Fundamental Research Corp.
*Investment Analysis for Intelligent Investors*

April 1, 2021

# New Haven Mortgage Income Fund (1) Inc.

## Offering Attractive Risk-Adjusted Returns – Initiating Coverage

**Target Yield (2021): 7.5% - 8.0%**
**Rating*: 2-**
**Risk*: 3**

**Sector / Industry: Mortgage Investment Corporations**

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## Investment Highlights

- New Haven Mortgage Income Fund (1) Inc. ("NHMIF") is a Mortgage Investment Corporation ("MIC") focused on offering short-term residential mortgages to homeowners.
- **Despite the pandemic, mortgages outstanding increased 15% YoY to $77M by the end of 2020, up 202% in the past five years**. First mortgages accounted for 66% of the portfolio. 100% of the mortgages are in Ontario. The weighted average loan-to-value was 67% at the end of 2020.
- The company's manager has been in the mortgage business since 1994. In addition to the MIC, the manager also originates/manages $75M in mortgages for private investors.
- **2020 dividend yield was 7.6% vs the 2015-2020 average of 8.3%.** We note that these yields are in line with comparable MICs.
- Considering the rollout of vaccines, we expect an economic recovery in H2-2021. **As we expect interest rates to remain low for most of the year, we believe the MIC offers an attractive high-yield opportunity.** We are expecting 2021 dividend yield to be in the 7.5% – 8.0% range.

## Key Risks

- **Diversification risks** – 100% of the MIC's mortgages are located in Ontario.
- A drop in housing prices will result in higher LTVs, as the value of collateral decreases.
- Interest rate risks are minimal as mortgages are short-term.
- Currently, the MIC does not have an independent board of directors, However, our discussions with management indicate that they are in the process of forming a board.
- **Timely deployment of capital is critical.**

| Offering Summary | |
|---|---|
| Issuer | New Haven Mortgage Income Fund (1) Inc. |
| Securities Offered | Preferred Shares |
| Unit Price | $1 |
| Minimum Subscription | $10,000 |
| Distribution to Investors | Monthly |
| Redemption (penalties) | n/a |
| Management Fee | 1.5% p.a. of AUM + 100% of Originationation/Lending Fee from Borrowers + 50% of Annual Yield over 10% |
| Sales Commissions | up to 4% |
| Auditor | KPMG |

| Key Financials (C$) | 2016 | 2017 | 2018 | 2019 | 2020 | 2021E |
|---|---|---|---|---|---|---|
| Mortgage Receivables | $29,243,258 | $33,129,207 | $49,629,731 | $67,306,975 | $77,309,976 | $90,000,000 |
| Debt to Capital | 9.1% | 2.6% | 7.6% | 3.8% | 4.0% | 5.6% |
| Revenues | $2,972,785 | $3,552,573 | $4,347,161 | $5,836,825 | $6,749,712 | $8,199,308 |
| Income before dividends | $2,129,045 | $2,617,048 | $3,383,702 | $4,497,866 | $5,424,530 | $6,316,082 |
| Dividend per share | $0.080 | $0.087 | $0.088 | $0.082 | $0.077 | $0.079 |
| Dividend Yield | 8.12% | 8.78% | 8.59% | 8.45% | 7.63% | 7.89% |

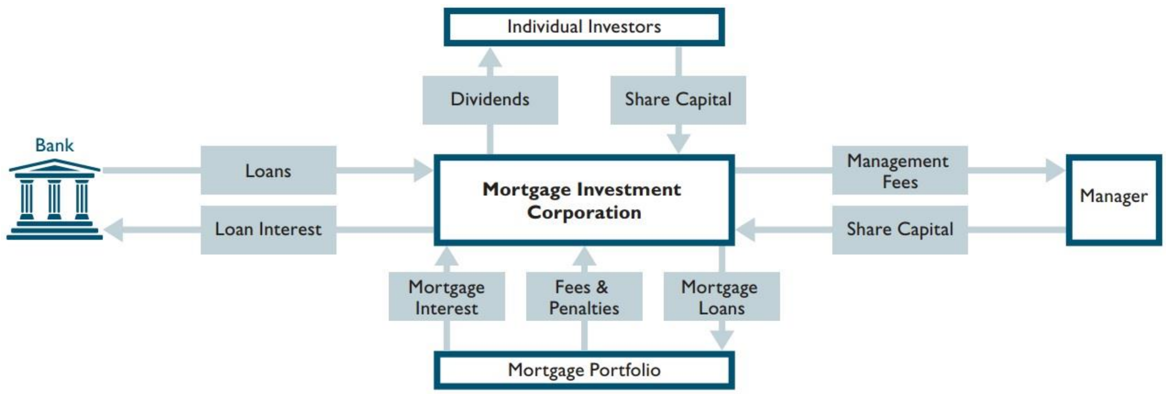
*See last page of this report for important disclosures, rating and risk definitions. All figures in C$ unless otherwise specified.

Short-term loans secured by real estate

## Overview of MICs

The Government of Canada introduced MICs in 1973, through the Residential Mortgage Financing Act, to make it easier for small investors to participate in the residential mortgage and real estate markets. A MIC typically provides short-term (typically one year) loans secured by real estate in Canada. MICs, like other non-bank lenders, do not conform within the strict lending guidelines of banks, and other traditional lenders. MICs are more flexible in their lending guidelines, and therefore, can offer individually structured/tailor-made loans to meet borrowers' specific requirements. Also, banks have lengthy due diligence processes, and are typically not able to meet borrowers' quick capital needs. **All the above reasons allow non-bank lenders, including MICs, to charge a higher interest rate on their loans compared to banks / institutional lenders.**

The following chart shows the business model of a typical MIC:




*Source: CMHC*

- Almost all MICs are externally managed by the founders through a separate management company which originates and manages mortgages for the MIC. In return, the management company earns asset management fees and/or performance fees from the MIC, and usually receives 100% or a portion of the origination fees received from the borrower.

- **A MIC's revenue primarily comes in the form of interest earned from borrowers.**

- MICs finance their mortgage portfolio through debt (banks), and equity (investors).

- After deducting management / origination fees, loan interest and other operational expenses, MICs pay out net income as dividends to investors.

MICs pay no corporate tax and act as a flow-through entity. In order to avoid entity level taxation, a MIC has to pay 100% of all of its income as dividends to investors. **MIC dividends are treated as interest income for tax purposes.**

*Flow-through entities*

MICs are governed by Section 130.1 of the Income Tax Act. In order for an entity to maintain its status as a MIC, it has to comply with several rules; a few of the key rules are listed below.

- Invest at least 50% of the assets in residential mortgage loans, cash, and CDIC (Canada Deposit Insurance Corporation) insured deposits.
- Have a minimum of 20 shareholders, and no shareholder can own over 25% of the total outstanding shares.
- All MIC investments must be in Canada.
- May invest up to 25% of its assets directly in real estate, but cannot be involved in development or construction.

*We estimate that there are approximately 200 MICs in the country managing approximately $12B*

Approximately 85% - 90% of the mortgages in Canada are originated by federally or provincially regulated entities such as chartered banks, credit unions and caisses populaires. The remaining mortgages are originated by lenders that are either partially regulated or totally unregulated. MICs account for a major share of the unregulated mortgage lending sector in the country. They are considered unregulated as they are not subject to federal government mortgage lending rules, such as reserve requirements and loan to value limits. This is primarily because, unlike banks and the other major financial institutions, MICs do not take deposits. Note that MICs are audited/regulated by their respective provincial securities commissions, so the term ‘unregulated’ only applies to the federal mortgage lending rules. **In a recent market study conducted for the Canada Mortgage Housing Corporation (“CMHC”), we estimated that there are approximately 200 MICs in the country managing approximately $12B.**

## Company and Manager Background

*The Manager is owned by three individuals*

New Haven Mortgage Income Fund (1) was established in 2008. The MIC’s manager is New Haven Mortgage Corp., which was formed by David Vyner and Jason Vyner in 1994. **The Manager has 35 employees.** In addition to the MIC, the Manager manages $75M in mortgages for private investors. The Manager is owned by its senior management, comprised of Jason Vyner, Andrea Vyner, and Arjun Saraf.

Currently, the MIC does not have an independent board of directors, however, our discussions with management indicate that they are in the process of forming a board. We typically like to see an independent board to ensure management and investors’ interests are aligned.

The Manager receives management fees from the MIC amounting to 1.5% p.a. of the AUM, 100% of the origination/lending fees charged to borrowers (which is typically 2% of the mortgage, paid upfront), and a performance fee of 50% of the annual yield over 10%. We note that MICs with a high percentage of first mortgages rarely achieve yields of over 10%, and therefore, the MIC has never paid a performance fee. **We estimate that the management fee and operating expenses of the MIC are approximately 2% of mortgage receivables – which is in line with comparables of similar size.**

*Management owns 3% of the outstanding shares*

**Management holds 1.93M preferred shares, or 3% of the total outstanding.**

| Name | Position | Shares Held |
|---|---|---|
| **Jason Vyner** | President<br>Director and Principal holder<br>Director and President of the Manager | 25% of voting common equity<br>860,031 Preferred Shares representing 1.17% of outstanding Preferred Shares |
| **Andrea Vyner** | Director, Principal Holder and Secretary-Treasurer<br>Director and Secretary- Treasurer of the Manager | 25% of voting common equity<br>146,083 Preferred Shares representing 0.19% of outstanding Preferred Shares |
| **Doron Noah** | Principal Holder (not a part of management) | 25% of voting common equity |
| **Eliahu Mansoor** | Principal Holder (not a part of management) | 25% of voting common equity<br>100,000 Preferred Shares representing 0.13% of outstanding Preferred Shares |
| **Stephen Dineley** | Chief Financial Officer | 312,692 Preferred Shares representing 0.42% of outstanding Preferred Shares |

*Source: Company*

Brief biographies of the management team, as provided by the company, follow.

**Jason Vyner – President and Director**
Jason Vyner is a registered mortgage professional in good standing in Ontario since 1983. Jason has been involved in all aspects of the mortgage industry since that time, including being engaged in brokering, underwriting, syndicating, and administering residential and commercial mortgages.

**Andrea Vyner – Secretary-Treasurer and Director**
Andrea Vyner is a registered mortgage professional with over 25 years' experience. In addition to a mortgage brokers license, Andrea is a licensed real estate agent.

**Stephen Dineley – Chief Financial Officer**
Stephen Dineley is a retired partner of the accounting firm KPMG LLP, where he was employed as a senior audit partner. Stephen has over 30 years' experience in the financial institution sector and has been providing consulting services to the Fund since 2014.

**Arjun Saraf – VP Finance and Mortgage Administrator**
Arjun completed his undergraduate degree at Carleton University in Prelaw and Economics and went on to achieve his CA designation. He also holds an Exempt Market Dealer License and a Mortgage Broker license.

## Strategy

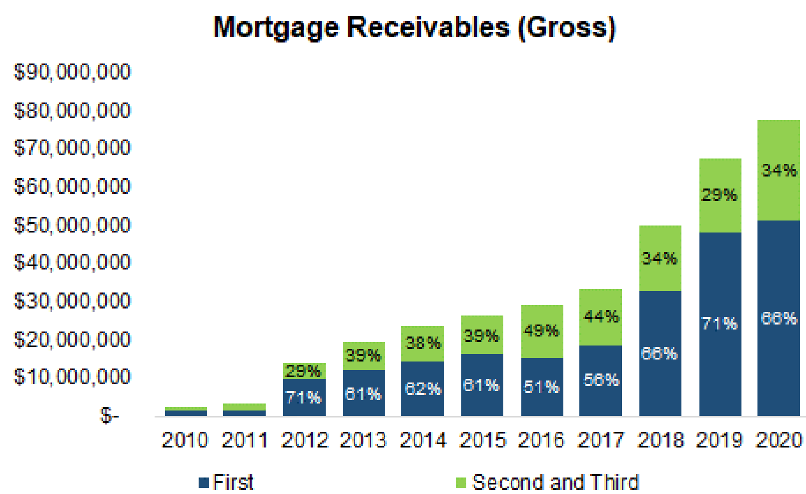
- Primary focus is on first and second residential mortgages, with minimal exposure to commercial mortgages.
- Maximum LTV of 80%.
- Terms of two years or less
- Interest only and amortized mortgages; currently 44% are interest-only mortgages.
- 100% focus on Ontario.

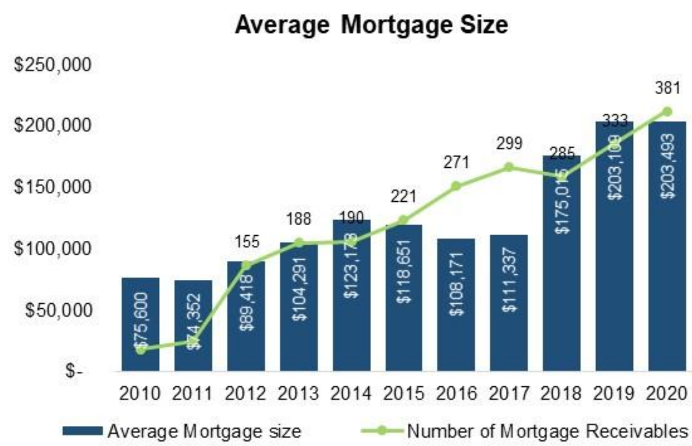
## Portfolio Details

*$77M across 372 mortgages at the end of 2020, up 15% YoY (despite the pandemic), and 202% in the past five years; Management expects to reach $100M by the end of 2021*

*First mortgages accounted for 66% at the end of 2020 vs the historic average of 60%*

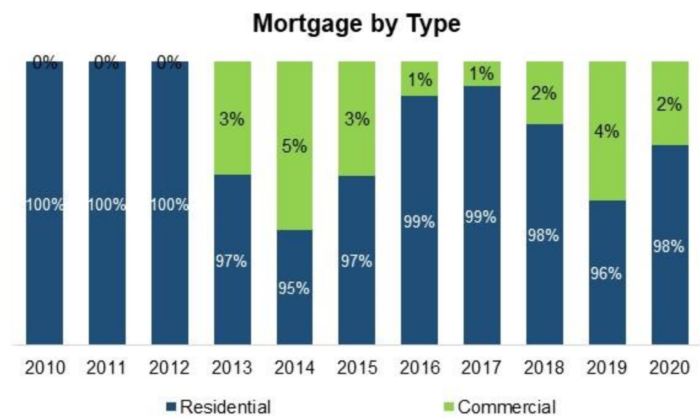
*Average mortgage size of $203k*



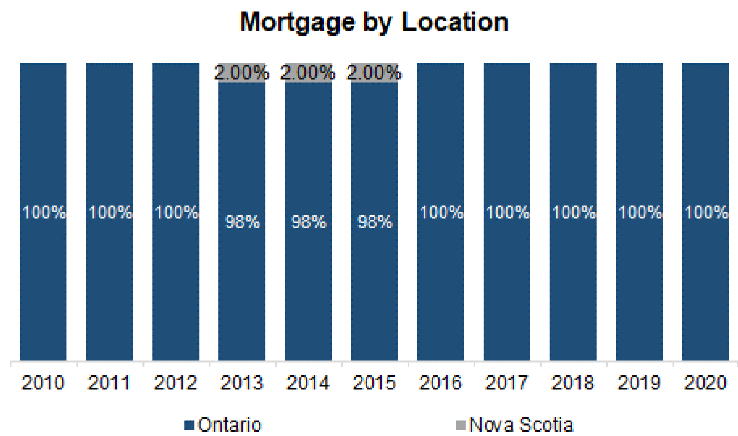

*Source: Company / FRC*

*Focus on already built single family residential units*

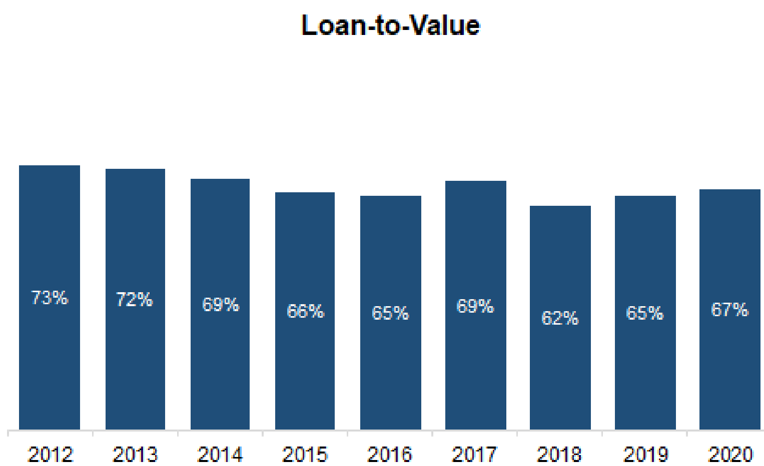



*Exclusively focused on ON; management expects to remain focused on ON*

*At the end of 2020, the GTA accounted for 42%, while the remaining 58% was spread across Ottawa and second-tier cities such as Hamilton, London, Kitchener Waterloo, etc.*

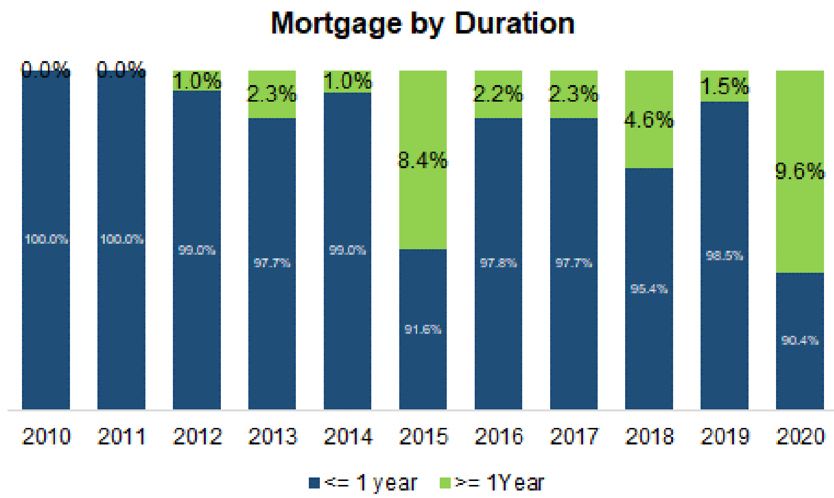



*67% LTV at the end of 2020 vs the historic average of 68%*

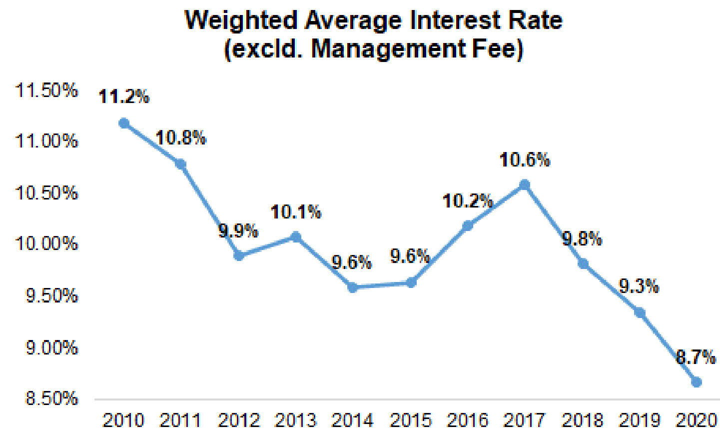



*Source: Company / FRC*

*Majority of the portfolio will mature within 12 months*




*Lending rates have been on a declining trend since 2017 due to increasing focus on first mortgages, declining market rates, and increasing competition*




*Source: Company / FRC*

Like most MICs, NHMIF offered mortgage deferral plans to 51 borrowers; this program ended in November 2020.

*No realized loss in 2020*

*Loan loss provision of 0.29% of 2020 year-end portfolio, which we note is on the lower end of comparables*

| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|---|
| Loan loss reported | $135,936 | $203,320 | $87,007 | $88,999 | $115,744 | -$106,943 |
| Loan loss provision (end of period) | $576,820 | $71,134 | $160,591 | $249,590 | $328,261 | $221,003 |
| Provisions as a % of Total | 2.25% | 0.24% | 0.48% | 0.50% | 0.49% | 0.29% |
| Actual Losses | $365,057 | $709,006 | -$2,450 | $0 | $37,073 | $315 |
| Actual Losses (% of mortgage receivable) | 1.5% | 2.6% | -0.01% | - | 0.1% | 0.0% |

*Source: Company / FRC*

*3.2% of total mortgages were in default (30+ past due) vs a 2015-2020 average of 3%*

*We believe the default rates are in line with comparables*

| | | 2015 | | 2016 | | 2017 | | 2018 | | 2019 | | 2020 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Mortgages in Default | | $849,338 | | $528,000 | | $2,588,126 | | $4,466,401 | | $5,294,274 | | $6,676,573 |
| Adj. (excluding a $1.7M under dispute) | $ | 849,338 | $ | 528,000 | $ | 2,588,126 | $ | 4,466,401 | $ | 3,594,274 | $ | 4,976,573 |
| % of Total (Ad.) | | 3.3% | | 1.8% | | 7.8% | | 9.0% | | 5.3% | | 6.4% |
| Mortgages in Default (30+ days) | | $644,008 | | $378,000 | | $1,004,391 | | $3,672,019 | | $3,963,938 | | $4,201,678 |
| Adj. (excluding a $1.7M under dispute) | $ | 644,008 | $ | 378,000 | $ | 1,004,391 | $ | 3,672,019 | $ | 2,263,938 | $ | 2,501,678 |
| % of Total (Ad.) | | 2.5% | | 1.3% | | 3.0% | | 7.4% | | 3.4% | | 3.2% |
| Stage 3 | | | | | | | | $3,655,424 | | $4,234,950 | | $2,244,076 |
| Adj. (excluding a $1.7M under dispute) | | | | | | | | $3,655,424 | | $2,534,950 | | $544,076 |
| % of Total (Ad.) | | | | | | | | 7.4% | | 3.8% | | 0.7% |

*Source: Company / FRC*

At the end of 2020, the MIC had $4.2M in mortgages in default (30+ past due). However, this includes a $1.7M mortgage that is currently in dispute with its borrower. The borrower took out the mortgage in 2018, stopped making payments in 2019, and filed a claim against the Manager and other parties involved in the transaction. Although the Manager filed a motion to dismiss, they have not been able to see it through as the courts are closed due to the pandemic. As the MIC has title on the property, and the mortgage is at 70% LTV, management does not expect any loss. We note that the MIC's accountant, KPMG, has not allocated any loan loss provisions for this mortgage, implying their positive assessment.

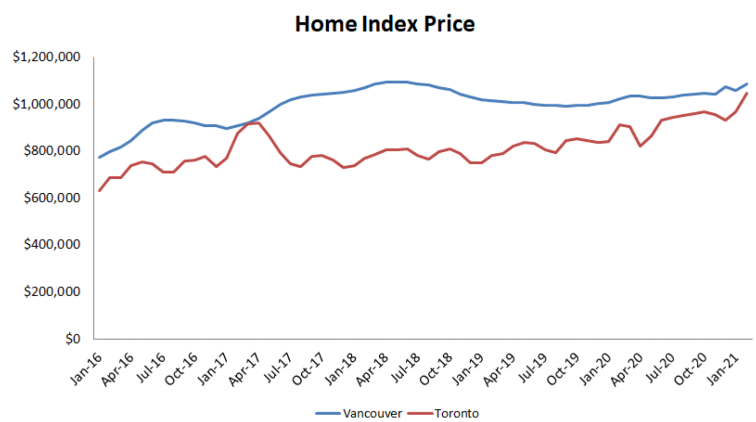
## Market Update

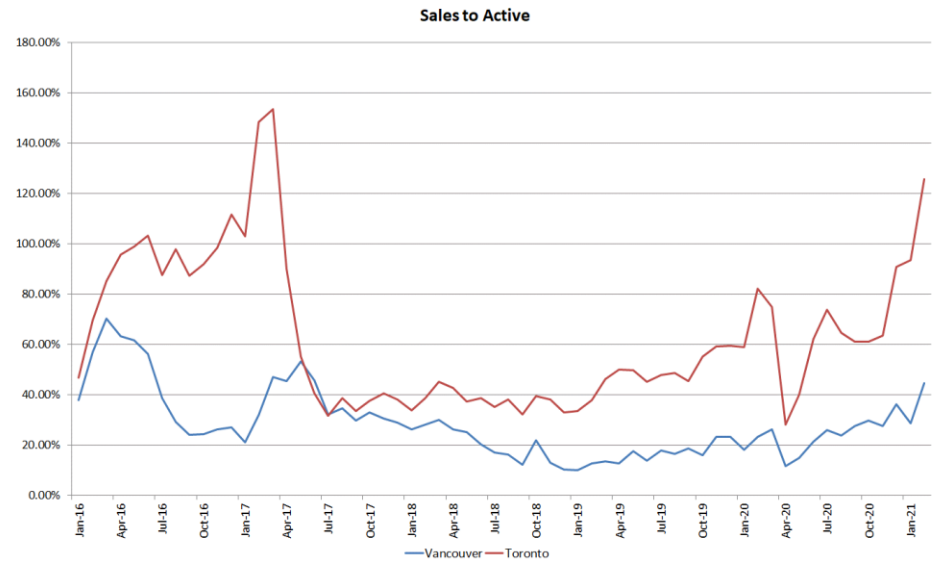
Sales of residential units in Toronto have rebounded sharply, with double digit YoY growth rates every month since July 2020. Prices were up 15% YoY, and 8% MoM, in February 2021. The sales to active ratio is also up YoY.

*Strong rebound in real estate sales*

| Toronto | Sep-19 | Sep-20 | YoY | Oct-19 | Oct-20 | YoY | Nov-19 | Nov-20 | YoY | Dec-19 | Dec-20 | YoY |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Residential Sales | 7,825 | 11,083 | 42% | 8,491 | 10,563 | 24% | 7,090 | 8,766 | 24% | 4,399 | 7,180 | 63% |
| New Listings | 15,611 | 20,420 | 31% | 13,050 | 17,802 | 36% | 8,650 | 11,545 | 33% | 3,531 | 5,865 | 66% |
| Active Listings | 17,254 | 18,167 | 5% | 15,375 | 17,313 | 13% | 11,958 | 13,798 | 15% | 7,406 | 7,892 | 7% |
| Sales to Listings | 45.35% | 61.01% | | 55.23% | 61.01% | | 59.29% | 63.53% | | 59.40% | 90.98% | |
| MLS Home Price Index | $843,115 | $960,772 | 14% | $852,142 | $968,318 | 14% | $843,637 | $955,615 | 13% | $837,788 | $932,222 | 11% |

| Toronto | Jan-20 | Jan-21 | YoY | Feb-20 | Feb-21 | YoY |
|---|---|---|---|---|---|---|
| Residential Sales | 4,581 | 6,928 | 51% | 7,256 | 10,970 | 51% |
| New Listings | 7,836 | 9,430 | 20% | 10,613 | 15,137 | 43% |
| Active Listings | 7,772 | 7,396 | -5% | 8,816 | 8,727 | -1% |
| Sales to Listings | 58.94% | 93.67% | | 82.30% | 125.70% | |
| MLS Home Price Index | $839,363 | $967,885 | 15% | $910,290 | $1,045,488 | 15% |



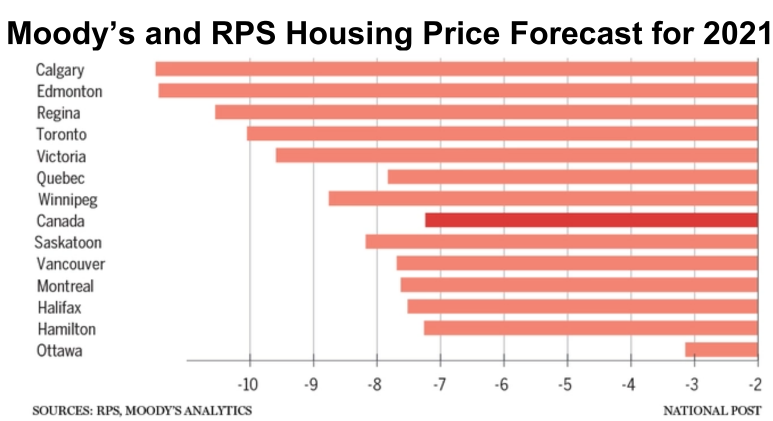



*Source: TREB and REBGV*

**Considering the rollout of vaccines, we expect an economic recovery in H2-2021**. Lack of new immigrants and international students had a significant impact on the country's rental market. However, we expect a surge in both new immigrants and students once travel restrictions are relaxed and conditions normalize. **The Federal Government recently increased its immigration targets for the next three years to make up for last year's decline due to the pandemic.**

*Mixed forecasts for real estate prices in 2021; we have a positive outlook*

Moody's estimates housing prices across the country will decline 7% in 2021, while Royal LePage expects prices to appreciate 5.5%. **We believe the low interest rate environment will support residential sales and prices.**




*Source: National Post, RPS Real Property & Moody's*


As work-from-home culture is prompting people to move out of downtown areas, we expect stronger demand and price growth in suburban areas. We also expect the demand for office space to decline, which will prompt landlords to reposition/convert their office space to residential units, bringing more supply to the market. The low duration of MICs (as their mortgages are short-term) is a major advantage, as it will allow them to adapt to changing demand and trends.

## Financials

Management owns 100% of the voting shares, and these shares do not have any rights to distributed cash flows. Investors and management hold preferred shares. Currently, Class C and O shares are being offered. Class O is a recently formed share class, offered to investors seeking exposure to lower LTV (<55%) mortagages. Management's target for 2021 is 5.5% for Class O and 7.5% for Class A and Class C holders. Management and all other fees are the same for all share classes.

| (YE - November 30) | 2018 | 2019 | 2020 |
|---|---|---|---|
| Shares outstanding (# of shares) | **46,358,780** | **66,220,765** | **74,767,464** |
| Class A | 6,052,715 | 4,681,001 | 3,984,417 |
| Class O | | | 200,000 |
| Class C | 40,306,065 | 61,539,764 | 70,583,047 |

*Source: Company / FRC*

Shareholders can request for redemptons any time on a 120 days notice, with no penalties. This is an attractive feature as most MICs apply penalties for early redemption.

*Revenue up 16% YoY, and net income up 21% YoY in 2020 due to higher mortgage receivables*

*NAV per share at $1*

| Income Statement (YE - November 30) | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|---|
| Investment | $2,421,275 | $2,972,785 | $3,552,573 | $4,347,161 | $5,836,825 | $6,749,712 |
| **Revenue** | **$2,421,275** | **$2,972,785** | **$3,552,573** | **$4,347,161** | **$5,836,825** | **$6,749,712** |
| | | | | | | |
| G&A and Others | $154,744 | $103,000 | $133,243 | $189,192 | $108,319 | $162,001 |
| Interest | - | $56,438 | $182,098 | $41,350 | $178,629 | $66,539 |
| Manager's fees | $283,145 | $480,982 | $533,177 | $643,918 | $936,267 | $1,203,585 |
| Loan loss provision | $135,936 | $203,320 | $87,007 | $88,999 | $115,744 | -$106,943 |
| **Expenses** | **$573,825** | **$843,740** | **$935,525** | **$963,459** | **$1,338,959** | **$1,325,182** |
| | | | | | | |
| Income before dividends on preference shares | $1,847,450 | $2,129,045 | $2,617,048 | $3,383,702 | $4,497,866 | $5,424,530 |
| Dividends on preference shares | -$1,883,528 | -$2,268,969 | -$2,720,288 | -$3,477,922 | -$4,615,231 | -$5,424,530 |
| **Net Income (Loss)** | **-$36,078** | **-$139,924** | **-$103,240** | **-$94,220** | **-$117,365** | **$0** |
| | | | | | | |
| **Dividends** | **$2,031,080** | **$2,268,969** | **$2,720,288** | **$3,477,922** | **$4,615,231** | **$5,424,530** |
| Class A | $404,206 | $441,109 | $498,718 | $532,042 | $463,103 | $347,405 |
| Class B | $990,648 | $794,553 | $0 | | | |
| Class C | $636,226 | $1,033,307 | $2,221,570 | $2,945,880 | $4,152,128 | $5,077,125 |
| Payout Ratio | 110% | 107% | 104% | 103% | 103% | 100% |
| **NAV per Share** | **$1.00** | **$1.00** | **$1.00** | **$1.00** | **$1.00** | **$1.00** |

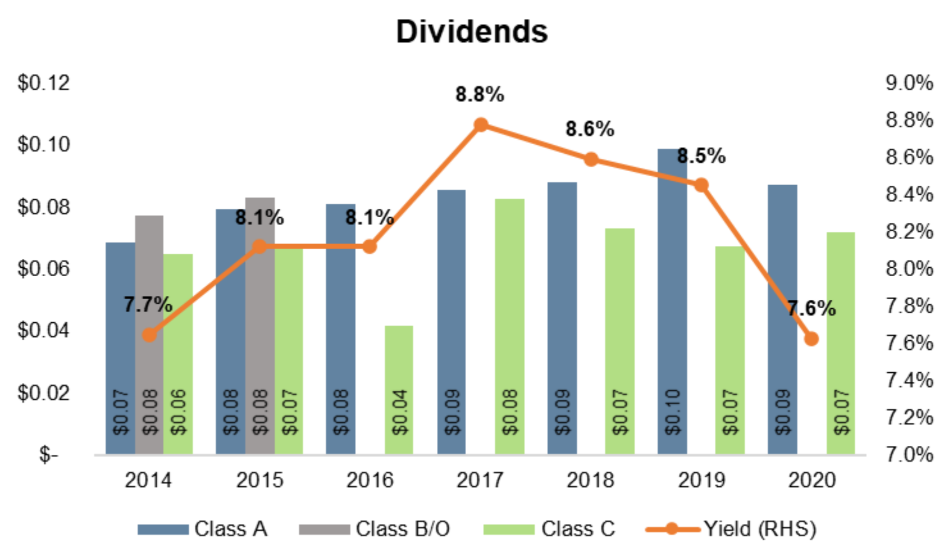
| % of Mortgage Receivables (net) | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|---|
| Revenues | 10.0% | 10.8% | 11.4% | 10.5% | 10.0% | 9.3% |
| | | | | | | |
| *Less:* | | | | | | |
| G&A and Others | 0.6% | 0.4% | 0.4% | 0.5% | 0.2% | 0.2% |
| Interest | 0.0% | 0.2% | 0.6% | 0.1% | 0.3% | 0.1% |
| Mortgage manager's fees | 1.2% | 1.8% | 1.7% | 1.6% | 1.6% | 1.7% |
| Loan loss provision | 0.6% | 0.7% | 0.3% | 0.2% | 0.2% | -0.1% |
| **Net Income** | **7.7%** | **7.8%** | **8.4%** | **8.2%** | **7.7%** | **7.5%** |
| | | | | | | |
| **Investors' Returns (% of Invested Capital)** | **8.1%** | **8.0%** | **8.7%** | **8.8%** | **8.2%** | **7.7%** |

*Note that the above figures may be slightly different from the figures reported by NHMIF (1) Inc. due to the difference in the method of calculation. We used the average of the opening balance, and year-end balance of the mortgages outstanding, and invested capital, to arrive at the above figures.*

*Source: FRC, Company*

*7.6% yield in 2020 vs 2015–2020 average of 8.3%; Yields have declined due to lower lending rates*

*Dividends paid out monthly*




*Source: FRC / Company*

*Debt to capital at just 4%, implying potential to enhance yields; comparables typically have a debt to capital of 10%*

| Balance Sheet (YE - November 30) | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|---|
| Cash and Cash equivalents | $526,299 | $588,863 | $0 | $18,811 | $4,403 | $355,321 |
| Prepaid Expense | $0 | $25,000 | $0 | | | |
| Interest and other receivables | $455,992 | $336,985 | $397,551 | $567,476 | $1,756,548 | $542,943 |
| Mortgage loans (net) | $25,645,158 | $29,243,258 | $33,129,207 | $49,629,731 | $67,306,975 | $77,309,976 |
| Line of credit mortgage loans | $0 | $3,000,000 | $0 | | | |
| Other Assets | $11,272 | $6,922 | $3,461 | | | |
| **Total Assets** | **$ 26,638,721** | **$ 33,201,028** | **$ 33,530,219** | **$ 50,216,018** | **$ 69,067,926** | **$ 78,208,240** |
| | | | | | | |
| Bank overdraft | $0 | $0 | $585,985 | $0 | $0 | |
| Bank operating line | $0 | $0 | $275,000 | $3,775,000 | $2,575,000 | $3,075,000 |
| Accounts Payable and Accrued liabilitie: | $88,932 | $30,650 | $35,000 | $68,250 | $50,280 | $68,669 |
| Dividend Payable | $125,445 | $244,819 | $329,900 | $439,658 | $743,676 | $801,973 |
| Loan payable | $0 | $3,000,000 | $0 | $0 | $0 | |
| Interest payable | $0 | $56,437 | $0 | | | |
| Due to associated companies | $3,296 | $42,537 | $45,366 | $68,202 | $89,442 | $106,371 |
| Preference shares | $26,577,536 | $30,122,997 | $32,658,620 | $46,358,780 | $66,220,765 | $74,767,464 |
| **Total Liabilities** | **$ 26,795,209** | **$ 33,497,440** | **$ 33,929,871** | **$ 50,709,890** | **$ 69,679,163** | **$ 78,819,477** |
| | | | | | | |
| Common shares | $100 | $100 | $100 | $100 | $100 | $100 |
| Retained Earnings (Defecit) | -$156,588 | -$296,512 | -$399,752 | -$493,972 | -$611,337 | -$611,337 |
| **Total SE** | -$156,488 | -$296,412 | -$399,652 | -$493,872 | -$611,237 | -$611,237 |
| **Total Liabilities and SE** | **$26,638,721** | **$33,201,028** | **$33,530,219** | **$50,216,018** | **$69,067,926** | **$78,208,240** |
| | | | | | | |
| Debt to Capital | 0.0% | 9.1% | 2.6% | 7.6% | 3.8% | 4.0% |

The MIC has a $10M line of credit (prime + 1% p.a.) with the TD Bank (TSX: TD).

## Risks

We believe the MIC is exposed to the following key risks:

- Diversification risks – 100% of the MIC's mortgages are located in Ontario.
- A drop in housing prices will result in higher LTVs, as the value of collateral decreases.
- Interest rate risks are minimal as most of the mortgages are short-term — within 12 to 24 months.
- A downturn in the real estate sector may impact the company's deal flow.
- Timely deployment of capital is critical.
- Investments in mortgages are typically affected by macroeconomic conditions, and local real estate markets.

## Rating

Based on our review of the MIC's portfolio and its Manager's track record and mandate, we are initiating coverage on NMIF with an **overall rating of 2-, and a risk rating of 3**. With interest rates expected to remain low over the next six to 12 months, we believe that NMIF's 7.5% - 8.0% yield from a portfolio dominated by single-family properties, and a LTV of 67%, offers an attractive risk adjusted return.

| FRC Rating | |
|---|---|
| Yield (2021) | 7.5% - 8.0% |
| Rating | 2- |
| Risk | 3 |

# APPENDIX

| Income Statement (YE - November 30) | 2017 | 2018 | 2019 | 2020 | 2021E |
|---|---|---|---|---|---|
| Investment | $3,552,573 | $4,347,161 | $5,836,825 | $6,749,712 | $8,199,308 |
| **Revenue** | **$3,552,573** | **$4,347,161** | **$5,836,825** | **$6,749,712** | **$8,199,308** |
| | | | | | |
| G&A and Others | $133,243 | $189,192 | $108,319 | $162,001 | $187,422 |
| Interest | $182,098 | $41,350 | $178,629 | $66,539 | $201,875 |
| Manager's fees | $533,177 | $643,918 | $936,267 | $1,203,585 | $1,392,449 |
| Loan loss provision | $87,007 | $88,999 | $115,744 | -$106,943 | $126,900 |
| | | | | | |
| **Expenses** | **$935,525** | **$963,459** | **$1,338,959** | **$1,325,182** | **$1,883,226** |
| | | | | | |
| Income before dividends | $2,617,048 | $3,383,702 | $4,497,866 | $5,424,530 | $6,316,082 |
| Dividends | -$2,720,288 | -$3,477,922 | -$4,615,231 | -$5,424,530 | -$6,316,082 |
| | | | | | |
| **Net Income (Loss)** | **-$103,240** | **-$94,220** | **-$117,365** | **$0** | **$0** |

| Balance Sheet (YE - November 30) | 2017 | 2018 | 2019 | 2020 | 2021E |
|---|---|---|---|---|---|
| Cash and Cash equivalents | $0 | $18,811 | $4,403 | $355,321 | $123,067 |
| Prepaid Expense | $0 | | | | |
| Interest and other receivables | $397,551 | $567,476 | $1,756,548 | $542,943 | $597,237 |
| Mortgage loans (net) | $33,129,207 | $49,629,731 | $67,306,975 | $77,309,976 | $90,000,000 |
| Line of credit mortgage loans | $0 | | | | |
| Other Assets | $3,461 | | | | |
| **Total Assets** | **$ 33,530,219** | **$ 50,216,018** | **$ 69,067,926** | **$ 78,208,240** | **$ 90,720,304** |
| | | | | | |
| Bank overdraft | $585,985 | $0 | $0 | | |
| Bank operating line | $275,000 | $3,775,000 | $2,575,000 | $3,075,000 | $5,000,000 |
| Accounts Payable and Accrued liabilities | $35,000 | $68,250 | $50,280 | $68,669 | $75,536 |
| Dividend Payable | $329,900 | $439,658 | $743,676 | $801,973 | $882,170 |
| Loan payable | $0 | $0 | $0 | | |
| Interest payable | $0 | | | | |
| Due to associated companies | $45,366 | $68,202 | $89,442 | $106,371 | $106,371 |
| Preference shares | $32,658,620 | $46,358,780 | $66,220,765 | $74,767,464 | $85,267,464 |
| **Total Liabilities** | **$ 33,929,871** | **$ 50,709,890** | **$ 69,679,163** | **$ 78,819,477** | **$ 91,331,541** |
| | | | | | |
| Common shares | $100 | $100 | $100 | $100 | $100 |
| Retained Earnings (Defecit) | -$399,752 | -$493,972 | -$611,337 | -$611,337 | -$611,337 |
| **Total SE** | -$399,652 | -$493,872 | -$611,237 | -$611,237 | -$611,237 |
| **Total Liabilities and SE** | **$33,530,219** | **$50,216,018** | **$69,067,926** | **$78,208,240** | **$90,720,304** |

**Fundamental Research Corp. Rating Scale:**

Rating – 1: Excellent Return to Risk Ratio
Rating – 2: Very Good Return to Risk Ratio
Rating – 3: Good Return to Risk Ratio
Rating – 4: Average Return to Risk Ratio
Rating – 5: Weak Return to Risk Ratio
Rating – 6: Very Weak Return to Risk Ratio
Rating – 7: Poor Return to Risk Ratio
A "+" indicates the rating is in the top third of the category, A "-" indicates the lower third and no "+" or "-" indicates the middle third of the category.

**Fundamental Research Corp. Risk Rating Scale:**
1 (Low Risk)
2 (Below Average Risk)
3 (Average Risk)
4 (Speculative)
5 (Highly Speculative)

| FRC Distribution of Ratings | | | |
|---|---|---|---|
| Rating - 1 | 0% | Risk - 1 | 0% |
| Rating - 2 | 30% | Risk - 2 | 8% |
| Rating - 3 | 47% | Risk - 3 | 40% |
| Rating - 4 | 9% | Risk - 4 | 33% |
| Rating - 5 | 4% | Risk - 5 | 8% |
| Rating - 6 | 1% | Suspended | 10% |
| Rating - 7 | 0% | | |
| Suspended | 10% | | |

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