



# ARMADA MORTGAGE

PRIVATE MORTGAGE LENDING AND INVESTING



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Armada Wealth Management is a related entity to Armada Mortgage Corporation and is registered as an Exempt Market Dealer in the provinces of BC, AB and ON. Armada Mortgage Corporation would be considered a "connected issuer" to Armada Wealth Management within the meaning of applicable securities laws. Armada relies on the offering memorandum exemption as per section 2.9 of National Instrument 45-106 for distribution of its Preferred Shares. Interested parties should contact Armada Wealth Management or their own exempt market dealer to speak with a registered Dealing Representative. Current Offering Memorandum is valid until April 30, 2024.

This presentation may contain forward-looking statements within the meaning of applicable securities laws. Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of Armada to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Examples of forward-looking statements include, but are not limited to: Armada's target return, target spread over its benchmark, its selected benchmark, underwriting criteria, deal process, lending guidelines, liquidity characteristics, and tax information. Armada does not have an obligation to update these forward-looking statements, except as required by applicable law. There can be no assurance that forward-looking statements will prove to be accurate. Armada is subject to risks and uncertainties which may cause the actual results, performance, or achievements of the company to be materially different than those expressed or implied in any forward-looking statements. Past performance is not indicative of future returns.

*Information presented as of September 30, 2023. Last Updated: January 15, 2024.*



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# Company Overview

# What is a 'MIC'?

Mortgage Investment Corporations or 'MICs' are funds which invest shareholder capital into a portfolio of private mortgages. MICs are 'flow-through' investment vehicles which distribute 100% of their net income to shareholders.

MICs were introduced in the Income Tax Act in 1973 to make real estate investing more accessible to smaller investors, allowing them to invest their money across a pool of private mortgage loans. A portfolio of mortgages mitigates risk through diversification, allowing investors to access private lending opportunities without the need to commit a large amount of capital towards any single mortgage.



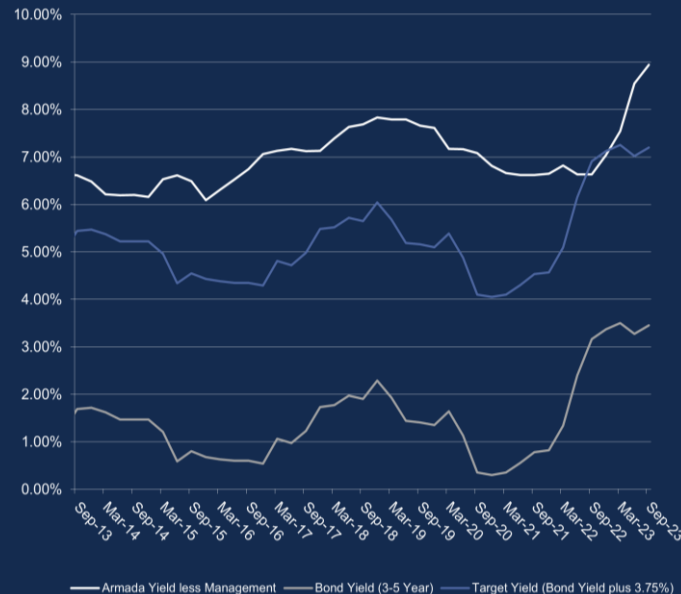


# About Armada



## A PEOPLE FIRST LENDER

Armada's team has over 25 years of mortgage investment industry experience. Armada Mortgage Corporation ("Armada") is a non-bank lender that invests in residential, construction, and serviced land mortgage loans secured by first and second mortgages. Our track record demonstrates stable and consistent monthly distributions to shareholders with attractive risk-adjusted returns.



- Average rate of return 6.84% since 2003
- Maintain steady stream of interest while protecting shareholders' capital; measured against target of bond yield\* +3.75%/goal of 6-8% return

\* Government of Canada 3-5 year bond yield.

# What We Do



## A PEOPLE FIRST LENDER

As an alternative mortgage provider, Armada offers a financing option to Canadian homeowners in situations where traditional mortgage loans are not available.

Armada's depth of experience paired with our broker relationships provides investors with access to a pool of private loan opportunities which have conservative loan-to-value ratios and attractive risk-adjusted returns.

Our expertise has enabled us to deliver short-term financing solutions for borrowers, and consistent monthly dividends for shareholders, since 1995.

# Company History



Established as an alternative mortgage lender, originating files from Armada's brokerage division.

1995

Armada Wealth Management formed as a captive Exempt Market Dealer.

2018

Armada Mortgage Corporation surpasses \$50 million in assets.

2023

2016

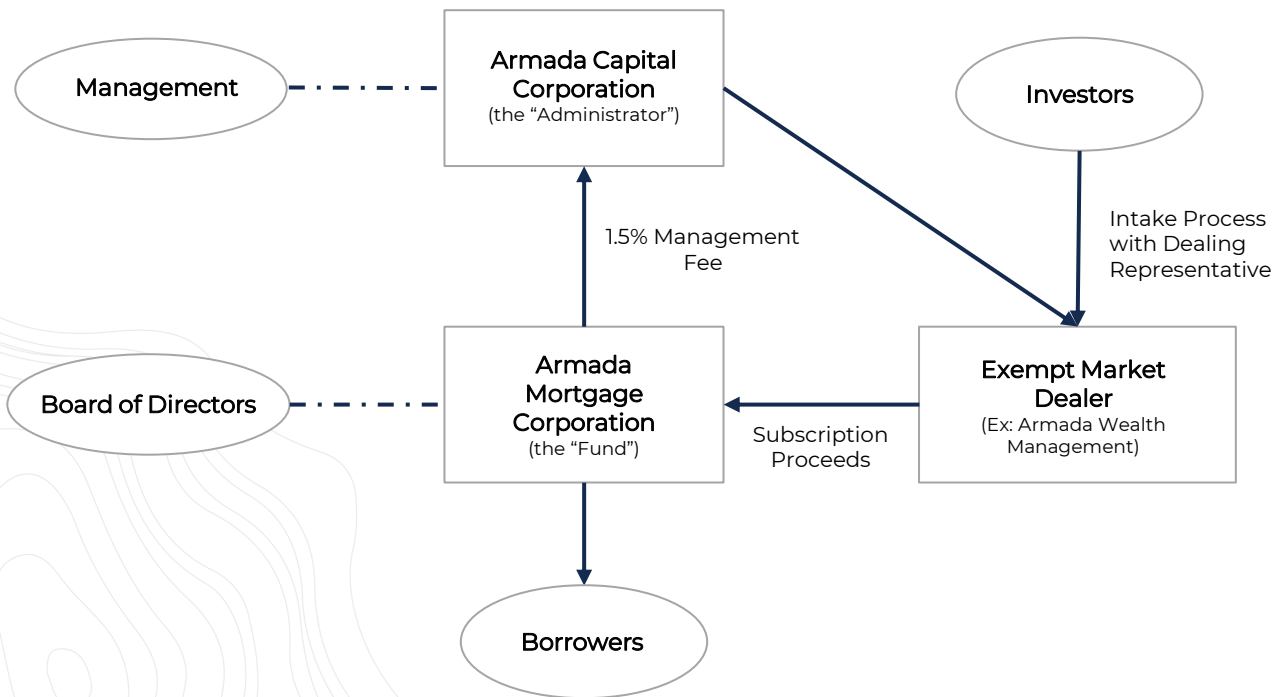
Armada Mortgage Corporation surpasses \$20 million in assets.

2022

Armada delivers a net return of 7.35% to Preferred Shareholders despite macro volatility




# Fund Structure and Administration



# Armada MIC

# Competitive Advantages

Traditional Lenders	 <b>ARMADA MORTGAGE</b>
Inflexible terms & conditions	People focused lender willing to align terms with borrowers' needs and situation
Standard limit on debt service ratios	Flexible ratios to meet borrowers' specific circumstances and requirements
5+ year fixed terms	Typically a 1-year term to renewal
Closed or limited pre-payment options	10% pre-payment per year on closed term
Fixed rate loans	Open and closed terms with flexible rates and fees

# Why Invest with Armada?



## LOW MANAGEMENT FEES

1.5% management fee with a \$5,000 minimum investment.



## ALTERNATIVE INVESTMENT YIELD

Low correlation with traditional asset classes. Track record of 249 consecutive monthly dividends to shareholders.



## SOCIALLY-CONSCIOUS INVESTING

Helping Canadian homeowners and investors reach their individual goals.

# Historic Rate of Return



2022

**7.4%**

2021

**6.7%**

2020

**6.9%**

3-Year

**7.0%**

5-Year

**7.3%**

10-Year

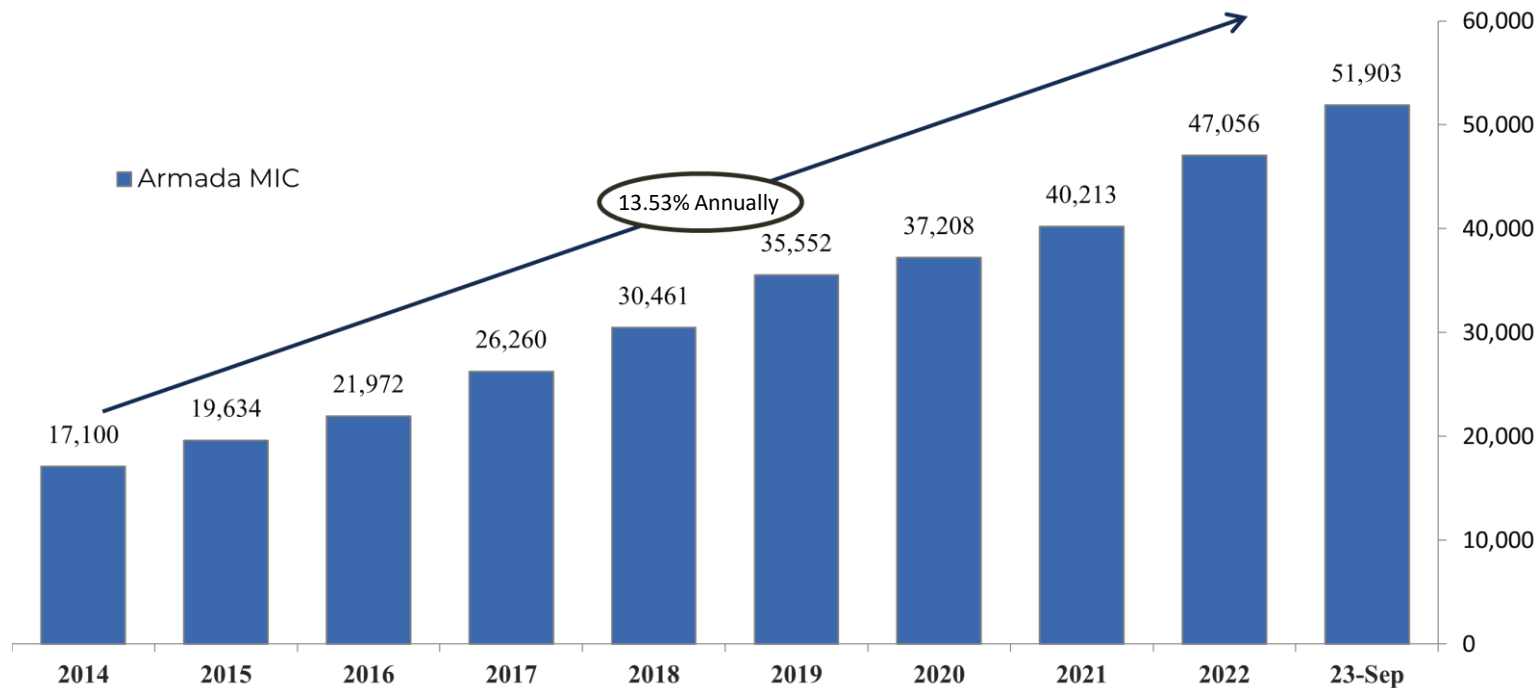
**6.5%**

20-Year

**6.8%**

# Growth of the Fund

*In thousands of Canadian dollars*





# Track Record

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Total Mortgages  
Funded in 2022

**\$51.9M**

Aggregate Lending  
Volume Since Inception

**\$505M**

Annual Portfolio  
Turnover

**55%**

Average Annual  
Redemption Rate

**2.4%**

Current Portfolio  
Yield

**8.4%**

Historic Average  
Impairment Rate

**0.25%**

# Fund Overview



	30-Sept-23*	31-Dec-22	31-Dec-21
Total Assets	\$51,826,295	\$47,003,727	\$40,213,180
Mortgage Loan Portfolio	\$51,903,072	\$46,619,998	\$40,183,620
No. of Mortgage Investments	227	192	175
Average Loan Size	\$228,648	\$242,812	\$229,621
Total Investor Capital	\$49,875,939	\$44,725,951	\$39,527,553
Value of 1 <sup>st</sup> Mortgage Holdings	\$34,076,642	\$33,420,870	\$28,320,123
Value of 2 <sup>nd</sup> Mortgage Holdings	\$18,291,860	\$13,100,730	\$11,604,499

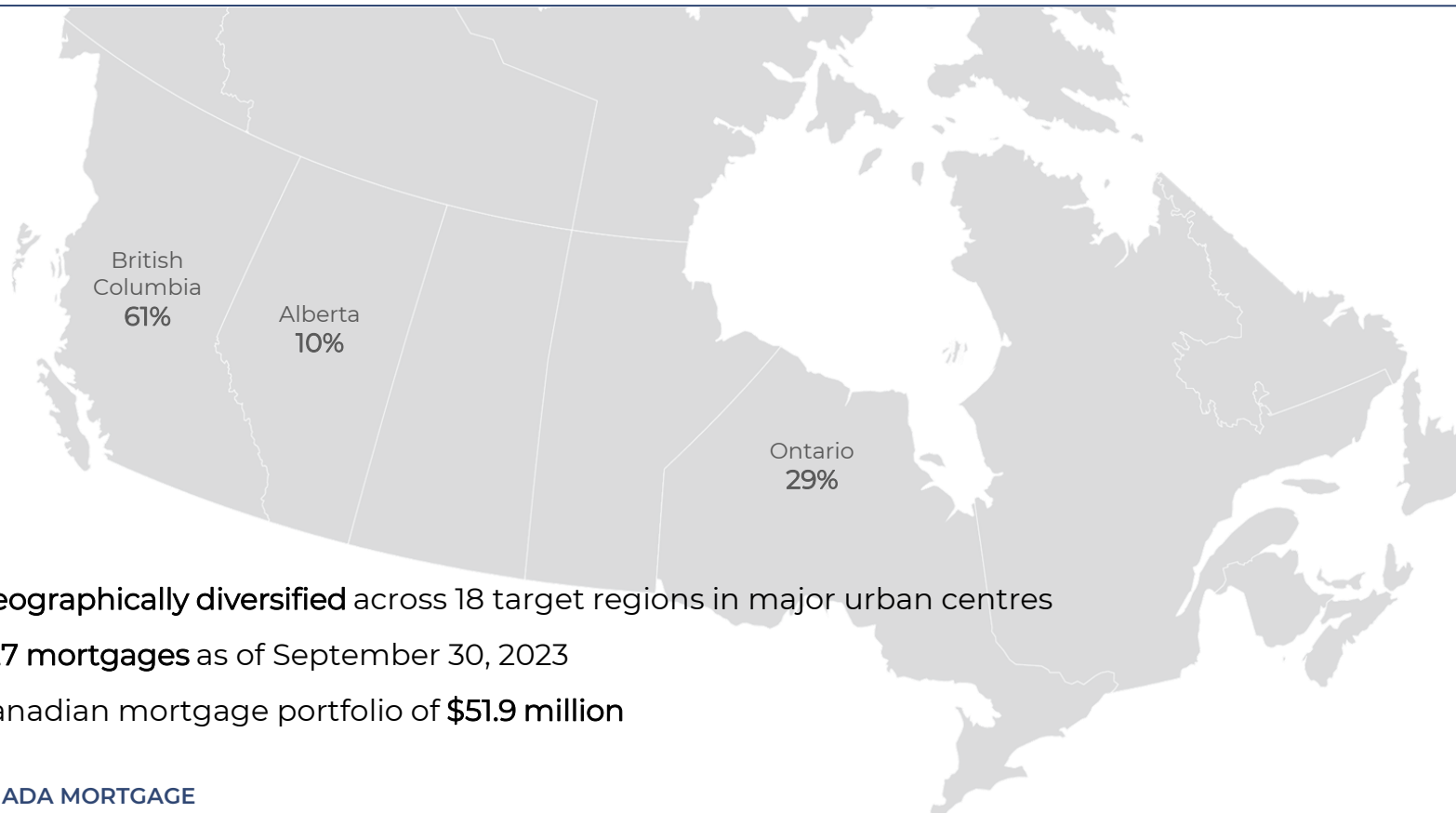
\* Unaudited, as at September 30, 2023.

# Fund Profile



Category	Description
Inception Date	December 29, 1995
Fund Type	Open-ended pooled mortgage fund
Minimum Subscription	5,000 Preferred Shares (\$5,000)
Monthly Distribution	Class A Preferred Shares: 7.25% annual yield paid monthly + final (13 <sup>th</sup> ) distribution
Redemption	Available annually, subject to 90 days' minimum notice
Management Fee	1.50%
Eligibility	RRSP, RRIF, TFSA, RESP, LIRA, LIF

# Portfolio Geography



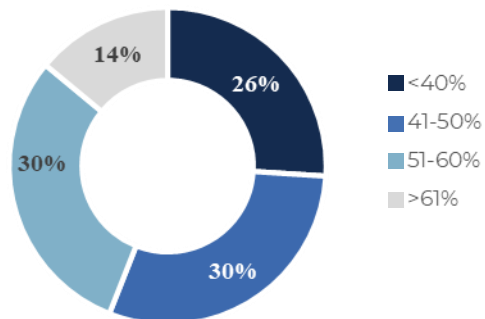
**Geographically diversified** across 18 target regions in major urban centres

**227 mortgages** as of September 30, 2023

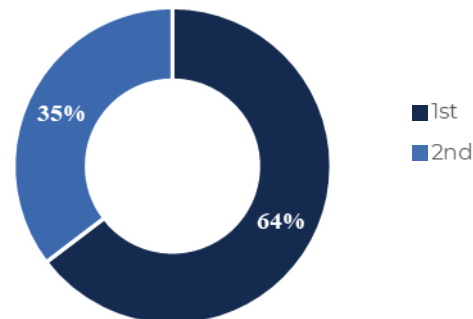
Canadian mortgage portfolio of **\$51.9 million**

# Portfolio Allocation Charts

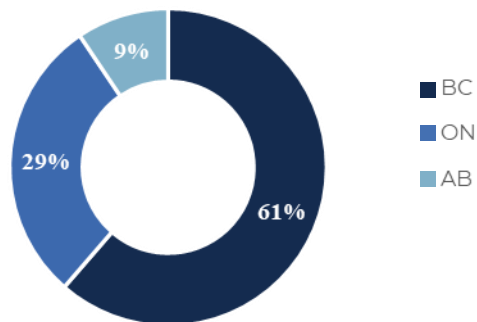
Loan-to-Value



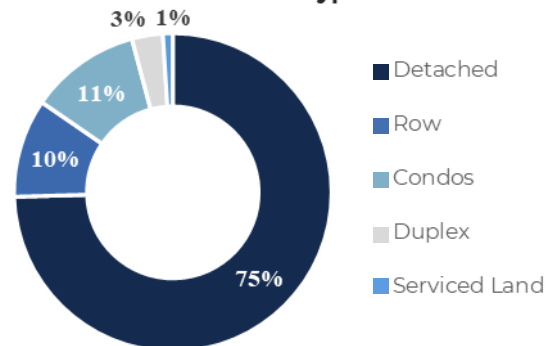
Mortgage Rank



Geographic Concentration



Asset Type



# Investment Strategy



# Our Borrowers



**Borrowers who don't  
qualify at traditional  
institutional lenders**



**Self-employed, disrupted  
income, life event, building  
credit etc.**



**Majority owner-occupied  
homeowners with equity in  
their home in BC, Alberta, or  
Ontario**

# Recent Mortgage Investment 1



## DESCRIPTION

Borrowers wanted to refinance to payout their existing bank mortgage and gift their child a downpayment for their first home purchase. Armada offered the borrowers a new 1st mortgage with a 1 year closed term. The exit strategy is to refinance with a B-Lender after the mortgage term is up.

## LOAN DETAILS

AMOUNT	\$771,000
SECURITY RANK	1st Mortgage
TERM	12 months
INTEREST RATE	8.99%
LOAN-TO-VALUE	60%

# Recent Mortgage Investment 2



## DESCRIPTION

Borrower required cash for renovations on their home and wanted to consolidate some debts. Armada offered the borrower an open 2nd mortgage, as the borrower intends to sell the property in the future.

## LOAN DETAILS

AMOUNT	\$175,000
SECURITY RANK	2nd Mortgage
TERM	12 months
INTEREST RATE	9.99%
LOAN-TO-VALUE	37%

# Underwriting Criteria

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- Debt ratios for clients (GDS<sup>1</sup>) may exceed those offered by traditional lenders, however they are capped at figures reasonable for client circumstances
- Borrowers need to provide a clear repayment / exit strategy
- Interest reserve<sup>2</sup> option
- Appraisal required from an Approved Appraiser
- Underwriting guidelines are approved by Armada's independent Board of Directors

<sup>1</sup> GDS refers to the 'Gross Debt Service Ratio'. It represents the percentage of a borrower's monthly income which is required to cover their housing costs. GDS is calculated by adding the mortgage payment amount (principal and interest), property tax, heating costs, and strata fees (if applicable), and dividing by the borrower's gross monthly income. Traditional lenders often cap GDS at 39%.

<sup>2</sup> An interest reserve is a dollar amount which the lender holds back as added collateral against the loan. This allows the lender to advance funds to cover interest payments on the loan.

# Deal Process

## Application

Summary of file includes purpose of mortgage, client story, and exit strategy.

## Underwriting

An underwriter will review the submitted documents to come to a decision on funding the file.



## Supporting Docs

An independent appraisal from approved firm is required. Contracts of Sale & Purchase required for purchases, and 1st Mortgage Statements are needed for 2<sup>nd</sup> mortgages.

## Decision

If file is approved, mortgage instructions are sent to the lawyer. If file is declined, the broker is informed why.

# Lending Guidelines

- \$950,000 max for first mortgages (~1.8% of fund assets as of September 30, 2023)
- \$250,000 max for seconds (~0.5% of fund assets as of September 30, 2023)
- \$50,000 minimum mortgage size
- Conservative LTV (current average is 45%)
- Lending on properties in major cities and urban centers in BC, Alberta and Ontario
- Title insurance required
- First or Second Mortgage charges are secured on-title through a lawyer
- Amortizing or Interest-Only
- Construction restricted to the Lower Mainland and, on exception, Greater Kelowna

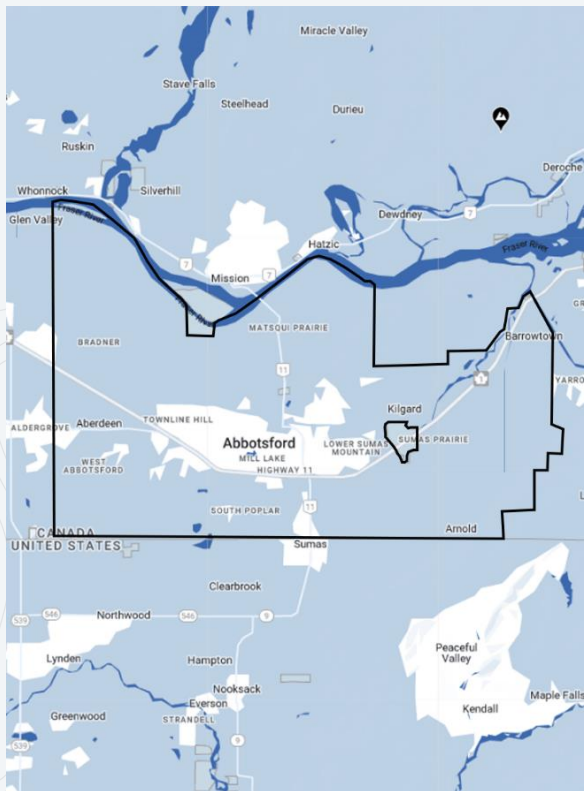




# Geographic Distribution

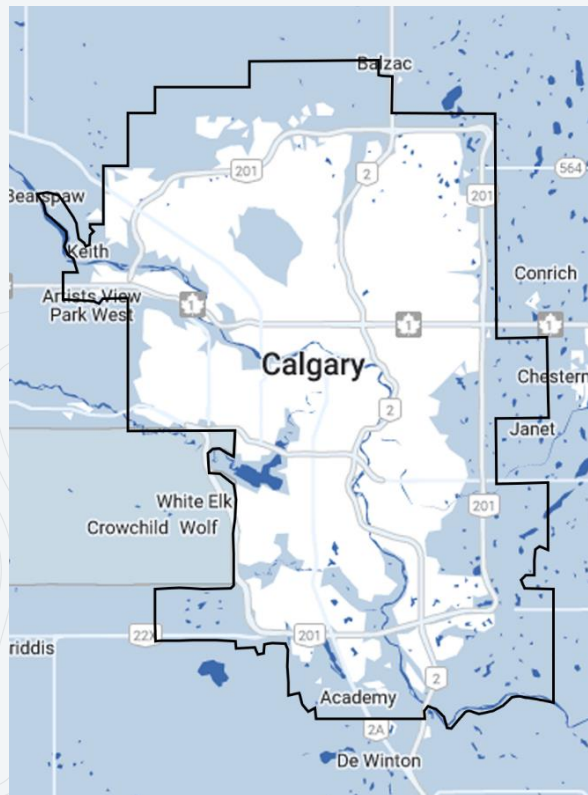
- Lending within active real estate markets
  - For portfolio liquidity
  - Markets must demonstrate an active turnover of homes in segmented price ranges
- Lending within city limits
  - 50KM radius of major urban centers
  - Minimum target of 35,000+ population for lending regions
- Consideration is given to the size of the mortgage in comparison to the home price ranges
- Consideration is given to the major employers/industries within the trade area
  - Avoid lending in trade areas with overly concentrated employment
  - Industry diversification is analyzed to avoid over concentration

# BC Example: Abbotsford



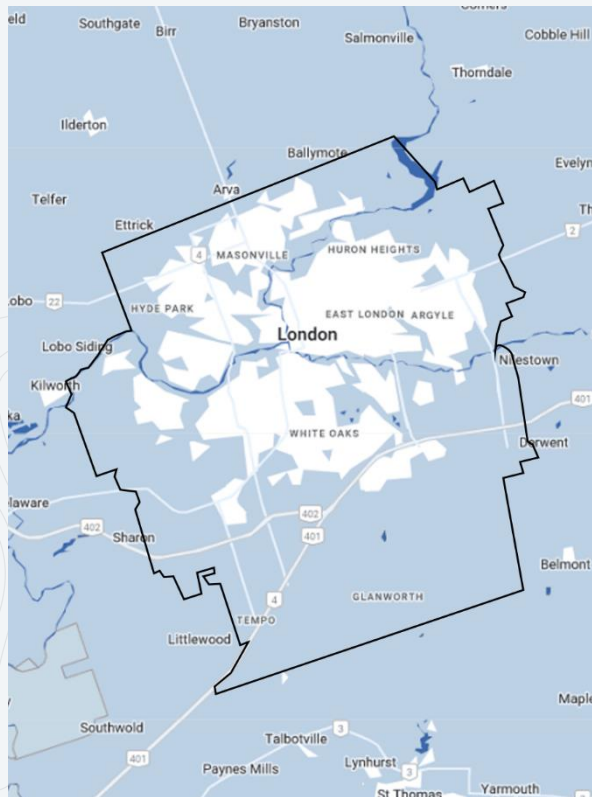
Average home price (CMHC Q3 2023) <i>Single Family Detached</i>	\$1,994,147
Approximate Population <i>2021 Census, City</i>	153,524
Main Industries of Employment	Agriculture, Aerospace, Manufacturing & Technology
Unemployment Rate <i>September 10 – October 7 period</i>	5.7%
Population Growth <i>2016 vs 2021 Census</i>	8.6%
Housing Starts <i>Jan 1 – Sept 30, 2023</i>	312
5-year Property Appreciation Rate <i>Single Family Detached</i>	73% (\$928,179 Average Q3 2018)
New Listings vs. Sales <i>Jan 1 – Sept 30, 2023</i>	3,024 Listings vs 1,721 Sales

# Alberta Example: Calgary



Average home price (CMHC Q3 2023) <i>Single Family Detached</i>	\$816,610
Approximate Population <i>2021 Census, City</i>	1,306,784
Main Industries of Employment	Energy/Oil/Gas, Agriculture, Aerospace
Unemployment Rate <i>September 10 – October 7 period</i>	6%
Population Growth <i>2016 vs 2021 Census</i>	5.5%
Housing Starts <i>Jan 1 – Sept 30, 2023</i>	12,248
5-year Property Appreciation Rate <i>Single Family Detached</i>	10% (\$740,901 Average Q3 2018)
New Listings vs. Sales <i>Jan 1 – Sept 30, 2023</i>	27,840 Listings vs 22,110 Sales

# Ontario Example: London



Average home price - CMHC Q3 2023 <i>Single Family Detached</i>	\$1,035,129
Approximate Population <i>2021 Census, City</i>	422,324
Main Industries of Employment	Agri-Food, Manufacturing, Digital Media & Tech
Unemployment Rate <i>September 10 – October 7 period</i>	5.3%
Population Growth <i>2016 vs 2021 Census</i>	10%
Housing Starts <i>Jan 1 – Sept 30, 2023</i>	1260
5-year Property Appreciation Rate <i>Single Family Detached</i>	43% (\$668,558 Average Q3 2018)
New Listings vs. Sales <i>Jan 1 – Sept 30, 2023</i>	7,116 Listings vs 3,839 Sales

# Investment Process

# Characteristics of an Investor

An Exempt Market Dealer or Dealing Representative will review the investment suitability and your eligibility for this product based on the following non-exhaustive concepts:

## INVESTOR FINANCIAL POSITION

- Income and investment portfolio composition
- Net financial assets and net assets
- Stability of financial circumstances

## INVESTOR OBJECTIVES

- Medium to long investment time horizon
- Younger investors typically looking for growth;  
older investors typically looking for income

## PRODUCT SUITABILITY

- Liquidity not a major concern
- Source of funds is sensible
- Investment objectives & risk tolerance
- ID verification and disclosures

## INVESTOR RISK TOLERANCE

- Understanding of investment structure
- Comfortable with the risk / return profile



# How to Invest



1

Confirm Eligibility  
& Suitability

*Sold under the Offering Memorandum Exemption and Accredited Investor (NI 45-106) in the provinces of BC, AB, and ON.*

2

Account  
Opening Process

*Conducted through an Exempt Market Dealer.*

3

Execute a  
Subscription  
Agreement

*Armada accepts subscriptions on a monthly basis.*

4

Fund the  
Investment

*Available through registered plan accounts (RRSP, RRIF, TFSA, or RESP) with select administrators, or through cash accounts.*

Shareholders have access to Armada's Investor Login Portal and will receive Quarterly Investor Newsletters. Audited financial statements and updated Offering Memorandums are issued annually.

- Mortgages are inherently illiquid, and Armada does not have the right to demand repayment prior to the contractual term expiry.
- To achieve its investment objectives, Armada must be fully invested and maintain a low-to-no cash position, except in times of scheduled dividend distributions or anticipated redemptions.
- Initial mortgage terms are typically for one year, and mortgages are repaid over time.
- To manage the liquidity position of the fund, Armada requires written notice from shareholders of their intention to redeem.
- Retractions of Class A Preferred Shares are available one-year past the last day of the fiscal quarter during which the investment was made ("Retraction Date"). Written requests must be submitted at least 90 days, but not more than 180 days, in advance of the Retraction Date. This provides the necessary time required for Armada to ensure there is sufficient cash liquidity from mortgage repayments to fulfill Retraction Requests it receives.
- Retractions are available annually on each anniversary of the initial Retraction Date.
- Aggregate Redemptions paid by the fund are gated for capital stability and fund continuity. As such, unless otherwise determined by the Board of Directors, the maximum redemptions payable will be capped at 1.25% per quarter or 5% per year.
- If the Retraction Requests received by the Company exceed the cap, Preferred Shares are redeemed on a pro-rata basis. If a redemption causes a shareholder to hold less than \$5,000 (the minimum subscription amount), Armada may redeem the remaining position at its discretion.
- Armada is under no obligation to redeem Preferred Shares if such redemption would cause the fund to become insolvent or cease to qualify as a Mortgage Investment Corporation.
- For full details of shareholder Retraction Rights, please review the Offering Memorandum.

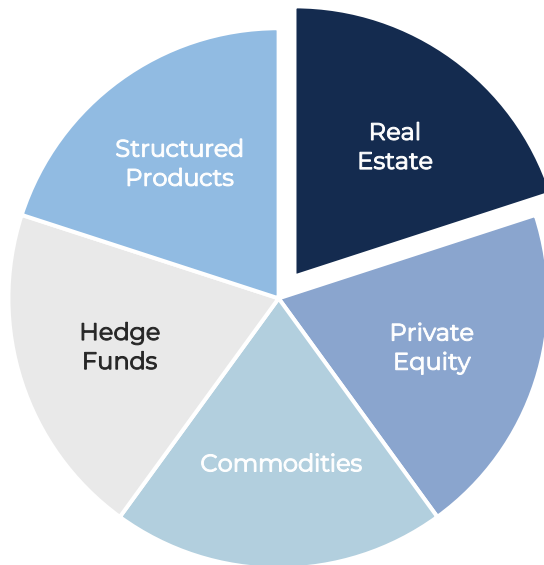
# Tax Information

- Company is required to distribute all net income and net realized capital gains as dividends within the time period specified in section 130.1 of the Canadian Income Tax Act
- Dividends are treated as regular interest income for income tax reporting in the hands of the investor
- T-5 issued for non-registered accounts



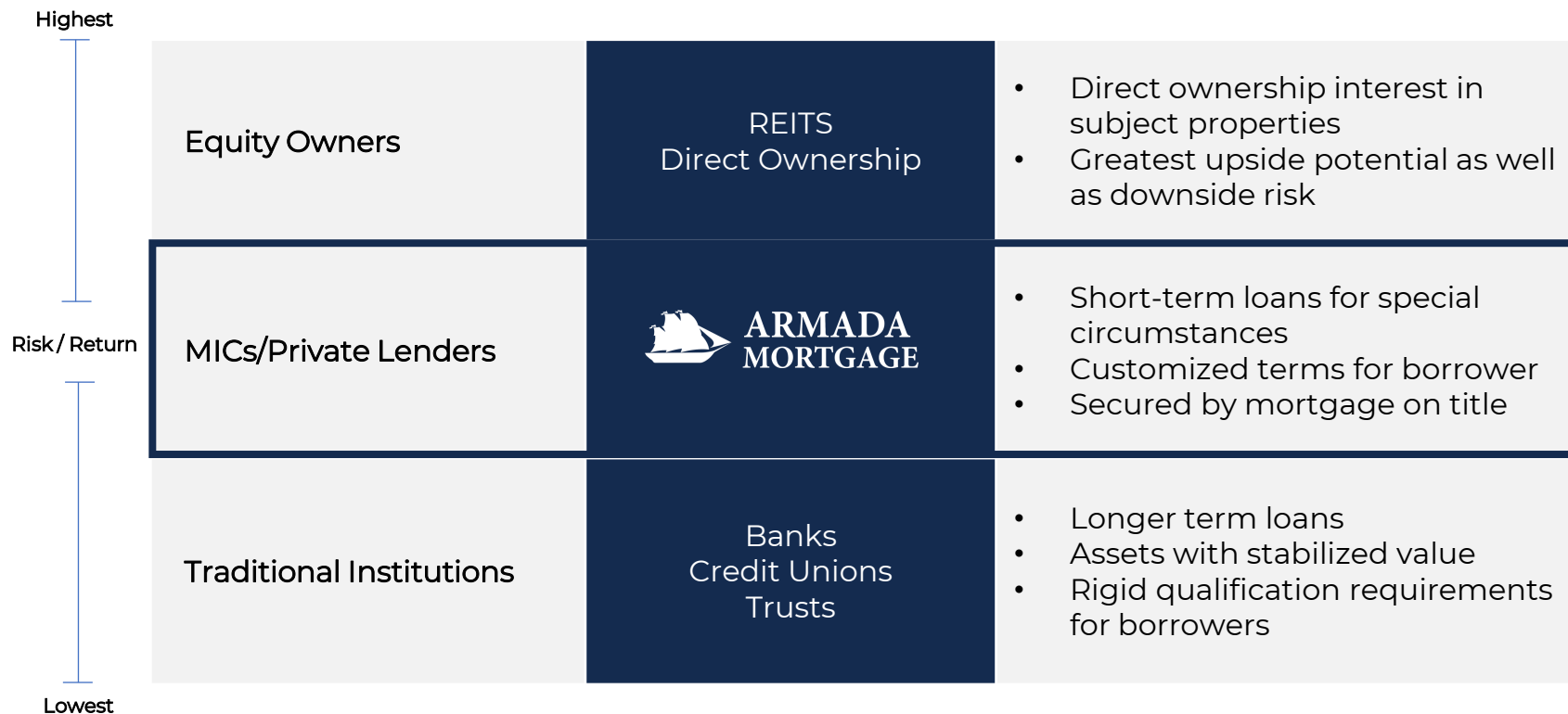
# Risks & Mitigants

# An Alternative for Your Basket of Investments



Including alternative investments in your portfolio should reduce its volatility. The uncorrelated nature of alternatives serves to improve the overall return **on a risk adjusted basis**.  
*(Improved Sharpe ratio)*

# Market Position



# Risks and Mitigants

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**Credit Risk:** mitigated primarily by ensuring collateral value of the subject property fully protects both the first and second mortgages and that a viable exit strategy has been identified.

**Liquidity Risk:** mitigated through cash flow projections and forecasted funding requirements, combined with a line of credit for cash management purposes.

**Property Values:** mitigated by ensuring the fund maintains conservative LTV based on independent appraisals, and through a proprietary model which determines a maximum loan size for each region based on its unique characteristics

**Loan Demand:** mitigated through an extensive network of mortgage broker relationships which have come to trust Armada to serve borrowers who are not eligible for loans from conventional institutions.

For further details on risk factors, please review the Offering Memorandum.

# About the Manager





## **Gordon Hone – Founder & President**

Mr. Hone has been the President, Director and founder of the Company since inception in 1995. Mr. Hone was a licensed realtor from 1992 to 1994, has been a licensed mortgage broker since 1993 and was the previous owner of Westgate Homes, a residential home builder in Maple Ridge, British Columbia. Mr. Hone has been the owner and mortgage broker of Armada Capital Corporation and Armada Mortgage Corporation since 1995. This registration was extended to Alberta in 2013 and Ontario in 2014. Mr. Hone attended Simon Fraser University and was accepted to the Faculty of Economics & Business Administration in 1989. Mr. Hone has obtained his certification for completing the Partners, Director & Officers Course as well as the Canadian Securities Course and has received the designation as a Registered Deposit Broker. In 2018 Mr. Hone became the founder and the CEO, UDP & CCO of Armada Wealth Management. Mr. Hone successfully completed the Chief Compliance Officer exam in December 2019.



## **Karin Schmidtke – Controller & Corporate Secretary**

Ms. Schmidtke has been the Controller of the Company since its inception in 1995 and has been the Company Secretary since 2002. Ms. Schmidtke is a licensed mortgage broker since 2010 and completed the Exempt Market Proficiency (EMP) course in 2020. She is the CFO, VP, and Dealer Representative of Armada Wealth Management since inception in 2018. Ms. Schmidtke oversees the Company's accounting and administration division. Prior to 1995 Ms. Schmidtke owned and ran a professional photography business in Vancouver, B.C. Ms. Schmidtke has been investing in residential mortgages since 1994 and has experience in budgeting for residential construction as a previous co-owner of Westgate Homes.

# Board of Directors

Armada has a seven-member Board of Directors, of which six are independent and do not hold any management position.

<b>Gordon Hone</b> President & Director	<b>Andrew Danneffel</b> Director	<b>Steve Drew</b> Director
<b>Edward Monteiro</b> Director	<b>Patricia Milewski</b> Director	<b>Lance Felgnar</b> Director
<b>Don Pearce</b> Director		

# Alignment of Interests



Armada's Management Team and Board of Directors hold total Preferred Shares worth:

**\$6,577,217**

This investment represents **12.9%** of the total shareholder equity in Armada Mortgage Corporation, creating a strong alignment of interest between management, independent directors, and Preferred Shareholders.

# Testimonials



Armada Mortgage Corporation has always been a highly professional group of Mortgage brokers to work with. We have also invested with them and have had amazing results. The service in their office is incredible, with friendly staff who are very knowledgeable.

MARGOT O

The folks at Armada are always available to answer questions on your investments. They are a well-managed family business with fabulous long-term employees who I have grown very comfortable with over the years. I always feel secure in my dealings at Armada.

BRENDA E

My wife and I have several investments with Armada and have been extremely pleased with their responsive service and consistent returns over the years. Well deserved 5-star rating.

TODD H



**Mike Poettcker**

Dealer Representative & Chief  
Compliance Officer

1500 – 355 Burrard Street  
Vancouver, BC V6C 2G8

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investment opportunities, please contact Mike  
Poettcker at:

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Call: 604-818-0732