



FREE GUIDE

Reap the Benefits of Private Mortgage Investing

Presented by

CMI | Mortgage
Investments



Introduction to Private Mortgage Investing

You have an eye for opportunities that balance risk with strong returns. You are already aware of the nuances of growing your wealth in ways that strengthen your financial future, enhance your current lifestyle, or bolster your reputation among peers. You understand the importance of reputation and the influence of one's social circle in investment decisions.

If these statements resonate with you, we recognize that you focus on choosing investments that positively reflect your personal and professional image. Private mortgage investing presents a unique opportunity that aligns with your vision for financial growth. It combines the appeal of tangible, real estate-backed security with the potential for higher yields compared to many traditional investing options.

While you're well-versed in investment options, you may not know everything you need to know about becoming a private lender for mortgages in Canada. In this guide, we'll lay out the basics of private mortgage investing, focusing on the top seven benefits for investors like yourself. Suppose you're still considering the right choice for your next investment. In that case, our exclusive guide will help you realize the potential of private mortgages as an innovative option to diversify your portfolio.



Private Mortgage Investment Essentials

Private mortgage investing is an investment option that allows individuals to enter the Canadian mortgage market and, in turn, the real estate industry. Individuals or groups lend money to borrowers, and the mortgage investments are backed by real estate rather than directly owning the property.

This investment opportunity allows investors to generate income through interest paid on the loan, providing a steady return without the complexities and operational challenges of direct property ownership and management.

Private mortgage investing distinguishes itself from traditional investment options like stocks or bonds through its unique structure and income potential, supported by tangible assets. Unlike typical investment forms, this strategy directly funds loans backed by real estate, providing a collateral layer not available with unsecured investments.

This real estate collateral not only enhances the security of the investment but also helps to mitigate risks associated with potential borrower default. Investors are drawn to private mortgage investing for the higher interest rates it can offer compared to traditional fixed-income investments, reflecting the greater risk

and potential reward of lending to borrowers who do not qualify for conventional mortgages.

Private mortgage investing is available in several forms, notably whole mortgages and Mortgage Investment Corporation (MIC) funds. As an investor who wants the flexibility to grow your wealth and diversify your portfolio through innovative investing options, MIC funds may be suitable for your financial needs.

While whole mortgage investing involves funding individual loans, Mortgage Investment Corporation (MIC) funds offer a more accessible approach by pooling capital from multiple investors to invest in a diversified portfolio of mortgages. This collective investment model reduces the risk associated with any single loan defaulting, as the impact is spread across the entire portfolio.

MICs are especially advantageous for non-accredited investors who want exposure to the real estate market but without the substantial resources required for whole mortgages or the desire to manage the intricacies of individual loans. By investing in MICs, individuals can participate in real estate financing with lower entry barriers, enjoying the benefits of diversification and professional management.



Why Investing in Private Mortgages is Advantageous

Attractive Interest Rates

Investors in private mortgages benefit from interest rates typically higher than those offered by traditional banking products, like savings accounts, Guaranteed Investment Certificates (GICs), and government bonds. These higher rates compensate investors for the additional risk exposure associated with lending outside the conventional banking system.

Interest rates on private mortgages can vary significantly depending on the borrower's risk profile and the property involved. These loans often result in double-digit returns that are difficult to achieve in other fixed-income investment avenues.

Passive Income Potential

Private mortgages offer an appealing solution if you're looking to generate passive income.

Once the mortgage is set up, investors can enjoy a steady income stream from borrower payments without the active management responsibilities typically associated with property ownership, like maintenance, tenant management, or renovations.

This feature makes private mortgage investing ideal for individuals seeking to maximize income while minimizing personal time investment.

Real Estate as Collateral

One of the most compelling aspects of private mortgage investing is the enhanced security real estate collateral offers. If a borrower defaults, the investor has the legal right to enforce the mortgage and, if necessary, foreclose on the property, potentially recouping their investment by selling the asset. This process mitigates the risk of potential loss and backs your investment with a physical asset you can appraise and verify independently.

Real estate's intrinsic value and historical appreciation further enhance investment security, making private mortgages a tangible and potentially lower-risk investment than unsecured financial products.

Diversification Benefits

Private mortgages can diversify an investment portfolio away from traditional equities and bonds. Real estate as an investment class often behaves differently from other market instruments, particularly in its response to economic cycles, interest rate changes, and inflation.

Adding private mortgages to a portfolio can reduce overall volatility and improve risk-adjusted returns over time. Moreover, diversification across different types of mortgages, borrowers, properties and various geographical locations can further spread and manage investment risks.

Shorter Commitment Period

Private mortgages typically have shorter durations than other real estate investments, such as commercial properties or long-term leases. Most private mortgage agreements span three months to three years, with an average term of 12 months, allowing investors to recoup their capital and reinvest in new opportunities more frequently. The short duration also helps to mitigate reinvestment risk associated with fixed-income investments.

This shorter commitment period can be particularly appealing if you prefer not to tie up your capital for extended periods but still want to benefit from the return potential and collateral backing of a real estate-related investment.

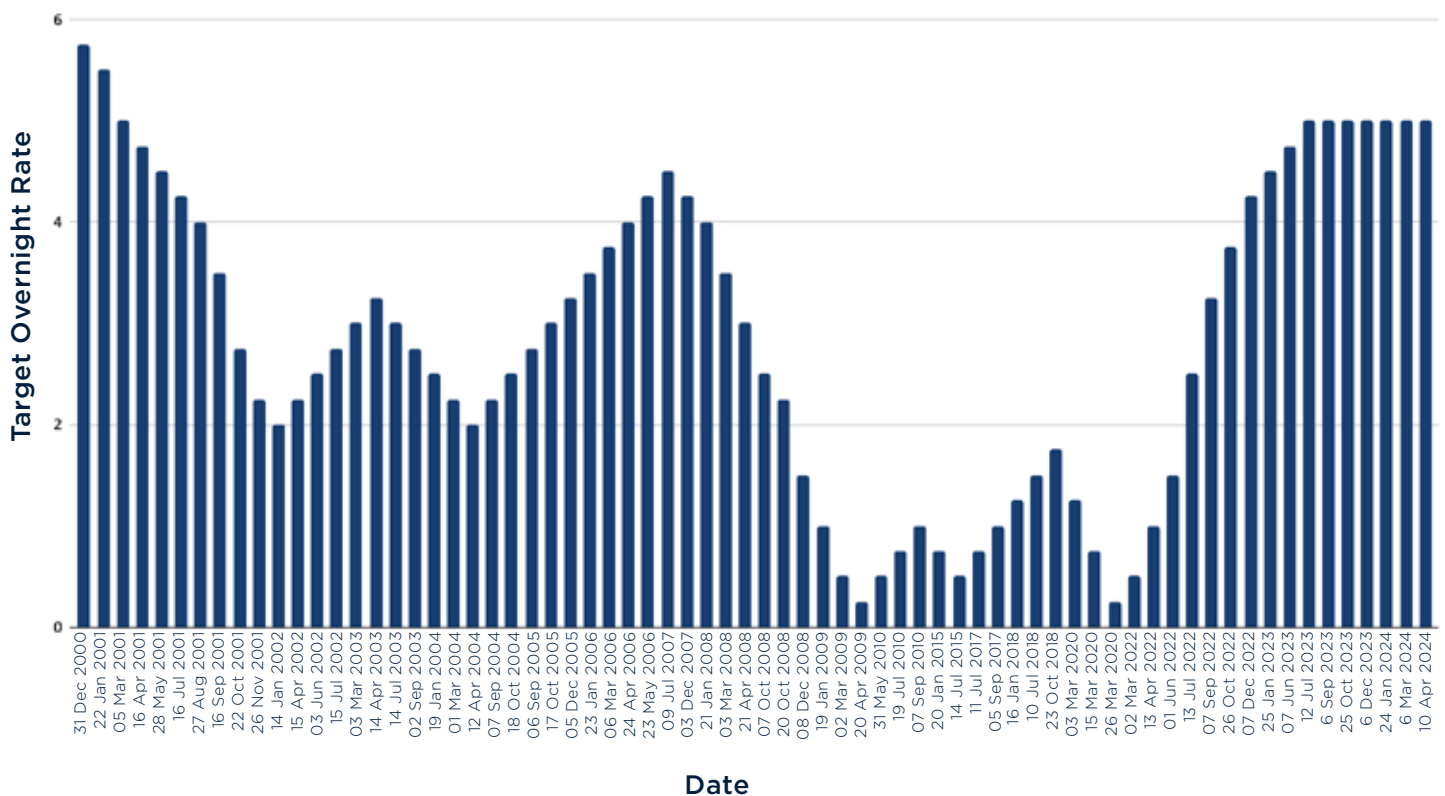


High Demand for Alternative Financing

There is a growing demand for alternative financing solutions, especially as traditional banks tighten lending criteria and the Bank of Canada implements rate hikes.

Private mortgages fill this gap by offering loans to those who might not qualify for conventional financing, such as small business owners, individuals with unique employment situations, or those requiring more flexible terms. This high demand ensures a continuous pool of potential borrowers, keeping the market dynamic and profitable for private lenders.

Bank of Canada Target Overnight Rate Since the 2000s



Inflation Hedge

Private mortgages can serve as an effective hedge against inflation. The nature of real estate as an underlying asset means that the property's value backing the mortgage typically appreciates over time, often in line with or above the inflation rate.

Additionally, private mortgage interest rates can be set to adjust based on inflationary trends, or repriced based on prevailing market rates at the end of the term, which protects the real value of the income generated from these investments. This aspect, together with a short average duration, makes private mortgages particularly attractive during periods of high inflation, as it helps maintain the purchasing power of the investment returns.



Community Development Impact

Private mortgage investments often target borrowers and properties not qualifying for traditional bank financing, including funding for underserved markets or regions undergoing redevelopment. Investors thus have the unique opportunity to support disadvantaged borrowers and contribute directly to community development and revitalization efforts while earning returns.

This can be particularly rewarding for those who wish to have a tangible social impact through their investment choices, supporting projects that might include affordable housing, local business growth, or rehabilitation of distressed neighbourhoods.

Are There Risks?

While offering numerous benefits, private mortgage investing also comes with its own challenges. These include the risk of borrower default, the complexity of legal and regulatory compliance, and the need for thorough due diligence and ongoing management of the investment. These aspects can make private mortgage investing daunting, especially for those new to the field or lacking in resources to manage the investment effectively.

Partnering with an established company specializing in private mortgage investments can significantly mitigate these challenges.

A photograph of an older man and woman smiling together on a boat. The man is wearing glasses and has a beard, and the woman has white hair. They are both looking towards the right of the frame. The background shows the rigging of the boat and a bright, sunny sky.

Who Should Invest in Private Mortgages

Private mortgage investments might be the right choice for you if any of the following resonate with you:

- You are a seasoned entrepreneur or investor looking to capitalize on diverse and growing investment options to enhance your lifestyle while balancing your professional endeavours and personal commitments.
- You want innovative ways to expand and diversify your portfolio beyond the usual stocks and bonds.
- You prefer investments that allow direct control but don't involve the hassle typically associated with direct real estate investments, such as property management. You want a hands-off approach that still gives you substantial influence over your investment decisions.
- You want to focus on building a solid legacy by continuing to grow your portfolio and having enough time to enjoy time with family and on personal pursuits.

Questions to Consider Before Investing

- Are you looking for an investment requiring minimal daily involvement but still offering solid real estate market exposure?
- Are you interested in finding new, growing, and innovative investment opportunities?
- Would the expertise of a professional management team overseeing your investments align with your financial goals and lifestyle aspirations?

These questions are crucial in determining whether private mortgage investments align with your strategic investment goals and desire for a prosperous yet balanced lifestyle.



Explaining the MIC Option

We understand that one approach doesn't suit everyone. That's why we designed our MIC funds to provide accessible and flexible entry into the Canadian mortgage market. This approach offers all investors direct access to the mortgage market and, by extension, indirect exposure to the real estate market. It allows you to enjoy the advantages of real estate investing to diversify your portfolio with compelling returns.

All of our funds provide a passive investment opportunity, paying monthly dividends to investors and maintaining eligibility for RRSP, RRIF, RESP, LIRA, LIF, TFSA, and RDSP investments.

CMI MIC Prime Mortgage Fund

The CMI MIC Prime Mortgage Fund, the most conservative of our three MIC Funds, offers lenders exposure to the Canadian real estate market through a diversified portfolio of primarily first residential mortgages. As the most conservative MIC option, the fund targets a net annual return of 6-7%.

The Prime Mortgage Fund's primary objective is to pay monthly dividends to private lenders and deliver regular income by selecting higher-yield, short-term mortgages that do not exceed an average weighted 65% loan-to-value (LTV). This focus helps to safeguard the investment and contributes to the growth of private lender capital year over year, making it an attractive option for those seeking enhanced stability and reliability in their investments.

YEAR OVER YEAR AUM

Year	Amount	Y.O.Y Change
2020	\$1,156,750.00	
2021	\$3,248,935.00	181%
2022	\$4,589,903.14	41%
2023	\$3,198,961.10	-30%
MAR 2024	\$4,718,716.57	48%*

* As of March 31, 2024

HISTORICAL PERFORMANCE

Year	Percent
2020	6.32%
2021	6.29%
2022	6.56%
2023	6.98%
MAR 2024	7.00%

12 MO Trailing Return: 7.00%

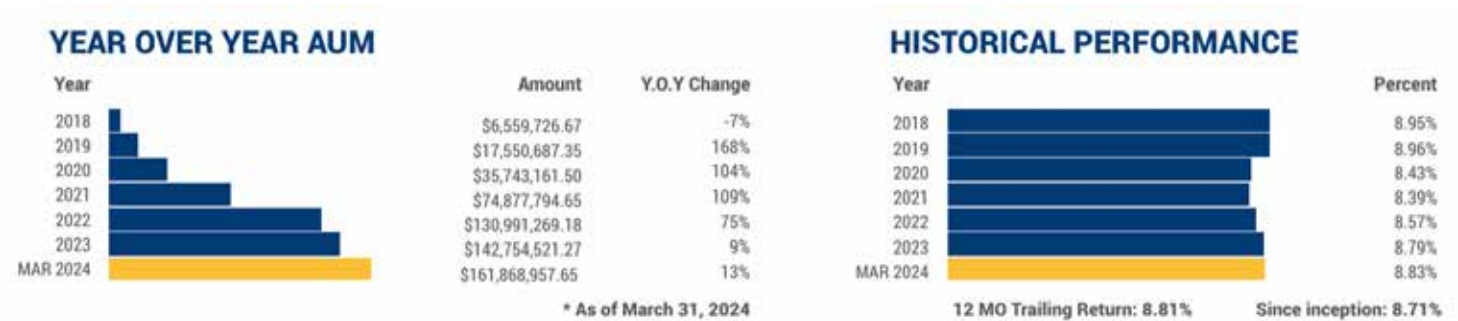
Since inception: 6.61%

CMI MIC Balanced Mortgage Fund

The CMI MIC Balanced Mortgage Fund offers private lenders exposure to the Canadian real estate market through a diversified portfolio of primarily first and second-income-producing, property-backed mortgages.

Targeting an 8-9% annual return, the Fund aims to provide attractive long-term yields while preserving capital. It achieves this by selecting high-yield, short-term mortgages with an average weighted Loan-to-Value (LTV) not exceeding 75%, helping to ensure steady returns year over year.

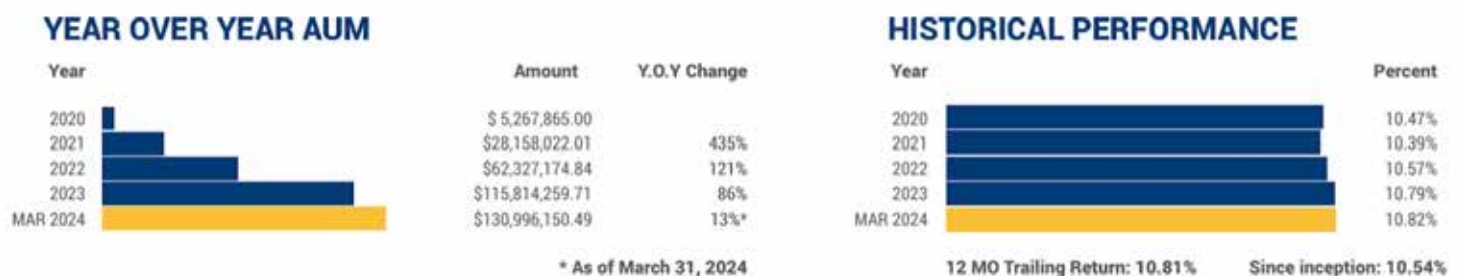
With its focus on diversification and strategic mortgage selection, the Balanced Mortgage Fund is a robust choice for investors seeking reliable income and capital preservation through real estate sector exposure.



CMI MIC High Yield Opportunity Fund

The CMI MIC High Yield Opportunity Fund focuses primarily on higher-yield, short-term second mortgages, maintaining an average weighted Loan-to-Value (LTV) that does not exceed 85%.

This Fund targets net annual returns of 10-11%, which come from interest and fee revenue, minus expenses, distributed to shareholders. It aims to deliver consistent returns and mitigates risk by diversifying its portfolio across multiple mortgages, each backed by strong real estate collateral.



Comparing MIC Funds

Fund Name	Target Net Annual Return	Investment Focus	Average Weighted LTV
CMI MIC Prime Mortgage Fund	6 - 7%	First mortgages primarily, conservative approach	Less than 65%
CMI MIC Balanced Mortgage Fund	8 - 9%	Mixed first and second mortgages, diversified	Up to 75%
CMI MIC High Yield Opportunity Fund	10 - 11%	Higher-yield, short-term second mortgages primarily	Up to 85%

If MIC Funds don't quite align with your investment strategy, whole mortgage investing could be an appealing alternative. Unlike MICs, which aggregate capital from multiple investors to fund a diverse portfolio of mortgages, whole mortgage investing allows you to invest in individual mortgages directly. This type of private mortgage investing gives you more control over the selection and management of your investments.

However, it's important to note that whole mortgage investing typically requires substantially more investment capital since you're funding an entire mortgage. Furthermore, this option is restricted to accredited investors. In other words, you must have an annual income exceeding \$200,000, possess net assets approximately worth \$5 million, or have \$1 million in financial holdings.

This option is ideal for those who prefer a more hands-on approach and direct exposure to the real estate market, offering the opportunity to carefully tailor your investment portfolio to your specific financial goals and risk tolerance.





Why Now?

The investing landscape is rapidly evolving, with alternative investments taking center stage because of their impressive growth and ability to diversify portfolios beyond traditional stocks and bonds.

According to a report by Preqin, the alternative asset market has seen exponential growth, with assets under management more than tripling since 2015 and expected to surpass \$23 trillion by 2026. As a subset of alternative investments, private mortgages have become increasingly popular due to their unique benefits:

Attractive Returns: Private mortgages offer investors tailored opportunities to generate higher yields. With CMI, this has returned up to 16% annually, often more competitive than traditional fixed income investment avenues.

Low Correlation to Traditional Markets: Unlike publicly traded securities like stocks and REITs, private mortgages are less affected by market fluctuations, providing a less volatile investment during times of market stress or economic uncertainty.

Backed Investment: Loans in private mortgages are backed by real property, offering tangible collateral that helps mitigate risk.

Short-term Horizons with Lower Interest Rate Risk: A private mortgage's typical term is about 12 months, reducing exposure to long-term interest rate volatility compared to traditional mortgages.

Increased Demand for Non-Bank Lending: With stricter banking regulations, more borrowers turn to private lenders, expanding the market for private mortgage investors.



The CMI Difference

Our investment approach is focused on capital preservation while delivering competitive yields to our investors. Our strength lies in our vast mortgage industry experience, access to high-quality mortgages from across the country, and an expert team that works together to deliver a seamless investment experience.

Experience

We are proud to offer exceptional customer care to every one of our investors. Our seasoned investment team is dedicated to providing you with continuous support throughout your investment journey, ensuring that every decision is guided by expert knowledge.

Due Dilligence

With a focus on capital preservation and attractive, sustainable yields, our MICs invest in a pool of thoroughly vetted residential mortgages given to qualified borrowers who, for various reasons, don't qualify for traditional bank financing.

Active Risk Mitigation

We designed our risk mitigation strategy to help safeguard your investment. By focusing on high-quality, liquid Canadian real estate and diversifying across multiple mortgages, we enhance the security of your portfolio. Our approach includes stringent adherence to investment guidelines, expert property valuations, and the maintenance of adequate cash reserves to support liquidity.

Smart Lending Practices

Our lending activity focuses on Canadian residential real estate markets with sound economic fundamentals.

Getting In Touch With a Specialist

Our experienced Investment Account Managers are ready to help you start investing in our mortgage investment program. They can answer any remaining questions and assist in tailoring an investment profile that suits your needs. Start your mortgage investment journey with attractive returns and ongoing monthly cash flow.

Set up your custom investment profile now! >

