Fundamental Research Corp.
Investment Analysis for Intelligent Investors

Siddharth Rajeev, B.Tech, MBA, CFA
Analyst

Michael Reichelt, B.Sc (Business Administration)
Associate

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Antrim Balanced Mortgage Fund Ltd. – Largest Private Residential MIC in Western Canada

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

Offering Summary	
Issuer	Antrim Balanced Mortgage Fund Ltd.
Date of OM	25-Sep-15
Offering	up to $600M
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	Malish & Clark

FRC Rating	
Expected Yield (2016)	5.5% - 6.5%
Rating	2-
Risk	2

*see back of report for rating definitions

Investment Highlights

- Antrim Balanced Mortgage Fund Ltd. ("fund", "Antrim") is a Mortgage Investment Corporation ("MIC") focused on investing primarily in first and second mortgages secured by residential properties in British Columbia ("BC") and Alberta ("AB"). BC accounted for approximately 91% of the portfolio as of June 2015, with 75% of the portfolio within 1 hrs drive of Vancouver, BC.
- The fund's Manager was incorporated in BC on November 7, 1973, and has over 40 years of experience in the mortgage lending space.
- Antrim's primary focus is on owner-occupied single family houses.
- With approximately $271 million in mortgages, the fund is currently the largest private residential MIC in Western Canada. The fund had just $37 million in mortgages as of June 2010. Management expects the portfolio to be at approximately $300 million by the end of 2016.
- The fund's manager, Antrim Investments Ltd, also operates two other private MICs. They have over 22 years of experience in managing MICs.
- Management's strategy is to operate a low-risk portfolio with a high percentage of first mortgages, and an average loan-to-value ("LTV") of approximately 60%, with limited use of leverage.
- We estimate the average return for investors was approximately 5.9% in FY2015 (12 months ended June 30, 2015). The fund currently has over 4,500 shareholders. Our discussion with management indicated that they have no plans to take the fund public.
- We assign an overall rating of 2-, and a risk rating of 2 on the preferred shares.

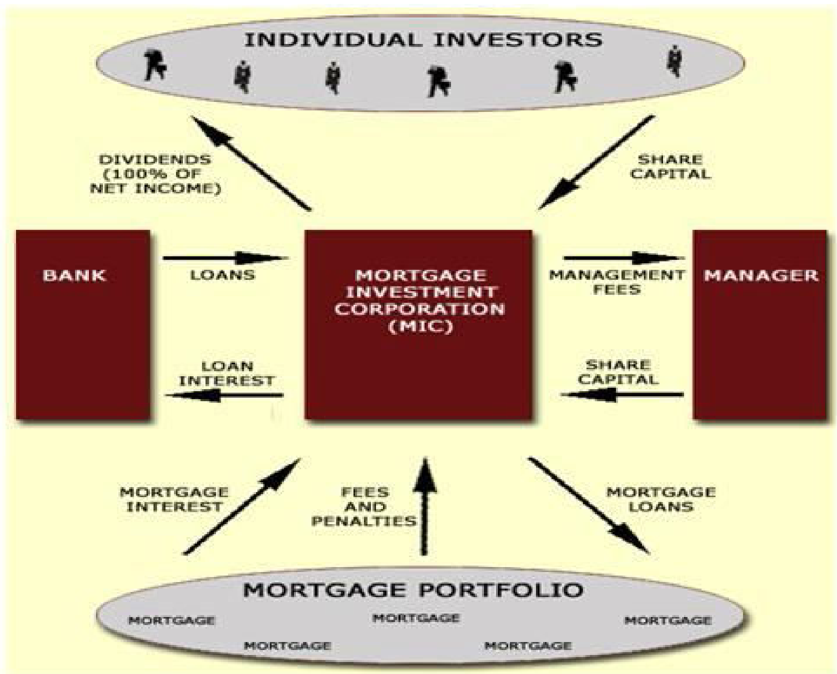
Risks

- 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.
- Unit holders' principal is not guaranteed, as the NAV per unit could decrease from current levels (as a result of loan losses).
- Redemptions are not guaranteed.
- The fund will have less geographical diversification than peers as management intends to continue to focus on urban growth areas in BC, in particular, the Greater Vancouver Regional District.

Overview

Mortgage Investment Corporations, 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 (up to 2 months), and are typically not able to meet borrowers' quick capital needs. Most MICs are typically able to structure, complete due diligence, and fund loans, within 2 - 4 weeks. 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.



Sources: canadianmortgagetrends.com

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.

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. For the full list, refer to the Income Tax Act, Section 130.1.

- Invest at least 50% of its assets in residential mortgage loans,
- Have a minimum of 20 shareholders, and no shareholder can own 25%+ of the total outstanding shares.

- All MIC investments must be in Canada

MICs pay no corporate tax and act as a flow-through entity. In order to avoid entity level taxation, a MIC has to payout 100% of all of its taxable income to shareholders. MIC distributions are treated as interest income for shareholder tax purposes. MIC shares are eligible for registered plans such as RRSPs, RESPs, and TFSAs.

Manager

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 currently manages two other private MICs. Investors of the two MICs are primarily friends / family of the management team and accredited investors. We were not provided with the financial statements of these MICs. As management follows a similar investment strategy for all of the three MICs under management, their goal is to gradually rollover the assets into Antrim Balanced Mortgage Fund Ltd., and have a single large fund under management.

As per management, the manager currently originates approximately $160 million per year for the fund. They do not originate or administer loans for third-parties. The Manager typically receives a brokerage fee (undisclosed) 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 FY2015, the average management fee, trailer fee and G&A expenses of the fund were approximately 1.6% of the mortgage receivables outstanding.

The manager has four in-house mortgage brokers 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.

Brief biographies of the management team, as provided by the fund, follow:

William Granleese - President and Director

William (Bill) is the president of both Antrim Investments Ltd. and Antrim Balanced Mortgage Fund Ltd. For over 35 years, Bill has been helping investors participate in the private mortgage market by way of direct placement and MIC’s. Mr. Granleese acts as the secretary treasurer and director for three other MICs Antrim Investments manages and has been operating MIC funds since 1993. Bill is a member of both the Mortgage Brokers Association of BC and the Mortgage Investors Association of BC.

William R. Granleese – Director

Having extensive experience in both lending and financial planning, Will works with new and existing investors explaining the investment and answering any questions they might have about their account. Will has two degrees in Finance and several professional designations through the Canadian Securities Institute. Prior to joining the Company in 2005, Will worked in mortgage origination and financial advisory capacities with TD Bank.

Christopher G. Worsnup – Director

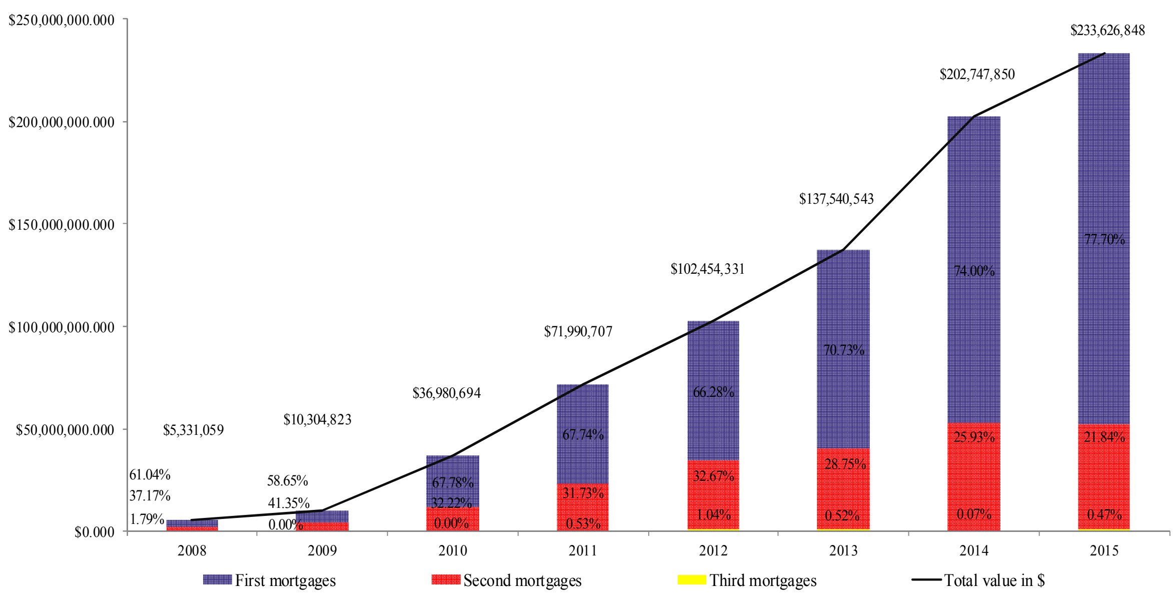
Chris grew up in England and obtained a degree in Accounting and Law at Newcastle University. After qualifying as a solicitor in England in 1999, he moved to Vancouver and was called to the BC Bar in 2001. Chris was an associate real estate lawyer with Spagnuolo & Company for eleven years before he joined Antrim Investments Ltd. (the Manager) in April 2012. At Antrim Investments Ltd. his responsibilities include mortgage underwriting, compliance, and in-house legal counsel, which includes dealing with outside counsel on mortgage files, securities filings and corporate filings. Chris is a registered mortgage broker and maintains his practicing lawyer status.

We believe that the board of a company should include independent or unrelated directors who are free of any relationships or business that could materially interfere with the director's ability to act in the best interest of the company. **The fund or the manager does not have any independent directors. However, management owns 6.41 million Class A preferred shares, or 3% of the total outstanding preferred shares, aligning management and investors' interests.**

Current Portfolio

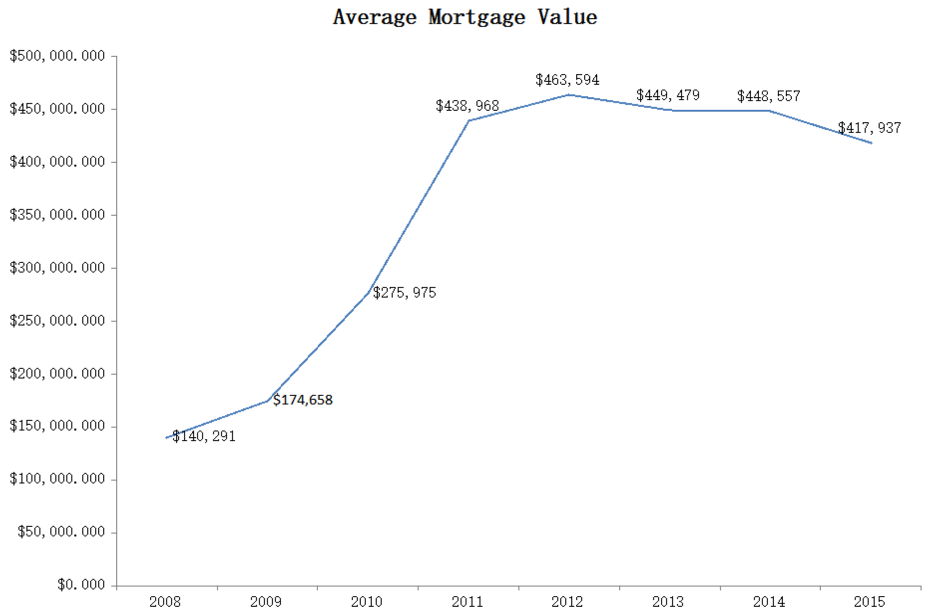
As of June 30, 2015, the fund had $234 million in mortgage receivables secured by 559 properties (average - $417,848). The mortgage terms are typically for one year.

The following chart shows the distribution of the 1st, 2nd and 3rd mortgages. The percentage of first mortgages increased from 68% in 2010, to 78% by 2015. First and second mortgages accounted for 99.5% of the total at the end of FY2015.

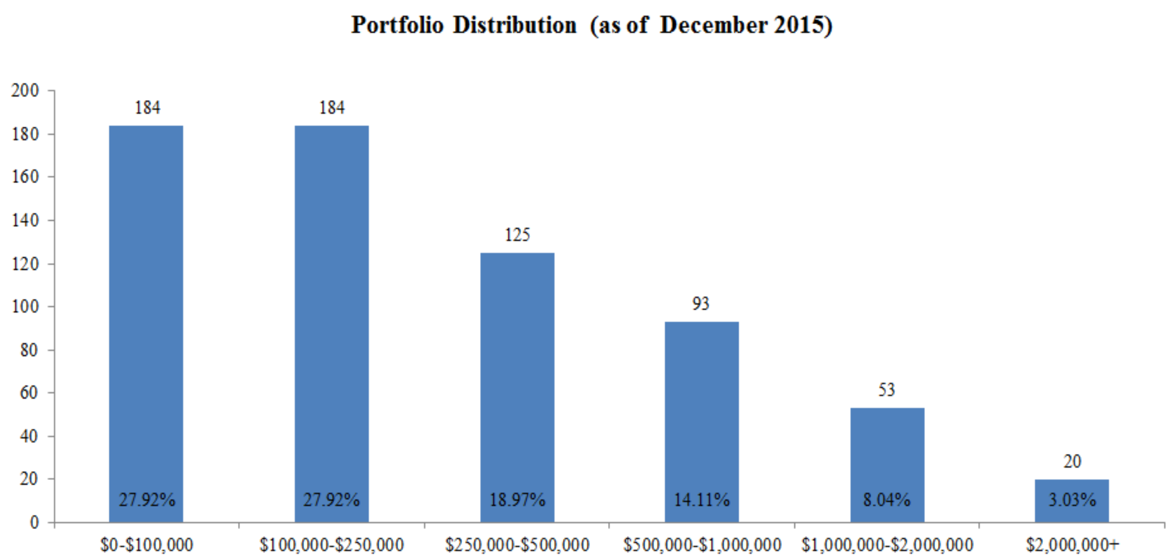


The average value per mortgage has increased from $140k in 2008, to $418k by 2015. The increase reflects management's focus on single family residential houses in the Greater

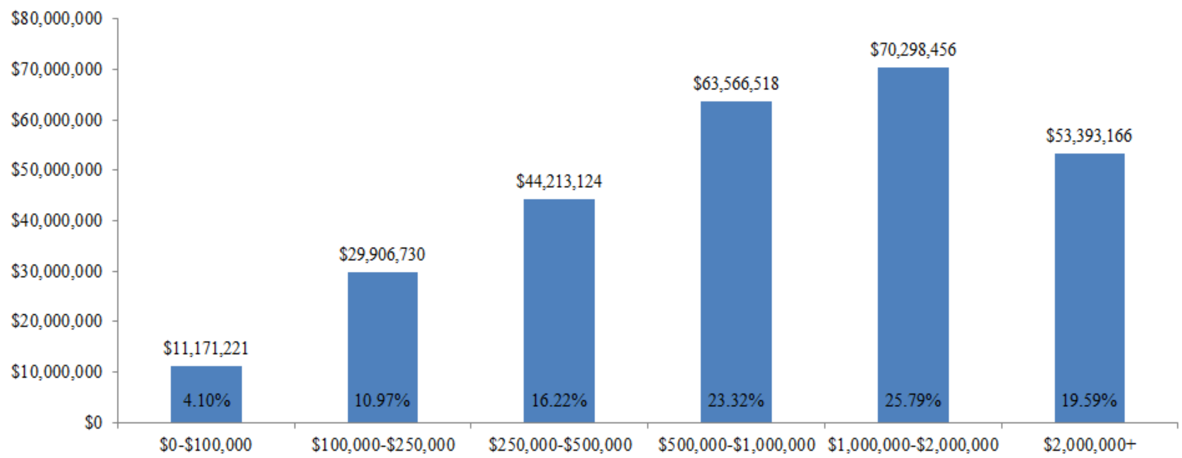
Vancouver area.



The largest loan in the current portfolio is a $4.1 million loan on a house in West Vancouver. The smallest is a $10,000 loan for debt consolidation. Management has set a cap of $6 million per mortgage. The following charts the distribution of the portfolio – approximately 31% of the portfolio (493 loans), by value, consists of mortgages under $0.50 million, 23% (93 loans) between $0.50 million to $1.00 million, and 45% (73 loans) over $1 million.



Portfolio Distribution (as of December 2015)



Type of Mortgage: Approximately 97% of the mortgages were secured by residential properties (including residential construction and residential land development) at the end of FY2015. Management states that the fund will continue to focus on residential properties rather than commercial properties as they believe residential properties have the potential to consistently generate higher risk-adjusted returns.

Type of mortgage	2014	2015
Residential	84.69%	84.05%
Residential construction	7.61%	6.39%
Residential land	6.30%	6.59%
Commercial	1.40%	2.97%
Total	**100.00%**	**100.00%**

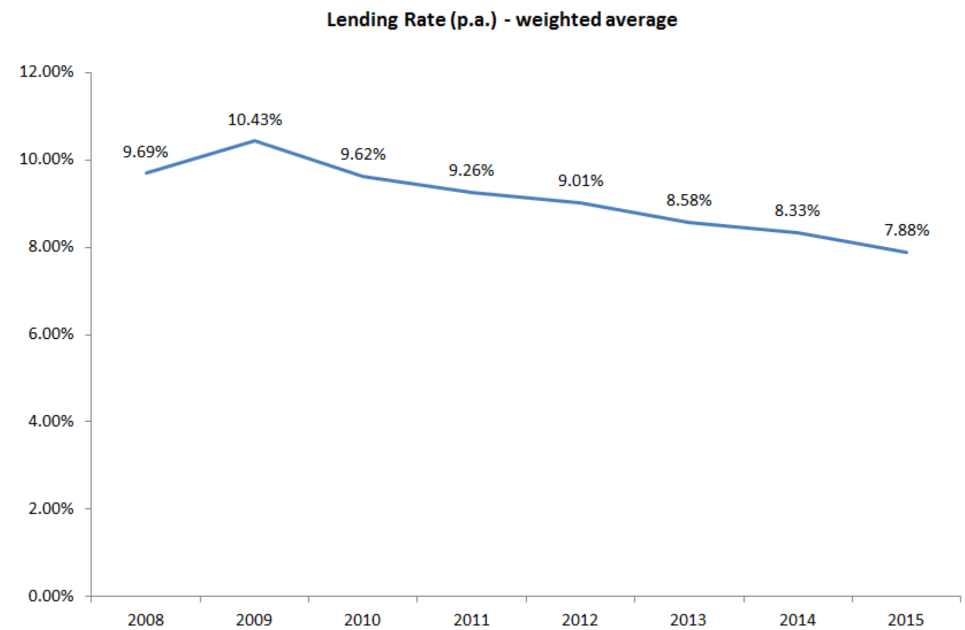
Geographical Diversification: The table below outlines the fund portfolio's distribution of mortgages by location. Approximately 91% of the portfolio, as of June 2015, was secured by properties in BC versus 97% as of June 2014. The rest of the portfolio was secured by properties in Metro Calgary and Edmonton in AB.

Location	Prov	Loans	Value	% of Portfolio
Greater Vancouver Regional District	BC	455	$205,897,992	88.15%
Vancouver Island	BC	34	$6,400,006	2.74%
Okanagan	BC	7	$1,424,818	0.61%
Calgary and Surrounding Area	AB	56	$18,499,286	7.92%
Edmonton and Surrounding Area	AB	7	$1,354,746	0.58%
Total		**559**	**$233,576,848**	**100.00%**

Although MICs tend to geographically diversify their portfolios as they expand, our discussions with management indicated that they will continue to have a strong focus on BC. They expect their exposure to AB to decline in 2016.

Lending Rate: The weighted average lending rate declined from 10.43% in FY2009, to

7.88% by FY2015. This is primarily a result of the increased percentage of first mortgages in the fund as well as lower interest rates on the mortgage loans due to increased competition.



The current first mortgage rates charged by Antrim to borrowers range between 6.5% p.a. and 8% p.a., and second mortgage rates range between 8% p.a. to 11% p.a..

As per management, typically, 70% of their borrowers renew at the end of their terms.

Investment Criteria

Management's key investment criteria for the selection of mortgage investments are summarized below:

- Although the focus will primarily be on residential properties, the fund may invest in residential construction financing, commercial, industrial or land development mortgages.
- The fund will not loan money to or invest in securities of related parties.
- No single mortgage will be over $6 million.
- The company will not invest directly in real property except when acquired through foreclosure.
- Unlike other MICs which are also primarily focused on first and second mortgages, management uses relatively less debt. The debt to capital has been below 10% in the past five years. Comparable MICs tend to use debt of 20% - 40% of capital. This feature, we believe, makes the fund's portfolio very conservative and of lower risk profile than comparables. The downside with this strategy is that returns are likely to be lower than peers.

The following table shows the key lending parameters:

Residential:	
Max LTV	75.00%
Min Amount (1st mortgages)	$50,000
Max Amount (1st mortgages)	$6,000,000
Min Amount (2nd mortgages)	$50,000
Max Amount (2nd mortgages)	$3,000,000
Terms 1st mortgages	1-2 years
Terms 2nd mortgages	1-2 years
Construction lending:	
Max LTV	65.00%
Min Amount	$100,000
Max Amount	$3,000,000
Terms	1 year
Commercial mortgages:	
Max LTV	65.00%
Min Amount	$100,000
Max Amount	$2,000,000
Terms	1-2 years

Private Lending Market

The private mortgage lending market is a highly competitive market, and is highly affected by changes in interest rates and home prices. The currently low interest rate environment has been attracting a lot of investors to higher yield opportunities, such as MICs. **The structure of MICs makes it so their income is minimally affected by home prices and interest rates in the short term**. As the average term to maturity of the mortgages in the portfolio is less than 24 months, Antrim can re-price interest rates quickly. Also, a weighted average LTV of 60% indicates that there would have to be a significant one year drop in property prices to cause LTVs to rise to levels where the underlying property is valued at less than the mortgage. However, long term real estate prices will 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.

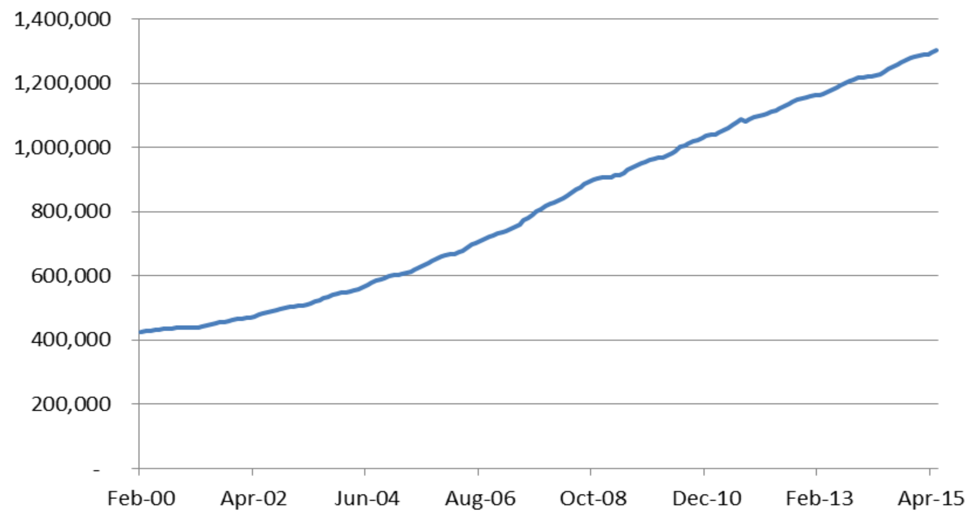
A decrease in market activities will reduce mortgage volume, which will impact lenders' deal flow.

A November 2014 report published by the Canadian Association of Accredited Mortgage Professionals ("CAAMP") indicated that there are currently approximately 9.62 million homeowners in Canada, of whom, about 5.64 million have mortgages, and may also have a home equity line of credit. Over 85% of homeowners have 25% or more equity in their homes. Approximately 11% of homeowners took equity out of their home (averaging $55k) in the past year, totaling $63 billion. The most common uses of the funds are listed below:

- $20.6 billion (33%) for debt consolidation / repayment
- $17.4 billion (28%) for renovation / home repair
- $6.6 billion (11%) used for purchases (including education)
- $7.7 billion (12%) is for investments, and
- $10.3 billion (16%) is for other purposes

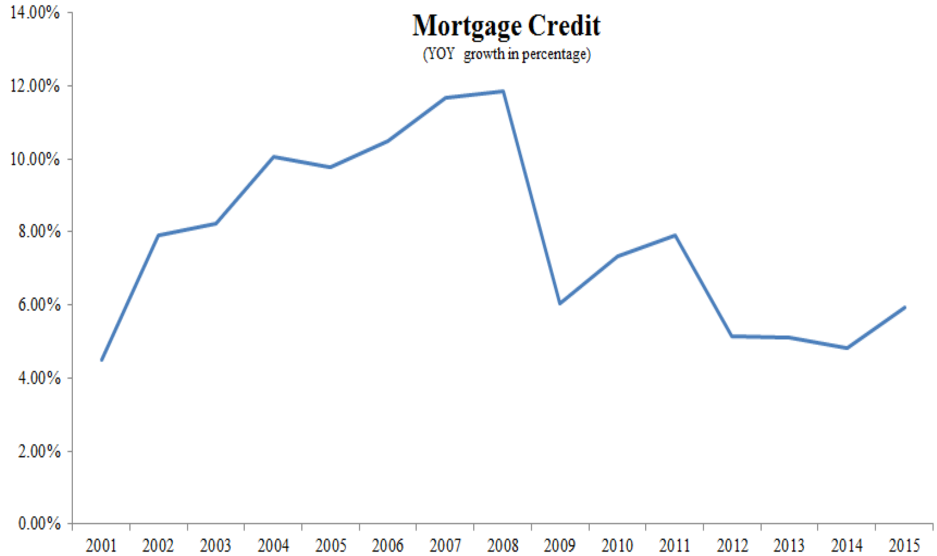
The total residential mortgage credit in Canada has increased from $0.42 trillion in 2000, to $1.30 trillion by May 2015, reflecting a compounded annual growth rate ("CAGR") of 7.8%.

Outstanding Residential Mortgage Credit ($, millions)



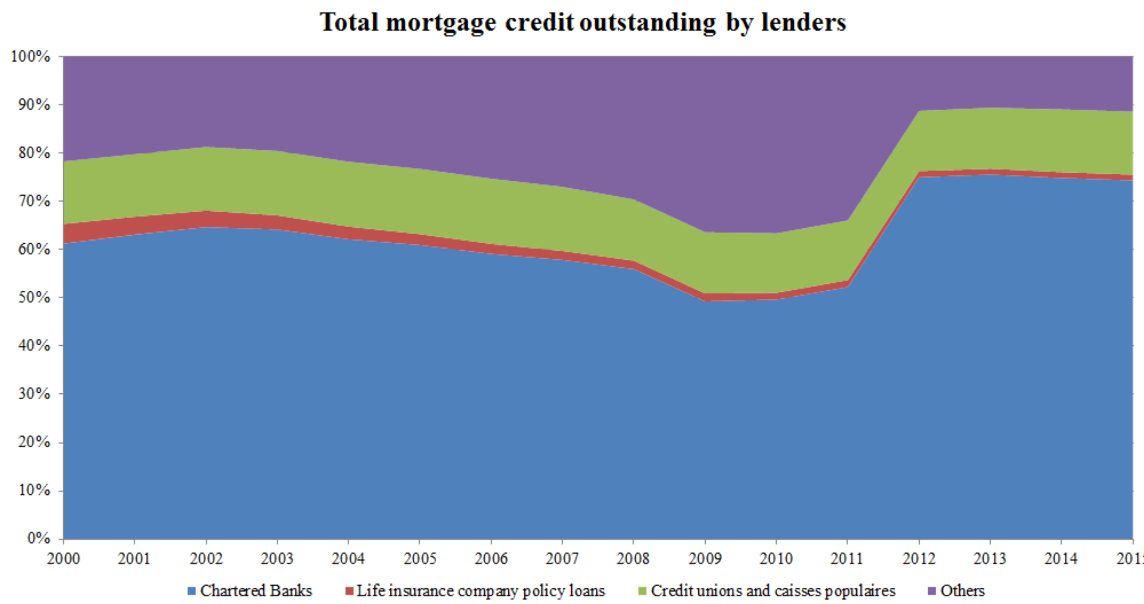
Data Source: Statistics Canada

The YOY growth in credit has declined significantly from the pre-recession years, but has been increasing in recent years due to the low interest rate environment.



Data Source: Statistics Canada

Chartered banks, credit unions, life insurance companies, pension funds and related entities accounted for 93.34% of the total mortgage credit as of August 2015. The remaining loans (approximately $89 billion) were from trust, mortgage companies, and non-depository credit intermediaries.



The Bank of Canada ("BoC") estimates that approximately 80% of the mortgages are originated by lenders that are federally regulated by the Office of the Superintendent of Financial Institutions (OSFI). A significant portion of the remaining are originated by credit unions and caisses populaires, who are provincially regulated. The BoC estimates that approximately 5% of the mortgages are originated by unregulated mortgage lenders. However, it is unclear as to what type of entities are included in the 'unregulated mortgage lenders' category, and therefore, does not give us a good estimate of the share of mortgages originated by MICs.

In a recent study we conducted for the CMHC, we built a database of 72 entities that operate as MICs or have similar structures, across the country, through management interviews, surveys, public filings, company websites, etc. We estimate there may be 200 to 300 MICs in the country**.** We estimate the total outstanding mortgages of the 72 funds to be approximately $6.74 billion, reflecting 0.5% of the total mortgages outstanding in Canada. Since our database includes almost all of the larger MICs, we estimate that our study represents at least 75% of the total mortgages held by the MIC industry.

Factors contributing to increased private lending - 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.

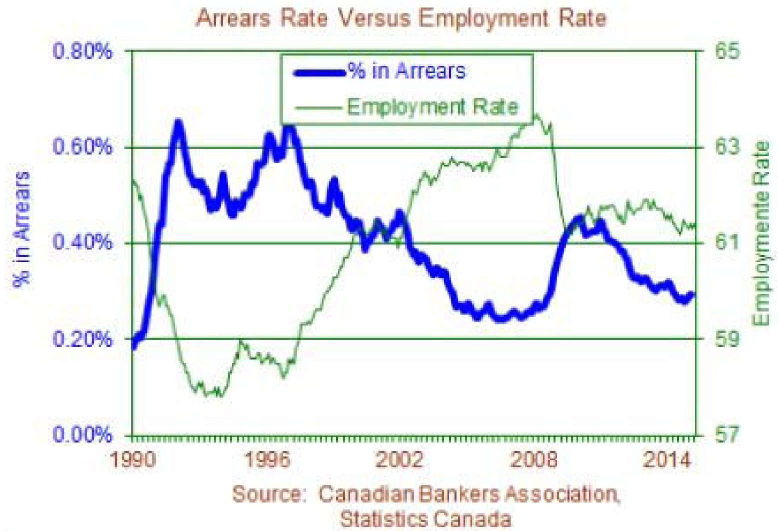
- Lowered the maximum amount that can be borrowed from 95% to 80% of the value of the homes when refinancing.

- 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.

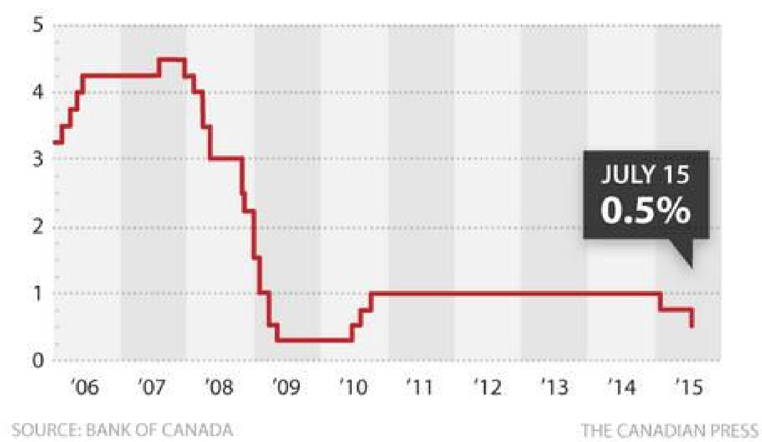
The tighter lending policies set by banks and conventional lenders have been encouraging more and more private lenders to enter the market.

Another factor that is contributing to increased lending is the improving unemployment rate, and the strong growth in housing prices. Data from the major banks show that there was a rise in mortgage arrears during the recession (mid-1990s and 2008-2009). The rate has been dropping since 2010, and is currently at just over 0.3% - which is highly encouraging for lenders.



Source: CAAMP

Historically low interest rate is another factor that is driving lending. The following chart shows the overnight lending rate since 2006.



The major banks currently offer five-year fixed mortgage rates at about 2.5% p.a. to borrowers, while rates offered by MICs range between 5% - 15% p.a. MICs typically do not offer five-year terms as their loans are typically short-term.

Although there is significant uncertainty over how the recent dip in oil prices will impact AB's housing prices, and how the increase in condo supply in Vancouver will impact their housing prices, we expect the Vancouver market to be quite stable over the next 12-24 months. Also, we have a positive outlook on the oil sector, and therefore, do not believe the recent dip in oil prices will have a significant impact on long-term housing prices in AB.

The key factors why we expect a stable housing market in BC are - low interest rate environment, expected growth in Gross Domestic Product ("GDP"), and continued growth in immigration. Also, improving unemployment in the country is resulting in lowering arrears.

Structure of the Offering

The following table shows the structure of the fund:

Share Capital	30 June 2015	% of Total
Common shares	12	100.00%
Preferred Shares		
Class A	90,909,486	40.91%
Class B - Series B	58,063,066	26.13%
Class B - Series C	73,253,436	32.96%
	222,225,988	**100.00%**

Management and long-term shareholders own 100% of the common shares of the fund. As of June 30, 2015, 222.23 million preferred shares were issued, each at $1 per share.

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%	
Antrim's est for investors' returns (p.a.) in 2016	6.00%	5.50%	6.50%

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.**

There is no market or exchange that the preferred shares trade on. The preferred shares are non-transferable. They are eligible for redemption, at the 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. As per the OM, the fund will not have to redeem if there are redemption requests totaling more than 35% of the outstanding shares in a year, or more than 5% in a month. **As per the OM, the fund has honoured all redemption requests since inception.**

The fund's financial statements are audited by Malish & Clark, which is a Langley, BC based accounting firm with over 30 years of experience.

FRC Fundamental Research Corp.

Financials

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

Income Statement	2008	2009	2010	2011	2012	2013	2014	2015
Revenues								
Interest Income	$189,608	$760,112	$2,020,766	$5,201,264	$8,164,509	$10,446,691	$13,984,994	$16,504,313
Fees			$8,700	$12,650	$28,301	$40,747	$64,287	$81,157
Mortgage discounts earned	$3,781	$8,794	$2,125	$3,000	$875	$12,795	$9,139	
Other interest		$3,817		$2,291	$12,240	$14,224	$16	$257
Rental income				$2,000		$31,578	$28,765	$17,385
	$193,389	**$772,723**	**$2,031,591**	**$5,221,205**	**$8,205,925**	**$10,546,035**	**$14,087,201**	**$16,603,112**
Expenses								
Management fees		$112,815	$346,331	$947,466	$1,510,984			
Management fees and trailer fees						$1,958,043	$2,554,747	$2,919,657
Trailer fees	$1,246	$12,544	$45,421	$142,971	$231,062			
Series B trailer fees						$296,831	$299,638	$290,209
Interest and bank charges	$12,152	$37,895	$12,690	$33,091	$54,656	$70,415	$341,754	$231,559
G&A	$13,580	$25,832	$34,541	$48,274	$68,850	$89,390	$151,207	$176,989
Renewal fees					$10,600	$22,100	$41,200	$51,900
Provision for impaired loans					$456,940	$34,054	$203,660	
Loss on foreclosure					$79,162	$47,781	$149,011	
Write down of property acquired by foreclosure						$425,000	$50,000	
Loss on property on sale				$21,997				
Property losses								$999,093
Mortgage losses (recovery)								-$20,574
	$26,978	**$189,086**	**$438,983**	**$1,193,799**	**$2,412,254**	**$2,943,614**	**$3,791,217**	**$4,648,833**
Net Income	**$166,411**	**$583,637**	**$1,592,608**	**$4,027,406**	**$5,793,671**	**$7,602,421**	**$10,295,984**	**$11,954,279**

YE – June 30th

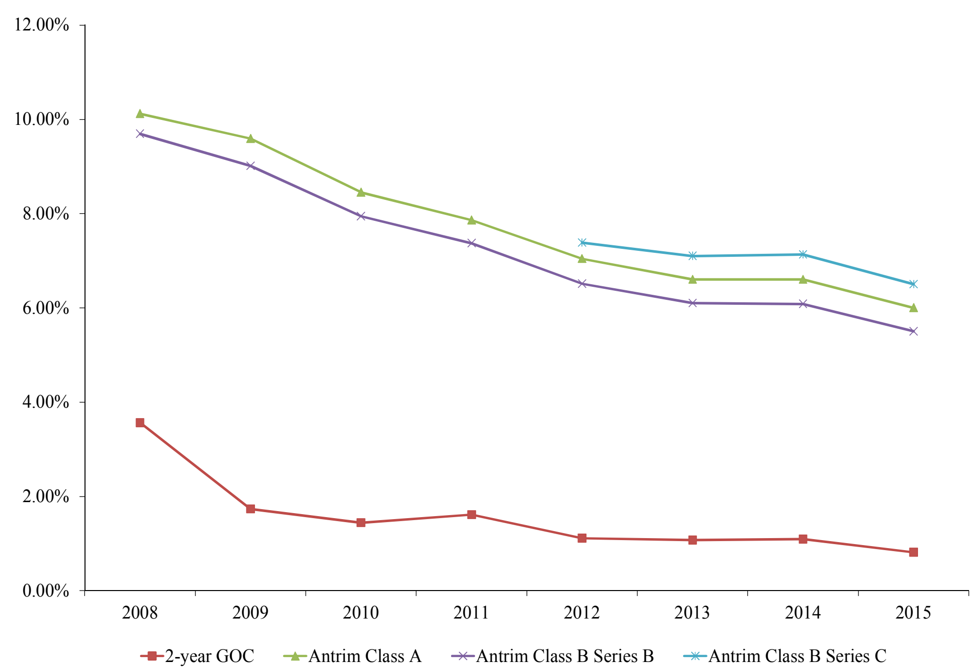
Revenues grew from $0.19 million in FY2008, to $16.60 million in FY2015. Net Income grew from $0.17 million in FY2008, to $11.95 million in FY2015.

Interest + Other income as a percentage of mortgage receivables were 7.59% p.a. in FY2015. The dividend yield (dividends as a percentage of invested capital) was 5.86% p.a. in FY2015.

% of Mortgage Receivable	2009	2010	2011	2012	2013	2014	2015
Interest Income	9.70%	8.55%	9.55%	9.39%	8.67%	8.15%	7.54%
Fees	0.00%	0.04%	0.02%	0.03%	0.03%	0.04%	0.04%
Mortgage discounts earned	0.11%	0.01%	0.01%	0.00%	0.01%	0.01%	0.00%
Other interest	0.05%	0.00%	0.00%	0.01%	0.01%	0.00%	0.00%
Rental income	0.00%	0.00%	0.00%	0.00%	0.03%	0.02%	0.01%
	9.86%	**8.59%**	**9.58%**	**9.43%**	**8.75%**	**8.21%**	**7.59%**
Less:							
Management fees and trailer fees	-1.60%	-1.66%	-2.00%	-2.00%	-1.87%	-1.66%	-1.47%
Realized losses	0.00%	0.00%	0.00%	-0.09%	-0.18%	-0.12%	-0.33%
Unrealized losses / Provisions	0.00%	0.00%	-0.04%	-0.53%	-0.24%	-0.11%	-0.12%
Interest and bank charges	-0.48%	-0.05%	-0.06%	-0.06%	-0.06%	-0.20%	-0.11%
G&A	-0.33%	-0.15%	-0.09%	-0.08%	-0.07%	-0.09%	-0.08%
Renewal fees				-0.01%	-0.02%	-0.02%	-0.02%
Net	**7.45%**	**6.74%**	**7.39%**	**6.66%**	**6.31%**	**6.00%**	**5.46%**
Investors' Returns as a % of Invested Capital	8.73%	6.89%	7.40%	6.54%	6.17%	6.31%	5.86%

Note that the above figures may be slightly different from the figures reported by Antrim Balanced Mortgage Fund Ltd. 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.

The following chart shows investors' yields relative to GOC 2-year bonds:



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

	2008	2009	2010	2011	2012	2013	2014	2015
No. of Delinquencies			3	2	9	3	4	2
Foreclosures								
No.			0	7	10	12	12	7
Value			$0	$2,224,228	$4,525,926	$6,904,863	$10,306,136	$4,154,516
Total reported unrealized and realized losses				$21,997	$536,102	$506,835	$402,671	$978,519
Total allowance at the end of the year					$456,940	$744,050	$933,660	$1,190,000
Realized losses (FRC est.)					$79,162	$219,725	$213,061	$722,179
Actual Losses (% of mortgage receivable)	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.09%**	**0.18%**	**0.12%**	**0.33%**
Reinvested		$541,693	$930,709	$1,958,644	$3,018,103	$3,986,464	$5,297,218	$6,110,951
Reinvested (as a % of Distributions)		93%	58%	49%	52%	52%	51%	51%

We estimate that the portfolio has experienced very low realized losses since inception, ranging between 0% and 0.33% of the average mortgages outstanding in a year. The realized loss of 0.33% in FY2015 was high due to a $579,000 loss on a penthouse in Yaletown, Vancouver.

The fund had seven properties in foreclosure (valued at $4.15 million) at the end of FY2015, down from 12 (valued at $10.31 million) at the end of the previous year. At the end of FY2015, management had assigned a total allowance for loan loss of $1.14 million on approximately $3.90 million in mortgages outstanding with four properties held for sale. Management indicated to us that, subsequent to the year-end, two of the four properties held for sale have been sold.

Investors have reinvested about 49% - 58% of the annual distributions since 2010, which we believe is a sign that existing investors are pleased with Antrim's management.

The following table shows a summary of the company's balance sheet. The total loans outstanding increased by 45% YOY from $37 million at the end of FY2010, to $234 million by the end of FY2015.

Balance Sheet	2008	2009	2010	2011	2012	2013	2014	2015
Assets								
Cash & funds held in trust	$4,932	$4,066		$224,700	$3,470,094	$2,360,946	$1,009,491	
AR / prepaid expenses	$1,000		$126,450		$8,215	$26,494	$38,446	$110,252
Interest receivable		$98,558	$432,842	$572,926	$944,888	$955,407	$1,100,979	$1,239,319
Properties held for sale								$2,759,090
Mortgages receivable	$5,369,534	$10,304,823	$36,850,902	$70,993,065	$101,801,255	$132,425,769	$200,897,230	$233,576,848
	$5,375,466	$10,407,447	$37,410,194	$71,790,691	$106,224,452	$135,768,616	$203,046,146	$237,685,509
Long term mortgages receivable			$129,792	$997,642	$196,136	$5,050,720	$1,646,960	
Property acquired by foreclosure						$1,565,514	$1,515,514	
Software	$2,981	$2,236	$1,490	$745			$1,548	$506
Total Assets	**$5,378,447**	**$10,409,683**	**$37,541,476**	**$72,789,078**	**$106,420,588**	**$142,384,850**	**$206,210,168**	**$237,686,015**
Liabilities								
Bank indebtedness	$890,000	$610,000	$242,056				$18,651,614	$13,406,830
Accounts payable & others	$7,679	$29,058	$71,535	$133,714	$166,827	$207,532	$295,240	$353,258
Due to related parties	$125,155			$500				
Dividends payable	$166,411	$583,637	$200,001	$906,167	$874,995	$1,286,316	$1,591,645	$1,700,708
Rental deposits						$1,970	$1,275	
Unamortized discounts						$9,139		
Deferred income	8,794		875	875				
	$1,198,039	**$1,222,695**	**$514,467**	**$1,041,256**	**$1,041,822**	**$1,504,957**	**$20,539,774**	**$15,460,796**
Preferred shares - Class A	$2,685,385	$5,471,341	$18,841,895	$32,842,453	$39,722,491	$54,711,095	$72,161,335	$90,909,486
Preferred shares - Class B Series B	$1,495,800	$3,716,424	$18,185,891	$38,906,146	$54,327,727	$66,070,164	$59,692,503	$58,063,066
Preferred shares - Class B Series C					$11,329,317	$20,099,403	$53,817,326	$73,253,436
	$4,181,185	**$9,187,765**	**$37,027,786**	**$71,748,599**	**$105,379,535**	**$140,880,662**	**$185,671,164**	**$222,225,988**
Shareholders' Equity								
Share capital	$4	$4	$4	$4	$12	$12	$11	$12
Deficit	-$781	-$781	-$781	-$781	-$781	-$781	-$781	-$781
	-$777	**-$777**	**-$777**	**-$777**	**-$769**	**-$769**	**-$770**	**-$769**
SE + Liabilities	**$5,378,447**	**$10,409,683**	**$37,541,476**	**$72,789,078**	**$106,420,588**	**$142,384,850**	**$206,210,168**	**$237,686,015**
Debt to Capital	24.3%	6.6%	0.7%	0.0%	0.0%	0.0%	10.1%	6.0%
Outstanding shares:								
Class A	2,685,385	5,471,341	18,841,895	32,842,453	39,722,491	54,711,095	72,161,335	90,909,486
Class B - Series B	1,495,800	3,716,424	18,185,891	38,906,146	54,327,727	66,070,164	59,692,503	58,063,066
Class B - Series C					11,329,317	20,099,403	53,817,326	73,253,436
	4,181,185	**9,187,765**	**37,027,786**	**71,748,599**	**105,379,535**	**140,880,662**	**185,671,164**	**222,225,988**
Net asset value per share:								
Class A	$1	$1	$1	$1	$1	$1	$1	$1
Class B - Series B	$1	$1	$1	$1	$1	$1	$1	$1
Class B - Series C					$1	$1	$1	$1

Line of credit – The fund has a line of credit with TD Trust Canada for $30 million. The interest rate is prime + 0.75% p.a. As of June 30, 2015, the fund had used $13.41 million. The total debt to capital was 6% at the end of FY2015. As mentioned earlier in the report, comparable MIC, which are also primarily focused on first and second mortgages, tend to use higher debt levels.

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.
- Approximately 45% of the portfolio (733 loans), by value, consists of mortgages over $1 million. Note that approximately 75% of the number of mortgages are less than $0.50 million.
- 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 lesser geographical diversification than peers as management intends to continue to focus on BC.

Conclusion / Rating

Based on our review of the returns/risk features of the offering, we have assigned an overall rating of 2-, and a risk rating of 2 on the preferred shares.

FRC Rating	
Expected Yield (2016)	5.5% - 6.5%
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	25%	Risk - 2	4%
Rating - 3	47%	Risk - 3	31%
Rating - 4	10%	Risk - 4	41%
Rating - 5	5%	Risk - 5	10%
Rating - 6	1%	Suspended	13%
Rating - 7	0%		
Suspended	12%		

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