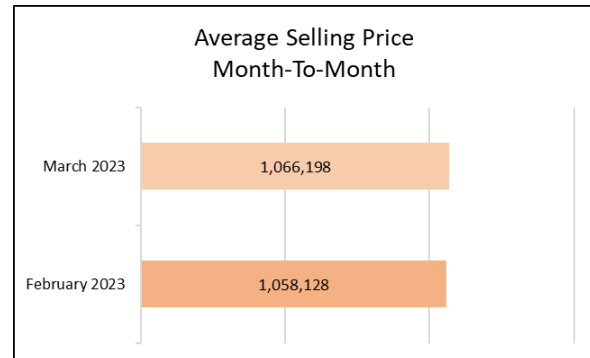
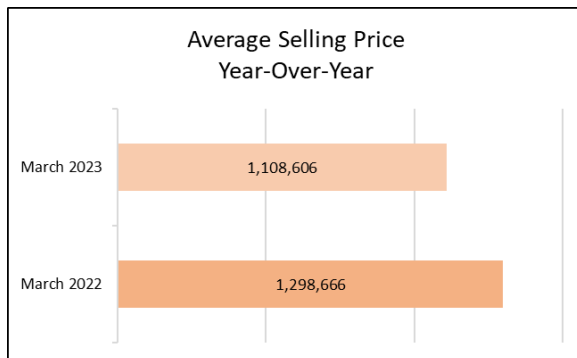


Dear Investors,

After raising the overnight rate for the seventh consecutive time in January 2023 to 4.5%, the Bank of Canada decided to hold the overnight rate for the months of February and March. Inflation has decreased from a high of 7.8% in July 2022, to 4.3% today. Although the monetary policy for reducing inflation has been effective, it remains unclear how long the Bank of Canada will maintain the high rates and what the long-term impact on the economy will be.

The Market

It was anticipated that the high interest rates would have a negative effect on the housing market, and it has for the last six months. Sales volume, and average home prices declined across all products in the fourth quarter of 2022 in Ontario, but held steady for the first month of 2023, and started a slight upward movement for the months of February and March. The average sale price for March 2023 was \$1,108,606, down 14% compared to \$1,298,666 for March 2022¹. There was a marginal increase in the average sale price from February 2023 to March 2023.



Dez Capital Business

We began increasing our rates at the end of third quarter in 2022, and have since adjusted roughly 60% of our portfolio to the higher rates. Due to market conditions, mortgage transactions came to a halt during the first quarter of 2023, resulting in liquidity issues. Our policy decision last year to hold more cash paid dividends, protecting us from the liquidity crunch. We are seeing a slight increase in market activity at the end of the first quarter of 2023 compared to the end of last year. However, this will be limited to sellers that have to liquidate and buyers who have capital. Interest rates are high, and we believe sales volume will not reach 2021 levels any time soon. We will maintain our cautious approach for the short term, being selective with mortgages, and issuing loans at slightly lower LTV. For the short term, we have reduced our construction exposure by 50% due to the high cost of construction and high interest rates, factors which put borrowers under pressure, and increase our risk.

Looking Forward

As inflation slows, there is optimism that The Bank of Canada will lower rates towards the end of the year. The demand for housing remains strong, as Canada's population grew by one million in 2022 through immigration². The Federal government's immigration policy for the near future is 500,000 people per year until 2025³. These factors will keep the housing market strong and resilient for the remainder of 2023.

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

2 - [Canada's population grew by record 1 million in 2022, spurred by international migration | CBC News](#)

3 - [Notice – Supplementary Information for the 2023-2025 Immigration Levels Plan - Canada.ca](#)