

YTM Capital Mortgage Income Fund



Strategy

Defensively-positioned fund delivering residential mortgage exposure



Target

Long term net returns of 5% - 7% with low volatility and monthly cash flow



Portfolio

Mortgages on Canadian owner-occupied homes and New York City area properties

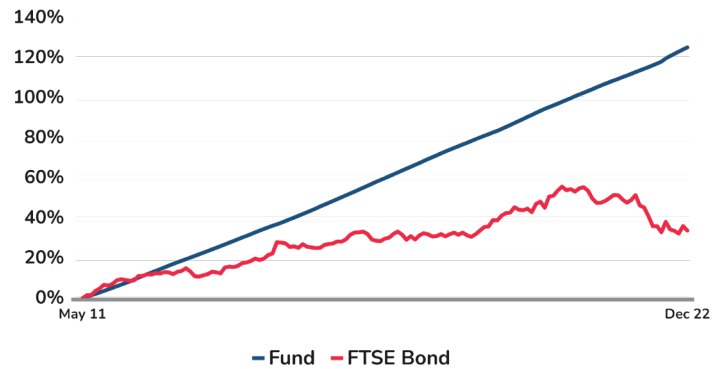


Uncorrelated

Compelling fixed-income alternative

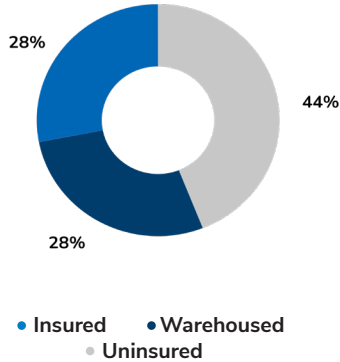
Net Performance

| | 1 year | 3 year | 5 year | 10 year |
|-----------|---------|--------|--------|---------|
| Fund | 5.80% | 5.56% | 5.85% | 6.83% |
| FTSE Bond | -11.69% | -2.19% | 0.28% | 1.71% |

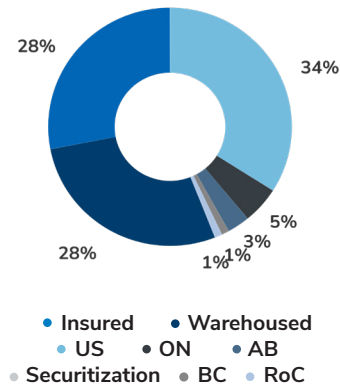


Portfolio

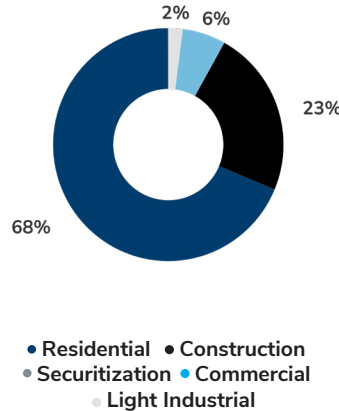
Incremental Security



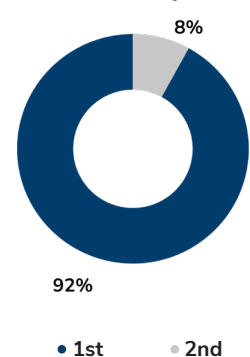
Geography



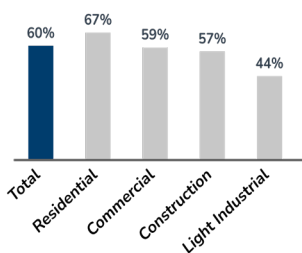
Asset Class



Priority



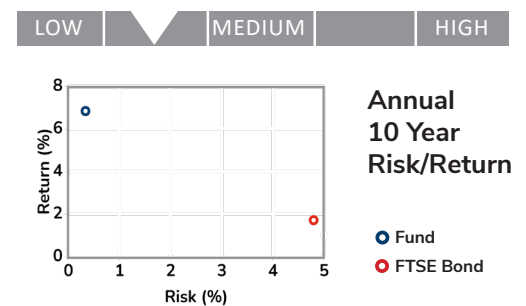
Uninsured LTV



Metrics

| | |
|--------------------------------|---------------|
| Current yield | 5.54% |
| Fund Size | \$176 million |
| Portfolio maturity | 6 months |
| Number of mortgages | 1,034 |
| Largest investment | 2.3% of Fund |
| Loan facility | 0.00% |
| FTSE Bond Correlation (10 yrs) | 0.15 |

Risk



Portfolio Managers

Daniel Child CA, CPA, CFA

David Burbach CAIA, CIM, LL.B

The Fund's allocations were steady quarter over quarter, with 56% invested in insured and protected mortgages. The weighted average return on protected mortgages increased during the quarter. Of the remaining 44%, the allocation to NYC-area mortgages went from 35% to 34%.

The performance of the Fund's Canadian portfolio remained strong. Losses for 2022 were low at 8 basis points. For context, the Fund's general reserve is 58 basis points. Despite declines in the Canadian housing market, we remain positive on the 10% of the Fund invested in unprotected Canadian mortgages, partially because the values of the homes securing the mortgages are still well above the values we used when initially funding the mortgages. The key risk to those mortgages – unemployment – remains strong and the equity positions in these seasoned mortgages are significant even with market declines.

The New York City area has seen an increase in interest rates paid to both conventional lenders as well as lenders like the fund. That trend has two implications for the Fund. The first is that the Fund will earn higher rates of return. This has been true both on new deals as well as on existing loans that have renewed.

The second implication is that higher rates charged by conventional lenders decreases the amount those banks will lend against properties. This is especially true for income-producing properties because the higher cost of borrowing eats into expected profits and decreases the amount a buyer would be willing to pay for the property. Since the exit for many of the Fund's NYC-area mortgages is conventional financing, our underwriting process includes a stress test that assumes the conventional lender will charge higher interest rates. We need to know that even if rates keep increasing, there is enough value in the property for the borrower to obtain a conventional mortgage to pay the Fund out. Although rates have risen over the past several months, our conservative underwriting has helped to ensure that the Fund's mortgages have paid out as expected.

During the quarter in NYC we funded 3 residential construction deals and 1 opportunistic residential mortgage on a completed home and 4 mortgages paid out, including a US\$5 million light industrial mortgage. We are focusing on residential mortgages. The housing market surrounding the island of Manhattan continues to exhibit strength. We believe that residential housing will be more resilient than other market sectors even if the New York area economy falters, especially as it is supported by government rent subsidization programs.

Monthly Net Performance (%)

| | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | Annual |
|------|------|------|------|------|------|------|------|------|------|------|------|------|--------|
| 2022 | 0.39 | 0.38 | 0.39 | 0.43 | 0.41 | 0.44 | 0.73 | 0.54 | 0.49 | 0.52 | 0.48 | 0.46 | 5.80 |
| 2021 | 0.45 | 0.42 | 0.47 | 0.43 | 0.42 | 0.40 | 0.41 | 0.37 | 0.42 | 0.37 | 0.41 | 0.41 | 5.10 |
| 2020 | 0.56 | 0.50 | 0.54 | 0.43 | 0.44 | 0.45 | 0.47 | 0.44 | 0.46 | 0.50 | 0.42 | 0.42 | 5.78 |
| 2019 | 0.45 | 0.45 | 0.49 | 0.42 | 0.52 | 0.54 | 0.53 | 0.55 | 0.54 | 0.53 | 0.55 | 0.51 | 6.23 |
| 2018 | 0.54 | 0.54 | 0.58 | 0.55 | 0.50 | 0.53 | 0.48 | 0.51 | 0.46 | 0.50 | 0.52 | 0.48 | 6.35 |
| 2017 | 0.58 | 0.58 | 0.61 | 0.57 | 0.59 | 0.60 | 0.57 | 0.55 | 0.58 | 0.57 | 0.59 | 0.57 | 7.19 |
| 2016 | 0.63 | 0.63 | 0.63 | 0.63 | 0.63 | 0.63 | 0.63 | 0.63 | 0.63 | 0.63 | 0.63 | 0.63 | 7.77 |
| 2015 | 0.52 | 0.58 | 0.63 | 0.63 | 0.63 | 0.63 | 0.64 | 0.63 | 0.63 | 0.64 | 0.72 | 0.63 | 7.74 |
| 2014 | 0.67 | 0.67 | 0.67 | 0.67 | 0.67 | 0.63 | 0.67 | 0.67 | 0.63 | 0.63 | 0.60 | 0.58 | 8.03 |
| 2013 | 0.75 | 0.69 | 0.67 | 0.67 | 0.67 | 0.67 | 0.67 | 0.67 | 0.67 | 0.67 | 0.67 | 0.67 | 8.41 |
| 2012 | 0.75 | 0.75 | 0.75 | 0.92 | 0.81 | 0.81 | 0.75 | 0.75 | 0.75 | 0.74 | 0.75 | 0.75 | 9.67 |
| 2011 | | | | | 0.81 | 0.64 | 0.68 | 0.75 | 0.75 | 0.75 | 0.75 | 0.75 | 6.04 |

Fund Details

| | | | |
|-----------------------|------------------------|---------------------------|--------------------------|
| Transactions | Month-end | Registered Plans | Yes |
| Redemptions | 90 days notice | fundserv | YTM101 (A) YTM103 (F) |
| Management fee | 2.00% (A) 1.50% (F) | Fund Administrator | SGGG Fund Services Inc. |
| Distributions | Monthly | | |

YTM Capital

YTM is a credit fund manager established in 2010. We have more than \$450 million in assets under management and are based in Oakville, Ontario.

Kevin Foley
kevin.foley@ytmcapital.com

Gianni Markou
gianni.markou@ytmcapital.com

Art Sanchez
art.sanchez@ytmcapital.com

As of DECEMBER 31, 2022. Returns are for Class F, distributions reinvested, except for the simple monthly returns in the table above. There is no guarantee that the Fund will meet its target return. FTSE Bond = FTSE Canada Universe Bond Index. FTSE Bond returns are provided as a comparison to demonstrate the Fund's utility as an alternative investment. Although it is not possible to invest directly in the index, it can be used as a proxy for long-only traditional bond investing. Investors should consider differences between long-only fixed income funds and the Fund, such as risk profiles, fees, and taxation of returns, and discuss with their investment advisor. Risk is represented by standard deviation in the annual risk / return chart for 10 years. The insured portion of the Fund's portfolio includes cash. Warehoused mortgages are uninsured mortgages that are subject to a repurchase commitment by the originator and are "Protected". This document is for information only and is not intended to solicit orders for the Fund. Investors should read the Offering Memorandum (OM) including the Risk Factors section before investing. You can obtain the OM from YTM Capital Asset Management Ltd. or your advisor. Fund data will change without notice and past performance may not be repeated. www.ytmcapital.com

