Dez Capital
MORTGAGE INVESTMENT FUND

Dear Investors,

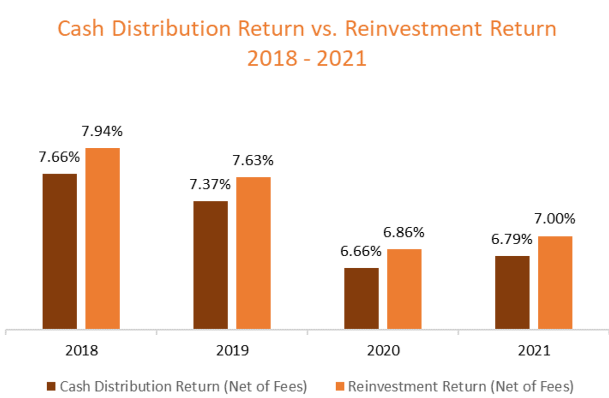
We finished 2021 very similarly to how we began, with the pandemic still impacting both our economy and society. The fourth wave, which began in late December, has since peaked but continues to cause closures and disruption in many sectors of the economy. With a large portion of the population vaccinated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

The Market

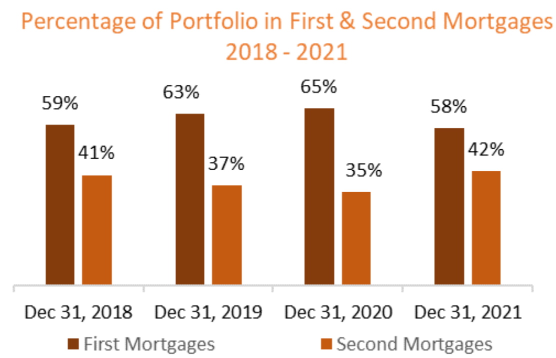
The real estate market in Ontario — specifically Toronto — had a remarkably productive fourth quarter, as 2021 was one of the best performing years in recent history. The average home price in Toronto climbed 24% from $932,297 in 2020, to $1,157,849 in 2021 (1). A lack of supply coupled with continuous 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.



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.



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 the 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.

1 - [TRREB - Market Stats - Quick Overview]
2 - [TRREB - Housing Market Charts]