

Dear Investors,

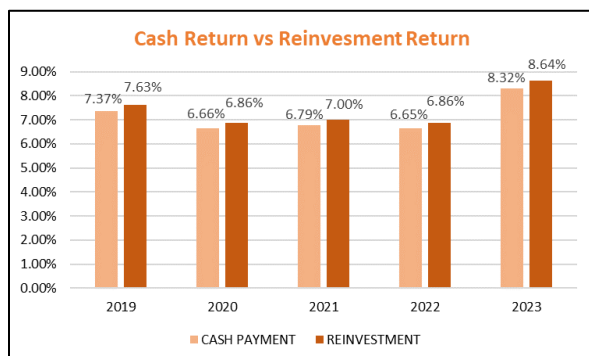
In the wake of the unprecedented 4% interest rate hike in 2022, Bank of Canada implemented three additional increases in 2023, ending at 5%. While the bank's efforts to control and lower inflation have shown relative effectiveness—bringing down the inflation rate from its 2022 peak of 8.1% to 4.4% in December 2023—the elevated interest rates have cast a shadow on consumer spending and the overall economy. The delicate balancing act between inflation control and recession avoidance is set to unfold throughout 2024.

The Market

The real estate market, in both residential and condominium sectors, experienced sluggish performance. Prices declined, and properties took longer to sell. New residential listings dropped by 6.6% compared to 2022, and it's noteworthy that 2022 sales were already down by 38% compared to 2021. The average selling price also took a hit, dropping from \$1,190,749 in 2022 to \$1,126,604 in 2023¹.

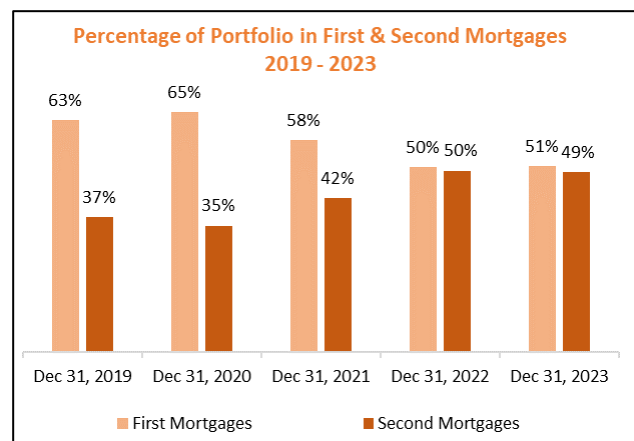
Dez Capital Business

Our portfolio has undergone necessary adjustments to align with the new interest rates and we posted a higher return for 2023, compared to previous years².



We anticipate this positive trend to continue into 2024. In this market with limited quality deals, we have adhered to an even more selective approach in building our portfolio. Despite the higher returns, we

endured a notable increase in mortgage defaults in 2023, and we are addressing these cases individually, with legal litigation as a last resort. Our priority remains providing clients the ability to keep their mortgages in good standing amid the ongoing economic uncertainty persisting since 2022. In 2023, we implemented a lower Loan-to-Value (LTV) lending strategy and aimed to have 50% of our portfolio in first position mortgages, an approach we plan to continue through 2024.



Looking Forward

The primary policy focus for central banks in 2024 will be the nuanced task of taming inflation while ensuring a soft landing for the economy. Economists anticipate Bank of Canada to initiate rate cuts by mid-2024. However, challenges from the spike in December's inflation (rising from 3.6% in November to 4.4% in December) and the current global political landscape, marked by wars and an election south of the border, make this balancing act even more daunting. We are cautiously optimistic that Bank of Canada will start lowering interest rates by mid 2024, which in turn will initiate activity in the residential and condominium markets. The activity will be modest, but it will halt the downward trend witnessed in both sales volume and prices.