# FRONTENAC MORTGAGE INVESTMENT CORPORATION
# ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE
# FOR THE YEAR ENDED DECEMBER 31, 2019

This annual management report of fund performance contains financial highlights but does not contain the complete annual financial statements of the Corporation. You can obtain a copy of the annual financial statements at your request, at no cost, by any of the following methods:

| | |
|---|---|
| By telephone: | (877) 279-2116 |
| By Internet: | SEDAR at www.sedar.com or on the Corporation's website at www.fmic.ca |
| By mail: | Frontenac Mortgage Investment Corporation<br>14216 Road #38<br>Sharbot Lake, Ontario K0H 2P0 |

Shareholders may also contact us using one of these methods to request a copy of the Corporation's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

## MANAGEMENT DISCUSSION OF FUND PERFORMANCE

### Investment Objective and Strategy

*Investment objective*

The Corporation's objective is to generate income while preserving, for its beneficial shareholders, capital for re-investment. As a mortgage investment corporation, the Corporation expects to derive its earnings principally from the receipt of mortgage interest payments and of interest or interest-like distributions on the cash reserves of the Corporation.

*Investment strategy*

The Corporation will achieve its investment objective by lending on the security of mortgages on real property located primarily in the province of Ontario. The mortgages transacted by the Corporation will not generally meet the underwriting criteria of conventional lenders and/or involve borrowers in rural areas generally not well serviced by major lenders. As a result, the Corporation's investments are expected to earn a higher rate of interest than what is generally obtainable through conventional mortgage lending activities.

### Risks

The business operations of the Corporation are subject to the following risks, amongst others, that could affect shareholders' equity and the Corporation's ability to generate returns: relative illiquid nature of mortgage investments, ability of borrowers to make mortgage payments, inability of the Corporation to find suitable mortgage investments, changes in land value, ranking of mortgages, no guarantees to investor on returns or lack of losses, and reliance on third parties. These risk factors are described in greater detail in the Corporation's prospectus, a copy of which may be obtained through SEDAR at www.sedar.com.

During the 2019 year, management did not make any operational changes which had an impact on the overall risk of an investment in the Corporation.

## Results of Operations

The financial statements of Frontenac Mortgage Investment Corporation are prepared in accordance with International Financial Reporting Standards.

All amounts for all years are expressed in Canadian dollars.

### *Operating Results for the Period*

The following table presents the results from operations for the year ended December 31:

| | **2019** | **2018** | **2017** | **2016** | **2015** |
|---|---|---|---|---|---|
| | **$** | **$** | **$** | **$** | **$** |
| Total revenues | 15,810,099 | 18,134,892 | 16,178,501 | 17,580,995 | 14,485,507 |
| - per issued common share | 2.46 | 2.74 | 2.46 | 2.82 | 2.77 |
| Net increase in net assets from operations | 9,656,983 | 11,332,989 | 8,346,668 | 10,911,248 | 8,581,017 |
| - per issued common share | 1.50 | 1.71 | 1.27 | 1.75 | 1.64 |

Revenues for the Corporation for the 2019 year decreased on a gross basis to $15,810,099 from $18,134,892 for 2018 while, on a per share basis, revenues decreased to $2.46 from $2.74 per common share. Revenue per share for 2018 is consistent with historical average levels, while the revenue per share for 2019 was significantly lower than historical average results. In 2019, the overall decreases in gross revenues and revenues per share are attributable to two factors: higher than normal cash balances in the Corporation combined with higher than normal level of impaired loans. In the Fall of 2018, Frontenac curtailed its lending on new mortgage loans to ensure that cash reserves were sufficient to meet expected redemptions in November 2018. Once the lending was reopened in January 2019, it took approximately 60-90 days for the pipeline of mortgage loan originations to return to normal levels. This delay resulted in higher than normal cash balances in the fund. In addition, to meet expected redemptions in November 2019, management maintained a higher level of cash reserves throughout the year.

Based on its risk profile of the mortgage loan borrowers for its niche in the mortgage marketplace, the Corporation expects that and would consider normal that, on average in any given year, 5% of the Corporation's mortgage portfolio would be considered impaired. On those impaired loans, the Corporation would project losses of capital of 0.50% of net assets or $0.15 per share based on the Corporation's historical net book value per share of $30. Once a mortgage is considered impaired, the Corporation ceases to accrue interest revenue on that mortgage which in turn reduces total revenue per share. For 2019, the Corporation averaged 10.06% of its net assets as impaired mortgages and incurred mortgage provisions and realized losses of $0.20 per share compared to 7.90% in impairments and $0.11 per share for losses for 2018. As at December 31, 2019, there were 16 mortgages totaling $18,155,907 (2018 – 27 mortgages totaling $22,043,064) which were considered by management to be impaired. The impairments include a group of mortgages totaling

$14,475,541 (2018 - $14,018,867) related to a single development project. The Corporation has recognized provisions for losses totaling $2,226,000 (2018 - $1,790,000) related to these loans which represent management's comparison of the discounted expected net proceeds from the sale of the underlying real estate security against the loan amounts outstanding. The power-of-sale process for this group of loans was completed in October 2018 and the related properties are listed for sale. If this single large group of loans is excluded, as at December 31, 2019, there were 15 mortgages totaling $3,680,366 (2.1% of net assets) and the largest impaired mortgage was $666,670. If the same single large group of loans is excluded as at December 31, 2018, there were 26 impaired mortgages totaling $8,024,197 (4.5% of net assets) and the largest impaired mortgage was $2,124,006.

Total operating expenses, excluding realized and unrealized gains and losses, decreased to $4,860,915 for 2019 compared to $6,063,719 for 2018. Operating expenses per share was $0.76 per share in 2019 as compared to $0.92 per share in 2018. The decrease in operating expenses both in total and per share is largely attributable to a decrease in interest costs on the Corporation's bank credit line from $707,639 in 2018 to $124,846 in 2019. This decrease in interest costs is reflective of the Corporation's lower utilization of its credit line throughout 2019 as compared to 2018. In addition, management and administration fees decreased to $4,117,383 in 2019 from $4,608,592 in 2018. Management and administration fees are based on a fixed percentage of the total assets of the Corporation, calculated on a monthly basis. The year-over-year reduction in these expenses is a reflection of a year-over-year decrease in average monthly total assets.

Unless a shareholder elects to receive dividends in cash, dividends paid to shareholders are re-invested into additional shares of the Corporation under its dividend re-investment plan. During the year, the Corporation paid or accrued cash dividends totaling $3,889,106 (2018 - $4,576,924) and $5,767,877 (2018 - $5,631,065) of the earnings was re-invested by shareholders in additional shares of the Corporation.

In addition to the aforementioned dividend re-investment, for the year ended December 31 2019, the net assets of the Corporation decreased as a result of net redemptions totaling $9,024,790 (2018 - $12,194,717 net redemptions). Proceeds from Common Shares issued in 2019, excluding dividend re-investment, totaled $25,848,472 (2018 - $22,998,073) while redemptions during the year totaled $34,873,262 (2018 - $35,192,790 ). Substantially all of the 2019 share redemptions occurred in November 2019.

The Corporation has a revolving line of credit with a Canadian chartered bank with a limit equal to 15% of net assets of the Corporation to a maximum limit of $29.0 million. The line of credit is secured by a General Security Agreement and a first ranking interest in the mortgages, is repayable on demand, and bears interest at bank prime rate plus 1%. Financial covenants require the Company to maintain minimum levels for equity, debt to equity ratio, and percentage of residential mortgages. As at December 31, 2019 and December 31, 2018, the Corporation was in compliance with the bank's financial covenants.

The line of credit is used to smooth out the cash flows of the Corporation and is not used to extend the Corporation's investment capacity beyond its available equity. The Corporation did not use its credit line for most of the year but used the credit line in December 2019 to fund annual redemptions. As at December 31, 2019, the Corporation was using $11,330,000 (2018 - $13,880,000) of this credit line. The maximum borrowings at any one time in the year was $17,880,000 (2018 - $26,370,000).

*Outstanding Share Data and Transactions for the Period*

The Corporation is authorized to issue an unlimited number of common shares. The following table presents a summary of share data and transactions for the year ended December 31:

| | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|
| Number of shares: | # | # | # | # | # |
| Balance – beginning of period | 5,926,249 | 6,141,401 | 6,396,798 | 5,651,215 | 4,610,052 |
| Issued for cash | 861,616 | 769,862 | 187,160 | 973,403 | 1,087,912 |
| Issued under dividend re-investment plan | 192,263 | 188,184 | 172,746 | 213,698 | 182,271 |
| Redeemed | (1,162,442) | (1,173,198) | (615,303) | (441,518) | (229,020) |
| Balance – end of period | 5,817,686 | 5,926,249 | 6,141,401 | 6,396,798 | 5,651,215 |

| | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|
| Dollars: | $ | $ | $ | $ | $ |
| Balance – beginning of period | 177,787,465 | 183,226,117 | 191,904,019 | 169,536,542 | 138,301,639 |
| Issued for cash | 25,848,472 | 22,998,073 | 5,614,809 | 29,202,078 | 32,637,365 |
| Issued under dividend re-investment plan | 5,767,877 | 5,631,065 | 5,182,391 | 6,410,931 | 5,468,128 |
| Redeemed | (34,873,262) | (35,192,790) | (18,459,102) | (13,245,532) | (6,870,590) |
| Undistributed (excess distribution) of net earnings | - | 1,125000 | (1,016,000) | - | - |
| Balance – end of period | 174,530,552 | 177,787,465 | 183,226,117 | 191,904,019 | 169,536,542 |

New common shares issued for cash was low in 2017 as management decided to temporarily cease raising new capital due to high cash balances existing in Frontenac at that time.

Under the Corporation’s dividend policy and dividend re-investment plan, unless a shareholder elects to receive their dividends in cash, monthly dividends are automatically re-invested into additional shares of the Corporation at the then prevailing book value per share.

Under the terms of the Corporation’s prospectus, shareholders may redeem shares in the Corporation only once per year, in November, except in certain exceptional circumstances.

## Recent Developments

Since December 31, 2018, the Corporation has not adopted any changes that have a material effect on its operations, except as noted in this section.

### *Changes in Accounting Standards*

Significant accounting policies are described in note 3 of the Corporation’s financial statements.

(i) IFRS 16 - Leases

Effective January 1, 2019 the Corporation adopted IFRS 16 - Leases ("IFRS 16") which replaced IAS 17 Leases, IFRIC 4 Determining Whether an Arrangement contains a Lease, SIC- 15 Operating Leases – Incentives, and SIC - 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. It eliminates the distinction between operating and finance leases from the perspective of the lessee. All contracts that meet the definition of a lease will be recorded in the financial statements with a "right of use asset" and a corresponding liability. The asset is subsequently accounted for as a property, plant and equipment or investment property and the liability is unwound using the interest rate inherent in the lease. As the Corporation's management and administration duties are outsourced, no transactions are affected by the newly effective standard. As such, there is no impact on the financial statements.

In addition to the above, certain new standards, and amendments to existing standards have been published by the International Accounting Standards Board ("IASB"). Information on those expected to be relevant to the Corporation's financial statements is provided below.

Management anticipates that all relevant pronouncements will be adopted in the Corporation's accounting policies for the first period beginning after the effective date of the pronouncement. New standards, interpretations, and amendments not either adopted or listed below are not expected to have a material impact on the Corporation's financial statements.

(ii) IAS 1 - Presentation of Financial Statements and IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors

In October 2018, the IASB issued amendments to IAS 1, Presentation of Financial Statements and IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors. The amendments are to clarify the definition of "material" and to align the definition used in the Conceptual Framework and the standards themselves. The amendments are effective January 1, 2020. The Corporation is evaluating the impact of the adoption of these amendments.

### *Changes in Securities Regulations*

The Corporation has historically complied with securities law requirements relating to non-redeemable investment funds, including using the form of prospectus required for investment funds. Pursuant to the Canadian Securities Administrator’s (“CSA”) implementation of the “Modernization of Investment Corporation Product Regulation Project” certain changes to the legislation governing non-redeemable investment funds, including the Corporation, took effect in September 2014. Such changes include the imposition of new fundamental investment restrictions and operating requirements including specific restrictions on the investment in non-guaranteed mortgages. The amended legislation also includes provisions which would effectively “grandfather” the Corporation from the specific restrictions on the investment in non-guaranteed mortgages. Notwithstanding the grandfathering provisions in the legislation the CSA have indicated that they will continue to focus on investments in non-guaranteed mortgages in the prospectus reviews of any subsequent issuances of securities by non-redeemable investment funds relying on the grandfathering provided.

Consequently, the OSC indicated to the Corporation that it will require the Corporation to begin to comply with the securities law requirements which relate to corporate reporting issuers generally and to refrain from complying with securities law requirements relating specifically to non-redeemable investment funds. In this regard the Corporation agreed to transition out of the regulatory framework governing investment funds, and into the regulatory framework governing corporate reporting issuers generally (the “Transition”), on the earlier of the Corporation exceeding $250 million in Net Asset Value and five (5) years from the date of the 2014 prospectus (i.e. by September 26, 2019). As part of that agreement, the Corporation has accepted certain changes to its stated operating policies, such changes designed to provide comfort to the Commission that the operations and investments of the Corporation up to and following the Transition will be consistent with past practices. Specifically, the Manager has accepted that up to and following the completion of this Transition: (i) the credit line facilities of the Corporation will not exceed 15% of its net assets, (ii) no more than 25% of the Corporation’s mortgage loans will be on commercial properties, and (iii) no more than 10% of the Corporation’s mortgage loans will be second mortgages. As the Corporation has historically operated well within these guidelines, the Manager does not foresee any negative impact to its future operations or expected results of the Corporation as a result of these restrictions.

The Corporation intends to continue to abide by the foregoing restrictions and independent verification of Net Asset Value following Transition, subject to the Corporation’s intention to provide additional verification of Net Asset Value as of each Valuation Date.

The Corporation has been granted an extension on the timeline for completing the Transition and expects to complete the Transition by the end of Q2 2020. Following Transition the Corporation expects to operate in all material respects in the same manner as it has historically operated (i.e. continuous prospectus offering of Common Shares consistently priced at $30.00 per Common Share, no requirement to engage an underwriter in the prospectus offering, shareholders entitled to redeem once annually and no requirement of the Corporation to list the Common Shares on an exchange).

Further information on the status of the Transition can be found in the Corporation’s prospectus and other documents of the Corporation, copies of which can be accessed on the SEDAR website at www.sedar.com.

*Subsequent Event - COVID-19 Pandemic*

Subsequent to December 31, 2019, the outbreak of the novel strain of coronavirus, specifically identified as “COVID-19”, has resulted in a widespread health crisis that has affected economies and financial markets around the world resulting in significant economic uncertainty. The Corporation continues to monitor the potential impact COVID-19 could have on its business activities including potential changes related to default rates from borrowers, demand for borrowing, or the value of the underlying security of the mortgage portfolio. The duration and impact of the COVID-19 outbreak is unknown at this time and it is not possible to reliably estimate the length and severity of these developments.

## Related Party Transactions

Pillar Financial Services Inc. (“Pillar”) is the administrator and W.A. Robinson Asset Management Ltd. (“W.A.”) is the manager for the Corporation. These companies are related parties in that they share common management. The Corporation signed new contracts for these services in 2008 under which Pillar and W.A. each charge an annual fee of 1% of the total asset value calculated on a monthly basis. These contracts were renewed for further five year periods in 2013 and 2018.

Administration and management fees paid under these agreements totaled $4,117,383 for the year ended December 31, 2019 (year ended December 31, 2018 - $4,608,592) including applicable sales taxes. The decrease in the dollar value of the administration and management fees from 2018 reflects a year-over-year decrease in the average monthly total assets of the Corporation.

# FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the Corporation and are intended to help you understand the Corporation’s financial performance for the past five years. This information is derived from the Corporation’s audited annual financial statements.

## Net Assets of the Corporation per Share:

| | **2019**<br>**$** | **2018**<br>**$** | **2017**<br>**$** | **2016**<br>**$** | **2015**<br>**$** |
|---|---|---|---|---|---|
| Net assets, beginning of year | 30.00 | 29.84 | 30.00 | 30.00 | 30.00 |
| Increase (decrease) from operations: | | | | | |
| Total revenue | 2.46 | 2.74 | 2.47 | 2.82 | 2.77 |
| Total expenses [excluding distributions] | (0.76) | (0.92) | (0.76) | (0.80) | (0.87) |
| Realized gains (losses) during period | (0.19) | (0.17) | (0.16) | (0.11) | (0.23) |
| Unrealized gains (losses) during period | (0.01) | 0.06 | (0.27) | (0.16) | (0.03) |
| Total increase from operations | 1.50 | 1.71 | 1.27 | 1.75 | 1.64 |
| Distributions: | | | | | |
| From net income (excluding dividends) | (1.50) | (1.65) | (1.43) | (1.75) | (1.64) |
| From dividends | - | - | - | - | - |
| From capital gains | - | - | - | - | - |
| Return of capital | - | - | - | - | - |
| Total Distributions | (1.50) | (1.65) | (1.43) | (1.75) | (1.64) |
| Net assets, end of year | 30.00 | 30.00 | 29.84 | 30.00 | 30.00 |

(1) Book value and distributions are based on the actual number of shares outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of shares outstanding over the financial period.

The Corporation distributes any net income to shareholders monthly in the form of dividends. Unless a shareholder elects to receive their monthly dividends in cash, these dividends are automatically re-invested into additional shares of the Corporation.

## Ratios and Supplemental Data (December 31):

| | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|
| Net assets | $174,530,552 | $177,787,465 | $183,226,117 | $191,904,019 | $169,536,542 |
| Number of shares outstanding | 5,817,686 | 5,926,249 | 6,141,401 | 6,396,798 | 5,651,215 |
| Management expense ratio | 2.52% | 3.05% | 2.55% | 2.67% | 2.93% |
| Management expense ratio before waivers or absorptions | 2.52% | 3.05% | 2.55% | 2.67% | 2.93% |
| Portfolio turnover rate | 57.88% | 51.80% | 46.88% | 39.61% | 47.90% |
| Trading expense ratio | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| Net asset value per share | $30.00 | $30.00 | $29.84 | $30.00 | $30.00 |

Notes:

(1) The management expense ratio is based on total expenses (excluding realized and unrealized losses) for the stated period and is expressed as an annualized percentage of daily average net assets during the period. The management expense ratio is calculated by dividing the total expenses for the stated period by the Corporation's daily average net assets during such period.

(2) The Corporation's portfolio turnover rate indicates how actively the Corporation's portfolio adviser manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Corporation buying and selling all of the securities in its portfolio once in the course of the year. There is not necessarily a relationship between a high turnover rate and the performance of a fund. For the Corporation, the portfolio turnover rate is based on the dollar value of the Corporation's mortgages. In the case of the Corporation, because it does not incur any trading expenses, the portfolio turnover rate bears no relationship with the level of trading expenses.

(3) The trading expenses ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net assets during the period.

## Administration and management fees

Pillar Financial Services Inc. ("Pillar") is the administrator and W.A. Robinson Asset Management Ltd. ("W.A.") is the manager for the Corporation. The Corporation signed new contracts for these services in 2008 under which Pillar and W.A. each charge an annual fee of 1% of the total asset value calculated on a monthly basis. These contracts were renewed for further five year periods in 2013 and 2018.

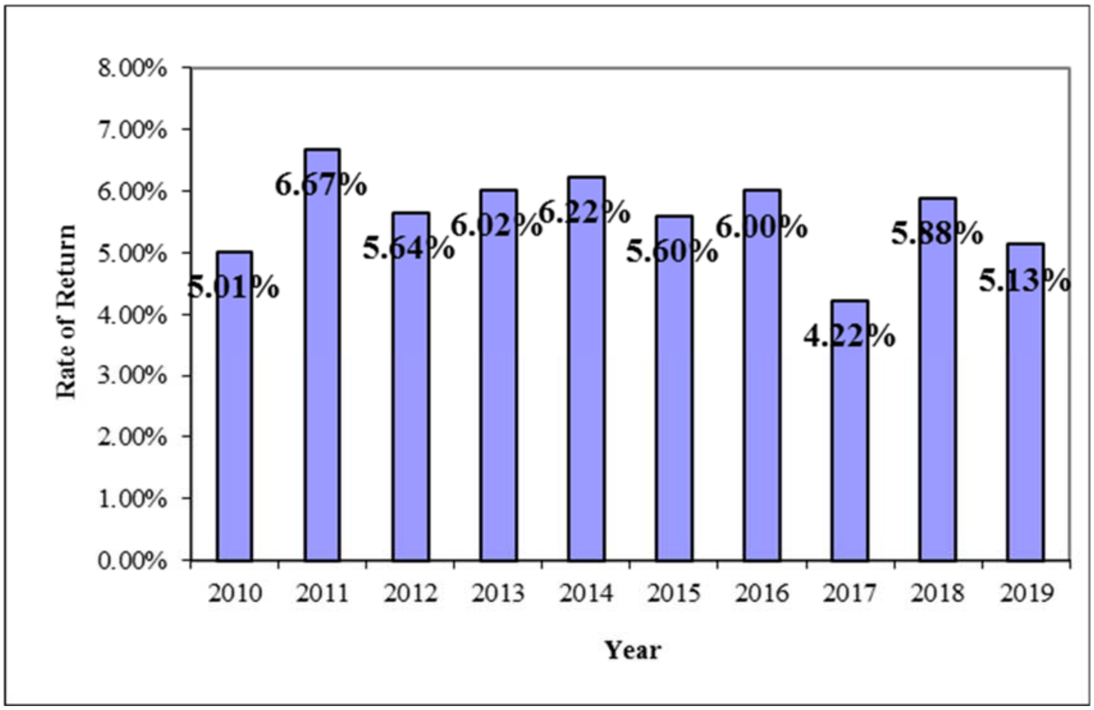
Administration and management fees paid under these agreements totaled $4,117,383 for the year ended December 31, 2019 (year ended December 31, 2018 - $4,608,592) including applicable sales taxes. The decrease in the dollar value of the administration and management fees from 2018 reflects a year-over-year decrease in the average monthly total assets of the Corporation.

## PAST PERFORMANCE

This section presents information on the Corporation's past performance. Although past performance can help you understand the risks of investing in the Corporation, it is not indicative of future performance. The returns listed in this section include reinvested distributions (which increase returns over time) but do not take into account any income taxes that might reduce returns. The Corporation's returns are reported after accounting for fees and expenses which lower the overall Corporation returns.

### Year-by-Year Returns

The bar chart below shows the Corporation's annual performance for each of the past ten years and illustrates how the Corporation's performance has changed from year to year. The chart shows, in percentage terms, how much an investment made on the first day of each financial year would have grown as at the last day of each financial year assuming monthly dividends were re-invested under the Corporation's dividend re-investment plan.




### Annual Compound Returns

The following table presents the Corporation's annual compound return for each share:

| | |
|---|---|
| One year | 5.13% |
| Three year | 5.08% |
| Five year | 5.37% |
| Ten year | 5.64% |

## Summary of Investment Portfolio

| Asset | Market Value $ | % of Net Assets |
|---|---|---|
| Cash & cash equivalents | 56,779 | 0.03% |
| Mortgage investments | 173,315,185 | 99.30% |
| Bank credit line | (11,330,000) | (6.49%) |
| Net accrued receivables/(payables) | 12,488,588 | 7.16% |
| Total net assets | 174,530,552 | 100.00% |

The following investments represent the Corporation's twenty-five largest holdings as at December 31, 2019:

| TOP 25 HOLDINGS | Province | Outstanding Principal | Loan to Value (1) | Term (months) | Interest Rate | Position | % of NAV |
|---|---|---|---|---|---|---|---|
| Ottawa area multi-residential development | ON | 13,432,040 | 84% | 24 | 7.06% | 1st | 7.70% |
| Rural Ontario multi-residential development | ON | 12,359,656 | 67% | 12 | 11.42% | 1st | 7.08% |
| Rural Ontario multi-residential waterfront development | ON | 12,249,541 | 74% | 24 | 8.00% | 1st | 7.02% |
| Millbrook single residential | ON | 2,012,738 | 75% | 24 | 7.99% | 1st | 1.15% |
| Cambridge area single residential construction | ON | 2,000,000 | 61% | 12 | 9.99% | 1st | 1.15% |
| Kincardine area commercial farm | ON | 1,859,328 | 59% | 24 | 8.75% | 1st | 1.07% |
| Ottawa area single residential construction | ON | 1,621,372 | 68% | 12 | 9.99% | 1st | 0.93% |
| Niagara single residential | ON | 1,618,615 | 60% | 12 | 10.12% | 1st | 0.93% |
| Kemptville area commercial vacant land | ON | 1,466,696 | 27% | 12 | 9.25% | 1st | 0.84% |
| Winchester multi-residential construction | ON | 1,385,888 | 70% | 12 | 9.99% | 1st | 0.79% |
| Ottawa area 4 unit multi-residential construction | ON | 1,305,000 | 75% | 12 | 10.99% | 1st | 0.75% |
| Ottawa single residential construction | ON | 1,150,000 | 60% | 12 | 9.99% | 1st | 0.66% |
| Ottawa area residential & vacant land | ON | 1,088,925 | 38% | 12 | 10.99% | 1st | 0.62% |
| Waterloo area single residential | ON | 1,081,035 | 69% | 12 | 9.99% | 1st | 0.62% |
| Ottawa area single residential construction | ON | 1,080,464 | 80% | 12 | 9.99% | 1st | 0.62% |
| Ottawa area multi-residential construction | ON | 1,046,938 | 75% | 12 | 12.00% | 1st | 0.60% |
| Ottawa multi-residential construction | ON | 1,009,273 | 80% | 12 | 9.99% | 1st | 0.58% |
| Ottawa area rural single residential | ON | 998,990 | 80% | 12 | 8.72% | 1st | 0.57% |
| Rural Ontario multi-residential waterfront development | ON | 992,933 | 83% | 23 | 5.00% | 1st | 0.57% |
| Ottawa multi-residential construction | ON | 982,743 | 68% | 12 | 8.99% | 1st | 0.56% |
| Ottawa area multi-residential development | ON | 947,826 | 52% | 13 | 9.99% | 1st | 0.54% |
| Parry Sound area single residential | ON | 898,010 | 80% | 24 | 8.99% | 1st | 0.51% |
| Ottawa area vacant land | ON | 895,009 | 51% | 22 | 9.99% | 1st | 0.51% |
| Owen Sound area single residential | ON | 880,140 | 70% | 12 | 8.49% | 1st | 0.50% |
| Orillia area single residential construction | ON | 875,800 | 80% | 12 | 10.50% | 1st | 0.50% |

(1) For fully completed properties, loan-to-value determined based on appraisal done by arm's length third party at time of funding. For construction properties, loan-to-value based on appraised of final value by arm's length third party adjusted for percentage of completion.

| **PORTFOLIO ALLOCATIONS** | | | (based on outstanding principal balances) |
|---|---|---|---|

| **BY TYPE** | | **BY REGION** | |
|---|---|---|---|
| Residential | 39.8% | Ontario | 99.9% |
| Residential construction | 28.6% | Quebec | 0.1% |
| Residential developments | 22.6% | | |
| Commercial | 2.4% | | |
| Vacant land | 6.6% | | |
| | 100.0% | | 100.0% |

| **BY INTEREST RATE** | | **BY MATURITY** | |
|---|---|---|---|
| 6.49% or lower | 5.3% | One year or less | 91.9% |
| 6.50% to 7.49% | 1.0% | 1.1 to 2 years | 8.1% |
| 7.50% to 8.49% | 11.6% | 2.1 to 3 years | 0.0% |
| 8.50% to 9.49% | 21.1% | 3.1 to 5 years | 0.0% |
| 9.50% to 10.49% | 47.0% | more than 5 years | 0.0% |
| 10.50% to 11.49% | 4.9% | | |
| 11.50% to 12.49% | 9.1% | | |
| | 100.0% | | 100.0% |

| **BY MORTGAGE POSITION** | |
|---|---|
| First mortgages | 99.9% |
| Other | 0.1% |
| | 100.0% |

The actual holdings will change following this date due to on-going portfolio transactions in the Corporation. A quarterly portfolio update may be obtained by contacting the Corporate Secretary by telephone toll-free at (877) 279-2116 or by mail at Frontenac Mortgage Investment Corporation, The Simonett Building, 14216 Road 38, Sharbot Lake, Ontario, K0H 2P0.