

MIC Fast Facts

SHAREHOLDER BASE

- 678 investors (100% Canadian)
- 58.55% investors choose 8% per annum (pa) monthly dividend
- 41.45% investors choose to re-invest dividends
- 75.52% investing with registered funds (RRSP)
- 24.48% investing with open funds

LOAN TO VALUES (LTV)

- Target LTV for fund -65%
- Current LTV for fund -61.43%
- Average LTV residential -61.41%
- Average LTV commercial -61.87%

MORTGAGE POSITIONS

- 1st mortgages -36.77%
- 2nd mortgages -63.23%
- 3rd mortgages -0%

MORTGAGE PROPERTIES

- Residential mortgages -97.67%
- Commercial mortgages -2.33%
- BC mortgages -37.19%
- Alberta mortgages -59.64%
- Saskatchewan mortgages -3.17%

MORTGAGE FORECLOSURES

- Foreclosure as a percentage of assets under management -1.53%
- Foreclosure LTV - 75%

CORPORATE REVIEW

- On track for 8-11% annual targeted return to investors in 11/12 - yes
- Corporate year end in June 30

As of August 17, 2012. Loan to Value (LTV) percentages are based on independent third party appraisals performed in a reasonable time period prior to funding. Alta Pacific MIC does not currently hold mortgages with greater than 12 month terms. Appraisals are less than 1 year old and therefore the fund manager remains confident in the LTV stated.

August 17th, 2012

Canadian Real Estate... Bubble Trouble Ahead?

One can find economists, bankers, journalists, as well as friends and neighbors on both sides of the real estate argument these days. Regardless of whose crystal ball is correct, Alta Pacific's approach to mortgage lending has the firm in a healthy position as we look into Western Canada's real estate future.

The managing partners at Alta Pacific pay attention to economic situations that affect Canada, the USA, and the rest of the globe. As we've seen in recent decades, the world is smaller and the cause and affect can sometimes start in unusual places. For the last 2 years the financial sector was heading to its knees over the crisis Euro zone countries. Not that the European risk is resolved, but the concerns sound similar to those talked about since 2010. There are positive signs coming out of the US in recent months and with a fall election, Canada – and its economy as a whole – will likely see some fallout from the “next President” or the second term Obama.

Closer to home, we keep a very close watch on local markets; Western Canada in particular. We see big differences between cities in a Province and even areas of a city. This comes into every lending/mortgage decision we make. Take Vancouver for example – there are markets in the city (1 and 2 bedroom condos downtown) that have not seen measurable price changes in five years. Meanwhile, 10-15 blocks away, the single family home saw decreases of approx 10% in 2008/9 and then increases by 20-30% since. There are even particular blocks or neighborhoods that have seen swings more widely than neighboring blocks. Knowing micro-markets is key and these differences in communities, towns and cities is what Alta Pacific pays very close attention to.

We don't talk about a “bubble” at Alta Pacific. We acknowledge that market factors in some segments of the market are more volatile than others but generally we feel confident in Western Canadian real estate. It seems as though CMHC feels this way as well... on August 14th (2012) The Financial Post published an article titled “Housing market crash not in the cards for Canada.” The Ottawa-based federal agency essentially stated that some housing prices will grow more slowly while others – condos and apartments – may soften moderately. We read this as “generally flat housing prices” forecast for the next 12-24 months.

Outside of Alta Pacific's market by market knowledge, what the press is saying, what CMHC is saying... our firm uses formal funding principles that we believe provide a sound future for Alta Pacific and its shareholders:

- Short term mortgages - all mortgages Alta Pacific advances are short term (12 months in term or less). We lend on properties with a view for what it will be worth, not just today, but in 12 months from now when the mortgage matures
- Loan to Value (LTV) target for the fund is 65%. Currently (August 2012), the fund is performing better (below) than this target.
- We approach and underwrite each mortgage opportunity presented to us based on urban vs rural, luxury vs consumable, Province vs Province.... and always take into account the borrower's situation and exit strategy.

The team at Alta Pacific believes in real estate and with sound principles we believe it is a wise investment for Alta Pacific, its shareholders, and all Canadians. So, if you hear “bubble trouble” ahead, keep reading... you might just find the next day's news telling you something quite the opposite.



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