in a measured way. The outlook for the post pandemic economy in general is positive. Low interest rates and government stimulus policy will assist in a fast recovery.

1 - [TRREB - Market Stats - Quick Overview](#)

2 - [TREB Housing Market Charts-March 2021.pdf \(treb.ca\)](#)

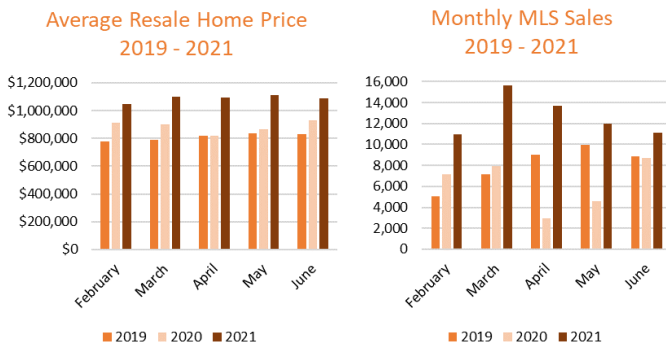
3 - [Canada calling? Hong Kong residents shift billions abroad after clampdown | Reuters](#)

Dear Investors,

The vaccine drive in the last quarter has been incredibly positive, availability of vaccines, organized distribution centers, and people’s participation in getting the dose all played a factor. The real estate market remains strong. The rapid price increase of the first quarter has cooled. Inflation is the concern of most nations, and everyone is watching the gauge with concern.

### Market

The real estate market remained strong in the second quarter of 2021, despite a slight increase in rates at the beginning of June by all five major banks. Prices held steady compared to the last quarter, even with a decrease in both in volume of transactions and new listings (1).



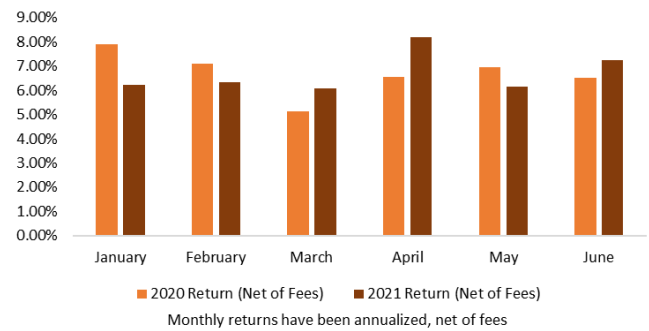
Following the slowdown in the Condo market in the middle of last year due to the pandemic, it is now experiencing positive activity. The prices are holding well, and volume of activity in the Condo market is higher compared to the same period last year.

After rapid price increases, and a purchase frenzy in the single family, semi-detached and town home products, in the first quarter, the slight slowdown in volume and price increases in this sector is welcome news. The frenzy of the first quarter was not sustainable for the long term. Although the fear of a bubble still hangs over the real estate market in Toronto, a slight cooling trend in the mentioned sector in the future months will ensure a strong market for the foreseeable future.

### Dez Capital Business

Towards the end of first quarter, we started to see better quality deals compared to the first quarter. We focused on construction and development deals and are now seeing a slight increase in our returns over the same period last year. We are also receiving a portion of the deferred interest from last year which had a positive influence in our April returns. Although lending rates are still low, we have been able to produce better returns, compared to last year, by directing more capital into construction and development deals.

2020 Return vs. 2021 Return  
January - June



We still see a large amount of capital chasing deals in the private lending market, putting pressure on lending rates and making it difficult to find good deals. We continue to maintain a large portion of our portfolio in first mortgages, and continue to be mindful of our Loan-to-Value position on deals (Weighted Average LTV 63.22%).

### Looking Forward

We believe the real estate market will remain strong until the end of 2021. We welcome a steady market in the third quarter. Inflation is a concern because of the amount of liquidity in the market from governments all over the world, for job subsidies, and mega infrastructure capital expenditure. We will watch for Central Bank announcement at the end of third quarter regarding inflation.

Dear Investors,

We finished 2021 very similarly to how we began, with the pandemic still impacting both our economy and society. The fourth wave, which began in late December, has since peaked but continues to cause closures and disruption in many sectors of the economy. With a large portion of the population vaccinated and the current variant being less severe, there is a sense of optimism that normal times are just around the corner.

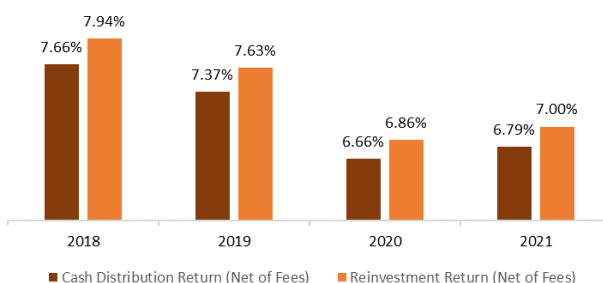
### The Market

The real estate market in Ontario — specifically Toronto — had a remarkably productive fourth quarter, as 2021 was one of the best performing years in recent history. The average home price in Toronto climbed 24% from \$932,297 in 2020, to \$1,157,849 in 2021 (1). A lack of supply coupled with continuous low interest rates were the main reasons for the significant price increase. Total residential transactions were 15% lower in 2021 compared to 2020, while the five-year mortgage rate was just 2.4%. Condominium sales also saw a healthy year in 2021, as volume of sales increased by 20% and the average price increased by 16% compared to 2020 (1,2).

### Dez Capital Business

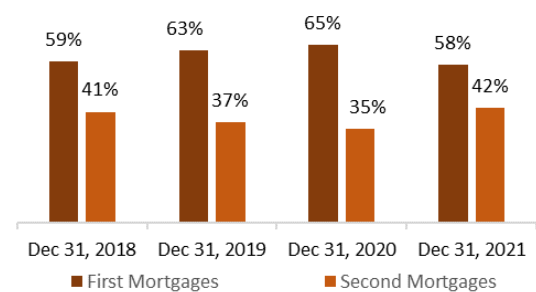
The lack of supply made business more challenging than years prior to pandemic. Interest rates continue to be low while competition in private lending remains strong. Nevertheless, in 2021, we managed to outperform 2020 by a small margin.

Cash Distribution Return vs. Reinvestment Return  
2018 - 2021



Critically, we recovered a large portion of the outstanding interest deferrals from 2020, which contributed to stronger returns. We also rebalanced our portfolio by reducing our first mortgage position, thereby achieving a higher overall rate of return while still maintaining a conservative risk position.

Percentage of Portfolio in First & Second Mortgages  
2018 - 2021



### Looking Forward

Inflation is at its highest level in the past 30 years, and it is inevitable that interest rates will rise in both Canada and the United States. Experts are predicting a total increase of 0.75%-1% to the Bank of Canada rate before the end of 2022.

The increase in interest rates has a twofold effect on our business. On one hand, it will allow us to increase our rates to achieve a higher rate of return. On the other hand, 1- it will reduce activity in the real-estate market, and 2- create uncertainty in the stock market, resulting in movement of capital from the stock market into an already competitive real-estate market. This will make identifying quality deals more challenging with diminished supply and increased competition.

We believe the real estate market will remain robust for 2022.