

MORTGAGE INVESTMENT CORPORATION GUIDE

Flip the Script: Bank-Style Yield, Built on Real Estate Stability

Why Modern Canadian Portfolios Require Non-Correlated, Alternative High-Yield Fixed Income



Traditional investment strategies have long relied on a standard 60/40 balanced portfolio split of **Stocks and Bonds**. However, in volatile market environments, public equities expose your hard-earned capital to severe market volatility and emotional downturns. At the same time, publicly traded bonds underperform in low-interest-rate environments and remain highly rate-sensitive, while low-yield GICs offer some capital protection, but fail to protect true purchasing power against inflation.

A Mortgage Investment Corporation (MIC) delivers a powerful, non-publicly traded alternative - an essential tool in your financial toolbelt to complement your existing investments. By placing your capital on the side of the lending table, you could earn a steady **6% to 7.5% target yield** fully secured by a diversified pool of Canadian real estate.

TRADITIONAL FIXED INCOME

GICs, Bonds

- **Yield:** Historically low (typically 1% to 4%)
- **Correlation:** High rate-sensitivity; values can swing with public market sentiment or interest rates
- **Backing:** Locked into rigid bank terms with zero underlying real asset security. Limited guarantees in some cases.

ALTERNATIVE FIXED INCOME

Pooled MICs

- **Yield:** Private Contractual Income (typically 6% to 7.5% targeted)
- **Correlation: Non-Traded.** Insulated from stock-market emotional spikes
- **Backing:** Firmly secured by tangible residential or commercial property

6-7.5%

Target Yield Range

Real Estate

Property-Backed

RRSP, TFSA & RRIF

Eligible

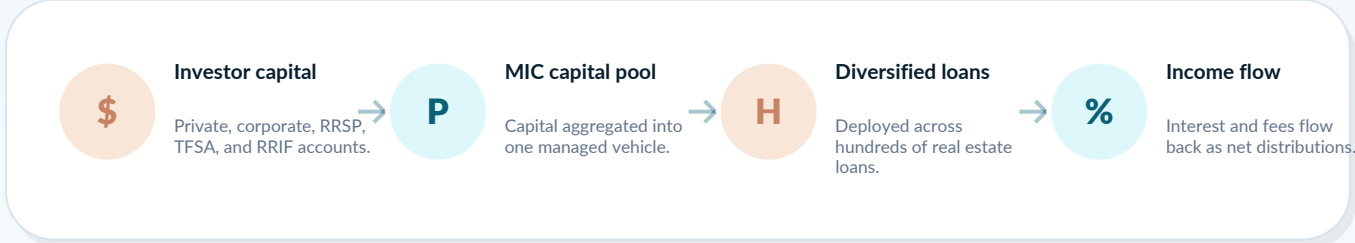
Secured • Stable • Strategic

INSIDE THE MIC ENGINE

How the Mortgage Pool Protects Capital

A Vital, \$10-Billion Pillar of the Canadian Lending Landscape

Far from a niche or alternative afterthought, Mortgage Investment Corporations have been part of Canada's lending landscape for over 50 years but remain a little-known investment option. Managing over \$10 billion of the broader mortgage market, MICs provide essential liquidity and structural support. To understand how they protect your wealth, it is critical to separate the Investor View from the Borrower View.



1 The Investor Side
The Power of the Pool

As an investor, you do not engage in single-property high-risk lending; you own proportional shares in a large, institutional-grade capital pool. Because your money is fully pooled across dozens or hundreds of distinct loans, individual default or foreclosure events are managed entirely by the MIC corporation's internal team. Legal actions and collections are handled on your behalf, leaving the fund's overall recurring revenue stream safely insulated.

- Not one property
- Not one borrower
- Not one isolated collection event

2 The Borrower Side
The 1-Year Financial Bridge

A common misconception is that private lending only services low-credit borrowers. In reality, tightening bank guidelines leave an open market of high-equity homeowners, self-employed entrepreneurs, or people in transition who need a bridge loan and simply require execution speed.

These loans are strategically structured on short-duration one-year terms. Private capital acts as a temporary financial bridge to get a client from where they are today to being fully bankable again 12 to 24 months later, allowing their mortgage brokers time to transition them back to traditional bank or credit union financing. This constant turnover makes the portfolio highly responsive and structurally stable.

Structural takeaway: the investor sees a professionally managed pool; the borrower sees fast, short-term execution. The MIC structure converts fragmented lending needs into diversified, real-estate-backed income.

THE MARGIN OF SAFETY

Add In Principal Protection

Understanding the Asset Cushion & Regulatory Labels

A properly structured MIC can build a defensive firewall around investor principal by enforcing strict Loan-to-Value (LTV) limits and leveraging short mortgage lifecycles.

Up to 40%

BORROWER EQUITY CUSHION

Up to 60%

MIC CAPITAL / MORTGAGE LOAN COMPONENT

Higher Equity = Lower Default Risk.

The Double Safeguard

1

The Asset Buffer: Because the borrower retains significant equity in the underlying property, local real estate values would need to experience a severe, unanticipated correction before initial investor capital is exposed to loss.

2

The 1-Year Reassessment: Because loans are limited to 12-month durations, the MIC is usually not exposed to long-term macro risk. Underwriters actively audit borrower positions, reassess real property values, and adjust portfolio yields to real-time interest rates every single year.

LIQUIDITY REALITY

Demystifying the "High Risk" Label

When investors review an offering memorandum or subscription agreement, they often ask why a stable real estate-backed product is labeled "higher risk" or why it isn't sold at a traditional bank branch. Regulators mandate this cautionary wording based on **liquidity, not necessarily asset quality**.

Many financial advisors choose to keep client capital in assets that are traded on a public stock exchange. This way, they can hit a button and liquidate them instantly. Because private MIC shares do not trade on a public ticker, they cannot be sold immediately; however, this lack of a public exchange ticker is often a positive feature, as it shields your net worth from public market panic and emotional daily pricing swings.

NOT ALL MICs ARE CREATED EQUAL

The Diversifi Value Proposition

Objective Filtering vs. Yield-Chasing Pitfalls

Chasing high yields blindly can lead to catastrophic losses. For example, during the Alberta oil collapse, certain high-risk MICs that had heavily concentrated their capital into a handful of commercial high-rise projects faced disaster. When developers walked away, those MICs were left holding half-finished concrete shells they could not sell into the market, and they lacked the operational expertise to complete them.

As an independent, regulated Exempt Market Dealer (EMD), **Diversifi Alternative Investments Ltd.** acts as your objective third-party filter. We've carefully reviewed the Canadian landscape so that our clients don't have to navigate it alone. We use a strict institutional vetting matrix before any fund is recommended:

DIVERSIFI FILTER

**Objective filtering,
not a captive
product shelf.**

Independent review and institutional vetting before recommendations are made.

Our Core Quality Controls

1 The 80/20 Rule:

We heavily favour MIC managers who place 80% to 90% of the portfolio into safer first mortgages, using a lower portion of second mortgages solely to safely optimize the overall yield.

2 Urban Residential Focus:

We prefer MICs with single-family homes in high-demand urban centres. Residential assets are universally understood, liquid, and vastly simpler to foreclose on and sell than a specialized commercial development.

3 Cycle-Tested Execution:

We look for management teams with deep capital reserves and a long, flawless track record of preserving capital through multiple economic downturns.

THE DIVERSIFI BLENDED CORE STRATEGY

Optimizing Return Without Expanding Your Risk Profile

Instead of investors having to choose between maximum capital preservation or a higher yield, Diversifi utilizes a proprietary blending strategy to construct an optimized fixed-income portfolio. We leverage two premier, long-standing Canadian MICs that have demonstrated absolute continuity through decades of economic changes:

PORTFOLIO CONSTRUCTION

AP Capital + Terrapin MIC

A conservative anchor paired with a selective yield optimizer.

The Conservative Anchor: AP Capital MIC

- **Track Record:** 18+ years of operation
- **Underwriting:** around 90%+ residential first mortgages
- **Performance:** Never missed an investor distribution in over 16 years. Maintained a 5.65% yield during the zero-rate COVID era. Currently targets ~6.25% to 7% per annum.

The Yield Optimizer: Terrapin MIC

- **Track Record:** 47 years of operation
- **Underwriting:** Specialized residential, land, and commercial bridge financing.
- **Performance:** 47 straight years of uninterrupted distributions. Elite, cycle-tested management and expertise. Currently targets ~7% to 8% annual return

The Power of Portfolio Blended Capital

By custom-blending your investment capital - allocating an appropriate portion to the ultra-conservative foundation of AP Capital and balancing it out with a selective allocation to Terrapin - we engineer a resilient, highly diversified portfolio. This strategy unlocks an enhanced, stable net yield safely anchored by a premier residential base, utilizing Terrapin's 47 years of specialized lending history to safely bolster performance without expanding your true risk profile.

Designed for Investors Seeking True Alternatives

We do not advocate abandoning public equity exposure. We simply establish a reliable fixed-income alternative to replace underperforming bonds and GICs - perfectly suited for:

1 HNW & Corporate Accounts

Seeking substantial cash flow completely isolated from stock market emotion.

2 Wealth Preservers & Retirees

Transitioning registered funds from an RRSP to a RRIF who require stable monthly income. Also ideal for a TFSA investment with a tax-free compounding option.

3 Experienced Real Estate Investors

Looking to pivot from the operational liabilities of being a borrower to the steady rewards of being the lender - completely free from the burdens of managing collections, foreclosures, or court dates.



Ready to evaluate whether a MIC belongs in your portfolio?
Book a strategy call at micinvesting.ca

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