

AWM Diversified Mortgage Investment Corporation

Yield Stability and Growth Amid Shifting Rates and Economic Headwinds

Expected Yield
(FY2026): 8.36%
Rating*: 2
Risk*: 2

Sector: Mortgage Investment Corporations

[Click here for more research on the company](#)

Highlights

- In FY2025 (ended March 2025), net income (before investor distributions) rose 15% YoY to \$13.45M, nearly matching our estimate of \$13.48M. The **yield (compounded) increased** from 9.02% in FY2024, to 9.34% in FY2025 vs our forecast of 9.39%.
- AWM maintains its spot as **one of the larger** Mortgage Investment Corporations (MICs) in Canada, **focused on first/second mortgages** on single family residential units.
- Mortgage receivables fell 12% YoY to \$213M in FY2025, but **rose 13% YTD to \$242M in H1-FY2026**. As of September 2025, 48% of mortgages were in ON, and 38% in AB. First mortgages accounted for 73% of the portfolio.
- Since June 2024, the Bank of Canada has cut rates eight times (totaling 250 bps), bringing the policy rate to 2.50%. We believe **one more cut is possible** over the next six months amid slowing GDP growth, elevated trade tensions, and high unemployment. While delinquencies remain a concern, easing monetary policy should help mitigate risks.
- We find high-yielding funds, like AWM, increasingly attractive in the current declining rate environment. This is because **MIC lending rates are less elastic**, meaning their yields tend to decline less in a falling rate environment, and rise more slowly in a rising rate environment.
- At the end of FY2025, the MIC had \$33M (15% of the portfolio vs the sector average of 6%) in **impaired mortgages**, up from \$20M (8% of the portfolio) at the end of FY2024. While sector impairments also increased YoY, the rise was more moderate at 25%, versus the MIC's 65% increase.
- While impaired mortgages increased, we believe the fund remains well-positioned with **a conservative LTV of 67%**. Supporting this view, AWM raised loan loss provisions by just 12 bps to 0.81% in FY2025, in line with peers, reflecting management's confidence in limited future losses.
- **Outlook: We project a yield of 8.36% in FY2026** vs. 9.34% in FY2025.

Sid Rajeev, B.Tech, MBA, CFA
Head of Research

Offering Summary

Issuer	AWM Diversified MIC
Securities Offered (FundSERV Code: BEL 1801)	Class B Non-Voting Shares
Unit Price	\$100
Minimum Subscription	\$10k
Distribution to Investors	Monthly, plus potential for year-end top up
Redemption Fees	n/a
Management Fee	2% p.a. of share capital + up to 100% of lending/placement fees from borrowers
Sales Commissions	up to 5%, none paid since fund inception
Auditor	Czechowsky, Graham & Hanevelt CPAs

Key Financials (YE: Mar 31st)	FY2022	FY2023	FY2024	FY2025	FY2026E	FY2027E
Mortgage Receivables	\$185,840,848	\$223,206,672	\$243,452,776	\$213,489,350	\$260,000,000	\$273,000,000
Debt to Capital	39%	41%	42%	25%	34%	32%
Revenue	\$12,723,579	\$18,432,420	\$24,349,104	\$24,907,993	\$23,916,028	\$25,317,500
Net Profit (before paying investors)	\$8,661,145	\$9,799,201	\$11,721,659	\$13,451,336	\$13,925,744	\$14,249,224
Yield (compounded)	7.77%	8.38%	9.02%	9.34%	8.36%	7.98%

* AWM Diversified MIC has paid FRC a fee for research coverage and distribution of reports. See last page for other important disclosures, rating, and risk definitions.

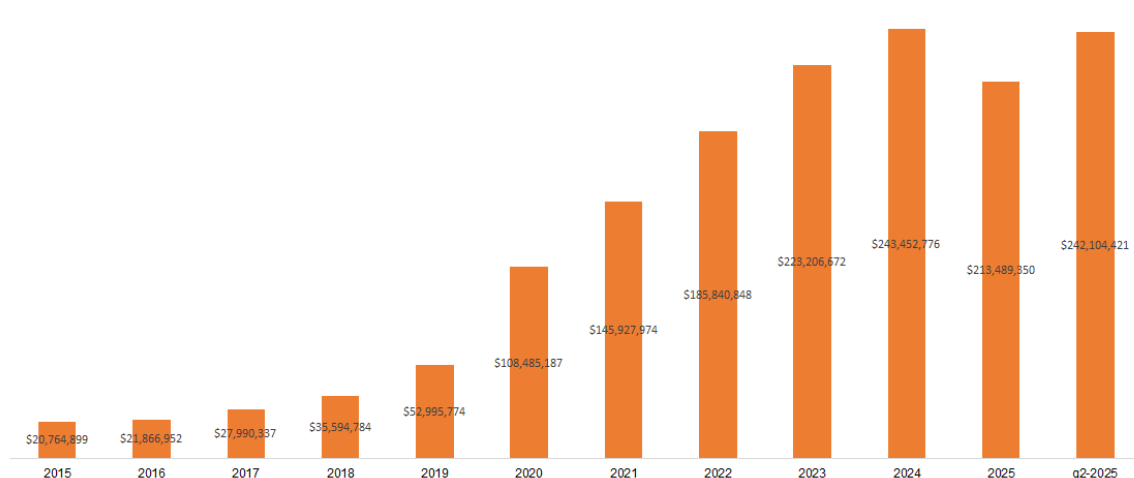
The table below compares AWM's portfolio with other MICs (AUM \$100M+) focused on already-built single-family residential units.

	AWM	Average
First Mortgage	73%	73%
B.C.	15%	37%
ON	48%	51%
AB	38%	8%
Others	0%	4%
LTV	67%	59%
Yield	9.3%	9.2%
Debt to Capital	25%	22%
Average Loan Size	\$284,829	\$449,912
Impaired Mortgages % of Total	15.3%	6.0%
Allowances % of Mortgages	0.8%	0.8%

Source: FRC / Various

Portfolio Details (YE – March 31st)

Mortgage Receivable (Net)



Source: Company / FRC

AWM's yield is in line with the sector average

Smaller average loan sizes, and higher LTVs

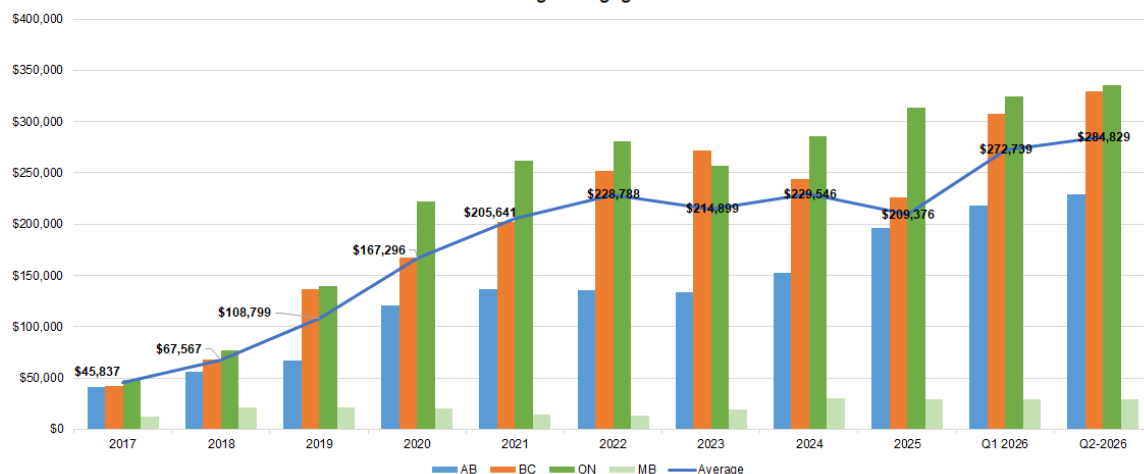
Higher proportion of impaired mortgages, though loan loss allowances remain in line with the sector average, reflecting management's confidence in only limited incremental losses

Mortgage receivables fell 12% YoY to \$213M in FY2025 on softer originations, but rose 13% YTD to \$242M in H1-FY2026 on stronger activity

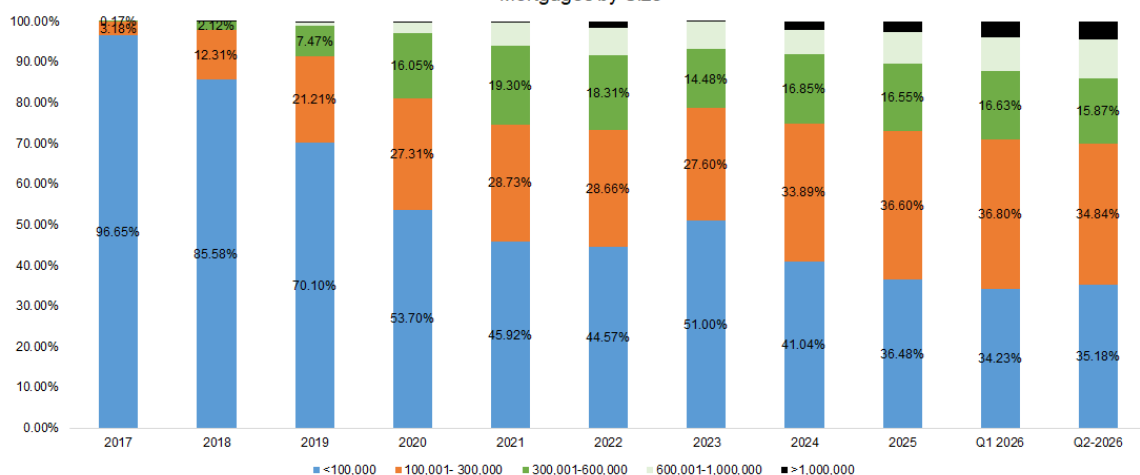
Mortgage Originations / Payouts (\$M)



Average Mortgage Size



Mortgages by Size



Source: Company / FRC

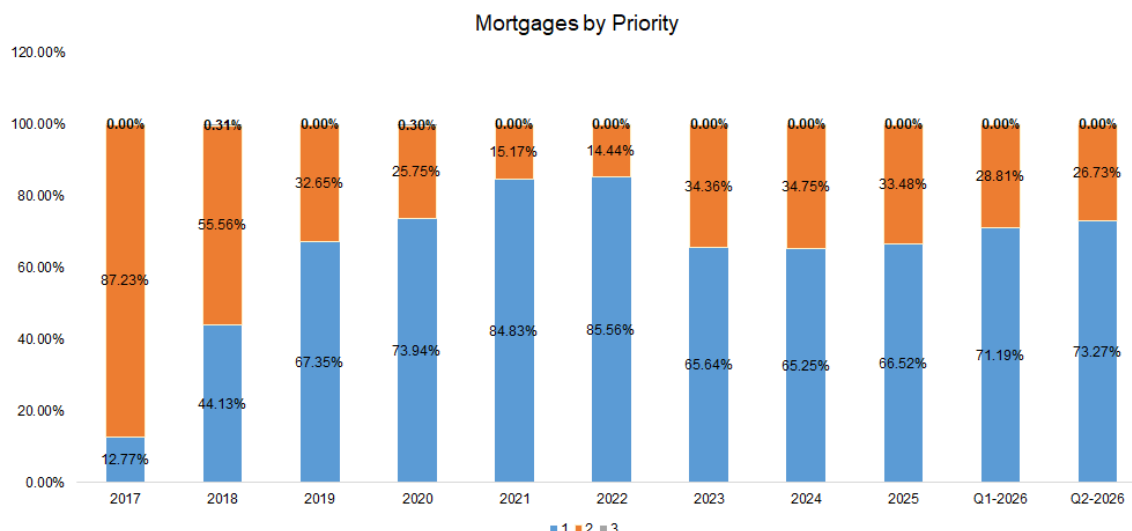
In FY2025, mortgage advancements were down 28% YoY; payouts were up 17% YoY

In H1-FY2026, mortgage advancements were up 45% YoY; payouts were down 27% YoY

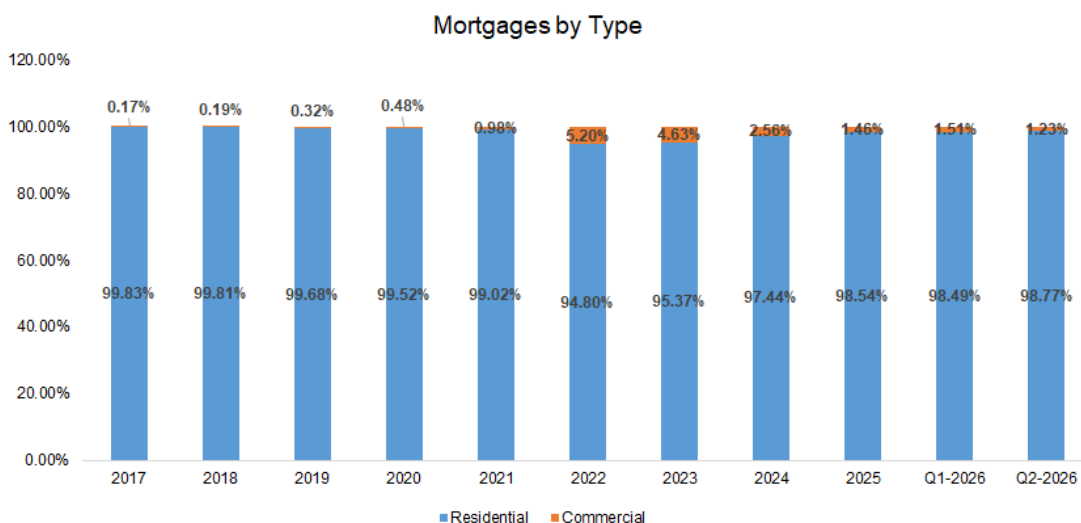
In FY2025, the average mortgage size declined 9% YoY, but rebounded by 36% YTD in H1-FY2026 to \$285K

70% of mortgages are <\$300k vs the historic average of 82%

First mortgage exposure rose to 73% vs the historical average of 64%

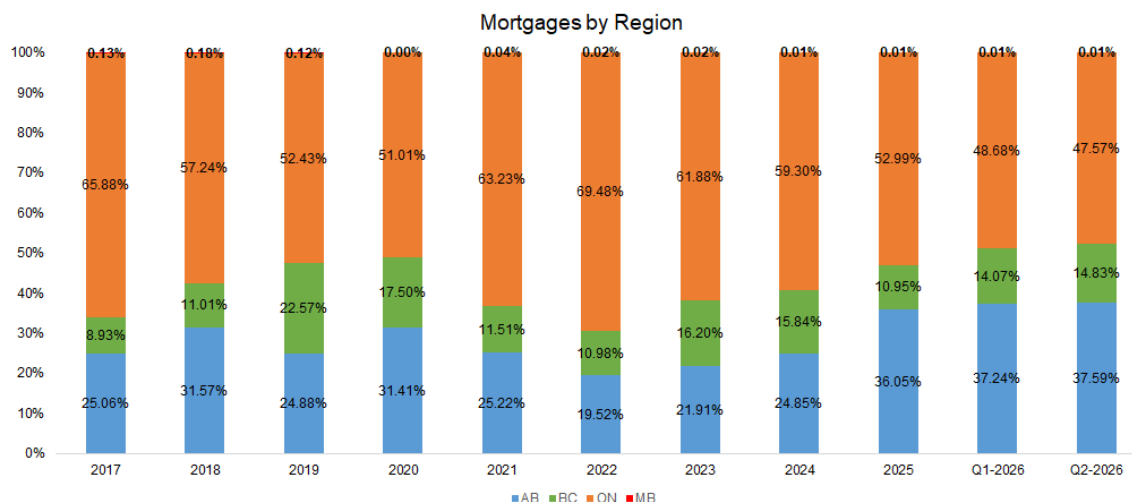


Focus remains on single-family, owner-occupied units



Enhanced geographical diversification by lowering exposure to ON

Focus remains on urban areas



Source: Company / FRC

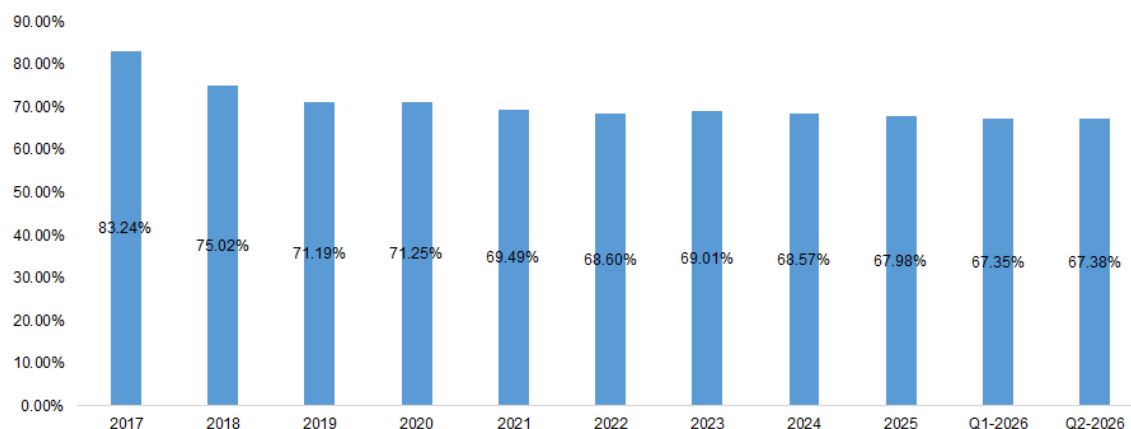
LTV was down slightly

Impaired mortgages increased 7 pp YoY to 15% of total mortgages vs the sector average of 6%

Loan loss allowances were increased by 12 bps to 0.81%, aligning with the sector average, reflecting management's confidence in limited incremental losses

In summary, we believe the portfolio's risk profile has decreased, despite higher impaired mortgages, driven by four green vs two red signals

Weighted Average LTV



	2019	2020	2021	2022	2023	2024	2025
Loan loss allowances (end of period)	\$1,105,526	\$758,983	\$1,797,375	\$1,196,105	\$1,000,272	\$1,670,652	\$1,731,696
% of Total Mortgages	2.09%	0.70%	1.23%	0.64%	0.45%	0.69%	0.81%
Actual/Realized Losses	\$0	\$423,390	\$653,370	\$75,258	\$11,523	\$697,497	\$1,106,957
% of Total Mortgages	0.0%	0.5%	0.51%	0.05%	0.01%	0.30%	0.48%
Impaired Mortgages	\$1,189,799	\$5,670,851	\$6,732,514	\$7,734,025	\$16,899,428	\$19,879,046	\$32,661,180
% of Total Mortgages	2.2%	5.2%	4.6%	4.2%	7.6%	8.2%	15.3%

Source: Company / FRC

Parameter	Risk Profile
Average Mortgage	↑
Diversification	↑
Priority	↑
Property Type (lower-risk properties)	-
LTV	↓
Impaired % of Total Mortgages	↑
Debt to Capital	↓

- red (green) indicates an increase (decrease) in risk level

Source: FRC

Financials

Investors hold Class B shares, **allowing them to request redemptions monthly** without incurring fees, or facing a lock-up period. It is noteworthy that many MICs typically impose lock-up periods, and early redemption fees. That said, redemptions are not guaranteed.

Net income (before investor distributions) rose 15% YoY to \$13.45M, nearly matching our estimate of \$13.48M

Income Statement (YE - Mar 31)	2022	2023	2024	2025	YoY
Interest	\$11,897,883	\$17,602,235	\$22,742,841	\$23,681,668	4%
Lender Fees	\$825,696	\$830,185	\$1,606,263	\$1,226,325	-24%
Revenue	\$12,723,579	\$18,432,420	\$24,349,104	\$24,907,993	2%
G&A and Others	\$305,625	\$576,830	\$867,055	\$693,706	-20%
Manager's fees	\$2,287,158	\$2,465,432	\$2,849,176	\$3,145,530	10%
Interest	\$1,628,976	\$5,775,267	\$7,543,336	\$6,449,420	-15%
Interest (Investors)	\$8,639,501	\$9,776,858	\$11,660,381	\$13,171,484	13%
Loan loss provision	-\$159,325	-\$184,310	\$1,367,878	\$1,168,001	-15%
Expenses	\$12,701,935	\$18,410,077	\$24,287,826	\$24,628,141	1%
Net Income (Loss) - before paying investors	\$8,661,145	\$9,799,201	\$11,721,659	\$13,451,336	15%
Net Income (after paying investors)	\$21,644	\$22,343	\$61,278	\$279,852	357%

The yield increased by 0.32 pp YoY to 9.34% vs our forecast of 9.39%

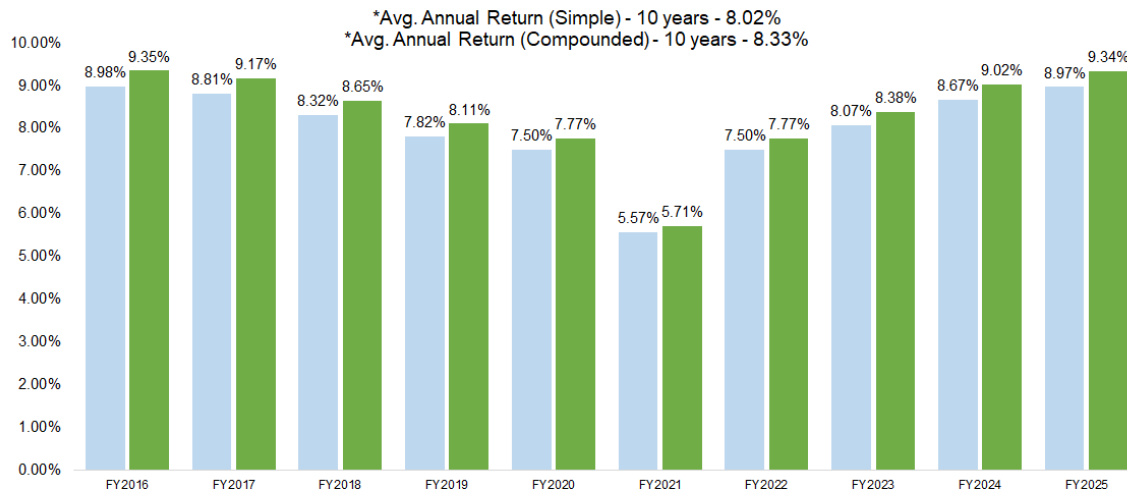
% of Mortgage Receivables (net)	2022	2023	2024	2025
Revenues	7.67%	9.01%	10.44%	10.90%
Less:				
G&A and Others	0.18%	0.28%	0.37%	0.30%
Manager's fees	1.38%	1.21%	1.22%	1.38%
Interest	0.98%	2.82%	3.23%	2.82%
Loan loss provision	-0.10%	-0.09%	0.59%	0.51%
Net Income (before paying investors)	5.22%	4.79%	5.02%	5.89%
Investors' Returns (% of Invested Capital)	8.1%	8.0%	8.6%	8.6%
Yield (Simple)	7.50%	8.07%	8.67%	8.97%
Yield (Compounded)	7.77%	8.38%	9.02%	9.34%

Note that the above figures may be slightly different from the figures reported by the MIC due to the difference in the method of calculation. We used the average of the opening balance, and year-end balance of the mortgages outstanding, and invested capital, to arrive at the above figures.

Source: FRC

Dividends are paid monthly

Yields



\$213M in mortgages at the end of FY2025, down 12% YoY

Debt to capital decreased by 17 pp to 25%, which we note is on the lower-end among comparables

Balance Sheet (YE - Mar 31)	2021	2022	2023	2024	2025
Cash and Equivalents	\$3,557,128	\$11,884,344	\$13,321,354	\$3,241,559	\$6,984,528
Interest and other receivables	\$992,575	\$1,096,375	\$1,620,149	\$2,013,407	\$8,779,045
Prepaid	\$33,390	\$133,841	\$158,521	\$93,230	
Mortgage Receivables (net)	\$145,927,974	\$185,840,848	\$223,206,672	\$243,452,776	\$213,489,350
Total Assets	\$150,511,067	\$198,955,408	\$238,306,696	\$248,800,972	\$229,252,923
A/P	\$202,752	\$1,208,664	\$1,314,026	\$1,681,723	\$1,345,136
Debt	\$49,514,217	\$83,739,426	\$104,595,783	\$104,359,173	\$62,067,252
Related Parties	\$174,988	\$197,998	\$434,169	\$248,151	\$572,709
Total Liabilities	\$49,891,957	\$85,146,088	\$106,343,978	\$106,289,047	\$63,985,097
Share Capital	\$99,809,606	\$112,978,172	\$131,109,227	\$141,597,156	\$164,073,205
Retained Earnings (Defecit)	\$809,504	\$831,148	\$853,491	\$914,769	\$1,194,621
Total SE	\$100,619,110	\$113,809,320	\$131,962,718	\$142,511,925	\$165,267,826
Total Liabilities and SE	\$150,511,067	\$198,955,408	\$238,306,696	\$248,800,972	\$229,252,923

Debt to Capital	31%	39%	41%	42%	25%
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*MICs generally do not hold significant cash, and instead use excess cash to pay down debt. In our discussions with management, the high cash position at year-end was merely due to timing differences, as the MIC had to hold cash to fund mortgages.

Source: Company / FRC

FRC Rating

With rates expected to trend downward, we foresee yields declining in FY2026, and FY2027

Key Financials (YE: Mar 31st)	FY2025	FY2026E	FY2027E
Mortgage Receivables	\$213,489,350	\$260,000,000	\$273,000,000
Debt to Capital	25%	34%	32%
Revenue	\$24,907,993	\$23,916,028	\$25,317,500
Net Profit (before paying investors)	\$13,451,336	\$13,925,744	\$14,249,224
Yield (compounded)	9.34%	8.36%	7.98%

Our estimate for the FY2026 yield varies between 7.33% and 9.02%, as loan loss provisions and lending rates vary

FY2026E Yield		YoY Decline in the Weighted Average Lending Rate in FY2026E				
		0.40%	0.60%	0.80%	1.00%	1.20%
Loan Loss Provisions % of Receivables (FY2026E)	0.00%	9.68%	9.40%	9.12%	8.85%	8.57%
	0.25%	9.30%	9.02%	8.74%	8.47%	8.19%
	0.50%	8.92%	8.64%	8.36%	8.09%	7.81%
	1.00%	8.16%	7.88%	7.61%	7.33%	7.05%
	2.00%	6.64%	6.36%	6.09%	5.81%	5.53%

Source: FRC

We are reiterating our overall rating of 2, and risk rating of 2.

FRC Rating

Expected Yield (FY2026E) 8.36%

Rating 2

Risk 2

We find high-yielding funds, like AWM, increasingly attractive in the current declining rate environment. This is because MIC lending rates are less elastic, meaning their yields tend to decline less in a falling rate environment, and rise more slowly in a rising rate environment. Given the BoC's rate cuts, yields are set to decline. However, we believe the risk of higher default rates is easing, and the mortgage origination market is likely to gain momentum in 2026.

Risks

We believe the MIC is exposed to the following key risks:

- Rapid sourcing and timely replacement are vital for short-term loans
- Lower housing prices will result in higher LTVs



- **As with all MICs, there is no guarantee on shareholders' principal**
- The MIC utilizes leverage, amplifying exposure to adverse events
- Second mortgages carry higher risk

APPENDIX

Income Statement (YE - Mar 31)	2022	2023	2024	2025	2026E	2027E
Interest	\$11,897,883	\$17,602,235	\$22,742,841	\$23,681,668	\$22,481,066	\$23,798,450
Lender Fees	\$825,696	\$830,185	\$1,606,263	\$1,226,325	\$1,434,962	\$1,519,050
Revenue	\$12,723,579	\$18,432,420	\$24,349,104	\$24,907,993	\$23,916,028	\$25,317,500
G&A and Others	\$305,625	\$576,830	\$867,055	\$693,706	\$718,827	\$809,173
Manager's fees	\$2,287,158	\$2,465,432	\$2,849,176	\$3,145,530	\$3,259,439	\$3,669,102
Interest	\$1,628,976	\$5,775,267	\$7,543,336	\$6,449,420	\$4,712,018	\$5,225,000
Interest (Investors)	\$8,639,501	\$9,776,858	\$11,660,381	\$13,171,484	\$13,856,115	\$14,177,978
Loan loss provision	-\$159,325	-\$184,310	\$1,367,878	\$1,168,001	\$1,300,000	\$1,365,000
Expenses	\$12,701,935	\$18,410,077	\$24,287,826	\$24,628,141	\$23,846,399	\$25,246,254
Net Income (Loss) - before paying investors	\$8,661,145	\$9,799,201	\$11,721,659	\$13,451,336	\$13,925,744	\$14,249,224
Net Income (after paying investors)	\$21,644	\$22,343	\$61,278	\$279,852	\$69,629	\$71,246
Balance Sheet (YE - Mar 31)	2022	2023	2024	2025	2026E	2027E
Cash and Equivalents	\$11,884,344	\$13,321,354	\$3,241,559	\$6,984,528	\$5,604,559	\$4,785,525
Interest and other receivables	\$1,096,375	\$1,620,149	\$2,013,407	\$8,779,045	\$9,217,997	\$9,678,897
Prepaid	\$133,841	\$158,521	\$93,230			
Mortgage Receivables (net)	\$185,840,848	\$223,206,672	\$243,452,776	\$213,489,350	\$260,000,000	\$273,000,000
Total Assets	\$198,955,408	\$238,306,696	\$248,800,972	\$229,252,923	\$274,822,557	\$287,464,422
A/P	\$1,208,664	\$1,314,026	\$1,681,723	\$1,345,136	\$1,412,393	\$1,483,012
Debt	\$83,739,426	\$104,595,783	\$104,359,173	\$62,067,252	\$95,000,000	\$95,000,000
Related Parties	\$197,998	\$434,169	\$248,151	\$572,709	\$572,709	\$572,709
Total Liabilities	\$85,146,088	\$106,343,978	\$106,289,047	\$63,985,097	\$96,985,102	\$97,055,721
Share Capital	\$112,978,172	\$131,109,227	\$141,597,156	\$164,073,205	\$176,573,205	\$189,073,205
Retained Earnings (Defecit)	\$831,148	\$853,491	\$914,769	\$1,194,621	\$1,264,250	\$1,335,496
Total SE	\$113,809,320	\$131,962,718	\$142,511,925	\$165,267,826	\$177,837,455	\$190,408,701
Total Liabilities and SE	\$198,955,408	\$238,306,696	\$248,800,972	\$229,252,923	\$274,822,557	\$287,464,422

Debt to Capital	39%	41%	42%	25%	34%	32%
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- **Even though the Manager has rights to 100% of lender fees, they have historically paid a portion of the fees to the fund, which we believe is a good sign for investors. We also understand that there is no guarantee that management will do so going forward.**

Cash Flow (YE - Mar 31)	2026E	2027E
Net Income (Loss)	\$69,629	\$71,246
Non-Cash Items		
Change in WC	-\$371,695	-\$390,280
Cash from Operating Activities	-\$302,067	-\$319,034
Equity	\$12,500,000	\$12,500,000
Debt	\$32,932,748	\$0
Cash from Financing Activities	\$45,432,748	\$12,500,000
Increase in mortgage loans (net)	-\$46,510,650	-\$13,000,000
Cash from Investing Activities	-\$46,510,650	-\$13,000,000

Fundamental Research Corp. Rating Scale (ratings are not a recommendation to acquire, dispose of, or take no action regarding a security; the definitions of our ratings are explained below):

Rating – 1: Excellent Return to Risk Ratio
 Rating – 2: Very Good Return to Risk Ratio
 Rating – 3: Good Return to Risk Ratio
 Rating – 4: Average Return to Risk Ratio
 Rating – 5: Weak Return to Risk Ratio
 Rating – 6: Very Weak Return to Risk Ratio
 Rating – 7: Poor Return to Risk Ratio

A "+" indicates the rating is in the top third of the category, A "-" indicates the lower third and no "+" or "-" indicates the middle third of the category.

Fundamental Research Corp. Risk Rating Scale:

1 (Low Risk)
 2 (Below Average Risk)
 3 (Average Risk)
 4 (Speculative)
 5 (Highly Speculative)

FRC Distribution of Ratings			
Rating - 1	0%	Risk - 1	0%
Rating - 2	34%	Risk - 2	10%
Rating - 3	45%	Risk - 3	42%
Rating - 4	8%	Risk - 4	31%
Rating - 5	4%	Risk - 5	7%
Rating - 6	1%	Suspended	9%
Rating - 7	0%		
Suspended	9%		

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