

# ROMSPEN



mortgage investment fund



## The University of Western Ontario Joint Pension Board

March 12, 2012

Ron Lloyd  
Managing Partner  
ronlloyd@romspen.com  
416-928-5105



1 St. Thomas – Yorkville, Toronto



Revelstoke Resort – Revelstoke, British Columbia



Medallion Business Centre – Calgary, Alberta

## Romspen Continues a 46-Year Track Record of Successful Mortgage Lending Across Canada



Monterra Subdivision – Cochrane, Alberta



Emmanuel Village – Kitchener, Ontario



Yonge/Dundas Centre – Toronto, Ontario



# Romspen Overview

---

## Originated in 1950s

- Adjunct business to Spencer Romberg, a Toronto-based real estate law firm
- Loaned money to individuals primarily for home purchases and small commercial buildings in southwestern Ontario

## Founded in 1966

- Founders, Sheldon Esbin and Arthur Resnick, both graduates of Osgoode Hall Law School, joined Spencer Romberg and formally organized the mortgage lending business as Romspen...with a focus on commercial/industrial mortgages

## Today

- One of the largest non-bank commercial real estate mortgage lenders in Canada
- All mortgages are pooled in one fund...with over \$800 million invested

## Outstanding 10-year track record

- Consistent returns: 9.2% to 11.6% (gross) over the past 10 years
- Minimal realized losses: < 0.7%

## Disciplined investing

- Loan-to-value ratio at time of underwriting: approximately 65%
- 95% first mortgages
- Diversification by size, borrower, geography and property type

## Active ownership

- Managing Partners are collectively the largest non-institutional investors in the Fund



## Portfolio Risk Management

---

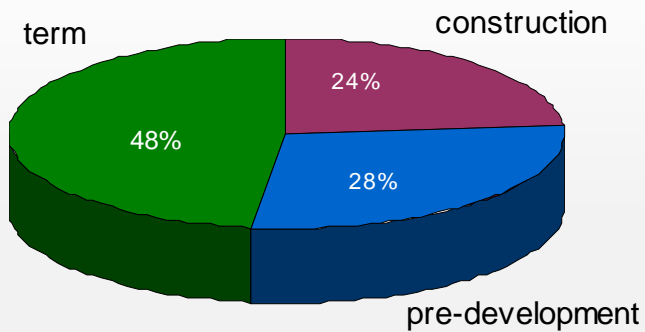
**We manage our investment risk by closely adhering to the following key lending parameters:**

- Canadian, commercial first mortgages to ensure deal control
- Short-term mortgages (< 2 years)
- Loan-to-value approximately 65% at time of underwriting to create margin of safety
- Solid underwriting (rigorous analysis, visit each property, know each borrower)
- Limit of 10% to any single borrower or mortgage
- Diversified portfolio by size, borrower, geography and property type
- Limit number of mortgages (approximately 100 to 125)
- Over 95% of mortgages are personally guaranteed
- Fund is not leveraged

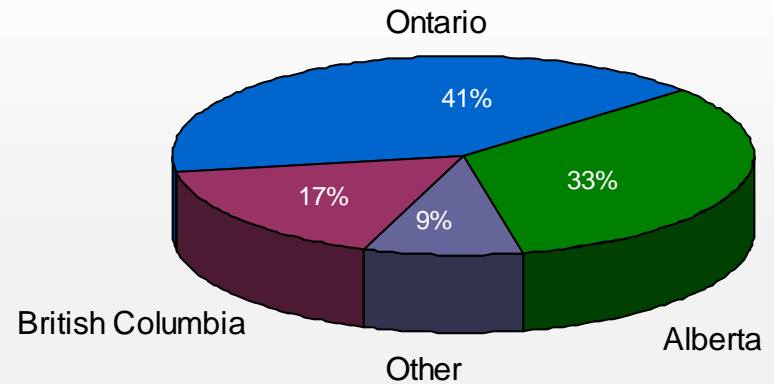
# Mortgage Portfolio Profile

As of December 31, 2011  
(\$763 million)

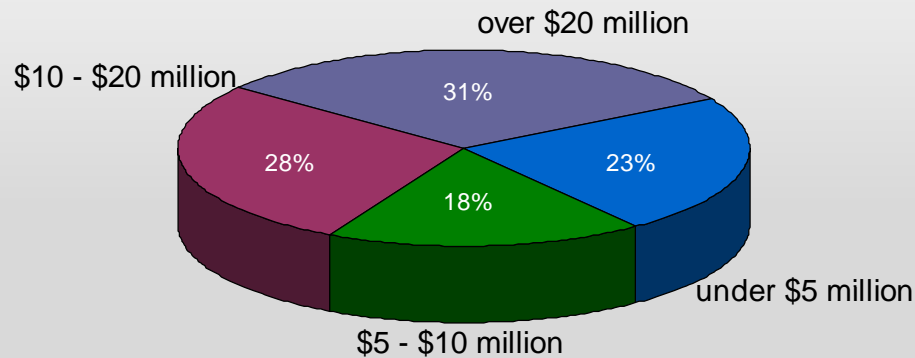
**By Type**



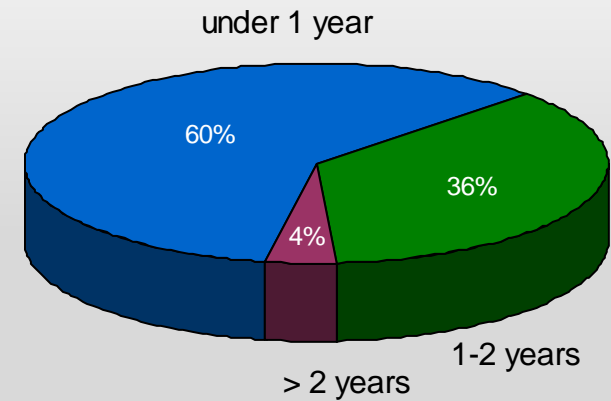
**By Geography**



**By Amount**

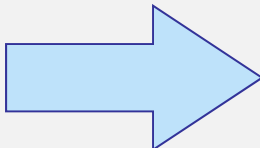


**By Maturity**



# Annual Historical Performance

## Romspen Mortgage Portfolio Annual Compounded Gross Returns (2002-2011)

<u>Year</u>	<u>Gross return to investors*</u>							
2002	11.6 %							
2003	10.7 %							
2004	10.8 %							
2005	10.9 %							
2006	11.3 %							
2007	11.5 %							
2008	10.9 %							
2009	9.7 %							
2010	9.7 %							
2011	9.2 %							
		<table border="1"> <tr> <td>Past 3 Yrs:</td> <td>9.5%</td> </tr> <tr> <td>Past 5 Yrs:</td> <td>10.2%</td> </tr> <tr> <td>Past 10 Yrs:</td> <td>10.6%</td> </tr> </table>	Past 3 Yrs:	9.5%	Past 5 Yrs:	10.2%	Past 10 Yrs:	10.6%
Past 3 Yrs:	9.5%							
Past 5 Yrs:	10.2%							
Past 10 Yrs:	10.6%							

\*Results from January 2000 to January 16, 2006 reflect the pool of individually syndicated mortgages. Results from January 16, 2006 to present reflect the Limited Partnership Fund, the successor to the individually syndicated mortgages.

## Comparative Performance – 10 Year Returns

Romspen Mortgage Portfolio  
Annual % Return Comparison  
(2002-2011)



Source: Bank of Canada, Romspen Analysis





**“Economic conditions are likely to warrant exceptionally low levels for the Federal funds rate at least through late 2014”**

*Federal Reserve Open Market Committee  
Washington, January 25, 2012*

**“The Euro crisis threatens to derail the world economy.”**

*International Monetary Fund  
January 24, 2012*

**“The U.S. economy may never fully recover.”**

*Mark Carney, Bank of Canada Governor  
January 23, 2012*





## Single strategy focused on:

- Capital Preservation
- Absolute Returns
- Consistent Performance

There has been no change in the Fund's investment philosophy for 46 years. Capital preservation is, and will remain, Romspen's top priority.



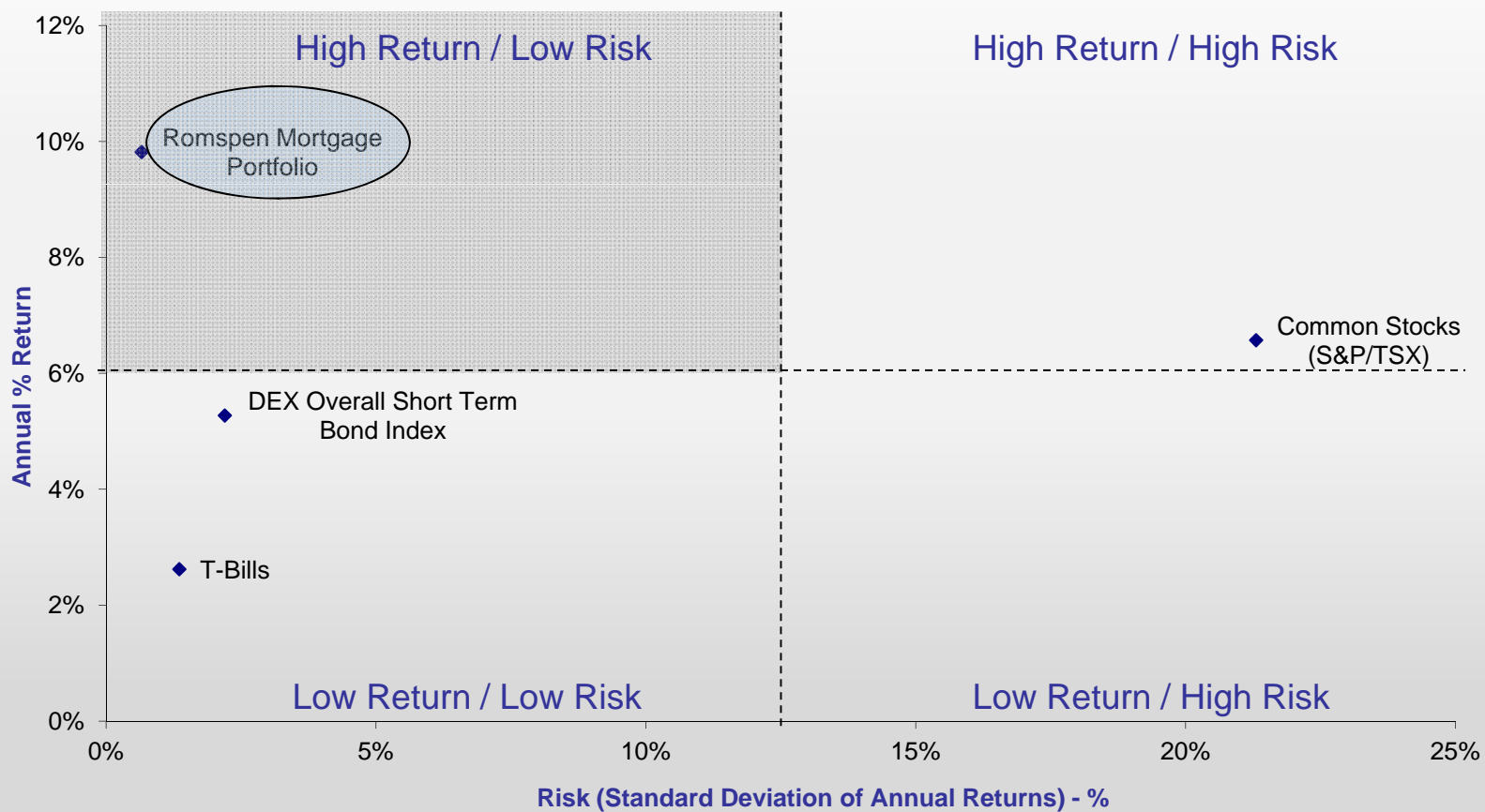
## Why Romspen

---

- 46 year track record of successful mortgage investing
- Top quartile returns [9%+]
- Non-correlated returns
- Low volatile returns
- Simple strategy... No leverage, no hedging, no currency risk

# Comparative Performance – Risk/Return

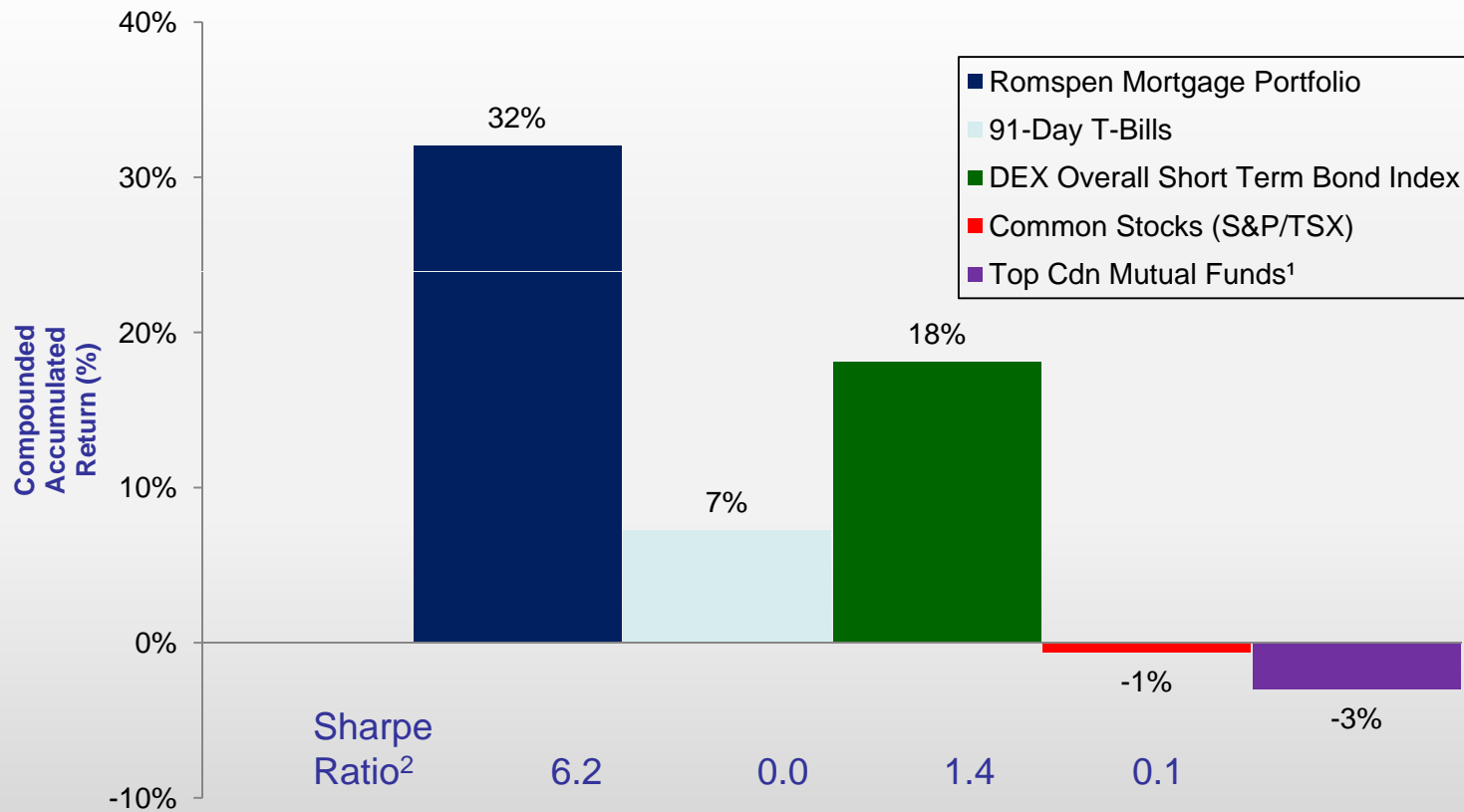
Romspen Mortgage Portfolio  
Risk vs Return  
10 Years Ended Dec. 31, 2011



Source: Bank of Canada, PriceWaterhouseCoopers Report, Romspen Analysis

# Convincing Outperformance in a Market Acid Test (2007-2009)

The years 2007-2009 were 3 of the most difficult investment years in the past 50 – Romspen strongly outperformed other major investment vehicles.



<sup>1</sup> Average performance of the top 180 mutual funds in Canada

<sup>2</sup> Sharpe Ratio Formula: 
$$\frac{\text{Security Return} - \text{Risk Free Return}}{\text{Standard Deviation of Return}}$$
 [1975]

Calculated from 2007-2009 using annual data (3 data points) with the 91-Day T-bill rate as the risk free rate.

Source: Statistics Canada, Globe & Mail/Globe Investor, Romspen Analysis



# Romspen Team

<b>Managing Partners</b>	Years at Romspen	Years in Financial Industry	Experience and Education
Sheldon Esbin	46	46	Spencer Romberg Law Firm; Osgoode Hall (LL.B)
Mark Hilson	4	28	Onex Corporation; P&G; Harvard (MBA); Wilfrid Laurier University (HBBA)
Wesley Roitman	11	11	PSInet; Northern Financial; U of T (B.Sc. - Actuary)
Blake Cassidy	18	20	New Era Mortgage; Sandray Property Management; U of T (B.Sc); UBC (Real Estate)
Ronald Lloyd	2	25	Hewitt Associates, President; Gluskin Sheff; Queen's University (B. Comm Hons, M.IR, CIM)
Arthur Resnick	46	46	Spencer Romberg Law Firm; Osgoode Hall (LL.B)
Robert Shiller	3	26	TD Securities; GE Capital; Coopers & Lybrand; McGill (B. Comm)
<b>Key Staff</b>			
Arnie Bose	3	12	Arthur Andersen; Ernst & Young; Ontario Realty Corporation; Univ. of Waterloo (BA, M.Acc); CA
Bonnie Bowerman	3	21	Aetna Canada; Sunlife; Drivers Jonas Canada Ltd.; York University (Hon. B.A., Hons B.A.S, P.L.E.)
Mary Gianfriddo	6	25	GMAC; Canada Life; National Trust
Blair Martin	1	30	Smart Centres; Barry Lyons; City of Toronto Planning; Ryerson University (Urban Planning)
Joel Mickelson	3	13	Sentinel Hill; Grosvenor Park; U of T (LL.B)

## Primary Contacts



### **Ron Lloyd** **Managing Partner**

Ron Lloyd is responsible for client relationship management, business development for institutional investors, and strategic marketing initiatives.

Ron has 25 years experience in both the high net worth investment management and corporate pension consulting industries working in both Canada and the United States. Prior to joining Romspen, he was a senior executive at Gluskin Sheff + Associates and the President of Hewitt Associates Canada.

Ron received a Bachelor of Commerce (Honours) and a Masters of Industrial Relations from Queen's University and holds both the Canadian Investment Manager (CIM) and Associate Portfolio Manager designations.

Ron serves on the Board of Directors of Greenwood College School.



### **Mark Hilson** **Managing General Partner**

Mark Hilson oversees the Fund's overall operation and performance.

Previously, Mark worked at Onex Corporation for 22 years as a Managing Director. Prior to joining Onex, Mark was an Associate in the Mergers and Acquisitions Group at Merrill Lynch and a Brand Manager at Procter & Gamble.

Mark received an MBA (George F. Baker Scholar) from the Harvard Graduate School of Business Administration and an Honours Bachelor of Business Administration (Gold Medalist) from Wilfrid Laurier University.

Mark has served on the Board of Directors of McMichael Canadian Art Collection, Shaw Festival, Wilfrid Laurier University, and several Canadian and U.S. public Boards.