

Letter from Sean Register, CEO of Cortland Credit Group Inc.

I would like to start off this letter with a simple thank you. Thank you to all of Cortland's stakeholders and team members who have made Cortland a success since inception of our first fund 101 months ago.

Cortland's short term secured private debt strategy has been a boon for investors and borrowers alike – since inception in September 2013, [our flagship fund](#) has generated annualized returns of 5.5% with volatility of 0.4%, and has delivered consistent results even through the challenges of the last 2 years. We've grown assets to \$1.2 billion and in our history have funded 74 borrower groups, that have provided exposures in Canada, the U.S., the U.K. and the E.U. In the meantime, we have grown to a team of 26, initiated a charitable giving campaign to give back to the community, established an Independent Review Panel to monitor consistent execution of our credit management processes and, highlighted in this letter to our stakeholders, integrated environment, social and governance impact reporting into our investment model. There's a lot going on at Cortland Credit!

Cortland Initiative

Cortland's direct private lending platform is a unique alternative source of fixed income exposure for Canadian investors.

A central tenet to this platform is transparency. Transparency allows us to earn and maintain the confidence of our investors, as we secure the funds entrusted to us with the working capital and core corporate assets of the borrowers in our portfolio. Transparency means our investors know our borrowers, can monitor debt service capability, drill into indentures governing loans and adequacy of collateral that protects investor capital, including any in financial distress.

We also recognize that small to medium-sized corporations tend to be underserved by traditional financial institutions and they see us as a unique and flexible, though slightly more expensive, lending platform when they approach us to fund their growth.

It should be noted that small corporations are classified as those employing under 100 employees and medium entities carry staff of 100 to 499 employees – in Canada this combined group represents 99% of the country's corporations. We target those who are profitable and growing - they are entrepreneurs, who have developed new ideas, technology and business models – they play a significant and important role in our economy.

As of the end of 2021, there were 42 borrowers in our investment pool, but this only brushes the surface on the depth of diversification in the portfolio. We currently review over 6,000 accounts receivable and other working capital assets on a weekly or monthly basis, along with updating appraisals of their property and equipment assets regularly. We have allocations in 10 different industries; while 81% of exposure is in Canada, with currency risk hedged 12% is in the U.S. and 6% is in Western Europe.

Looking to the Future

The global investment industry is now actively engaging in the next stage of its evolution. We, as investors and business leaders, are asked to take on the ESG challenge of responsible investing, considering the environmental, the social and governance impact we make as corporate citizens.

At Cortland we are dedicated to incorporating ESG factors into our investment policy, enhancing our investment process and expanding the connection between our investors and borrowers. Not long in the future, we expect many of Cortland's borrowers not only to achieve growth objectives and excel in their industry, but also be responsible industry leaders.

Our fundamental lending model collects core information on borrower assets and cash flows, and now we have expanded it to understand the policies and processes each of our borrowers has in place to mitigate ESG risks.

There are excellent examples of borrowers making a positive contribution on the ESG front. For 5 years we have been funding an Ontario-based manufacturer of solar panels for Canada and US. Another borrower of ours manufactures lithium-ion batteries for forklifts and buses in Canada. We've recently initiated funding to a leading manufacturer of ceramic insulators for high voltage electric facilities in Western Europe which will be critical to the displacement of combustion engines by electric vehicles.

Even participants in Canada's energy industry can participate in lowering the impact on and helping clean up past damage to the environment. For example, Cortland's has funded a refinery of ultra-low sulfur diesel, an energy source with very low, or negligible, carbon footprint.

Working to strengthen our corporate citizen practices is an important component of our constant effort to improve and we are targeting to be a signatory to the UN Principles of Responsible Investing in 2022.

Continuing the Dialogue

We believe Cortland's success is dependent on open communication and transparency.

Let's continue this dialogue – not only about the investment industry and capital markets, but about social impact, environmental goals and evolving corporate governance toward improving our impact as responsible investors.

At Cortland we are incredibly excited to be a part of this stage in the evolution of our industry.

Best,

Sean Register