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Fundamental Research Corp.
Investment Analysis for Intelligent Investors

November 6, 2018

Antrim Balanced Mortgage Fund Ltd. – Portfolio Size Surpasses $500M / Maintaining Status as Canada's Largest Private MIC

Sector/Industry: Real Estate Mortgages **www.antriminvestments.com**

Offering Summary	
Issuer	Antrim Balanced Mortgage Fund Ltd.
Date of OM	05-Oct-18
Securities Offered	Preferred Shares
Unit Price	$1
Minimum Subscription	$5,000
Management Fee	1.0% - 1.5% p.a. depending on the type of Preferred Shares
Distribution to Investors	100% annual net income before taxes
Auditor	Grant Thornton

FRC Rating	
Yield (2018)	5.8% - 6.8%
Rating	2
Risk	2

*see back of report for rating definitions

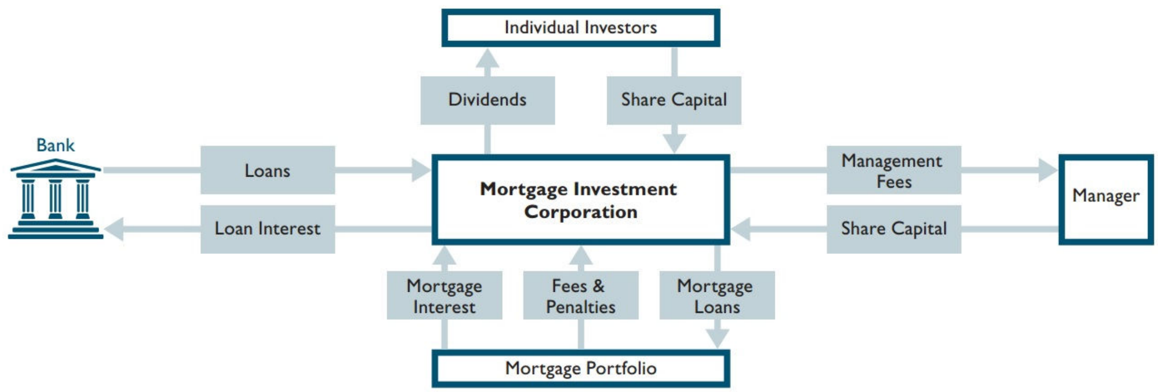
Highlights

- At the end of FY2018 (June 30, 2018), Antrim Balanced Mortgage Fund Ltd. ("fund", "Antrim") reported a 22% YOY increase in portfolio size, from $393 million to $478 million. As of October 1, 2018, mortgage receivables were $522 million, beating management's 2018 calendar year end portfolio forecast of $450 million.
- Despite a significant increase in portfolio size, we believe the fund has slightly lowered its risk exposure. The focus continues to be on first mortgages on owner-occupied single-family houses in the Greater Vancouver area.
- The average loan size decreased YoY from $401k to $360k. The percentage of first mortgages increased YoY from 76.7% to 77.4%.
- Approximately 98% of the mortgages were secured by residential properties at the end of FY2018, versus 95% at the end of FY2017.
- Management investment in the fund increased $11.3 million to $14.8 million since our previous report in October 2017.
- FY2018 dividend yields increased YOY from 5.77% - 6.77% to 5.78% - 6.78%, depending on the type of preferred shares held by investors.
- We believe the weakness in Vancouver's real estate sales is likely to impact originations of B.C. focused MICs. This is expected to be partially offset by the tighter lending policies of the banks, which has been driving more borrowers to MICs. Increasing interest rates will also benefit Antrim.
- We believe Antrim's low LTV, and high percentage of first mortgages, puts them in a relatively low risk category.

Overview of the MIC Industry

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 properties 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 the specific requirements of a borrower. 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 a performance fee from the MIC, and usually receives 100%, or a portion of the origination fees received from the borrower.
- A MIC's revenues primarily come 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. A key benefit of MIC shares for investors is that they are eligible for registered plans such as RRSPs, RESPs, TFSAs, etc. As 100% of the income is distributed, the value of a MIC's share should remain the same (allowing for capital preservation) unless the MIC suffers a capital loss.

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.

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 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.

We estimated (in a recent survey conducted for the Canada Mortgage Housing Corporation / CMHC) that the total Assets Under Management ("AUM") at the end of September 2018, of the largest 25 MICs, was $8.23 billion. We estimate there are approximately 200 MICs in the country, with a total portfolio size of approximately $12 billion.

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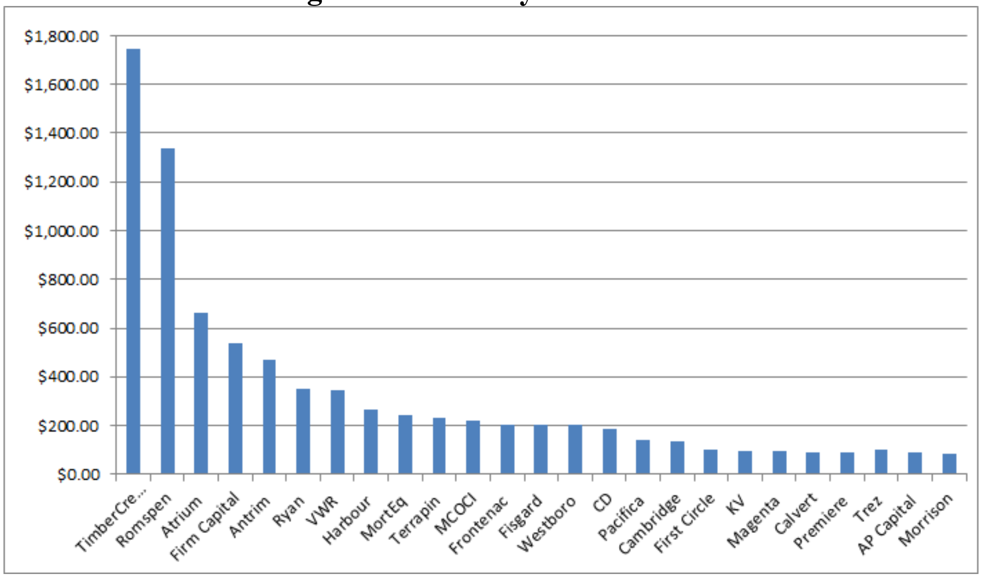
Largest 25 Funds by Portfolio Size



**Timbercreek – includes mortgages held by syndicators.*
** Romspen – only incudes Canadian mortgages*
** Trez – only incudes Canadian mortgages*
Source: Company Filings

Overview of Antrim

The fund was created on June 6, 2007, with Antrim Investments Ltd. as the Manager. The Manager was incorporated in BC on November 7, 1973, and operated as a mortgage broker. In 1993, the Manager formed its first MIC with their own capital and from friends and family. In addition to the Antrim Balanced Mortgage Fund Ltd., the Manager had two other private MICs, investors of which were primarily friends / family of the management team, and accredited investors. These two funds were rolled into the Antrim Balanced Mortgage Fund Ltd. in 2015. Antrim is a Registered Investment Fund Manager with the BC Securities Commission.

The manager currently has **four in-house mortgage brokers** (unchanged since our previous report last year) that exclusively originate mortgage loans for the fund through referrals by a network of over 200 third-party brokers, who are typically paid a one-time finder's fee.

The manager currently originates approximately $265 million per year for the fund versus $200 million at the time of our previous report. They do not originate or administer loans for third-parties. The Manager typically receives a brokerage fee of 1% on first mortgages, and 2% on second mortgages, at the time of origination. These origination fees are not passed on to the fund. This, we believe, is reasonable as the management fee and G&A (general and administrative) expenses of the fund are not too high. In FY2018, the average management fee, trailer fee, and G&A expenses of the fund, were approximately 1.55% of the mortgage receivables outstanding, versus 1.58% in FY2017. We believe this is in line with industry averages.

Since our previous report, management has increased their investment in the fund to $14.82

million (3.3% of the total) at the end of FY2018, versus $11.3 million (3.2% of the total) at the end of FY2017 – implying a continued **alignment of interest with investors.**

	30-Jun-17				30-Jun-18			
Management Ownership	Common Voting Share	%	Class A prefered shares	%	Common Voting Share	%	Class A prefered shares	%
William Granleese, Director / President	1	8.33%	1,738,000	0.48%	1	9.09%	1,797,133	0.40%
William R. Granleese, Director			8,728,000	2.43%			12,136,360	2.70%
Victor Dyck, Director	1	8.33%	720,000	0.20%	1	9.09%	720,001	0.16%
Christopher Gavin Worsnup, Director	1	8.33%	155,000	0.04%	1	9.09%	162,579	0.04%
Total	3	24.99%	11,341,000	3.16%	3	27.27%	14,816,073	3.30%

Source: Manager / FRC

According to Antrim, approximately 80% of their borrowers are self-employed and new immigrants. Management looks for a viable exit strategy when assessing a loan application. There are a wide variety of exit strategies, but the most common exits would be refinancing by a more traditional lender, sale of the property, etc.

Drivers of the Private Lending Market

The private mortgage lending market continues to remain a highly competitive market. Subsequent to the recession in 2008, there have been several changes in mortgage rules in Canada as the government began to tighten mortgages rules in an effort to further strengthen the Canadian housing finance system.

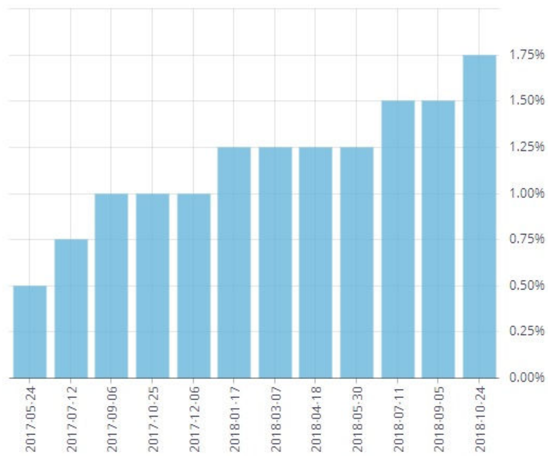
- Minimum down payment increased to at least 5% for home buyers (previously no down payment was required), and to 20% for non-owner occupied properties (investment/speculative properties).
- The maximum amortization period has been reduced to 25 years from 40 years.
- Lowered the maximum amount that can be borrowed from 95% to 80% of the value of the homes when refinancing.
- Limiting the maximum gross debt service ("GDS") ratio to 0.39x and the maximum total debt service ("TDS") ratio to 0.44x. GDS reflects the portion of a homeowner's gross annual income required to meet payments related to housing, such as mortgage principal and interest, property taxes, etc. TDS reflects the portion of a homeowner's gross annual income required to meet all debt payments.
- Government-backed mortgage insurance made available to homes with a price of less than $1 million.

In October 2017, the Office of the Superintendent of Financial Institutions (OSFI) announced **new mortgage guidelines**. Starting 2018, all uninsured loans are subject to a stress test. Previously, only insured borrowers had to undergo such a test. **The tighter**

lending policies, we believe, have been encouraging more borrowers to seek financing from MICs. A recent article in the Financial Post mentioned that mortgage brokers indicate the borrower rejection rate by large banks is up 20%, resulting in stronger deal flow for MICs.

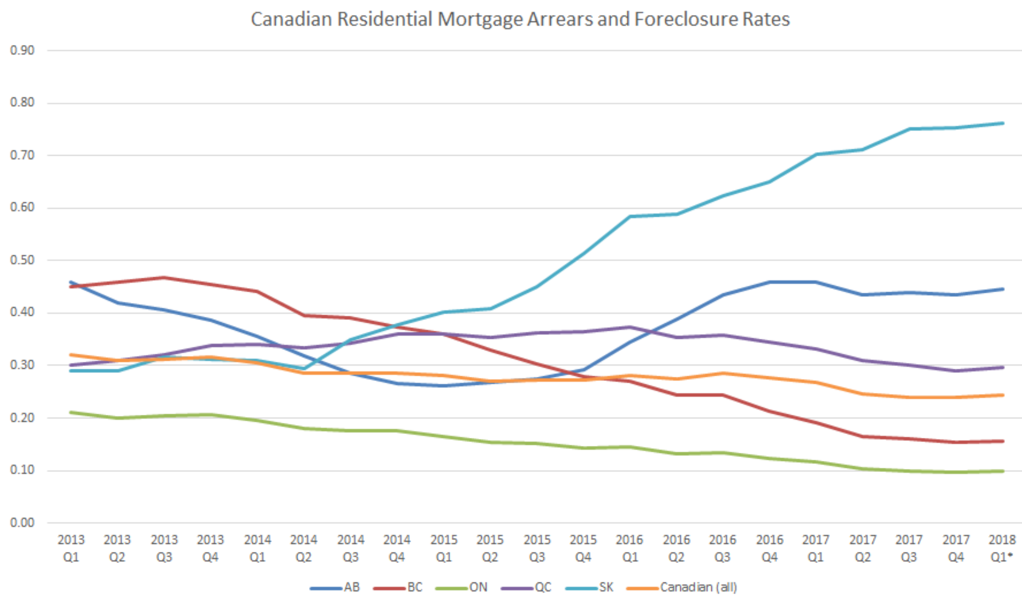
In October 2018, the Bank of Canada increased rates by 0.25% to 1.75% - making it the third hike this year. **The relatively low duration of mortgages originated by MICs allows them to quickly adjust their lending rates.**

Benchmark Interest Rate



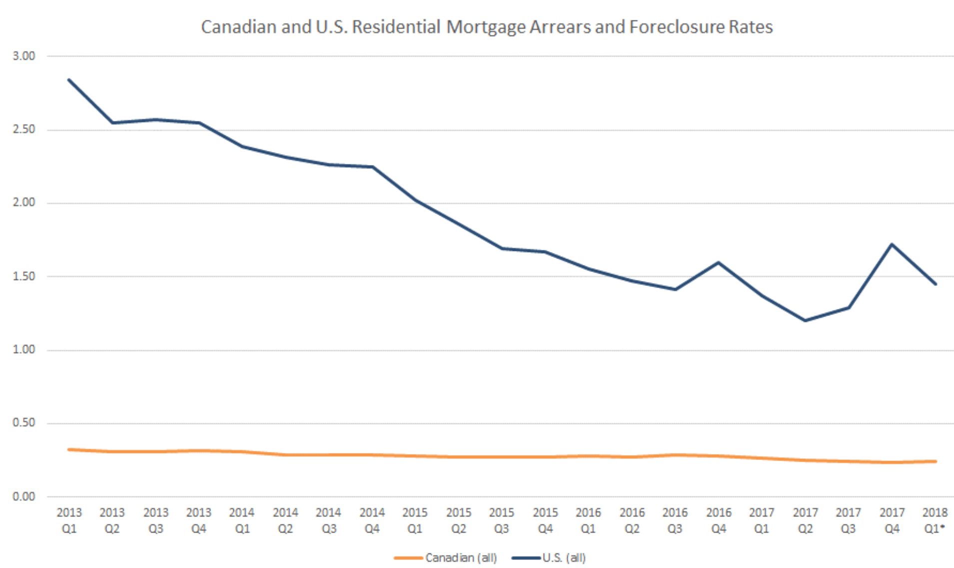
Source: Bank of Canada

The other factors that are likely to support lending, despite a soft real estate housing market in B.C., and a rising interest rate environment, are decreasing unemployment rates (see chart below), and low default rates.



Source: FRC / CMHC

The Canadian national average arrears and foreclosure rate was 0.24% in Q1-2018, (B.C: 0.16%), significantly lower than the 1.45% in the U.S. (see chart below).



Source: FRC / CMHC

Vancouver RE Market Update

The following chart shows average home prices in Vancouver and Toronto.

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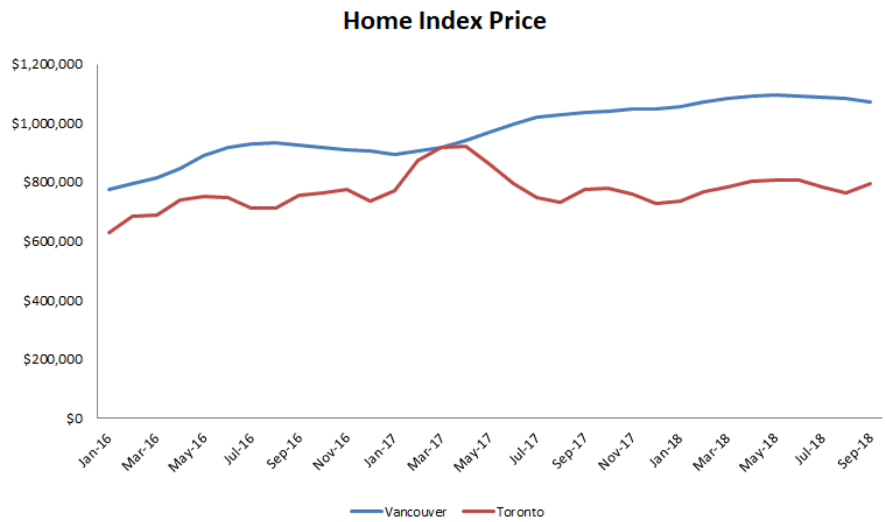


Source: FRC, TREB and REBGV

Vancouver's real estate sales have declined every month, on a YoY basis, since February 2018. Sales dropped by 37% YoY in August versus 30% in July.

Vancouver Sales by Type	Jan-17	Jan-18	YoY	Feb-17	Feb-18	YoY	Mar-17	Mar-18	YoY	Apr-17	Apr-18	YoY
Detached	444	487	10%	745	621	-17%	1,150	722	-37%	1,211	807	-33%
Apartments	825	1,012	23%	1,275	1,185	-7%	1,841	1,349	-27%	1,722	1,308	-24%
Attached Property	254	319	26%	404	401	-1%	588	446	-24%	620	464	-25%
Total	1,523	1,818	19%	2,424	2,207	-9%	3,579	2,517	-30%	3,553	2,579	-27%

Vancouver Sales by Type	May-17	May-18	YoY	Jun-17	Jun-18	YoY	Jul-17	Jul-18	YoY	Aug-17	Aug-18	YoY
Detached	1,548	926	-40%	1,324	766	-42%	949	637	-33%	901	567	-37%
Apartments	2,025	1,431	-29%	1,905	1,240	-35%	1,468	1,079	-26%	1,613	1,025	-36%
Attached Property	791	476	-40%	668	419	-37%	543	354	-35%	529	337	-36%
Total	4,364	2,833	-35%	3,897	2,425	-38%	2,960	2,070	-30%	3,043	1,929	-37%

Source: Real Estate Board of Greater Vancouver

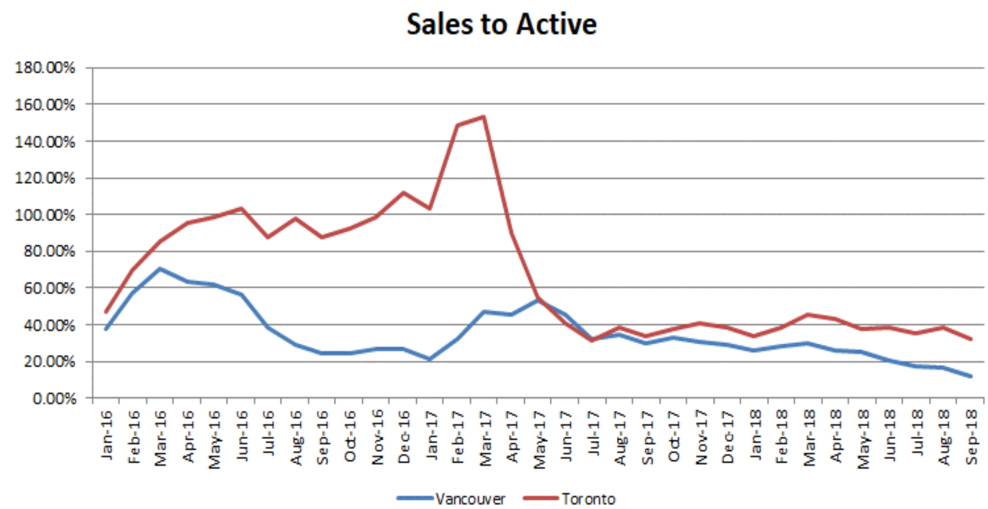
The average price was up 5% YoY in August, but remained relatively flat on a MoM basis.

Metro Vancouver	Jan-17	Jan-18	YoY	Feb-17	Feb-18	YoY	Mar-17	Mar-18	YoY	Apr-17	Apr-18	YoY
Residential Sales	1,523	1,818	19%	2,425	2,207	-9%	3,579	2,517	-30%	3,553	2,579	-27%
New Listings	4,140	3,796	-8%	3,666	4,223	15%	4,762	4,450	-7%	4,907	5,820	19%
Active Listings	7,238	6,947	-4%	7,594	7,822	3%	7,586	8,380	10%	7,813	9,822	26%
Sales to Listings	21.04%	26.17%		31.93%	28.22%		47.18%	30.04%		45.48%	26.26%	
MLS Home Price Index	$896,000	$1,056,500	18%	$906,700	$1,071,800	18.2%	$919,300	$1,084,000	17.9%	$941,100	$1,092,000	16%

Metro Vancouver	May-17	May-18	YoY	Jun-17	Jun-18	YoY	Jul-17	Jul-18	YoY	Aug-17	Aug-18	YoY
Residential Sales	4,364	2,833	-35%	3,897	2,425	-38%	2,960	2,070	-30%	3,043	1,929	-37%
New Listings	6,044	6,375	5%	5,721	5,279	-8%	5,256	4,770	-9%	4,245	3,881	-9%
Active Listings	8,186	11,292	38%	8,515	11,947	40%	9,194	12,137	32%	8,807	11,824	34%
Sales to Listings	53.31%	25.09%		45.77%	20.30%		32.19%	17.06%		34.55%	16.31%	
MLS Home Price Index	$967,500	$1,094,000	13%	$998,700	$1,093,600	10%	$1,019,400	$1,087,500	7%	$1,029,700	$1,083,400	5%

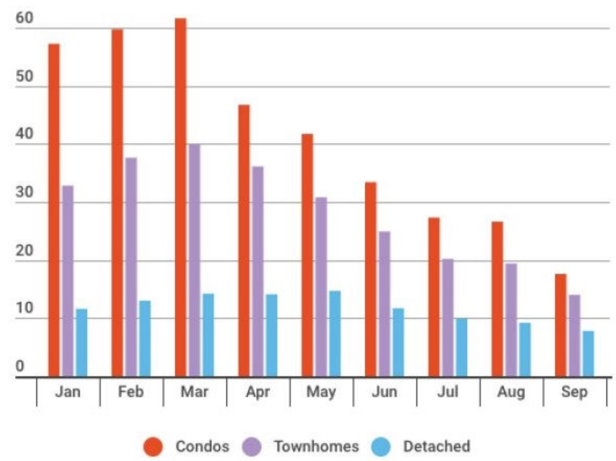
Source: FRC and Real Estate Board of Greater Vancouver

The sales to active ratio was 16% in August 2018, versus 34% in Aug 2017.



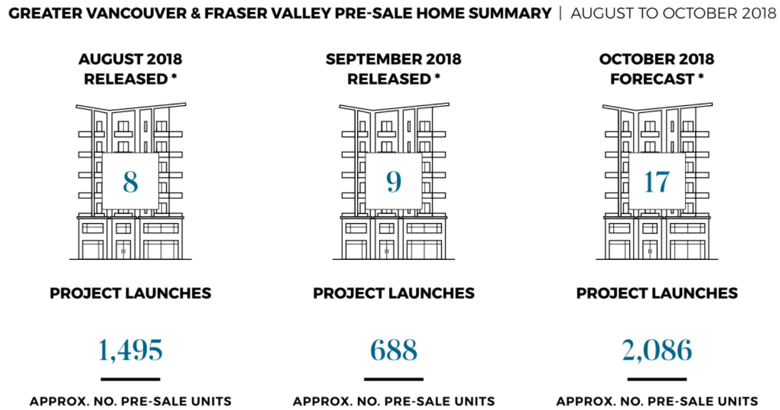
Source: FRC / Various

Sales to Active Ratio by Property Type



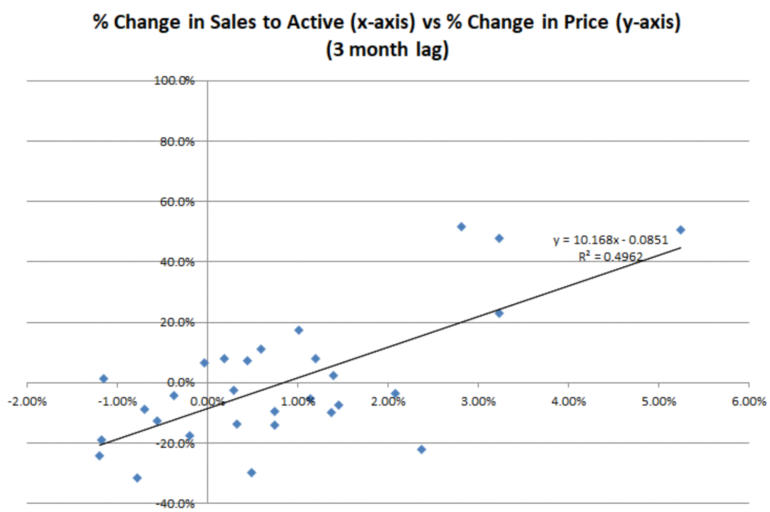
Source: HuffPost Canada

Tighter lending policies, declining sales to active ratios, increasing lending rates, an expected increase in supply (see chart below), and a large discrepancy between rental rates and housing prices, we believe are likely to result in a price correction.



Source: MLA

We identified a strong positive correlation between the change in sales to active ratio and a three-month lagged change in Vancouver's housing prices. **Based on the sales to active ratio in the past three months and the correlation shown below, we believe housing prices could drop by 4% to 5% over the next 3 months.**



Source: FRC

Despite the weakness in real estate sales, mortgage originations by MICs continue to remain strong, indicating that an increasing number of borrowers are approaching MICs for funding. We believe the conservative lending policies by the banks will continue to drive more traffic towards MICs.

As the weighted average LTV of Antrim's portfolio is 58%, we believe there would have to be a significant one year drop in property prices to cause a situation where the underlying property is valued at less than the mortgage. However, long term real estate prices do have an impact on deal-flow due to the following:

- If prices decrease, there will be less activity, mainly because people hold off purchasing and selling, until the market stabilizes.

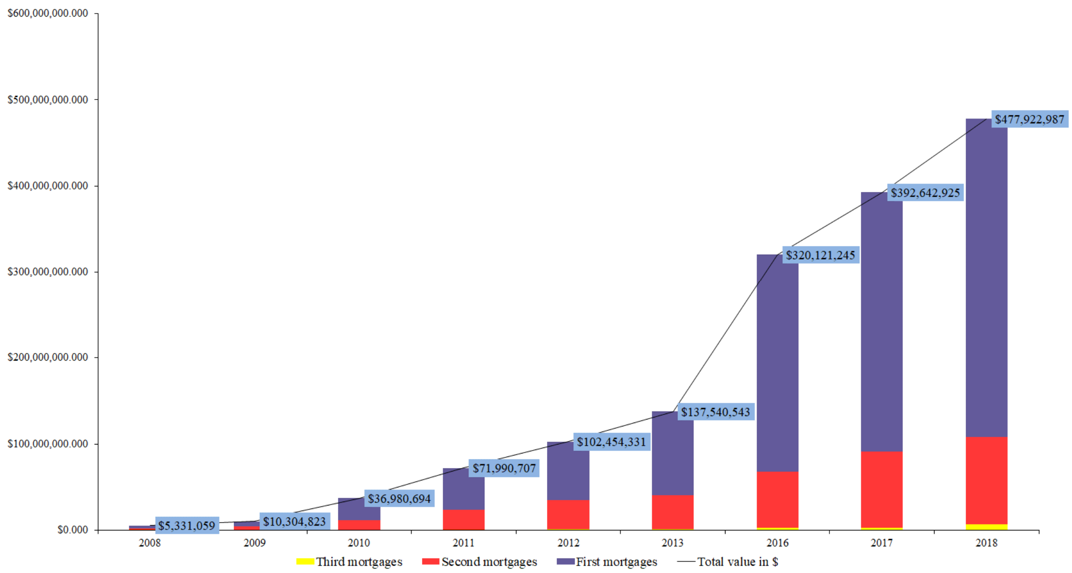
- Borrowers will have less collateral to borrow with.

Portfolio Update

As of June 30, 2018, the fund had $478 million in mortgage receivables secured by 1,328 properties (average - $360k), up from $393 million by 980 properties (average - $401k) as of June 30, 2017. According to management, as of October 1, 2018, the MIC had $522 million in mortgage receivables secured by 1,420 properties (average - $368k). We believe a lower average typically implies lower risk.

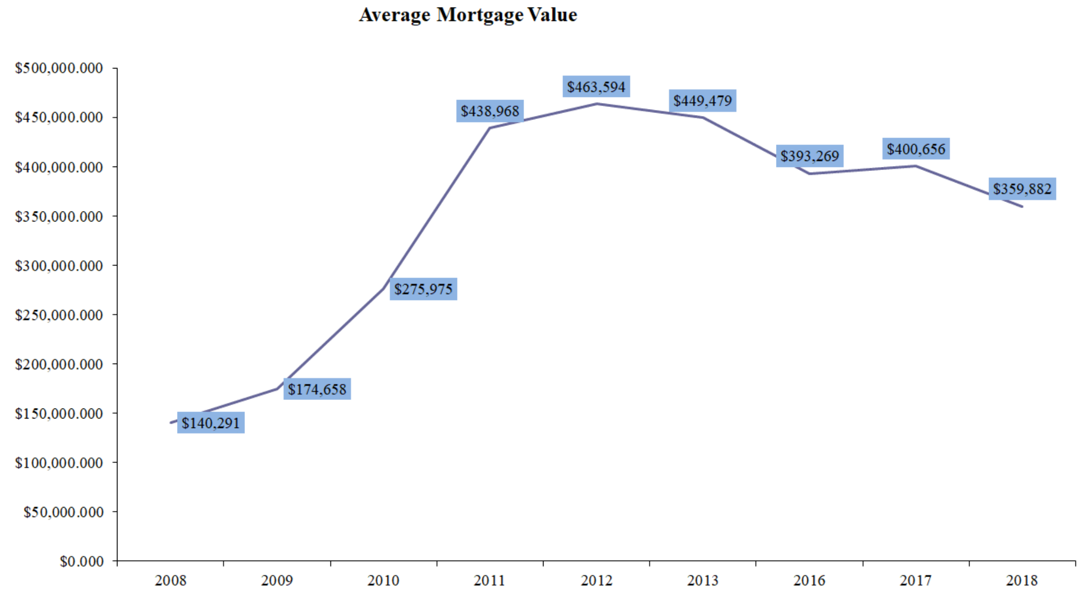
The percentage of first mortgages increased slightly YoY (from 76.7% to 77.4%). The percentage of first mortgages in the portfolio has been over 75% over the past few years, clearly indicating management's strategy to maintain a low risk-profile. First and second mortgages accounted for 98.7% of the total at the end of FY2018, versus 99.3% at the end of FY2017. The following chart shows the distribution of mortgages.

Portfolio Size



Data Source: Manager / Prepared by FRC

The average value per mortgage decreased by 10% to $360k.



Data Source: Manager / Prepared by FRC

The largest loan in the current portfolio is a $3.38 million loan (previously - $3.45 million).

Mortgage Term: At the end of FY2018, 87% of the mortgages had a term of less than 12 months, down from 92% at the end of FY2017. According to management, 100% of the current mortgages mature in less than 12 months.

Term	2014	2015	2016	2017	2018
Less than 1 year	99.2%	98.0%	94.7%	92.0%	87.3%
1 to 2 years	0.8%	2.0%	5.3%	8.0%	12.7%

Data Source: Manager / Prepared by FRC

Type of Mortgage: Management continues to focus on residential properties. Approximately 98% of the mortgages were secured by residential properties at the end of FY2018, versus 95% at the end of FY2017.

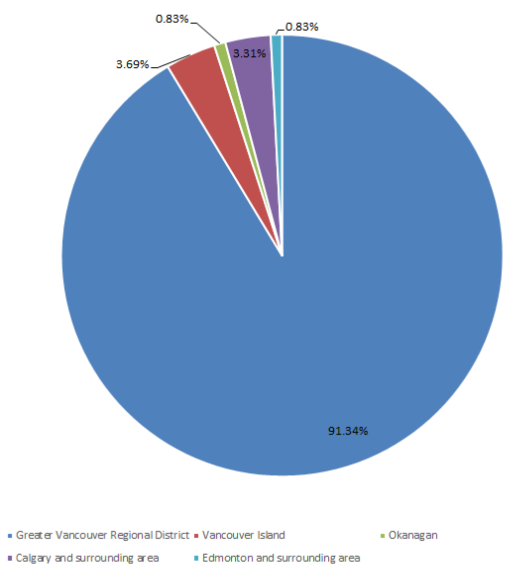
Property Type	2014	2015	2016	2017	2018
Residential	84.69%	84.05%	85.00%	94.59%	98.12%
Residential construction	7.61%	6.39%	2.64%	0.30%	0.00%
Residential land	6.30%	6.59%	8.80%	2.66%	1.43%
Commercial	1.40%	2.97%	3.56%	2.45%	0.45%
Total	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**

- *2014 -2016 percentages are based on the number of mortgages, while 2017-2018 percentages are based on the value of mortgages.*

Data Source: Manager / Prepared by FRC

Loan to Value ("LTV") – The portfolio's LTV (based on appraised value when the loan was advanced) at the end of FY2018 was 58% versus 59% at the end of FY2017.

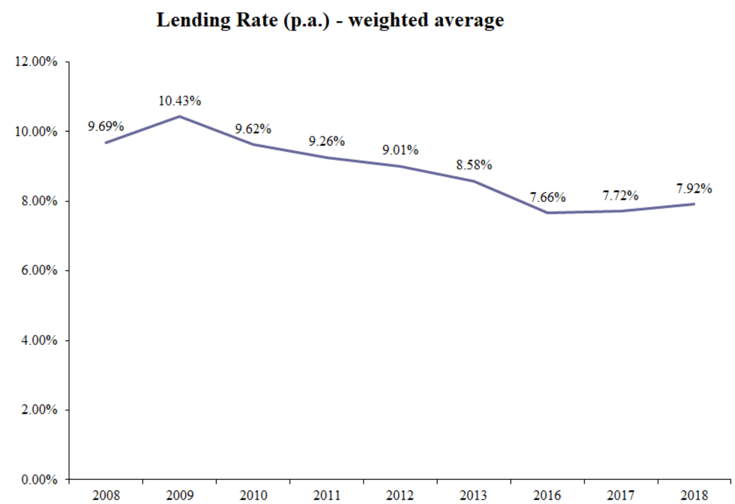
Geographical Diversification: Approximately 95.9% of the portfolio, as of June 2018, was secured by properties in B.C. versus 95.3% as of June 2017. The rest of the portfolio was secured by properties in Metro Calgary and Edmonton in AB. Although MICs tend to geographically diversify their portfolios as they expand, our discussions with management indicated that they will continue to focus on BC. They expect their exposure to AB to remain stable for the next 12 months.



Mortgages by Location	2014	2015	2016	2017	2018
Greater Vancouver Regional District	396	455	708	889	1213
% of total value	94.11%	88.15%	93.18%	90.71%	91.34%
Vancouver Island	28	34	41	34	49
% of total value	2.40%	2.74%	2.11%	3.47%	3.69%
Okanagan	3	7	7	11	11
% of total value	0.37%	0.61%	0.29%	1.12%	0.83%
Calgary and surrounding area	25	56	47	36	44
% of total value	3.12%	7.92%	3.82%	3.67%	3.31%
Edmonton and surrounding area	0	7	11	10	11
% of total value	0.00%	0.58%	0.60%	1.02%	0.83%
Total	452	559	814	980	1328
%	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**

Data Source: Manager / Prepared by FRC

Lending Rate: The weighted average lending rate was 7.92% p.a. in FY2018, up from 7.72% in FY2017. We were pleased to see management's ability to raise their lending rates along with market rates.



Data Source: Manager / Prepared by FRC

Despite a significant increase in portfolio size, we believe the MIC has slightly lowered its risk exposure. The following chart summarizes the change in risk levels based on YoY changes in key parameters.

Parameter	Risk Profile
Total Portfolio Size	↑
Average Mortgage	↓
Diversification	-
Duration	↑
Priority	↓
LTV	↓
Property Type	↓

- *red implies an increase in risk / green implies a decrease in risk*

Source: FRC

Structure of the Offering

The following table shows the structure of the fund:

Outstanding Shares	2014	2015	2016	2017	2018	Sep-18	% of Total
Class A	72,161,335	90,909,486	131,412,781	152,076,563	170,687,771	172,562,944	37.2%
Class B - Series B	59,692,503	58,063,066	57,779,309	60,505,204	78,033,963	83,084,901	17.9%
Class B - Series C	53,817,326	73,253,436	100,152,831	146,697,752	200,549,161	208,007,880	44.9%
Total	**185,671,164**	**222,225,988**	**289,344,921**	**359,279,519**	**449,270,895**	**463,655,725**	**100.0%**

Data Source: Manager / Prepared by FRC

Management and long-term shareholders own 100% of the common shares of the fund. As of September 2018, the fund had 464 million preferred shares outstanding, all of which were issued at, and currently priced at, $1 per share.

According to management, currently, approximately 75% (previously 60%) of capital is raised through IIROC dealers and the remaining 25% internally.

The preferred shares (non-voting) are classified into: Class A, Class B - Series B, and Class B - Series C. Class A shares are sold directly by the fund to investors. Class B – Series B shares are sold through financial advisors who operate on a trailer fee model. Class B - Series C shares are sold through fee based brokerage accounts. The following table shows the management fee and trailer fee associated with each class of shares. The expected returns for each class of shares vary with their trailer fees.

Preferred Shares	Class A	Class B - Series B	Class B - Series C
Management Fee (p.a.)	1.00%	1.00%	1.00%
Trailer Fee (p.a.)	0.50%	1.00%	
Investors' returns (p.a.) in FY2018	6.28%	5.78%	6.78%

Data Source: Manager / Prepared by FRC

Management fees and trailer fees (paid monthly) are tied to the principal amount of the mortgage portfolio. Management does not charge any performance based fee, which we believe is a common practice adopted by managers of low-risk funds focused primarily on first mortgages.

The preferred shares are eligible for redemption, at book value, upon submitting a redemption notice. This is a good aspect as comparable private funds tend to apply a redemption penalty in the first few years of investment. The following table shows redemptions since 2014, which we believe indicates management's ability and willingness to meet redemption requests.

	2014	2015	2016	2017	2018
Redemptions:	$14,045,829	$14,626,869	$22,843,303	$46,303,531	$52,083,154
Redemption (% of invested capital)	8.7%	7.2%	9.0%	18.0%	13.1%

Data Source: Manager / Prepared by FRC

Financials

The following table shows a summary of the income statement since 2014.

Income Statement	2014	2015	2016	2017	2018
Revenues					
Interest Income	$13,984,994	$16,504,313	$21,835,134	$26,987,817	$32,900,525
Fees	$64,287	$81,157	$38,036	$53,441	$64,997
Mortgage discounts earned	$9,139				
Other interest	$16	$257	$188		
Rental income	$28,765	$17,385			
	$14,087,201	**$16,603,112**	**$21,873,358**	**$27,041,258**	**$32,965,522**
Expenses					
Management fees and trailer fees	$2,854,385	$3,209,866	$4,081,028	$4,967,674	$5,892,132
Interest and bank charges	$341,754	$231,559	$903,142	$890,396	$942,395
G&A	$151,207	$176,989	$307,031	$659,502	$833,369
Renewal fees	$41,200	$51,900			
Provision for impaired loans	$203,660				
Loss on foreclosure	$149,011				
Write down of property acquired by foreclosure	$50,000				
Property losses		$999,093	$311,948	$16,215	
Mortgage losses (recovery)		-$20,574	$418,409	$19,392	$45,478
	$3,791,217	**$4,648,833**	**$6,021,558**	**$6,553,179**	**$7,713,374**
Net Income	**$10,295,984**	**$11,954,279**	**$15,851,800**	**$20,488,079**	**$25,252,148**

YE – June 30th

Revenues grew from $27 million in FY2017, to $33 million in FY2018, an increase of 22% YOY. Net Income increased by 23% YOY, from $20 million to $25 million in FY2018.

Interest + Other income as a percentage of mortgage receivables were 7.57% p.a. in FY2018.

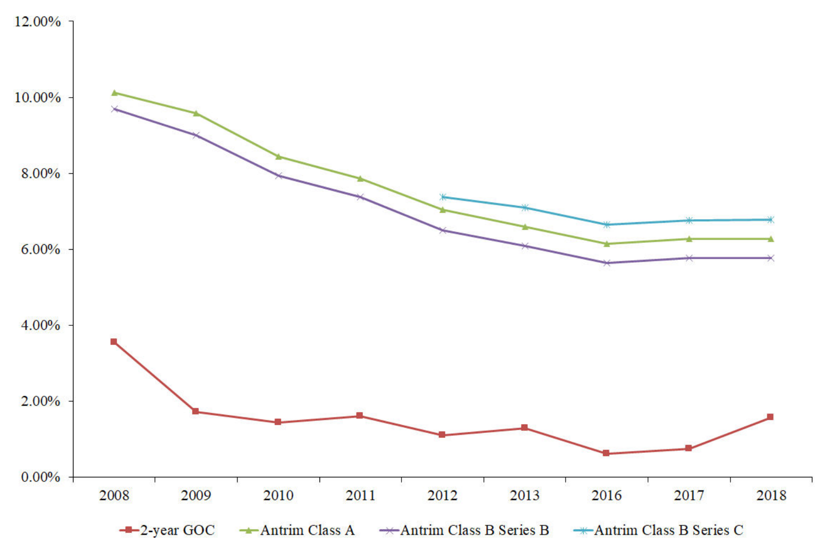
% of Mortgage Receivable	2014	2015	2016	2017	2018
Interest Income	8.15%	7.50%	7.84%	7.57%	7.56%
Fees	0.04%	0.04%	0.01%	0.01%	0.01%
Mortgage discounts earned	0.01%	0.00%	0.00%	0.00%	0.00%
Rental income	0.02%	0.01%	0.00%	0.00%	0.00%
	8.21%	**7.54%**	**7.86%**	**7.59%**	**7.57%**
Less:					
Management fees and trailer fees	-1.66%	-1.46%	-1.47%	-1.39%	-1.35%
Realized losses	-0.12%	-0.33%	-0.68%	-0.02%	-0.01%
Unrealized losses / Provisions	-0.11%	-0.12%	0.42%	0.01%	0.00%
Interest and bank charges	-0.20%	-0.11%	-0.32%	-0.25%	-0.22%
G&A	-0.09%	-0.08%	-0.11%	-0.18%	-0.19%
Renewal fees	-0.02%	-0.02%	0.00%	0.00%	0.00%
Net	**6.00%**	**5.43%**	**5.70%**	**5.75%**	**5.80%**
Investors' Returns as a % of Invested Capital	6.37%	5.87%	6.26%	6.40%	6.39%

Note that the above figures may be slightly different from the figures reported by Antrim 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.

Data Source: Manager / Prepared by FRC

The following table and chart show investors' yields relative to GOC 2-year bonds:

Investors' Returns	2014	2015	2016	2017	2018
2-year GOC	1.05%	0.54%	0.62%	0.75%	1.57%
Antrim Class A	6.60%	6.00%	6.15%	6.27%	6.28%
Antrim Class B Series B	6.08%	5.50%	5.65%	5.77%	5.78%
Antrim Class B Series C	7.13%	6.50%	6.65%	6.77%	6.78%



Data Source: Manager / Prepared by FRC

The following chart shows the realized and unrealized losses and few other key parameters of the portfolio.

	2014	2015	2016	2017	2018
No. of Delinquencies	4	2	5	1	1
Foreclosures					
No.	12	7	2	10	6
Value	$10,306,136	$4,154,516	$469,285	$9,339,748	$6,594,967
Total reported unrealized and realized losses	$402,671	$978,519	$730,357	$35,607	$45,478
Total allowance at the end of the year	$933,660	$1,190,000	$19,855	$0	$0
Realized losses (FRC est.)	$213,061	$722,179	$1,900,502	$55,462	$45,478
Actual Losses (% of mortgage receivable)	**0.12%**	**0.33%**	**0.68%**	**0.03%**	**0.02%**
Reinvested	$5,297,218	$6,110,951	$8,075,659	$10,851,740	$13,589,432
Reinvested (as a % of Distributions)	51%	51%	51%	53%	54%

Data Source: Manager / Prepared by FRC

We were pleased to note that **the number of foreclosures decreased** from 10 ($9.34 million) at the end of FY2017, to 6 ($6.59 million) at the end of FY2018. We estimate that the MIC lost just $45k in FY2018, or 0.02% of the portfolio. There was no provision for loan losses at the end of FY2018, because management estimates there is sufficient equity in all the non-performing loans. Larger MICs tend to assign a general provision of 0.75% to 1.00% of the portfolio.

The following table shows a summary of the company's balance sheet. The total loans outstanding increased by 22% YOY from $393 million to $478 million by the end of FY2018.

FRC Fundamental Research Corp.

Balance Sheet	2014	2015	2016	2017	2018
Assets					
Cash & funds held in trust	$1,009,491		326,124	2,561	1,587
AR / prepaid expenses	$38,446	$110,252	$113,812	$126,475	$137,388
Interest receivable	$1,100,979	$1,239,319	$1,673,449	$1,986,649	$2,341,327
Properties held for sale		$2,759,090	$214,853		
Mortgages receivable	$200,897,230	$233,576,848	$320,121,245	$392,642,925	$477,922,986
	$203,046,146	**$237,685,509**	**$322,449,483**	**$394,758,610**	**$480,403,288**
Long term mortgages receivable	$1,646,960				
Property acquired by foreclosure	$1,515,514				
Software	$1,548	$506			$7,481
Total Assets	**$206,210,168**	**$237,686,015**	**$322,449,483**	**$394,758,610**	**$480,410,769**
Liabilities					
Bank indebtedness	$18,651,614	$13,406,830	$29,579,920	$30,359,377	$24,880,974
Accounts payable & others	$295,240	$353,258	$528,723	$604,846	$747,500
Due to related parties					
Dividends payable	$1,591,645	$1,700,708	$2,996,688	$4,515,638	$5,512,170
Rental deposits	$1,275				
	$20,539,774	**$15,460,796**	**$33,105,331**	**$35,479,861**	**$31,140,644**
Preferred shares - Class A	$72,161,335	$90,909,486	$131,412,781	$152,076,563	$170,687,771
Preferred shares - Class B Series B	$59,692,503	$58,063,066	$57,779,309	$60,505,204	$78,033,963
Preferred shares - Class B Series C	$53,817,326	$73,253,436	$100,152,831	$146,697,752	$200,549,161
	$185,671,164	**$222,225,988**	**$289,344,921**	**$359,279,519**	**$449,270,895**
Shareholders' Equity					
Share capital	$11	$12	$12	$11	$11
Deficit	-$781	-$781	-$781	-$781	-$781
	-$770	**-$769**	**-$769**	**-$770**	**-$770**
SE + Liabilities	**$206,210,168**	**$237,686,015**	**$322,449,483**	**$394,758,610**	**$480,410,769**
Debt to Capital	9.2%	5.7%	9.3%	7.8%	5.2%

Data Source: Manager / Prepared by FRC

Line of credit – The fund has a line of credit with TD Trust Canada for $50 million. The interest rate is prime + 0.75% p.a. (unchanged). As of June 30, 2018, the fund had used $25 million. The total debt to capital was 5.2% at the end of FY2018, down from 7.8% at the end of FY2017. Larger MICs, we estimate, tend to use a higher debt to capital in the 20% to 40% range. **Management does not intend to have a debt to capital higher than 15% to maintain the fund's low risk-profile.**

Risk

We believe the following are the key risks of this offering (most of the risks mentioned below are industry specific and impact comparable MICs as well):

- There is no guaranteed return on investment.
- Loans are short term and need to be sourced and replaced quickly.
- Timely deployment of capital is crucial.
- A drop in housing prices will result in higher LTVs, and higher default risk, as the value of collateral decreases.
- Volatility in real estate prices.
- The preferred shares do not have any voting rights.

- High average loan size.
- Preferred shareholders' principal is not guaranteed, as the NAV per unit could decrease from current levels (as a result of loan losses).
- Loans are primarily interest only loans.
- The fund has the ability to use leverage, which would increase the exposure of the fund to negative events. Note that the fund uses much lower leverage than its peers.
- The fund can invest in second and third mortgages which carry higher risk.
- Redemptions are not guaranteed.
- The fund will have less geographical diversification than peers as management intends to continue to focus on BC.

Rating

Although we believe the risk in the B.C. housing market has increased since our previous report, we are maintaining our overall rating and the risk rating at 2. As the weighted average LTV of Antrim's portfolio is 58%, we believe there would have to be a significant one year drop in property prices to cause a situation where the underlying property is valued at less than the mortgage. The low LTV, combined with the short duration of loans, we believe, gives protection against a downturn in housing prices.

FRC Rating	
Yield (2018)	5.8% - 6.8%
Rating	2
Risk	2

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	29%	Risk - 2	7%
Rating - 3	48%	Risk - 3	40%
Rating - 4	9%	Risk - 4	33%
Rating - 5	4%	Risk - 5	8%
Rating - 6	1%	Suspended	11%
Rating - 7	0%		
Suspended	10%		

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