

D.B. Fitzpatrick & Co., Inc. - Idaho Commercial Mortgages

Domestic Fixed: BB Mortgage Benchmark

For the month of: **April** **2023**

Manager Performance Calculations	* Annualized returns				
	Last Month	Last 3 Months	Last 1 Year	Last 3 Years*	Last 5 Years*
Idaho Commercial Mortgages	0.74%	1.93%	1.78%	-1.70%	3.42%
BB Mortgage	0.52%	-0.23%	-0.88%	-3.35%	0.41%

Portfolio Summary

Market Value: \$ 836,987,072

Originations/Payoffs	Delinquencies/REOs		
		\$ Amt	% of Portfolio
Month: \$ -	30 days	\$ -	0.00%
YTD: \$ 23,245,112	60 days	\$ -	0.00%
	90 days	\$ -	0.00%
	120+ days	\$ -	0.00%
Payoffs: \$ -	REOs	\$ -	0.00%

Performance Attribution & Strategy Comments

The Idaho Commercial Mortgage portfolio returned 0.74% in April, outperforming the Bloomberg U.S. Mortgage-Backed Securities Index by 22 basis points. The portfolio has outperformed its benchmark by 266 basis points during the last year and 301 basis points (annualized) during the last five years. The portfolio has a weighted average coupon of 3.88%, compared to 2.84% for the Bloomberg U.S. Mortgage-Backed Securities Index and 2.82% for the Bloomberg U.S. Aggregate Index.

Higher interest rates coupled with elevated property valuations continue to take a toll on the Idaho commercial real estate (CRE) market. There is less turnover today and more cautious use of capital, with some CRE investors preparing for possible upcoming opportunities with distressed properties and all working to navigate the broader economic environment as it takes shape.

U.S. banks saw increasing stress in April and we see a likelihood of more trouble ahead for the sector. Banking weakness is likely to take an additional toll on the commercial real estate market in the near term as lending conditions tighten. A more constrained lending environment further threatens property valuations, but we believe it will be very positive for loan production in the Idaho Commercial Mortgage Program. Our conservative underwriting standards are coming back in vogue and we expect borrower demand to increase in the quarters ahead.

Our loan portfolio is positioned very conservatively and we have seen no significant signs of stress with our loans. The portfolio has a delinquency rate of 0.0%.

Manager Style Summary

The Idaho Commercial Mortgage portfolio is managed by DBF and consists of directly owned Idaho commercial mortgages. DBF oversees the origination process, the monitoring of the portfolio, and services 50% of the portfolio.

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