

Fidelis Private Fund, LP - 1st Quarter 2020 Performance Report

Message from John Lloyd, Co-Founder, President & CEO

On behalf of the General Partner of Fidelis Private Fund, LP, I would like to thank the limited partners for their investment participation and commitment.

Just over a month ago, the fundamentals of our economy were strong, i.e., low unemployment, low real estate inventories, low inflation, low-interest rates, and stability in the capital markets. However, that has all changed overnight due to the COVID-19 virus.

We are now facing a pandemic none of us alive have ever encountered. The stress level is high for everyone. A crisis often brings clarity to our values and to options that may have been ambiguous before. It also expedites decisions that can result in improvements to our businesses and our own personal growth.

As are most other businesses, The Fidelis Private Fund is positioning itself to manage this time of change and uncertainty.

As the General Partner, with our own funds invested:

- We are committed to preserving the limited partners' capital and generating the maximum yield possible despite the circumstances.
- We are committed to making wise decisions to protect the integrity of the partnership.
- We are committed to maintaining transparency and regular communication with our limited partners and advisory committee.

We are excited to deliver an annualized 8% yield to our Limited Partners for the 1st quarter of 2020.

I do know this crisis will create some great investment opportunities for our borrowers, lending opportunities for Fidelis as we have the capital to lend, and many brokerage opportunities. I have managed a similar mortgage fund like Fidelis through an extreme market downturn, so I know how to minimize the negative impact to our investors. Besides our strong leadership, we have three valuable attributes that will help us navigate successfully through this crisis:

1. Flexibility and Patience – We have the flexibility to make common-sense decisions. When appropriate, we can help our borrowers with temporary loan modifications for those borrowers who may be experiencing a disruption in their cash flow as a result of the crisis. To date, we have not had to modify any loans, but based on experience, if this crisis continues, we most likely will have to make such modifications.
2. Strong Borrower Relationships – Most of our borrowers are repeat clients with whom we have developed strong relationships with a personal commitment to their obligations that goes far deeper than just contractual arrangements. This attribute is unquantifiable and invaluable in a lender/borrower relationship when it comes to keeping loans current, especially during difficult times.
3. Our Capital is Secured by Diversified, Quality Real Estate Assets – Most of the assets are in San Diego County, and they are not going anywhere.

We will continue to follow CDC guidelines for social distancing and have adapted to the temporary environment where the health and safety of our team and clients are of utmost importance.

Should you have any questions, please reach out to me by email or call me at 760-258-4486. I value the relationships with our investors and thank you for our partnership and your trust in us.

Fidelis Private Fund – Q1 2020 Financial Performance

This quarterly report includes an overview of financial performance, outlook for the future, and further information regarding our Fund and our strategy. Included is a financial performance dashboard.

Fidelis Private Fund is a one-stop-shop for commercial real estate financing needs, which is unique to most mortgage funds.

Fidelis Private Fund Quarterly Performance Report – Q1 2020

Not every borrower needs a short-term bridge loan from Fidelis, nor do we have the capacity to service all the loan requests we receive. Therefore, as a service to our client, we broker loans that we could not otherwise do, and it's a win/win for our clients and our investors.

Q1 2020 Investor Annualized Return

Fidelis Private Fund generated an annualized return of **8.00%** for those limited partners invested in the Fund before the last month of the quarter.

- The annualized yield achieved includes a Loan/Loss Reserve currently at 1.66% of total loan commitments. This reserve is protection for limited partners against unforeseen future pitfalls in the economy (note the reserve expense in any one quarter only applies to new loan commitments that exceed the previous quarter's total).

Limited Partner Capital

Fidelis' Limited Partner capital as of 12/31/2019 was \$4,606,300. The 3/31/2020 Partner ending capital balance was \$5,366,799 from a combination of earnings and new capital. Therefore, from the 4th quarter 2019 to the 1st quarter of 2020, we had a 17% increase.

Loan Commitments/Performance/LTV/Loan-Loss Reserve

We closed \$1,982,500 in new loan commitments in the 1st quarter for total gross notes receivable of \$7,800,534, with existing loan balances outstanding of \$7,184,241, resulting in \$616,293 in undisbursed loan commitments. Out of 22 loans in the portfolio, only one loan, \$287,000 loan (secured by an SFR investment property), was 30 days past due as of March 31, 2020, and we are communicating with that borrower already with a plan in place to bring it current. The average loan portfolio LTV ratio was 61%. Our target Loan/Loss Reserve is 1.50%-2.00% of Gross Notes Receivable. As of 3/31/2020, the Loan/Loss Reserve was \$129,294 or 1.66%

Business Plan Trajectory

We are on track with our projected budget for both investor capital and loan growth. With increased capital growth comes improved economies of scale resulting in a more efficient and profitable Fund for our investors.

Further performance detail is provided in the ensuing pages along with our Fidelis Financial Performance Dashboard documents.

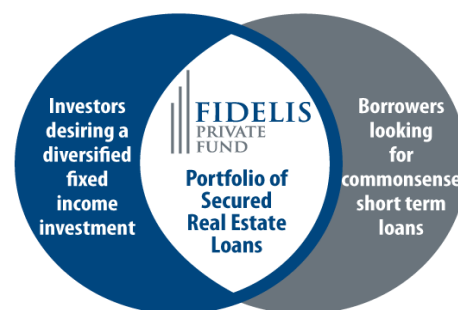
1st Quarter 2020 Highlights:

Besides the obvious COVID-19 pandemic which blindsided everyone, some great things are happening at Fidelis:

- We revamped our Fidelis website, FidelisPF.com Click to see the extra features, new information, and additional resources that will help both borrowers and investors be better informed about how Fidelis can serve them.
- The 2019 Fidelis Private Fund Audited Financial Statement was completed and is included with the limited partners' 1st Quarter Capital Statements.
- We purchased a new software system that will allow us to be more efficient, saving costs and, at the same time, provide better customer service to both our borrowers and Limited Partners.
- We had to postpone a March 18th Fidelis Investor Relationship Event we had scheduled at the University Club in San Diego. In lieu of the meeting, I made a video that summarized what would have been presented at the meeting that was sent out to investors and invited guests on March 23, 2020. If you did not see the video, [click here](#) to watch.

Fidelis Business Outlook

- The economy has been turned upside down in a matter of weeks. It is unknown what the long-term ramifications will be.
- My experience is when there are extreme inefficiencies in the market like there are now it creates opportunities.
- With the capital markets at a standstill, it has created opportunities for private portfolio lenders like Fidelis to step in to make some great conservative loans. For example, in April, we made a \$200,000 loan on an SFR investment property at a 46% loan to purchase price with a repeat borrower. [Click to Watch a Short Video.](#)



- During this downturn, we will actively look for conservative loans and continue to capitalize on loan opportunities where timing is critical and where there is added value potential. My experience has been that conservative loans made during a downturn can be some of the best loans on the books as you come out of the cycle. These opportunities are a win/win for our borrowers and our investors.
- Fidelis has a finite source of capital given our current size, and we cannot directly fund all the loan opportunities that come across our desk. With the capital markets currently paralyzed due to the crisis, we are seeing a lot of mortgage brokerage opportunities to help borrowers fund loans.

Fidelis 2nd Qtr. 2020 Outlook

- We look to have our new software system fully functional for our investors by the 3rd Quarter of 2020.
- We will be scheduling a Limited Partner seminar in the 3rd quarter to demonstrate the new software technology and real-time transparency for the Limited Partners capital accounts.
- Look for my bi-weekly blog that comes out every other Thursday. The blog has a dual purpose of providing real estate financing/investing information as well as tools and resources for leadership and personal growth.
- We will keep our investors informed as to any material changes to the Fund as a result of the COVID-19 crisis.

Our Model: Growing Value with Purpose



The Fidelis Fund may be a fairly new fund, but there is nothing new about the business model or the Fund Manager's experience and prior success. John Lloyd has been fortunate to establish long-term relationships with investors, borrowers, and brokers over the last 20+ years resulting in a solid foundation from which to scale our Fund.

The combination of a familiar business model, a loyal client base, and general partners who have a long-term investment approach, has allowed Fidelis to generate an exceptional return to our investors while establishing a loan/loss reserve of at least 1.50% or more of total loan commitments.

Investor Insights

Existing Limited Partners, if you want to escape the volatility of the stock market, you can always add to your capital account anytime with no minimum amount required. If you have any questions about your investment, do not hesitate to contact us.

If you know of an accredited investor who would benefit from an investment in Fidelis, please pass along this information. They may contact John Lloyd at 760-258-4486. Visit our updated website at FidelisPF.com for more information about Fidelis Private Fund.

We all need each other's support during this challenging season. When all the dust settles, and eventually it will, our relationships with each other will be what remains. **We are all in this together.**



John P. Lloyd
President & CEO

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Growing Value with Purpose

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