Fundamental Research Corp.
Investment Analysis for Intelligent Investors

August 13, 2021

Truvera Mortgage Corporation

Attractive Yield for a Fund Focused on First Mortgages

Expected Yield (2021): 5.0% - 5.5%
Rating*: 2
Risk*: 2

Sector / Industry: Mortgage Investment Corporations

Highlights

- Despite the pandemic, mortgage receivables grew 35% YoY to $21M by the end of 2020. **Management's goal is to grow the fund's portfolio to over $50M by the end of 2022.**
- The fund maintains a low-risk profile. Focus remains on first mortgages on single and multifamily residential properties. **Loan-to-Value ("LTV") was just 39% at the end of 2020.** Most Mortgage Investment Entities (MIEs) have LTVs between 50% and 70%.The fund has not had any realized losses since inception.
- Dividends as a percentage of invested capital were 5.58% in 2020, down 0.88 ppt due to lower lending rates; **we believe the fund's returns are on the higher end of comparable funds focused on first mortgages.**
- In June 2021, the principals of Lanyard Financial (the fund's administrator) indirectly acquired a 30% interest in the fund's General Partner, aligning their interest with investors. 100% of the fund's mortgages are underwritten and administered by Lanyard.
- **The fund's investors include nine B.C. based financial institutions (up from six at the time of our initiating report), and accredited investors.**
- The residential real estate market has cooled slightly in the past two months, but remains at elevated levels. Although the Delta variant has induced some market uncertainty, we continue to expect an economic recovery in H2-2021. Although price corrections are likely (under 10%), we expect residential real estate markets to remain strong based on an expected surge in both new immigrants and students once travel restrictions are relaxed and conditions normalize later in the year. Note that **Canada is one of the most highly vaccinated countries in the world** (63% fully vaccinated), and remains one of the top destinations in the world for immigrants.
- As we expect interest rates to remain low for most of the year, we believe the fund offers an attractive high-yield opportunity. **We are expecting the 2021 dividend yield to be in the 5.00 – 5.50% range.**

Sid Rajeev, B.Tech, MBA, CFA
Head of Research

Offering Summary	
Issuer	Truvera Mortgage (Senior) – 1 Limited Partnership
Date of OM	N/A
Securities Offered	Limited Partnership Units
Unit Price	$1
Minimum Subscription	$250,000
Distribution to Investors	Quarterly
Redemption	Once a year
MER	1.75% of AUM / 25% of origination & renewal fee
Sales Commissions	1% p.a. (trailer)
Auditor	DMCL
Registered Plans	N/A

	2018	2019	2020	2021E
Mortgage Receivables	$8,302,339	$15,467,167	$20,846,135	$25,000,000
Debt to Capital	0%	0%	0%	0%
Revenue	$552,234	$1,129,759	$1,551,703	$1,891,153
Dividends	$386,323	$815,402	$1,065,192	$1,258,476
Dividend Yield	5.86%	6.46%	5.58%	5.37%

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

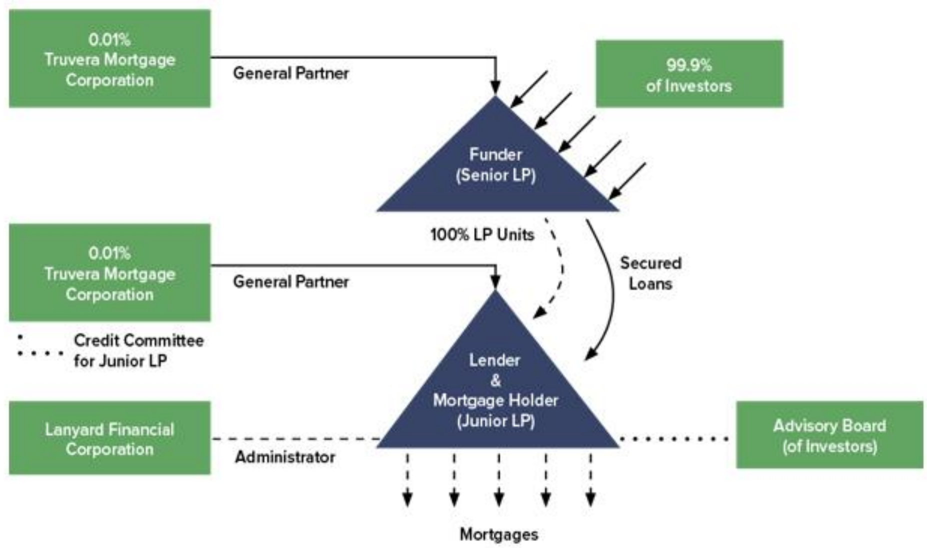
***For additional details on the fund, management team, structure, and historic performance, please review our 2019 initiating report.**

Corporate Reorganization

In June 2021, Lanyard's principals acquired a 30% interest in Truvera Investments Corp. (with an option to increase to 35%) for an undisclosed price. The remaining 70% is held by GCR Capital Inc. GCR is owned by three B.C. based financial institutions (including one of the largest in B.C. - names are not disclosed in this report to maintain confidentiality), Truvera's management, and accredited investors. **Truvera Investments owns 100% of Truvera Mortgage Corporation, the General Partner of the fund.**

Lanyard's principals acquired 30% of the fund's GP, aligning their interest with investors

Corporate Structure



- Investors subscribe to the units of the Senior LP. Capital is flowed via a secured zero interest loan arrangement to the Junior LP, which, in turn, uses the capital to invest in mortgages.

Source: Fund

The fund currently has, amongst other unitholders, nine financial institutions as investors with **total committed capital of $34M**; of which, approximately $22M has been drawn to date. As these financial institutions are not allowed to own over 10% of the fund's equity (a regulatory requirement), the fund has to draw their capital in tranches to ensure that none of the financial institutions exceeds their maximum permitted investment.

We believe Lanyard's acquisition aligns their interest with Truvera and investors. Through an administration agreement with the fund, Lanyard underwrites and manages all the mortgages held by the fund. Investors of the fund have voting rights, which is another factor that aligns management and investors' interests. We note that most MIEs do not offer voting rights to investors. **Management's goal** is to grow the fund's portfolio to over $50M by the end of 2022.

Management Reshuffle

Since our initiating report, Truvera made a few changes to its management team. Brief biographies of members of the updated team follow:

President - Don Rolfe

Don has a well-established track record of leading successful financial services firms. Don has a strong and enduring commitment to ethics and serving the community and those in need. Prior to his role as President of Truvera Mortgage Corp., Don has been the CEO and/or President of:

- Central 1 Credit Union - the central financial facility and trade association for the B.C. and Ontario credit union systems. It is an "umbrella organization," representing retail financial institutions that serve 3.4 million members and hold more than $60 billion in assets;
- The Ethical Funds Co - which manages socially responsible mutual funds;
- Credential Financial Inc. – a leading provider of wealth management services to over 200 credit union partners across Canada;
- CIBC Investors Services; and
- CIBC Mutual Funds.

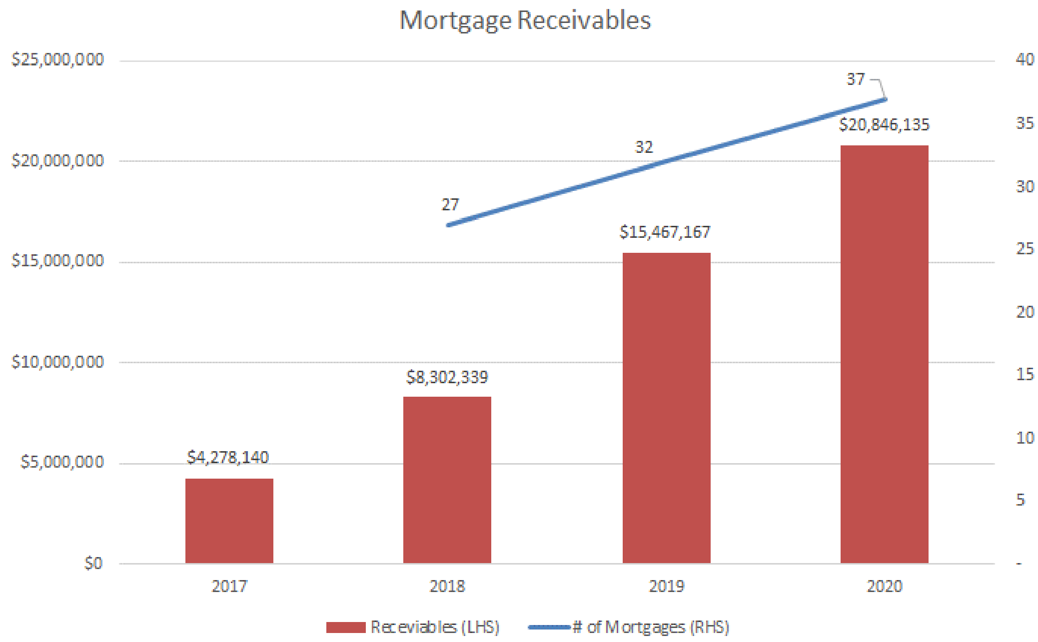
Don Rolfe has served as a Board Director and Chair with distinction on numerous firms, and most notably as the Board Chair for Canadian Business for Social Responsibility.

Chairman & CEO – Barry MacDonald, FCPA, FCA, ICD.D

Barry was Chair of the Board of the Chartered Professional Accountants of B.C. where he led their board of 17 directors governing 35,000 members. Barry was on their leadership team that unified three accounting bodies in 2015. Barry retired in 2016 as a partner with PricewaterhouseCoopers (PwC), after a 34 year career with them. From 1990 to 1997, Barry was a partner in PwC's Hong Kong firm, their only partner from North America. His PwC expertise area was cross border tax and transfer pricing planning. He also held various executive leadership roles with the firm, including large client relationships, HR, Recruiting, and was their Canadian Inbound Clients Leader. In addition to Truvera Trust & Mortgage, Barry is/was a director of these companies; Iplayco (until end of 2019; TSX-V traded children's indoor playground equipment manufacturer, Chair of their Audit Committee), EasyPark (parking transportation, past Chair of their Governance, HR and Nominating Committee), and Frontfundr (fintech, Chair of their Audit Committee). He was a strategic advisor to TMF (a global business services provider). Barry further serves on the Institute of Corporate Directors' BC Chapter Executive Committee. He chairs or serves on many non-profits.

Portfolio Update

Despite the pandemic, mortgage receivables grew 35% YoY to $21M by the end of 2020



Focus remains on first mortgages on single and multi-family residential properties in B.C.

LTV was 39% at the end of 2020

Lending rates declined with market rates

	2018	2019	2020
# of Mortgages	27	32	37
Average	$307,494	$483,349	$563,409
First Mortgages	100%	100%	100%
LTV	n/a	n/a	n/a
Lending Rate	7.35% - 9.00%	5.75% - 9.53%	4.00% - 8.03%
Past Due			
# of Mortgage	-	2	1
$ (Mortgages)	-	$650,000	$300,000

Only one past due mortgage at the end of 2020, accounting for just 1.4% of the portfolio; this mortgage was subsequently repaid in full; no realized losses or provision for losses

	2018	2019	2020
Actual Losses (% of mortgage receivable)	0.00%	0.00%	0.00%
Provision % of Receivable	0.00%	0.00%	0.00%

Source: Fund / FRC

Revenue and net income were up 37% and 31% YoY, respectively, in 2020 due to higher mortgage receivables

Dividends as a percentage of invested capital were 5.58% in 2020, down 0.88 ppt due to lower lending rates; we believe the fund's returns are on the higher end of comparable funds focused on first mortgages

Financials

Income Statement	2018	2019	2020	YoY
Revenues				
Interest Income	$465,550	$934,519	$1,310,757	**40%**
Other Income	$86,684	$195,240	$240,946	**23%**
	$552,234	**$1,129,759**	**$1,551,703**	**37%**
Expenses				
G&A	$14,653	$19,098	$20,383	**7%**
Administrator Fees	$90,226	$183,606	$260,629	**42%**
GP Fees	$61,032	$123,758	$214,456	**73%**
Loan Loss Provision				
Interest on Loan Payable		-$12,605	-$10,123	**-20%**
	$165,911	**$313,857**	**$485,345**	**55%**
Net Income	**$386,323**	**$815,902**	**$1,066,358**	**31%**
Distribution to LP Unitholders	$386,323	$815,402	$1,065,192	**31%**
Net Asset Value	$1.00	$1.00	$1.00	**0%**
Shares Outstanding	8,430,001	16,805,016	21,355,017	**27%**

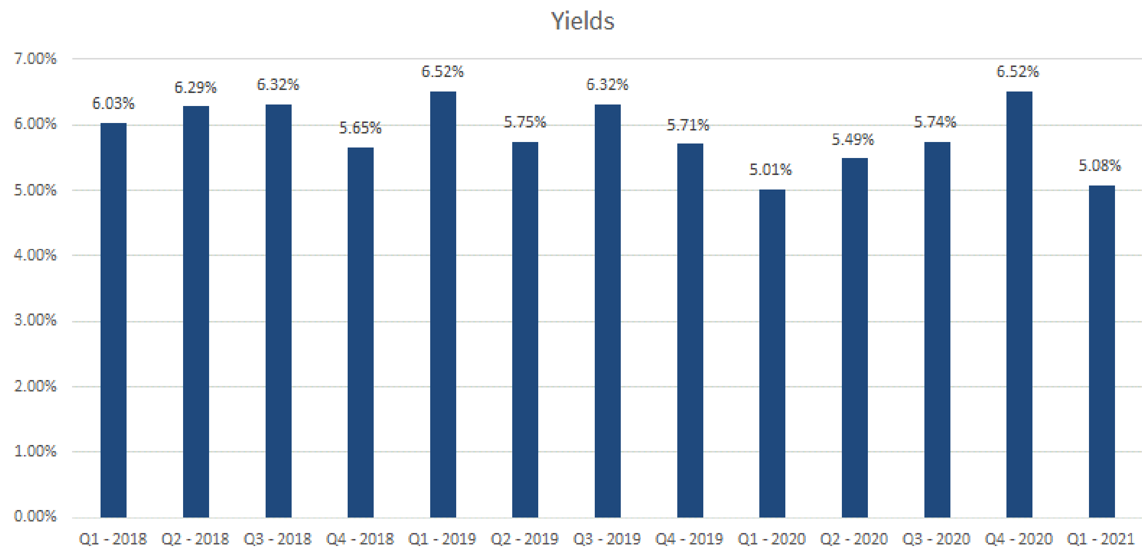
% of Mortgage Receivable	2018	2019	2020
Interest Income	7.40%	7.86%	7.22%
Other Income	1.38%	1.64%	1.33%
Interest Income + Others	**8.78%**	**9.51%**	**8.55%**
Less:			
G&A	0.23%	0.16%	0.11%
Administrator Fees	1.43%	1.54%	1.44%
GP Fees	0.97%	1.04%	1.18%
Loan Loss Provision			
Interest on Loan Payable	0.00%	-0.11%	-0.06%
Net	**6.14%**	**6.87%**	**5.87%**
Investors' Returns (% of Invested Capital)	**5.86%**	**6.46%**	**5.58%**

*The calculations in the above table are approximates as we used the average of beginning and end of period mortgage receivables outstanding.

Source: FRC

Relatively stable dividends

Investors' yields have averaged 5.9% in the past three years



Source: Company

Mortgage receivables were up 35% YoY in 2020

Although comparables of similar size use up to 10% debt, the fund does not use leverage to enhance returns

Balance Sheet	2017	2018	2019	2020
Assets				
Cash	$559,839	$270,818	$1,604,688	$896,965
Mortgage Investments (net)	$4,278,140	$8,302,339	$15,467,167	$20,846,135
	$4,837,979	**$8,573,157**	**$17,071,855**	**$21,743,100**
Liabilities				
A/P	$6,183	$10,863	$10,500	$13,000
Due to GP	$16,866	$14,001	$22,008	$23,976
	$23,049	$24,864	$32,508	$36,976
LP Units	$4,750,001	$8,430,001	$16,805,016	$21,355,017
Accrued Distribution	$64,927	$118,290	$234,329	$351,105
	$4,814,928	$8,548,291	$17,039,345	$21,706,122
GP Units	$2	$2	$2	$2
SE + Liabilities	**$4,837,979**	**$8,573,157**	**$17,071,855**	**$21,743,100**
Debt to Capital	0%	0%	0%	0%
Debt as a % of Mortgage Outstanding	0%	0%	0%	0%
Interest Coverage Ratio	n/a	n/a	n/a	n/a

Source: FRC / Fund

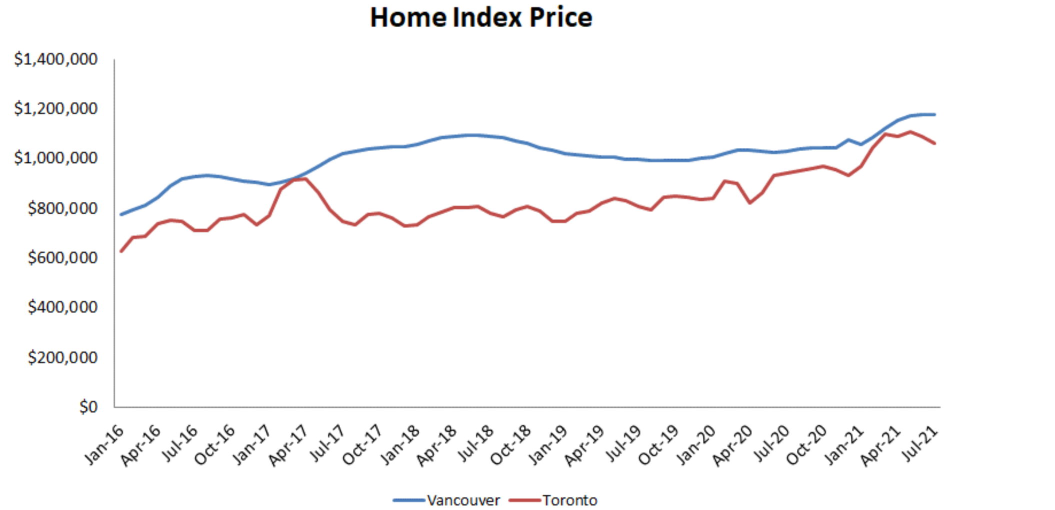
Market Update

Sales of residential units in Vancouver and Toronto have cooled in the past two months. **The sales to active ratios were also down YoY, but remain at elevated levels.** Prices were up 14% YoY in Vancouver, and 13% YoY in Toronto, in July 2021.

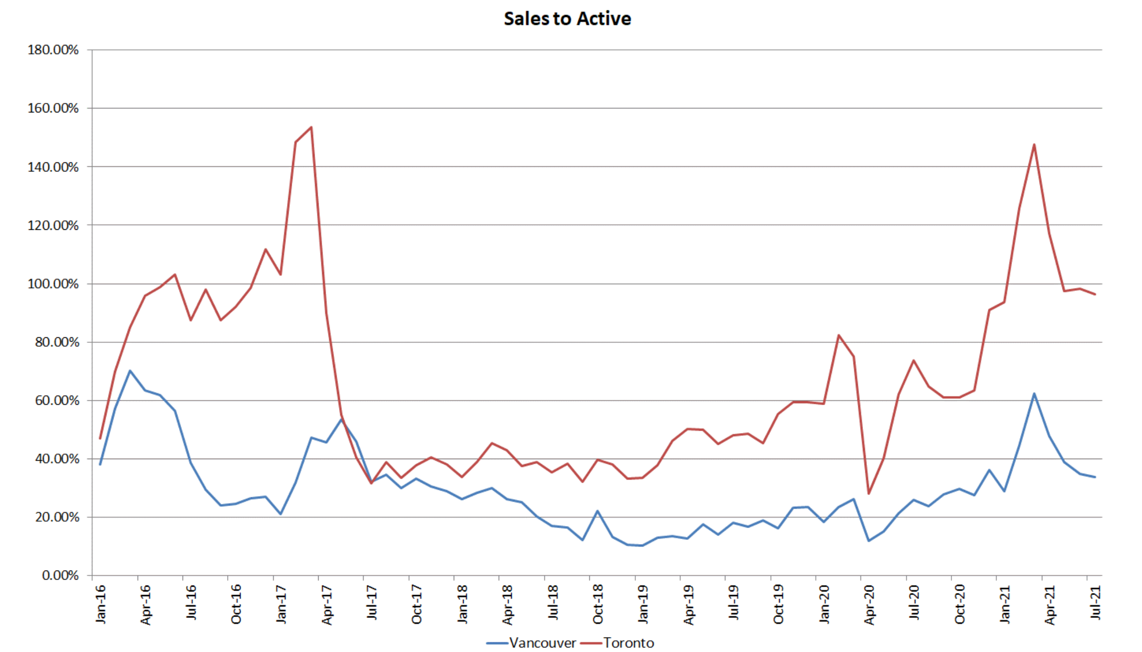
Metro Vancouver	Apr-20	Apr-21	YoY	May-20	May-21	YoY	Jun-20	Jun-21	YoY	Jul-20	Jul-21	YoY
Residential Sales	1,109	4,903	342%	1,485	4,268	187%	2,443	3,762	54%	3,128	3,326	6%
New Listings	2,313	7,938	243%	3,684	7,125	93%	5,787	5,849	1%	5,948	4,377	-26%
Active Listings	9,389	10,245	9%	9,927	10,970	11%	11,424	10,839	-5%	12,083	9,850	-18%
Sales to Listings	11.81%	47.86%		14.96%	38.91%		21.38%	34.71%		25.89%	33.77%	
MLS Home Price Index	$1,036,000	$1,152,600	11%	$1,028,400	$1,172,800	14%	$1,025,300	$1,175,100	15%	$1,031,400	$1,175,500	14%

Toronto	Apr-20	Apr-21	YoY	May-20	May-21	YoY	Jun-20	Jun-21	YoY	Jul-20	Jul-21	YoY
Residential Sales	2,975	13,663	359%	4,606	11,951	159%	8,701	11,106	28%	11,081	9,390	-15%
New Listings	6,174	20,825	237%	9,104	18,586	104%	16,153	16,189	0%	17,956	12,551	-30%
Active Listings	10,561	11,668	10%	11,484	12,253	7%	14,001	11,297	-19%	15,018	9,732	-35%
Sales to Listings	28.17%	117.10%		40.11%	97.54%		62.15%	98.31%		73.78%	96.49%	
MLS Home Price Index	$821,392	$1,090,992	33%	$863,599	$1,108,453	28%	$930,869	$1,089,536	17.0%	$943,710	$1,062,256	13%

Activities declined in the past two months; although sales in the coming months are likely to be lower than the record highs last year, we expect prices to hold or only undergo small corrections (up to 10%)



Sales to active ratios remain elevated



Source: TREB/REBGV/FRC

Considering the rollout of vaccines, we are expecting an economic recovery in H2-2021. The Federal Government has increased its immigration targets for the next three years to make up for last year's decline due to the pandemic. We believe that the economic recovery, low-interest rate environment, and a surge in new

Projecting a yield of 5.0-5.5% in 2021

immigrants/students once conditions normalize later this year, will support, or at least prevent, residential prices from crashing. T**he 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.**

Rating

We are maintaining our overall rating of 2, with a risk rating of 2.

FRC Rating	
Yield (2021)	5.0%-5.5%
Rating	2
Risk	2

	2018	2019	2020	2021E
Mortgage Receviables	\$8,302,339	\$15,467,167	\$20,846,135	\$25,000,000
Debt to Capital	0%	0%	0%	0%
Revenue	\$552,234	\$1,129,759	\$1,551,703	\$1,891,153
Dividends	\$386,323	\$815,402	\$1,065,192	\$1,258,476
Dividend Yield	5.86%	6.46%	5.58%	5.37%

Source: FRC

Interest rates are expected to remain low through the year, and we expect investors' appetite for high-yield securities (such as Truvera) to remain strong.

Risks

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

- 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.
- Unitholders' principal is not guaranteed. Unitholders are also not guaranteed minimum distributions.
- The fund has the ability to use leverage (up to 20%), which would increase the exposure of the fund to negative events.
- Second mortgages (capped at 10%) carry higher risk.

APPENDIX

Income Statement	2018	2019	2020	2021E
Revenues				
Interest Income	$465,550	$934,519	$1,310,757	$1,604,615
Other Income	$86,684	$195,240	$240,946	$286,538
	$552,234	**$1,129,759**	**$1,551,703**	**$1,891,153**
Expenses				
G&A	$14,653	$19,098	$20,383	$25,215
Administrator Fees	$90,226	$183,606	$260,629	$332,384
GP Fees	$61,032	$123,758	$214,456	$275,077
Loan Loss Provision				
Interest on Loan Payable		-$12,605	-$10,123	
	$165,911	**$313,857**	**$485,345**	**$632,677**
Net Income	**$386,323**	**$815,902**	**$1,066,358**	**$1,258,476**
Distribution to LP Unitholders	$386,323	$815,402	$1,065,192	$1,258,476
Net Asset Value	$1.00	$1.00	$1.00	$1.00
Shares Outstanding	8,430,001	16,805,016	21,355,017	25,500,000

Balance Sheet	2018	2019	2020	2021E
Assets				
Cash	$270,818	$1,604,688	$896,965	$892,979
Mortgage Investments (net)	$8,302,339	$15,467,167	$20,846,135	$25,000,000
	$8,573,157	**$17,071,855**	**$21,743,100**	**$25,892,979**
Liabilities				
A/P	$10,863	$10,500	$13,000	$14,300
Due to GP	$14,001	$22,008	$23,976	$27,572
	$24,864	$32,508	$36,976	$41,872
LP Units	$8,430,001	$16,805,016	$21,355,017	$25,500,000
Accrued Distribution	$118,290	$234,329	$351,105	$351,105
	$8,548,291	$17,039,345	$21,706,122	$25,851,105
GP Units	$2	$2	$2	$2
SE + Liabilities	**$8,573,157**	**$17,071,855**	**$21,743,100**	**$25,892,979**
Debt to Capital	0%	0%	0%	0%

Cash Flow Statement	2020	2021E
Operating Activities		
Net Income	$1,066,358	$1,258,476
Adjustments	-$16,287	$4,896
	$1,050,071	**$1,263,373**
Cash from Investing Activities	**-$5,358,213**	**-$4,153,865**
Financing Activities		
Equity	$4,550,001	$4,144,983
Debt		
Distributions	-$949,582	-$1,258,476
Cash from Financing Activities	**$3,600,419**	**$2,886,507**
Net Change in Cash	**-$707,723**	**-$3,986**

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	8%	Risk - 4	33%
Rating - 5	4%	Risk - 5	8%
Rating - 6	1%	Suspended	10%
Rating - 7	0%		
Suspended	9%		

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