

# Fidelis Private Fund, LP – 2nd Quarter 2022 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 in and commitment to Fidelis.



I am happy to share with you that Fidelis Private Fund continues to thrive and grow, evidenced by these key performance indicators:

- 8%+ annualized investor yield each quarter since inception
- Increased Limited Partner capital balances by \$3,247,101 in the 1st quarter of 2022
- Zero loan delinquencies
- Fidelis Funded \$12,436,194 in loan commitments in the 2<sup>nd</sup> quarter of 2022
- We achieved a loan/loss reserve of \$1,290,978 or 2.38% of total loan commitments.

**We are excited to deliver an average annualized 2nd quarter yield to our Limited Partners of 8.30%.**

### Fidelis Private Fund – Q2 2022 – 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.

#### Q2 2022 Investor Annualized Return

- Fidelis Private Fund generated for the 2nd quarter an average annualized return of **8.30%** 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 2.38% of total loan commitments. This reserve protects our partnership 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 of loan commitments).

#### Limited Partner Capital

- Fidelis Limited Partner capital as of 3/31/2022 was \$34,714,329. For the 2nd quarter, as of 6/30/22, the Limited Partner ending capital balance was \$37,961,430. This increase in capital was due to a combination of earnings and new capital, a 9.35% increase over the last quarter. (*Beginning and ending capital balances include capital invested in the prior month not included in the yield calculation*).

#### Loan Commitments/Performance/LTV/Loan-Loss Reserve

- We closed \$12,436,194 in new loan commitments in the 2<sup>nd</sup> quarter for total gross notes receivable of \$54,211,792, with existing loan balances outstanding of \$44,342,651, resulting in \$9,869,142 in undisbursed loan commitments. We had \$2,872,289 in loan principal pay downs in the 2nd quarter 2022. Out of 78 loans in the portfolio, we have zero delinquencies. The average loan portfolio LTV ratio was 60%. As of 6/30/2022, the Loan/Loss Reserve was \$1,290,978 or 2.38% of total loan commitments.

#### Q2 2022 – Referral Fee Income

- Unique to most mortgage funds, Fidelis Private Fund is a one-stop solution for commercial real estate financing needs. Not every borrower needs a short-term bridge loan from Fidelis, nor do we have the capacity to fund all the loan requests we receive directly. Therefore, we generate referral fee income on loans we could not otherwise directly fund as a service to our clients through the broker Cornerstone Commercial Mortgage, wholly owned by John Lloyd. Fidelis shares in the fees. It's a win/win for our clients and our investors. Fidelis generated \$14,121 in referral fee income for the 2nd quarter of 2022.

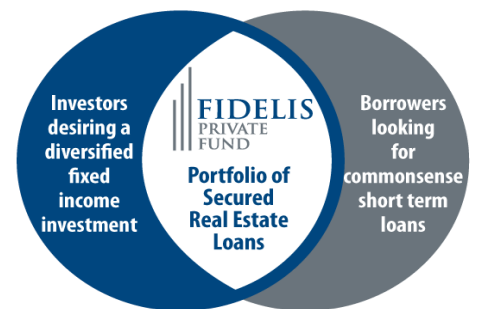
Further performance detail is provided in the ensuing pages, along with our Fidelis Financial Performance Dashboard documents.

## 2nd Qtr. 2022 Highlights

- We saw the Fed increase short-term rates by 1.25% in the 2nd quarter to curb the highest inflation we have had in four decades.
- The long-term interest rates increased to their highest level in 10 years. However, from a historical perspective, long-term rates are still reasonable.
- The infusion of trillions of government stimulus dollars over the last two-and-a-half years pushed the stock market and real estate values to excessive highs in early 2022. Then only to see in the later part of the 2nd quarter the stock market take its largest % drop in well over a decade.
- The continued shortage of San Diego housing continues to generate demand for “added value” type loan requests, i.e., single-family investment properties purchased to add ADU’s (additional dwelling units).
- Mark your calendar for Thursday, September 15, 2023; we are having a Fidelis Investor Appreciation event at our new office space at 12481 High Bluff Drive Ste. 160, San Diego, CA 92130. Details to follow.

## 2nd Qtr. 2022 Outlook

- **What do higher interest rates mean for the real estate market?**
  - Real estate is a lagging indicator of what is to come. As a result of the higher interest rates, I expect real estate acquisitions and future development in both the residential and commercial sectors will eventually slow down.
  - I anticipate a modest recession in the coming year and expect real estate values to decrease as buyers adjust to the higher cost of debt and higher cap rates.
  - As the conventional credit markets tighten, I anticipate some excellent investment opportunities to emerge, resulting in more demand for short-term private money like Fidelis.
- **How will higher interest rates impact Fidelis?**
  - Our loan portfolio consists of short-term bridge loans, with the average loan rolling over in less than one year. All new loans funded will be at the higher market rates and underwritten based on the current market values.
  - The exit strategy for our existing loans in the portfolio will be challenged by the higher cost to refinance and the lower sale prices I anticipate happening. This will reduce loan amounts for loans refinanced and less profit to sellers for properties sold.
  - In my experience as a mortgage fund manager, having managed a fund similar to Fidelis successfully through the great recession with no investor losing any capital, I believe the coming recession to be milder and less severe than the last one. Therefore, I do not anticipate any disruption in generating a consistent competitive yield for our investors.
- **Will there be more or less demand for Fidelis short-term loans in this downturn?**
  - I expect more demand for short-term loans as the downturn matures, with more investment opportunities that require quick, short-term loans that Fidelis offers. Remember, the best time to make loans is in a down market.
  - Where there is chaos, there are opportunities.
- **Do we anticipate needing more investor capital?**
  - Yes, based on the anticipated increase in loan demand, we are accepting more limited partner capital. With more capital, we improve our efficiencies through economies of scale, resulting in better investor yield and product diversification.



## Our Model: Growing Value with Purpose

- The Fidelis business model is simple. We are a direct portfolio lender specializing in commercial and residential investment real estate loans offering accredited investors the opportunity to invest in a pool of real estate secured loans generating a competitive rate of return with moderate risk and reasonable liquidity. [Click to see an Overview of our Business Model](#) to share with prospective Fidelis investors you may know.

**"We Provide Real Estate Financing Solutions for Timely Execution."**

## Investor Insights



If you know of an accredited investor who would benefit from an investment in Fidelis, please pass along this information. Potential investors may contact John Lloyd at 760-258-4486. Visit our website at [Fidelispf.com](http://Fidelispf.com) for more information about Fidelis Private Fund. Thank you for the opportunity to help make Fidelis a successful investment vehicle for fixed-income investors.



John P. Lloyd  
President & CEO

**FIDELIS** | PRIVATE  
FUND

*Growing Value with Purpose*

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