

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

Domestic Fixed: BB Mortgage Benchmark

For the month of: **August** **2021**

Manager Performance Calculations

* Annualized returns

	Last Month	Last 3 Months	Last 1 Year	Last 3 Years*	Last 5 Years*
Idaho Commercial Mortgages	-0.16%	1.81%	-0.39%	7.09%	4.32%
BB Mortgage	-0.16%	0.42%	-0.18%	3.77%	2.30%

Portfolio Summary

Market Value: \$ 939,671,471

Delinquencies/REOs

Originations/Payoffs			\$ Amt	% of Portfolio
		30 days	\$ -	0.00%
Month:	\$ 5,945,000	60 days	\$ -	0.00%
YTD:	\$ 57,837,277	90 days	\$ -	0.00%
		120+ days	\$ -	0.00%
Payoffs:	\$ 2,690,634	REOs	\$ -	0.00%

Performance Attribution & Strategy Comments

As long-term U.S. Treasury yields rose slightly in August, the Idaho commercial mortgage portfolio returned - 0.16%, performing in line with the Bloomberg Barclays U.S. MBS Index. The portfolio has outperformed its benchmark by 332 basis points (annualized) during the last three years and 202 basis points (annualized) during the last five years. The portfolio's low delinquency rate (currently 0.0%) and its yield advantage over the mandated benchmark (the portfolio's weighted average coupon is 3.90%) have been the drivers of outperformance over the longer run.

The commercial real estate market in Idaho continues to see considerable demand from investors in spite of historically low cap rates and heightened COVID-19 infection numbers. Low interest rates are certainly a factor in the continued bull market, as is investor belief in a long-term growth story in Idaho. Lenders' optimism regarding Idaho commercial real estate is also quite high today, with the lending environment becoming increasingly competitive in the last few months. Many lenders have chosen to use lower cap rates in their underwriting assumptions and generally have loosened their standards. Consequently, loan payoffs have been ticking up for us and our loan pipeline has slowed. We're forecasting full-year 2021 net loan production in the range of \$20m - \$40m (as low as it's been in several years) on gross production of roughly \$90m - \$100m.

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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