



Dear Investors,

The media and the markets are focused on COVID-19, a virus and now a global pandemic, instilling fear that is not only a health threat but is threatening the global economy, stock markets, and in particular the global supply chain. It is an important reminder that First Source mortgage investments are real estate secured First Mortgages. As secured First in priority, our mortgage investments are at the lowest risk of being affected in any unlikely enforcement proceeding. Our portfolio is approaching \$200 million and has only two loans in default of which both properties are sold to provide total return of all investor capital and accrued interest. Also, many of our loans have a full term or near full term interest reserves insulating Borrowers and Investors from business interruption. Our institutional quality of conservative underwriting has proven to be a strong defender and champion for the preservation of investor capital. Unlike the recent gyrations and losses in the stock market, our mortgage portfolio both in our fund and syndicated mortgage holdings provide consistent and reliable investment returns.

It is important that we share that our Business Continuity Plan ensures limited disruption to daily operations as each of our team is equipped to operate remotely including answering your calls and emails. We have technology in place that enables us to do so in an efficient and effective manner, allowing us to provide uninterrupted service to our investors and clients as necessary. In order to best protect our office team, we are following the most up to date health and safety procedures as provided by Health Canada, Ontario Health Agency and Toronto Public Health. We greatly value our relationship with you so we are limiting office visitation from Investors and Clients and ask you to please communicate with us by telephone or email.

At the recent 2020 Landpro Conference I had the pleasure of listening to Benjamin Tal, Deputy Chief Economist of CIBC Capital Markets, address the large crowd of real estate professionals. With reference to the potential for a short-term solution to the spread of the virus he said sarcastically, "can you stop the wind? No... but you can control it." However, as it has been said, "and this too shall pass". In the interim expect the economy to slow down and in the face of uncertainty, it is best to be cautious in one's expectations for exceptional growth in real estate this year. It is likely that growth in real estate activity will be muted until later this summer or into the 3rd quarter. Despite this, demographics and fundamentals continue to support strong real estate demand and otherwise the foundation of a strong, reliable and growing real estate market in the GTA and urban Ontario cities. For example, recent statistics suggest that there were approximately 23,000 residential transactions in 2019 yet demand is estimated at approximately 55,000 residential units. This is further evidence that Ontario housing policies have not kept up with immigration

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and other dynamics influenced by demographic trends. Prices and rental rates continue to rise as inventories and vacancy rates are at all-time lows. In the near term we expect little in the way of price volatility. We also expect to see investors move toward the safety and reliability of monthly income of alternative investments like the First Source Mortgage Fund.

First Source continues to uncover strong investment opportunities in late-stage development and infill projects in Toronto and the urban periphery of the GTA. Development and construction of multi-family projects remain at capacity driven by employment gains and robust population growth. We focus on clear exit strategies within a 12 to 24-month period and benefit from strong price growth and increasing rents in residential property including, townhouse/stacked townhouse, and semi-detached homes. We are also seeing growth in both stabilized and near stabilized industrial and anchored retail plaza lending opportunities. We continue to experience above industry average risk-adjusted returns in private First Mortgages and expect even better results in 2020 than we experienced in our industry-leading fund and syndication results of 2019. We are confident that we will get through this COVID-19 challenge together and wish everyone the best.

Sincerely,

David Mandel
President