

# 2022 Vision – Looking Forward and Setting Expectations.

2021 felt almost like an extension of 2020. COVID continued to dominate the headlines, housing markets continued to soar and interest rates remained at historic lows. 2021 was unique in at least one way; while 2020 began with a brief period of normalcy, in 2021 the pandemic dominated our lives each and every day. Before we look forward to 2022, let's first review where we ended 2021.

## Reviewing 2021

At this time last year we were 10 months into the pandemic and had successfully navigated our way through the challenges and uncertainties that it brought. Our portfolio proved stable, our level of default and delinquency remained low and we successfully achieved our dividend target for the year. In 2021, our disciplined approach to lending continued to underpin our ability to perform throughout the year.

For 2021, our target dividend yield for the company was 6%. We are pleased to report that Three Point's dividend yield for 2021 was 6.04%, slightly exceeding its target. The company has distributed the equivalent of 5% via the monthly distributions. Once the Grant Thornton audit is complete, a special top-up dividend will be declared for shareholders of record as at December 31, 2021 and will be paid by March 15th, 2022.

We were very pleased with the low level of default in the Three Point portfolio throughout 2021. Default and delinquency were minimal and only one file in the portfolio experienced a loss during the year beyond uncollectable legal expenses. In 2021 a property located in Regina that had been abandoned and left in poor condition was finally sold in December, resulting in a loss of \$55,900, which represents the only principal loss to occur in 2021. Currently, we have only one file in foreclosure where the borrower has the Kelowna property listed for sale. There is no expectation of any loss of principal or interest on this file.

12 months ago in our 2021 Vision Report, we shared with you a statement from the Bank of Canada that read "Canadians can be confident that borrowing costs are going to remain very low for a very long time". This has certainly held true. We are currently almost 2 years into a season of the lowest Bank of Canada interest rates we have ever seen. Not since the financial crisis of 2009 has the Bank of Canada lending rate matched its current rate of 0.25%, yet this is where it has sat since March 2020.

As we stated in 2020 and 2021, until we begin to see upward momentum in interest rates, we are wise to continue to adjust our dividend expectations. As you know, our dividend yield is a lagging indicator. The mortgages we invest in during the previous months, generate the dividend yield in the following months. We feel that we are on the cusp of rising interest rates, an environment that should positively impact our dividend yield in future years.

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## Looking Forward

As we look to establish targets and expectations for 2022, we need to look at the interest rates of previous months. With that in mind, we will continue to manage this mortgage portfolio with discipline and care and not seek out higher risk for higher rate mortgages in an attempt to increase our return and have set our overall target dividend for 2022 as a range of 5.5% to 6%.

We can also confirm that in 2022, provided Director approval, the company intends to maintain its monthly dividend distribution to shareholders at 5% per annum and fully anticipates paying another top-up dividend to shareholders as at December 31st, 2022 to reflect the actual performance of the company for the year.

This yield range of 5.5% to 6% for 2022 is a result of the strength and stability of the portfolio. Lower loan-to-value ratios and almost exclusively 1st position mortgages to higher quality borrowers command a lower interest rate in the marketplace. Three Point's dividend yield directly reflects its high-quality portfolio in a low interest rate environment.

As in previous years, Three Point has again engaged an analyst firm out of Vancouver, Fundamental Research Corporation, to provide analyst coverage on the company. This firm also continues to provide research and insight on our industry to the Canadian Mortgage and Housing Corporation (CMHC) and is considered by many to be expert in the analysis of our industry.

We are pleased to report that Three Point Capital received a risk rating of 2, which represents an improvement over last year where the company was rated a 3. Only 8% of the companies they review have received a risk rating of 2 and according to Fundamental Research, no company has ever received a rating better than 2. This is a significant full point improvement as it relates to risk. The overall rating for Three Point remained at 2-, which is classified as "very good return to risk ratio". We continue to be listed as a "top pick" by Fundamental Research and are very pleased with the results of this review.

Within the portfolio in 2022, we do expect our average mortgage size to continue to rise along with real estate values, possibly ending the year at an average of \$425,000 which is up from its current \$378,931. We also expect to see our weighted average loan-to-value to remain stable in the 55% - 58% LTV range. While we did not see the growth we anticipated in Ontario in 2021 due to our inability to travel to the province and build our brand, we do expect to increase our position in Ontario in 2022 as we prioritize both BC and Ontario.

In regards to the intake of new share capital in 2022 and the role of Three Point Capital Wealth Management in this process, we are pleased with the evolution of this relationship since the requirement came into effect in February of 2020 and the process to invest continues to prove manageable. Three Point is currently open and accepting new capital. Should you have interest in increasing your position in Three Point, or know someone who might like to participate, Three Point Capital Wealth Management would be pleased to discuss with you the suitability of additional investment.

We are excited for the opportunities that 2022 is sure to bring and we remain grateful for the opportunity to do this together.



Ryan Lee, President & CEO  
Three Point Capital Corp.

*Please contact me if you would like to discuss details of this report further or have any questions or concerns.*