2021 Outlook

Fall 2020

Management's direction and focus for the Fund remains the same; continue to lend on residential properties, in high quality locations, at conservative loan-to-values.

Financial Statements for the year ending June 30th 2020 show the portfolio has performed extremely well in the face of COVID 19. In fact, the rate of return and distributions have not changed since last year.

The portfolio has grown to over $585 million with 1st mortgages still comprising the vast majority of our holdings. The asset mix remains consistent at 75% first mortgages and 25% second mortgages.

We have over 1700 mortgages in the Fund at this time with under 1% of these in collection. Consequently, we did not experience any loan losses this year.

Mortgage-lending rule changes, enacted by Ottawa, continue to have a major effect on our business. Banks underwriting guidelines, especially on self-employed individuals, continue to tighten. As self-employed individuals represent our largest borrower class, Antrim has experienced a noticeable increase in quality mortgage applications due to the new rules.

The residential real estate market has performed very well during the pandemic and consequently we are seeing more money flow into the space. Although demand for mortgages from Antrim and other alternative lenders remain at elevated levels, we expect the inflow of new funds and increased competition for quality mortgages to cause interest rates and our rate of return to fall slightly over the next year.

Real estate prices have risen since the beginning of the pandemic, but we do not expect this trend to continue over the next 12 months. Supply of real estate for sale will increase and government stimulus will decrease in 2021 and this should slow and may even reverse the price appreciation experienced in 2020; this would be a welcome change by most lenders.

Given the structural lack of supply in major cities of Canada, an aggressive immigration policy by the federal government and record low interest rates, it is unlikely residential real estate prices will experience a substantive correction in the near future. Moreover, it is very unlikely government intervention will be able to increase the supply of residential real estate in a meaningful way over the next few years and thus elevated residential real estate prices should be expected for some time.

The portfolio's average loan-to-value (LTV) is approximately 59% based on current prices. The continued low LTV on the portfolio combined with continued government stimulus (both monetary and fiscal) explain the majority of why management is not expecting loan losses to increase in any material way over the next year.

We expect the portfolio to continue to offer excellent levels of security to investors over the next 12 months. Foreclosures remain at very low levels with no reason to expect them to rise. The weighted average mortgage rate on the portfolio currently stands at approximately 8% (before expenses); once management fees, write-downs due to foreclosure (if any), legal and accounting costs are deducted it is reasonable to project a net rate of return to investors very similar to last year.

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