



CMLS Mortgage Fund

Discussion Points

-
- Firm Overview
 - The Investment Opportunity
 - Risks to Consider
 - Implementation
-

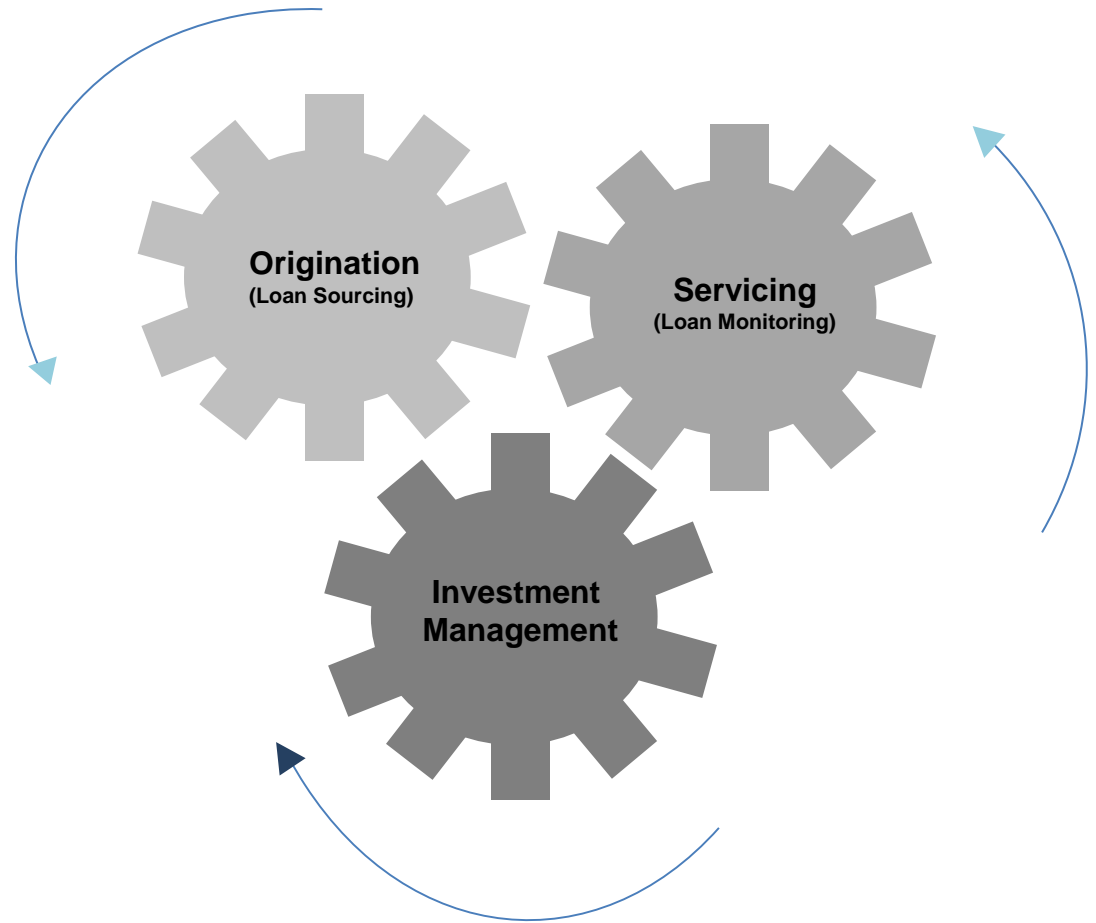
Company History

***CMLS Asset Management Ltd. is an Affiliate of CMLS Financial Ltd.
with 45 years of Experience***

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- Established in 1974 by Phillips, Hager & North, now management-owned
 - Over \$21 billion in mortgages under administration
 - The highest-rated commercial mortgage servicer in Canada
-

Corporate Organization

Vertically Integrated, Full Service Firm



Infrastructure

Assets Under Administration

\$21.7B

Loans Funded in 2018

\$5.5B

Operational Excellence

Deloitte.

FitchRatings



Years of Experience

45+

Origination, Credit,
Servicing Specialists

260+

National Offices

7

Institutional Relationships

PHILLIPS, HAGER & NORTH
Investment Management®

RBC
Dominion
Securities

GREYSTONE
MANAGED INVESTMENTS INC

ATB Financial®

POLAR
ASSET MANAGEMENT PARTNERS

MD
MD Financial
Management
CMA Companies

FIERACAPITAL

KingSett
CAPITAL

AIMCo
Alberta Investment Management Corp.

ADDENDA
CAPITAL

ICBC
Insurance Corporation
of British Columbia

Otéra
Caisse de dépôt et placement
du Québec

CMLS
ASSET MANAGEMENT LTD.

bc imc

CMHC SCHL

NICOLA
WEALTH MANAGEMENT

CMLS Mortgage Fund

Investment Results

*The CMLS Mortgage Fund was Originally Created to Give CMLS Partners
an Opportunity to Invest Alongside our Institutional Clients*

Investment Highlights & Results:

- 11 year track record of 5-7% returns
 - Low correlation with traditional asset classes
 - Capital preservation
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CMLS Mortgage Fund

Investment Objectives



The Fund's Investment Objective is to Preserve Capital and Provide Investors with a Stable and Attractive Monthly Distribution.

Investment Strategy:

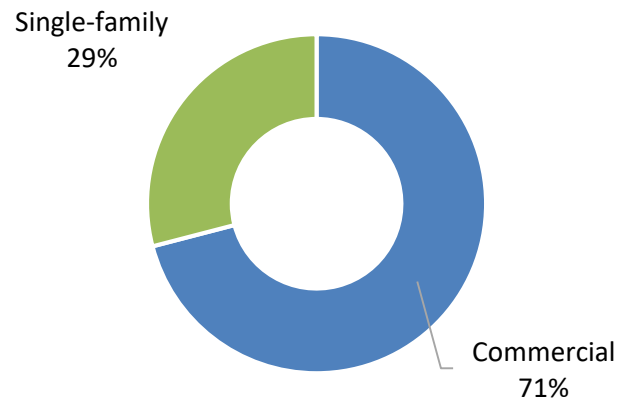
- **Enhance returns** by investing in less competitive/inefficient markets
 - **Protect income** by focusing on quality borrowers and stable underlying collateral
 - **Reduce idiosyncratic risk** by investing in a broad selection of mortgages
 - **Reduce interest rate risk** by investing in short duration mortgages
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Investment Guidelines

Flexible Strategy with a Bias Towards Cash-Flowing Commercial Mortgages

- 50-100% Commercial Mortgages
- 0-50% Single-Family Mortgages

Current Asset Class Exposure



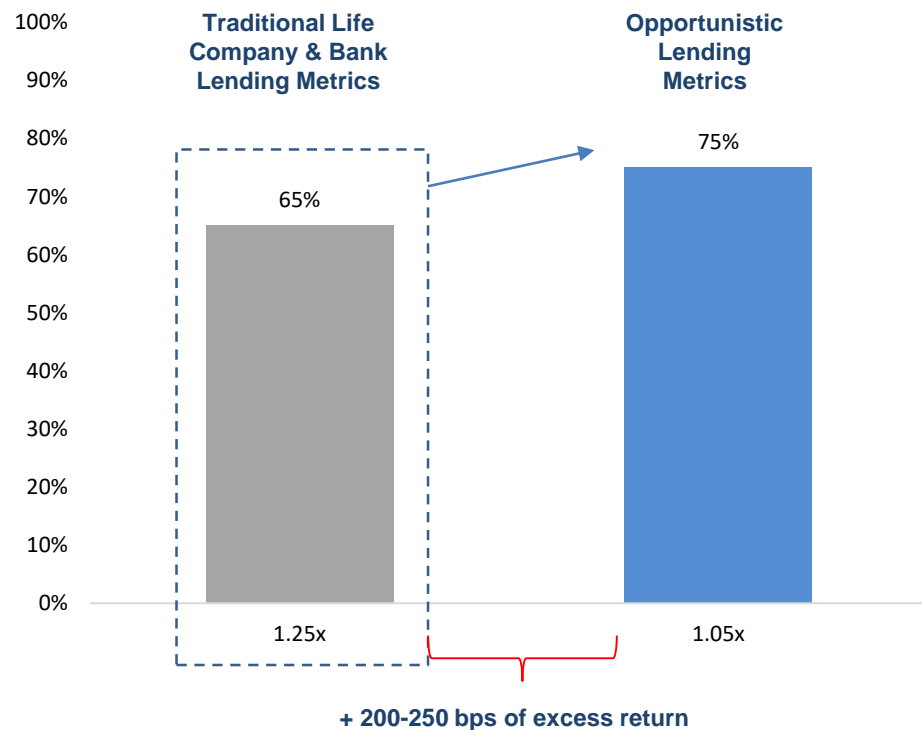
Investment Policy Snapshot

Asset Sub-Class:	Commercial & Single-Family Residential Mortgages
Concentration Limits:	10% to Any Entity
Max Loan Size:	10% of Fund Assets
Target Duration:	2-3 Years
Target Loan to Value:	65%
Target Fund Leverage:	0%

Commercial Mortgage Market

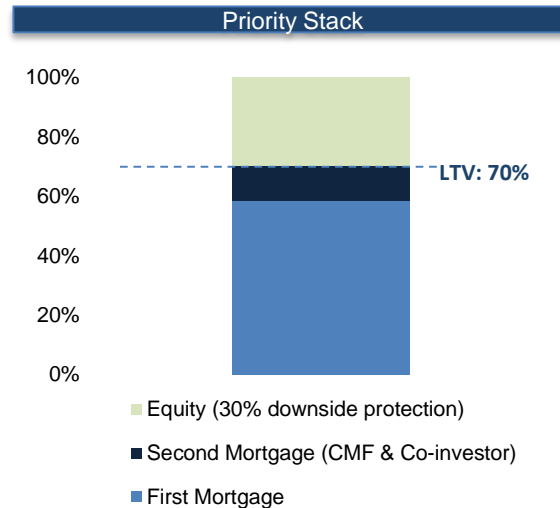
New Lending Markets Have Developed as Cap Rates Have Compressed and Sophisticated Borrowers Look for Innovative Ways to Finance Value-Add Strategies

- **Opportunities** exist to increase leverage (e.g. 75% LTV and cash flow coverage of 1.05x debt payments) to facilitate value-add strategies to experienced borrowers.
- **Value-Add Strategies** tend to be shorter-term so they don't lend themselves well to traditional life insurance company ALM strategies.



Commercial Mortgage Deal Example

Purpose: To assist with the acquisition of nine multifamily properties located in prime rental nodes; the Fund **partnered** with an institutional co-investor to provide \$750,000 of an \$18 million second mortgage.



Investment Summary	
Transaction Type	Purchase
Loan Size	\$750,000
Location	Hamilton
Amortization	30 years
Term	4 years
Rate	5.75% + 1.0% fee (~6.00% Ann.Yield)
Recourse	\$875 Million Corporate Guarantee

Credit Positives:

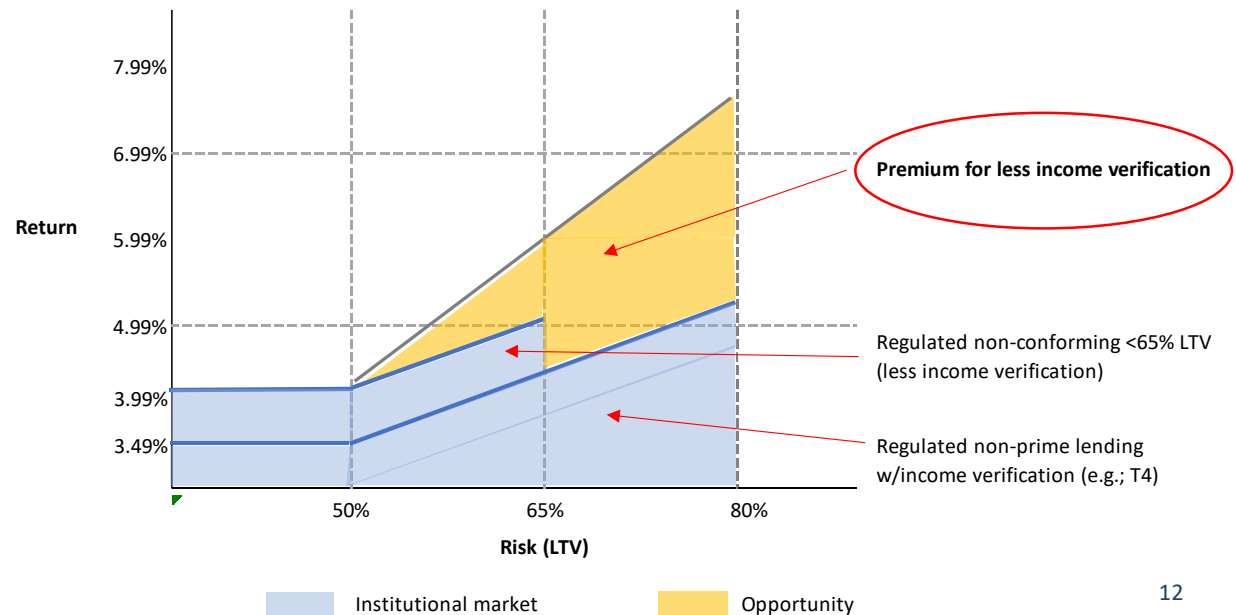
- **Equity:** 70% LTV; cash equity of \$64MM+
- **Debt Service:** 1.10x on existing diversified multifamily tenant base
- **Experienced Sponsorship:** Guarantee for the full loan; 80+ years experience in all property types

Single-family Mortgage Market

Low Institutional Presence Results in an Inefficient Market

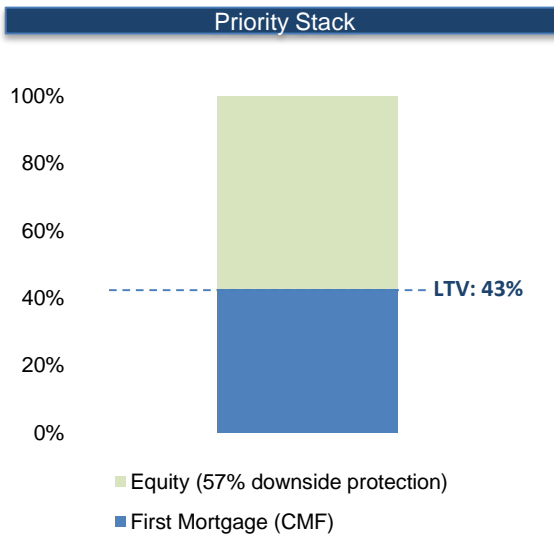
- **Regulatory Arbitrage:** opportunity exists largely because banks, the dominant players in the market, are subject to restrictive OSFI regulations.
- **Lack of Opportunities:** few opportunities of scale for large institutions to deploy meaningful capital.

Illustrative Non-Prime Risk Pricing (%)



Single-family Mortgage Deal Example

Purpose: purchase of an owner-occupied property. Borrowers were turned down at a Schedule I bank due to short closing timeline (8 days)



Investment Summary	
Transaction type	New purchase
Loan size	\$450,000
Location	Greater Vancouver Area
Amortization	35 years
Term	6 month open
Rate	6.49% + 2.0% fee
Beacon score	855/895

Credit Positives

- **Equity:** 43% LTV; cash equity of \$600,000
- **Debt Service:** Gross Debt Service Ratio of 39%
- **Quality Borrowers:** Excellent 800+ credit score for both borrowers and solid repayment history

Managing Investment Risk

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- Idiosyncratic risk
 - Credit risk
 - Downside risk
 - Interest rate risk
 - Liquidity risk
-

Diversify Idiosyncratic Risk

Weighted Average
Loan-to-Value

59%

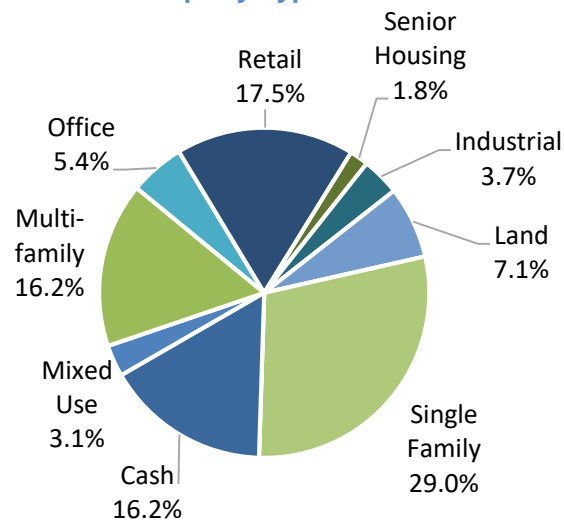
Weighted Average
Term to Maturity (years)

1.62

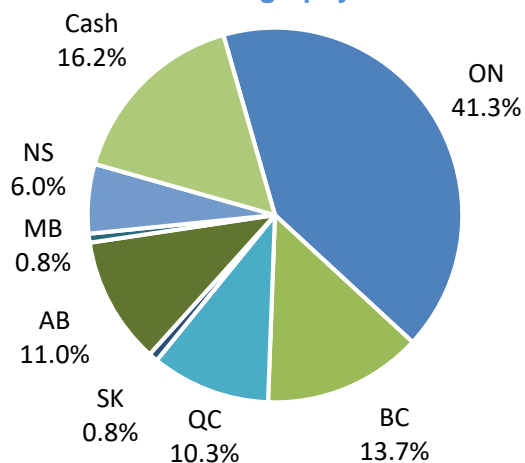
Number of Loans

31

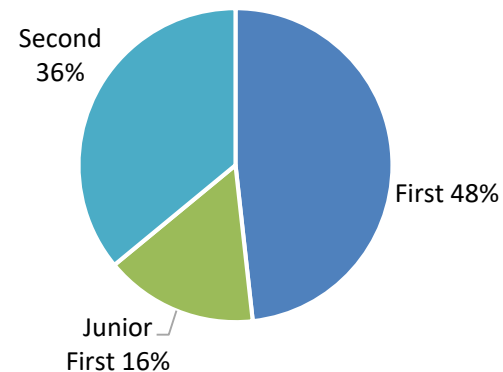
Property Type



Geography



Priority



Stable Income

*CMLS has Developed Strong Relationships with Quality Borrowers
Over the Last 45 Years, Reducing the Probability of Default*

Commercial Portfolio:

Average Borrower Net Worth	Number of Tenants Across 19 Properties	Average Debt Service
\$123M	1,492	1.1x

Residential Portfolio:

Average Borrower Credit Score	Weighted Years to Maturity	Focused on Major Markets in the GTA and GVA
735	0.99	100%

Downside Protection

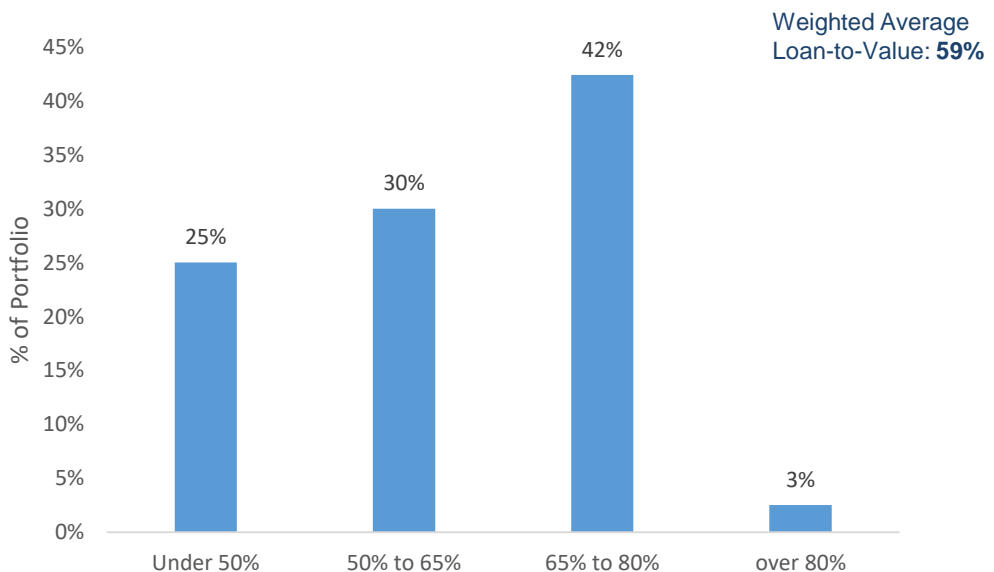


Weighted Average Loan-to-Value of 59%

Real estate values could compress **41%** on average before the Fund may incur a loss¹.

Loan-to-Value Dispersion

(%)

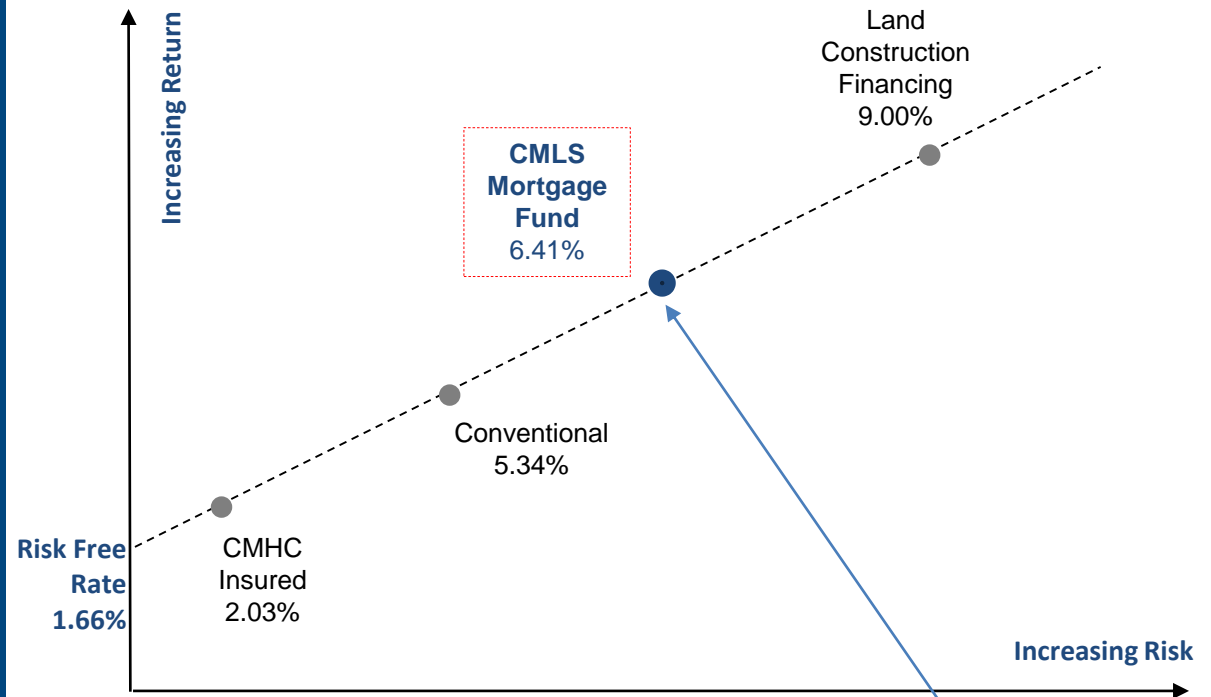


Notes ¹Before taking into account legal fees and assumes the fund realizes on the underlying collateral. Values are original appraisal date value. Data is as of Dec 31st, 2018

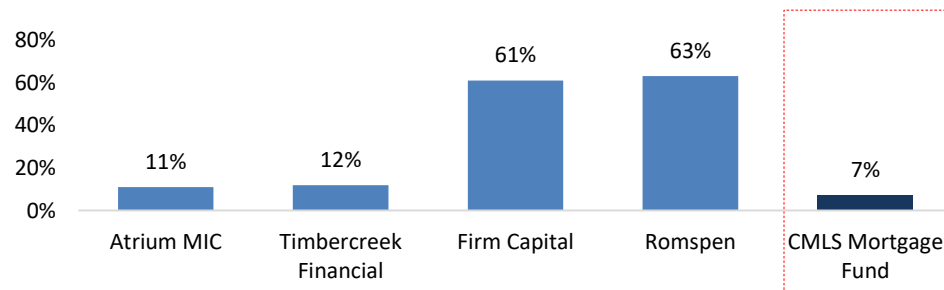
Risk Management

Risk and Return Analysis

Return and Risk Comparison Among Competitors



Competitor Profile by % in Land & Construction Financing

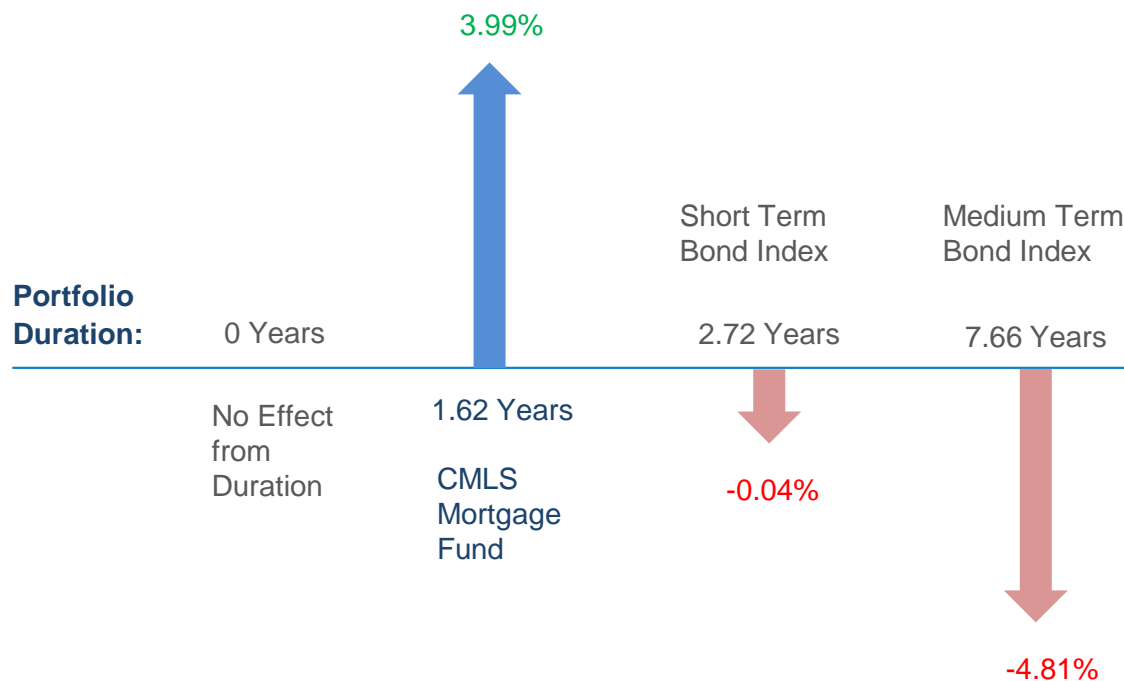


Source: Annual Reports as of Sept 31st, 2018; Rf (risk-free rate) = 5 Year Government of Canada Bond as of March 14th, 2019; CMHC Insured = 5 Year Canada Mortgage Bond as of March 14th, 2019. CMLS Mortgage Fund data is as of Dec 31st, 2018

Protection Against Rising Rates



Total Return after a 1.00% Rise in Interest Rates



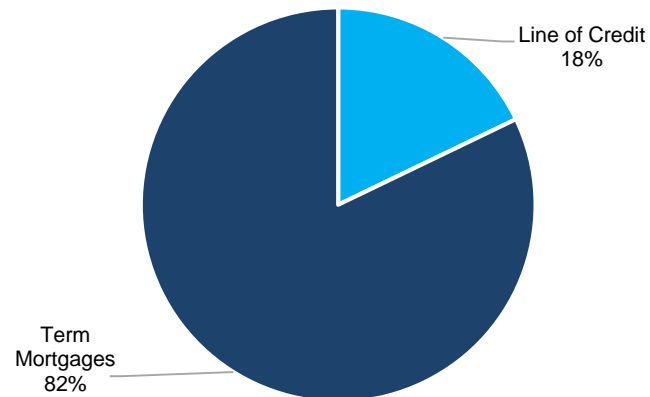
¹ Blackrock iShares XSB and Blackrock iShares XBB were used as proxies for the FTSE Canada Short Term Bond Index and FTSE Canada Universe Bond Index, respectively.
² CMLS Mortgage Fund duration is represented by term to maturity. Actual duration would be lower.
Data as of March 14th, 2019

Liquidity Management

Monthly Liquidity

Redemptions within the first year will be charged a 1% fee, payable to the remaining unitholders (not the manager).

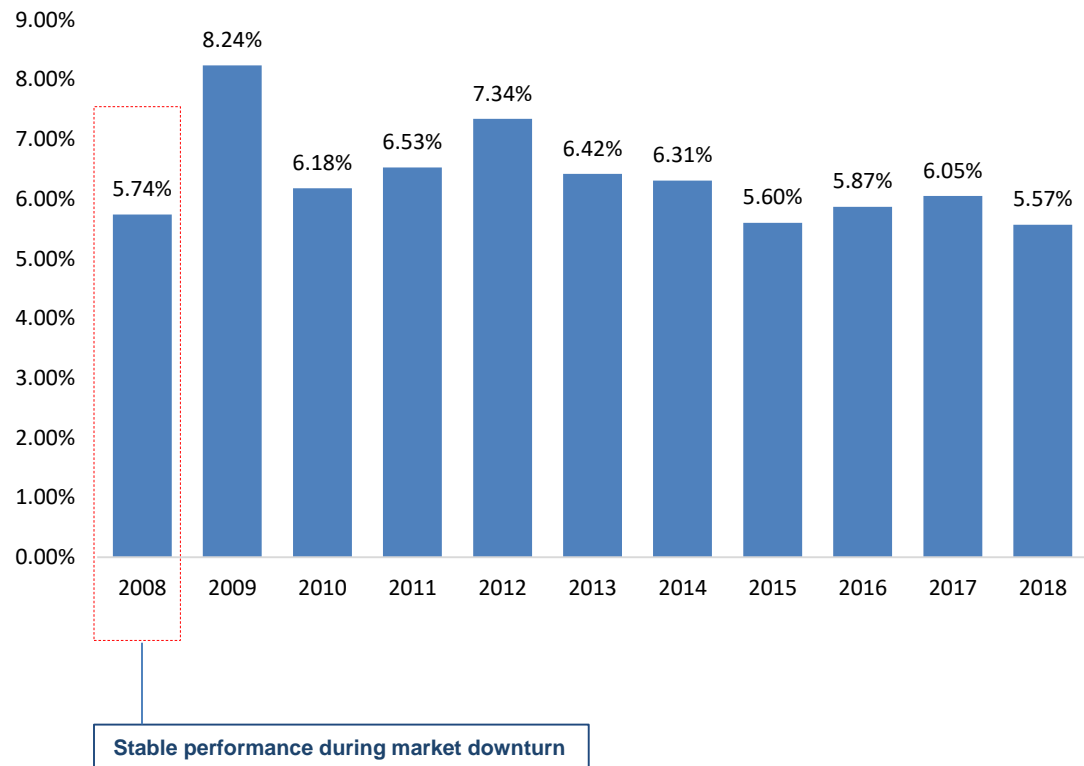
- **Line of credit for 18% of Assets**
- **Short duration** portfolio (~1.5 years) produces a high turnover of loans
- **Selling agreements** with Institutional Investor base for loan sales if required



Historical Returns



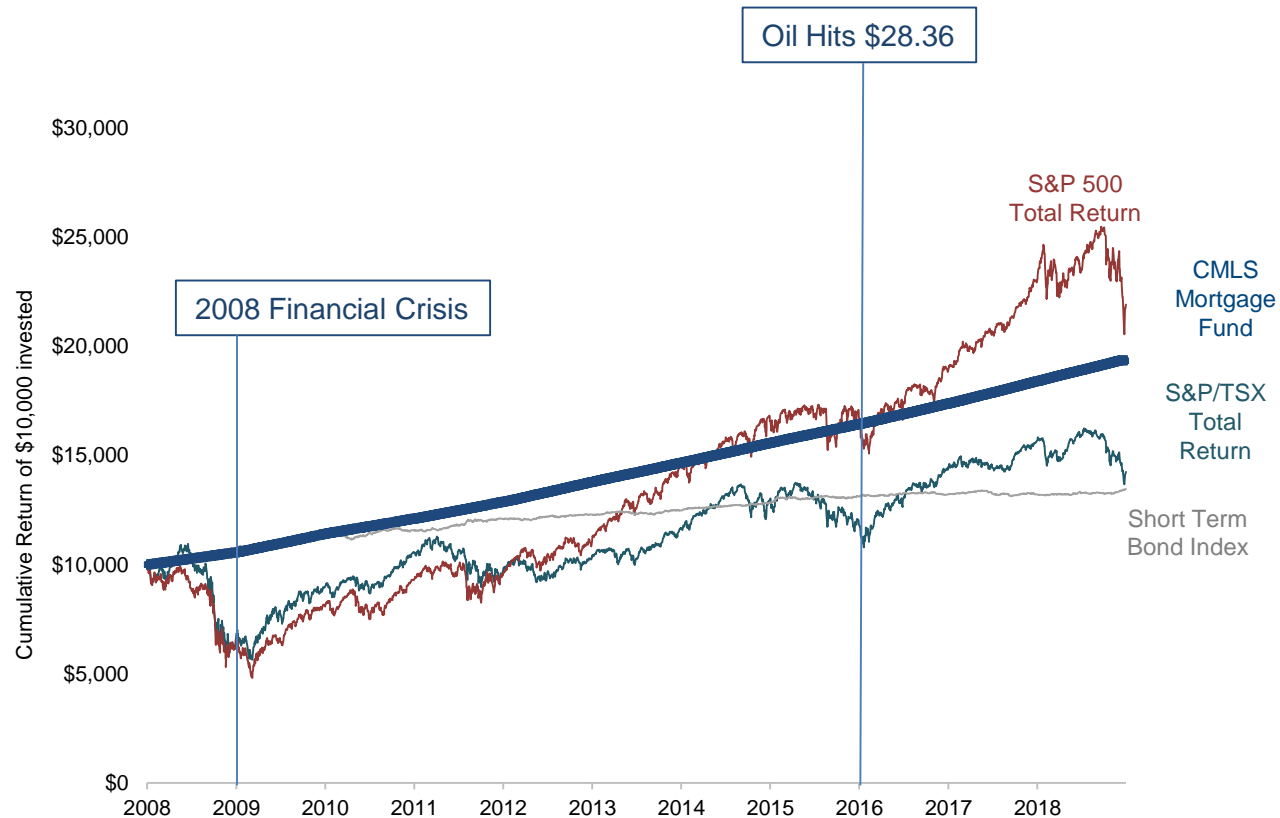
Stable 6.35% Return Since Inception (%)



Source: CMLS Asset Management Ltd.

Notes: CMLS Mortgage Fund returns are actual net returns on class I units (MER of 1.50%, reduced to 0.90% in April 2017) and assume distributions have been reinvested through the period. Historical returns are not indicative of future returns. Data is as of Dec. 2018

VS. Traditional Assets



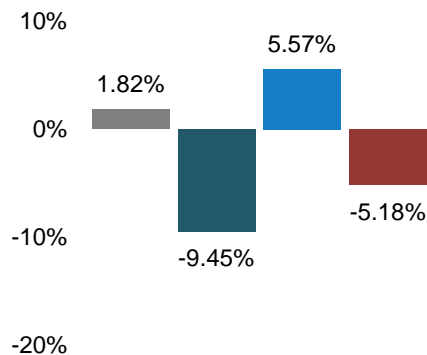
Comparative Performance

Annual Return



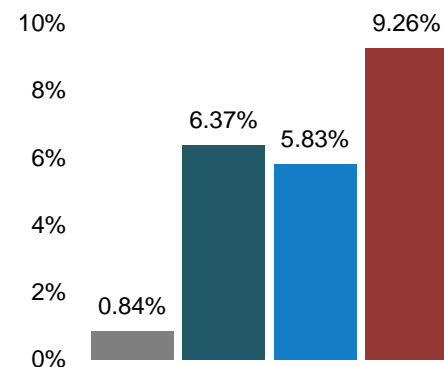
1 Year Performance

(%)



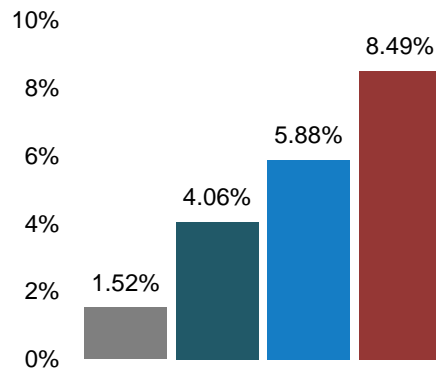
3 Year Performance

(%)



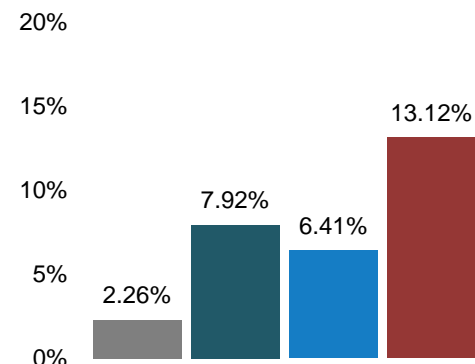
5 Year Performance

(%)



10 Year Performance

(%)

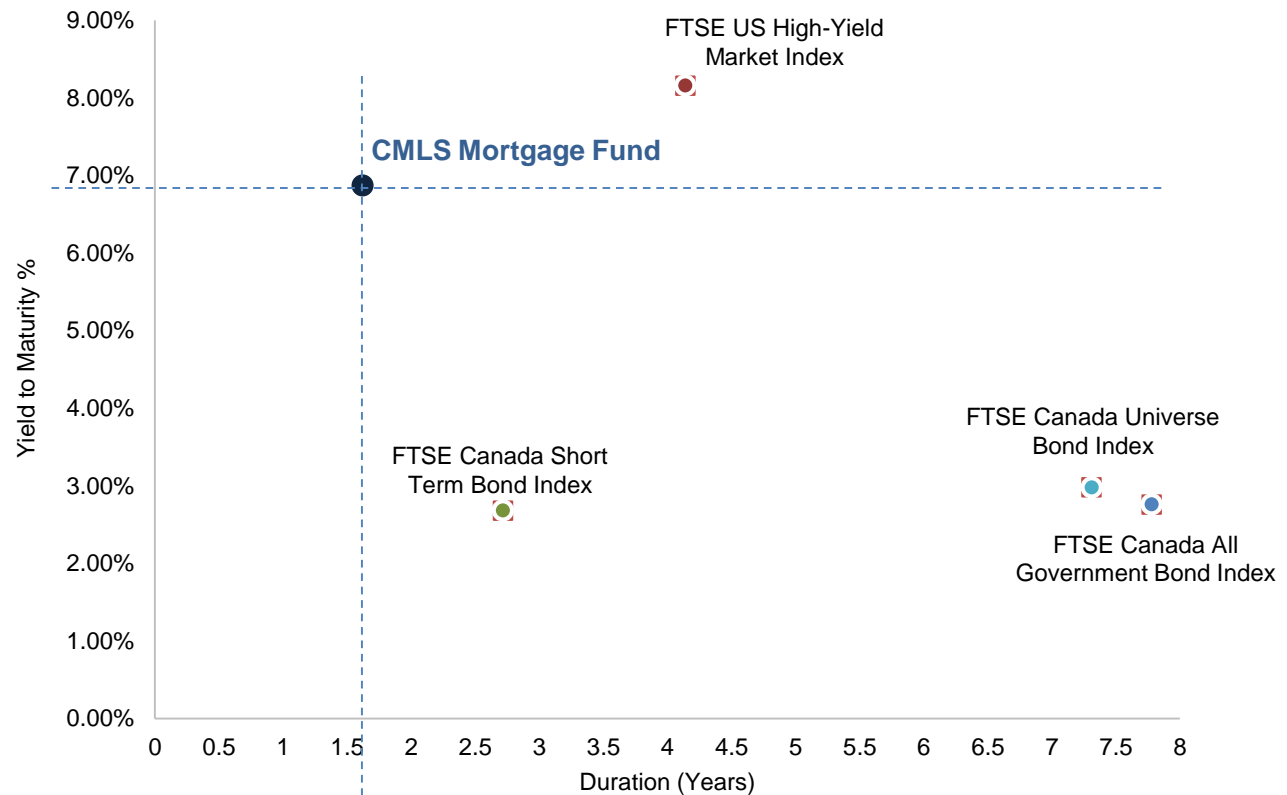


● CMLS Mortgage Fund
● Short Term Bond Index

● S&P 500 Total Return
● S&P/TSX Total Return

Absolute Return

Enhanced Yield and Lower Duration Provides an Attractive Opportunity for Those Seeking Absolute Returns



Low Correlation

CMLS Mortgage Fund Historically Exhibited a Low Correlation to Other Asset Classes

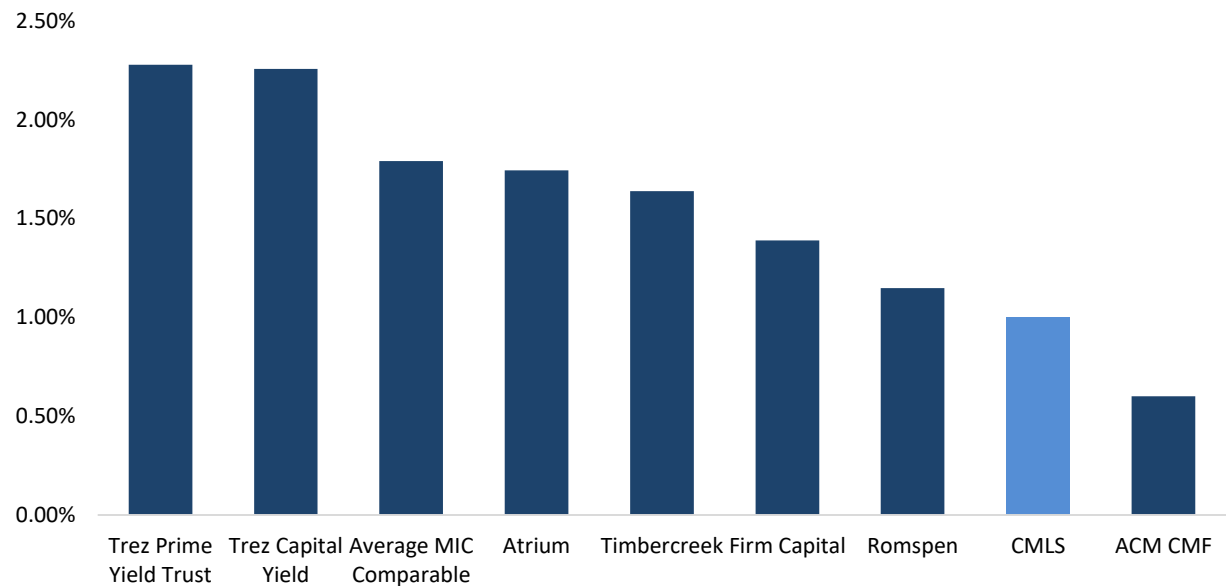
	<i>CMLS Mortgage Fund</i>	<i>REALPAC/IPD</i>
<i>CMLS Mortgage Fund</i>	1.00	
<i>REALPAC/IPD</i>	0.09	1.00
<i>S&P 500</i>	0.10	-0.32
<i>S&P/TSX</i>	0.15	-0.17
<i>Blackrock iShares XSB</i>	0.23	0.18
<i>MSCI Emerging Market Index</i>	0.33	-0.18
<i>Barclays US High Yield Index</i>	0.50	-0.12

Management Fees



Simple and Transparent Fee Structure with NO Performance Fees
Reducing the incentive to reach for yield at the expense of credit quality

Comparable Management & Performance Fees (last twelve months)
(%)



Source: Company reports, CMLS Asset Management

Notes: Fees represent actual management and performance fees paid over the last twelve months divided by average shareholders' equity. Data is as of December 31st, 2017 with the exception of CMLS which is as of December 31st, 2018. Average MIC Comparable is average fee of VWR, Fisgard, and Antrim.

Investment Team & Advisory Board



Investment Team

Sean Adamick, CFA, CPA, CA |
Portfolio Manager

- Responsible for the investment management of the Fund
- Over 10 years' of experience in real estate finance and investment management
- Previous experience with RBC Capital Markets' top-ranked mortgage & housing equity research team. Began his career in 2004 with KPMG LLP
- Graduated from the University of British Columbia; holds the CFA and CA designations

Adam Dean, CFA |
Portfolio Manager

- Responsible for the investment decisions of the Fund
- Over 7 years' experience in the real estate finance industry during which he has structured and managed complex securitization transactions totaling over \$2 billion
- Obtained his Bachelor of Commerce Degree from the University of British Columbia, and holds the CFA designation

Ryan McArthur |
Analyst

- Responsible for credit analysis and portfolio reporting functions of the Fund
- Experience in mutual fund administration, REITs, and consulting
- Obtained his Bachelor of Commerce Degree from Dalhousie University, and graduated with distinction

Advisory Board

Anthony Gage |
Director

- Past president, CEO and chair of Phillips, Hager and North IM
- Past board member and chair of Public Service Pension Plan's investment committee

Chris Brossard, CA, CPA |
Director, UDP

- CEO of CMLS Financial since 2004. Oversaw AUA growth from \$1.0B to \$20.0B
- Over 20 years of experience in real estate and as a principal in private equity

David Franklin, R.I. (BC) |
Director

- President of CMLS Financial. Oversaw \$10.0B of AUA growth in commercial origination
- Over 30 years experience in real estate finance across Canada

Glen Malcolm, MBA |
Director

- Head of CMLS Financial's capital markets and CMBS team
- Over 30 years of experience in capital markets and structured finance

Jonathan Lee, CFA, CPA, CA |
Chief Compliance Officer

- Chief Compliance Officer of CMLS Asset Management Ltd.
- Previously with the BC Securities Commission Capital Markets Regulation Division

How To Invest



Securities Offered	Class A, B, and F units
Fundserv Code	CLS
Minimum Investment	\$25,000
Minimum Increments	\$5,000 (excluding DRIP)
Eligibility	OM / Accredited Investors / Minimum Investment only
Registered Status	RRSP, TFSA, RRIF, RESP, RDSP eligible
Redemption	Redeem monthly with a minimum of 15 days notice before the last business day of the month. Subject to 1% retraction penalty if redeemed within 1 st year.
Distribution	Monthly – paid out in 3 rd week of the following month
Distribution Reinvestment	Available through a Distribution Reinvestment Plan
Management Fees	1.00% (Class F); 1.25% (Class A) - 25 bps trailing commission 1.45% (Class B) - 45 bps trailing commission No Performance Fees 50% of the Origination fees go back to fund and unitholders
Closing Schedule	Monthly Closing - 1st of the month Trades accepted on the first day of every month

Investor Relations



Contact Information

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