



HARBOUR MORTGAGE

OVERVIEW

May 2019

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Our Business

Over **\$1 billion** in assets under management



Harbour Mortgage is a mortgage banker and private lender providing creative bridge financing solutions for commercial real estate properties across Canada.



Founded in 2001 by Alan Winer and Paul Schachter, Harbour Mortgage Corp. (“HMC”) is part of The Harbour Group, a Canadian commercial real estate investment platform offering diverse real estate investment opportunities to investors. HMC is the manager of the Harbour First Mortgage Fund, the Harbour High Yield Mortgage Fund and institutional capital. Since its founding HMC has provided a wide range of innovative loan products to the commercial real estate industry across Canada, originating and closing in excess of **\$3 billion** in loan transactions.

Key Business Principles

Harbour offers real estate investment opportunities for accredited investors, family offices and institutions and adheres to the following business principles:

Disciplined Investing

Harbour selectively grows the mortgage funds and focuses on diversification of risk. Harbour stress tests all underwriting assumptions through a rigorous credit approval process.

Hands-on Management

Senior management is involved in each transaction from initial deal structuring to final repayment. Harbour has an exceptional ability to work through problem loans.

Capital Preservation

Harbour focuses on protecting investor capital and minimizing risk.

Transparency

Harbour strives for openness, effective communication and accountability via in-depth quarterly financial reports and annual audited reports to investors.

Superior Risk-Adjusted Returns

Harbour has a nearly two decade long track record of consistent and reliable returns for investors achieved by mitigating risk with diversified investment portfolios.

Real Estate Knowledge

Harbour has the ability to assess true market value and security due to an exceptional team of real estate professionals, affiliates and on-ground staff.

Meet the Management Team



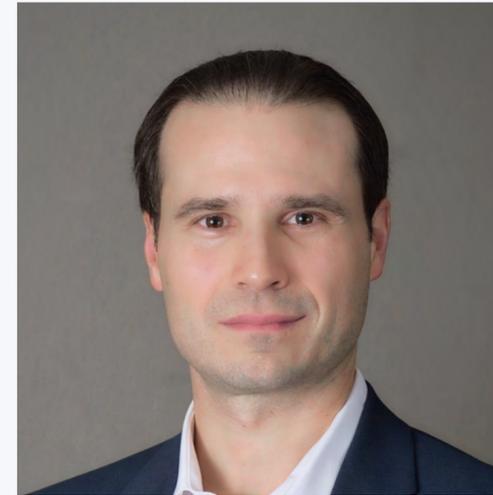
Alan Winer

Principal and Chief Executive Officer
35 years industry experience
18 years with Harbour



Howard Cappell

Chief Financial Officer
35 years industry experience
11 years with Harbour



Nelson Da Silva

Chief Investment Officer
25 years industry experience
5 years with Harbour



Paul Schachter

Principal and Officer
35 years industry experience
18 years with Harbour



Bruce Shepherd

Chief Risk Officer
35 years industry experience
14 years with Harbour

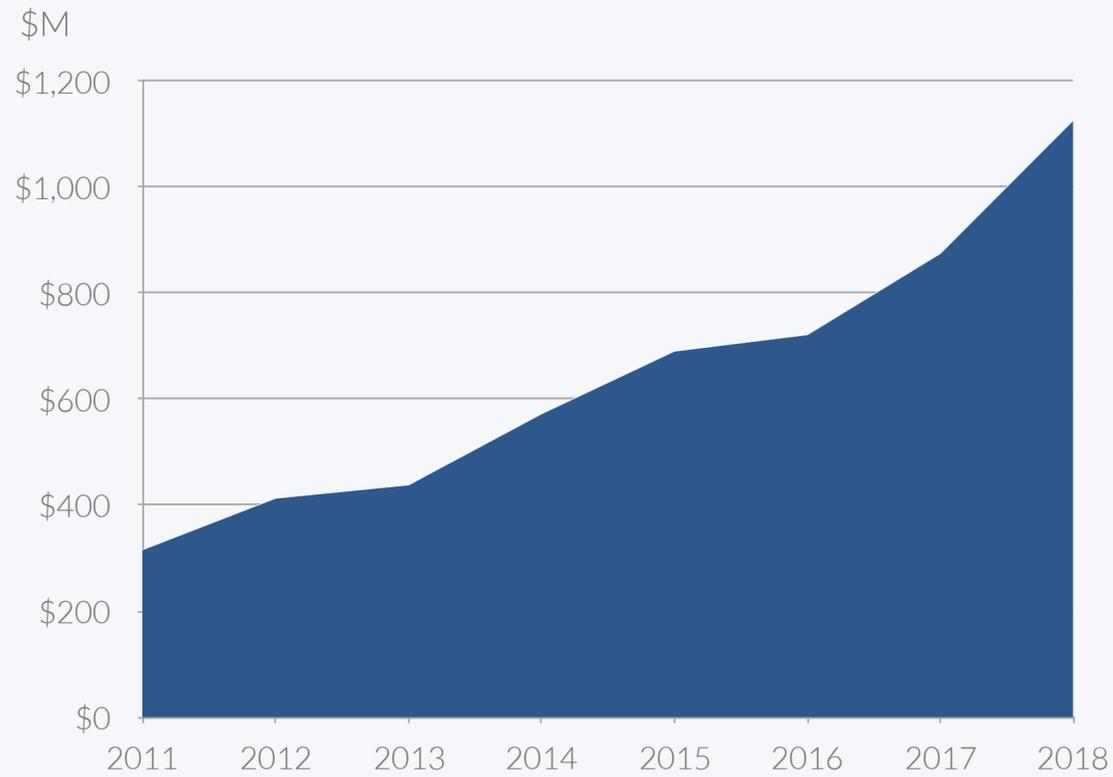


Ann Hawley

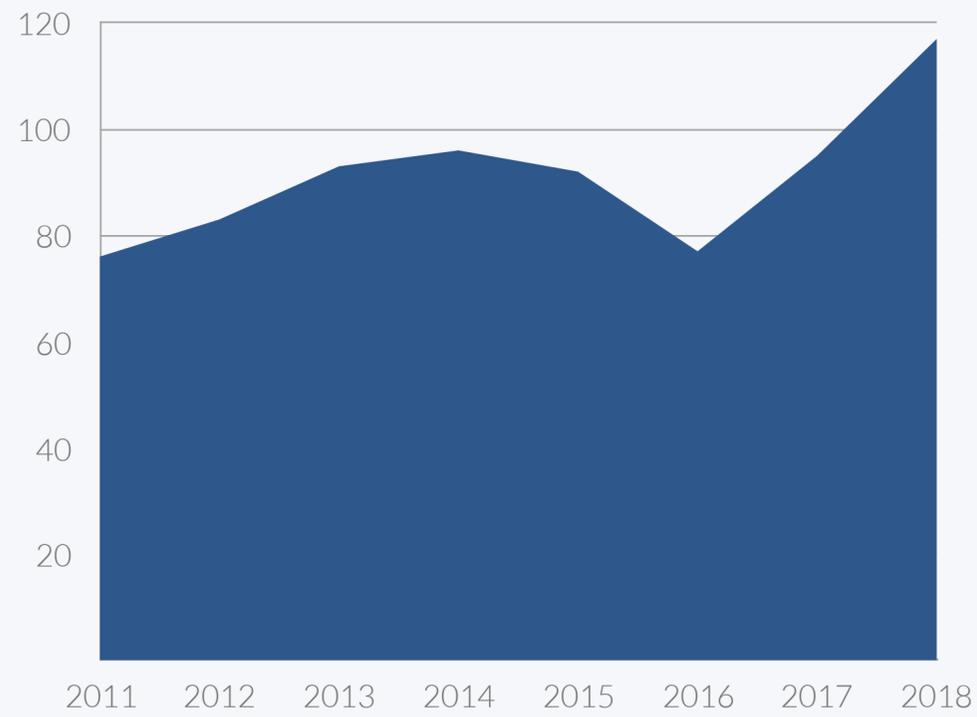
Vice President Investor Relations
25 years industry experience
5 years with Harbour

Track Record

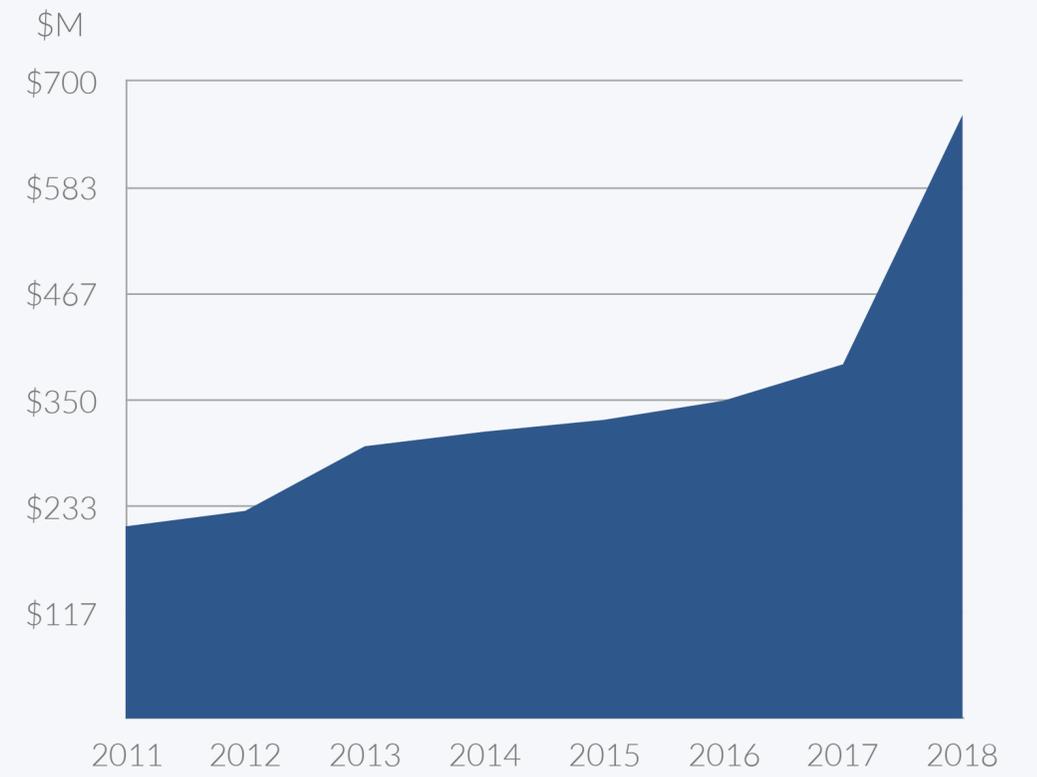
ASSETS UNDER MANAGEMENT (includes institutional capital)



OF NEW LOANS CLOSED



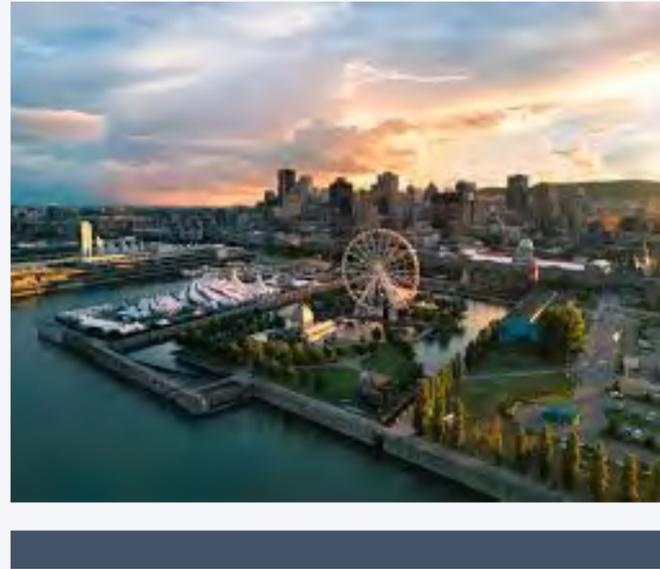
\$ OF NEW LOANS CLOSED



Our Offices Across the Country



Toronto



Montreal



Calgary



Vancouver

National reach with local knowledge.

Harbour Mortgage has a national platform with origination offices in Toronto, Calgary, Montreal and Vancouver. Each Harbour originator is highly experienced with in-depth local market knowledge. Harbour has the ability to access, evaluate and close transactions quickly due to its extensive Canadian commercial real estate market knowledge and complex deal structuring expertise.

What Makes Harbour a Trusted Lender?



 Broader choices of lending opportunities that result in consistent, repeatable long term credit decisions and provide superior risk-adjusted returns for investors

Meet the Mortgage Origination Team



Neil McCutcheon

VP Real Estate Finance -
Ontario
15 years industry experience
9 years with Harbour



John Stiver

VP Real Estate Finance -
British Columbia
15 years industry
experience
3 years with Harbour



Supriti Thapa

VP Real Estate Finance -
Ontario
10 years industry experience
Recently returned to Harbour



Chris Hudson

VP Real Estate Finance - Western Canada
15 years industry experience
7 years with Harbour



John Kouloumentas

VP Real Estate Finance - Quebec
20 years industry experience
3 years with Harbour

Balancing Institutional Practices and Entrepreneurial Spirit





Reliable monthly investment income with focus on preservation of capital

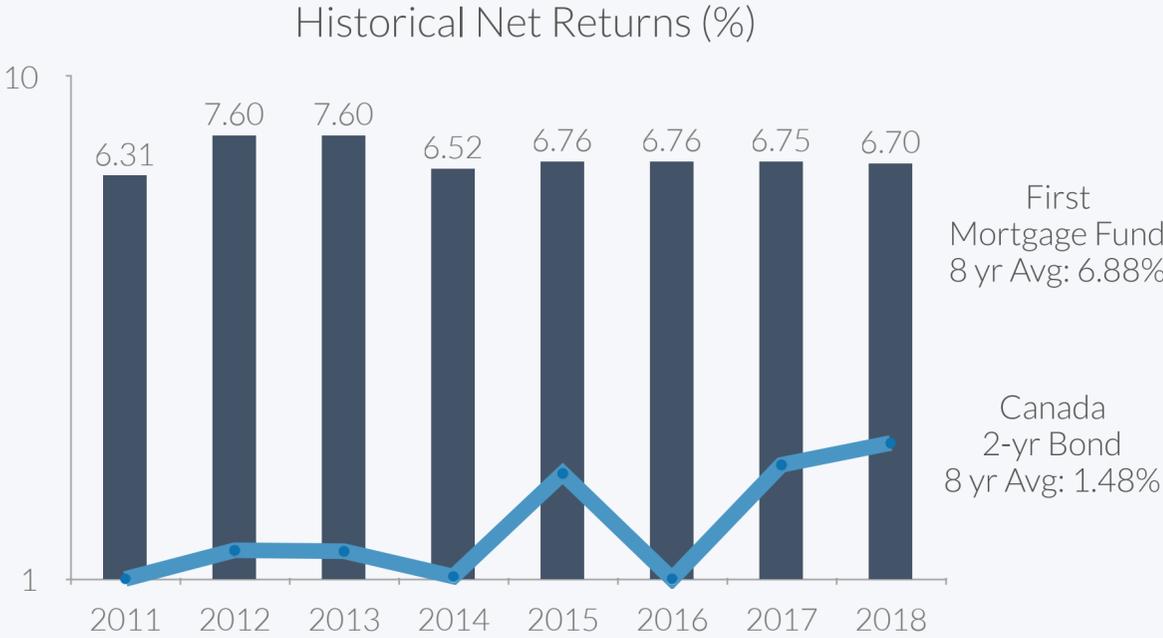
Consistent premium risk-adjusted returns - target yield to investors is 6.60% to 6.80% per annum

Distributes 6.50% per annum, paid monthly

Adjusted to actual yield with annual top-up payment

RRSP eligible, DRIP available

Liquidity quarterly with 60 day notice



* from date of inception to December 31, 2011 yield impacted by start-up costs

** commencing in 2014 the Manager implemented a provision for mortgage losses. As at 2018-12-31 the provision was \$1.2 million (representing 0.4% of mortgages receivable).

First Mortgage Fund Portfolio Strategy - Stable and Secure Returns



100%

First mortgages on Canadian commercial real estate

66%

Weighted average loan-to-value

7.65%

Weighted average borrower rate

0.88 years

Weighted average term to maturity

A portfolio of short-term bridge loans. These projects are typically assets in transition where the exit will be refinancing by a financial institution once the asset is stabilized. These projects are not typically serviced by financial institutions due to short-term investment horizon and interest only structure. Investments are well positioned to withstand market volatility with 90% of portfolio invested in major urban markets. Lower risk profile.

First Mortgage Fund - Q1 2019

PORTFOLIO BY REGION

	# of advanced mortgage investments	\$ of advanced mortgage investments	% of advanced mortgage investments
Ontario	42	\$111,012,607	37%
Alberta	40	\$99,605,570	33%
British Columbia	11	\$52,909,271	17%
Quebec	20	\$35,736,982	12%
Manitoba	3	\$3,918,000	1%
	116	\$303,182,429	100%

PORTFOLIO BY ASSET CLASS

	# of advanced mortgage investments	\$ of advanced mortgage investments	% of advanced mortgage investments
Multi-residential	48	\$101,918,118	34%
Land (incl. zoned & serviced lots)	23	\$61,742,044	20%
Mixed Use	20	\$60,827,818	20%
Retail	6	\$26,732,548	9%
Industrial	10	\$31,299,402	10%
Office	5	\$9,870,000	3%
Special Purpose (incl. retirement residence, hotel & self storage)	4	10,792,500	4%
	116	\$303,182,429	100%

The High Yield Mortgage Fund was launched in 2014 and invests in a diversified portfolio of high yielding mortgage investments secured by subordinate positions in tranching loans, second mortgages on income producing properties and subordinate mezzanine loans on development properties.

\$134M
Committed Mortgages

\$125M
Mortgages Advanced

86
Loans

\$1.5M
Average Loan Size

9.85%
Yield to Investors (2018 net)

Reliable monthly investment income with focus on preservation of capital

Consistent premium risk-adjusted returns - target yield to investors is 9.75% to 10.00% per annum

Distributes 9.00% per annum, paid monthly

Adjusted to actual yield with annual top-up payment

RRSP eligible, DRIP available

Liquidity quarterly with 90 day notice



* commencing in 2014 the Manager implemented a provision for mortgage losses. As at 2018-12-31 the provision was \$2.0 million (representing 1.7% of mortgages receivable).

High Yield Mortgage Fund Portfolio Strategy - Stable and Secure Returns



70%

Percentage of loans subordinate to senior financial institution partner with typical blended rates in the 5.75% - 6.50% range

71%

Weighted average loan-to-value

12.17%

Weighted average gross return

0.78 years

Weighted average term to maturity

Primarily high ratio structured debt with the Fund holding the subordinate (or junior) portion of the loan. Investments are positioned to withstand market volatility. Investments are secured by institutional quality assets that are primarily located in urban markets. The portfolio is diversified by asset class.

High Yield Mortgage Fund - Q1 2019

PORTFOLIO BY REGION

	# of advanced mortgage investments	\$ of advanced mortgage investments	% of advanced mortgage investments
Ontario	36	\$44,994,386	36%
Alberta	32	\$44,036,404	35%
British Columbia	7	\$14,866,301	12%
Quebec	9	\$13,857,906	11%
Saskatchewan	1	\$4,350,000	3%
Manitoba	1	\$3,178,119	3%
	86	\$125,283,114	100%

PORTFOLIO BY ASSET CLASS

	# of advanced mortgage investments	\$ of advanced mortgage investments	% of advanced mortgage investments
Multi-residential	42	\$56,309,211	45%
Land (incl. zoned & serviced lots)	9	\$18,338,195	15%
Retail	8	\$15,644,444	12%
Mixed Use	12	\$13,420,688	11%
Special Purpose (incl. retirement residence, hotel & self storage)	6	\$10,753,337	9%
Office	3	\$8,025,000	6%
Industrial	6	\$2,792,239	2%
	86	\$125,283,114	100%



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