



eclipse

Residential MIC

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Eclipse Residential MIC - Overview

- Proven investment strategy which has generated growth in dividends and book value per share
- Attractive current 7.9%⁽¹⁾ dividend, paid monthly
- Book value per share has grown steadily over the past 13 quarters
- Diversified single family, owner occupied residential mortgage portfolio secured by homes in liquid, urban centers across Canada
- Short-duration portfolio which offers protection in a rising interest rate environment

(1) Based on May 31, 2018 closing price of \$9.50

What is a MIC?

- Tax-efficient corporation
- 100% of net taxable income is distributed to shareholders
- All investments must be in Canada
- At least 50% of assets must be residential mortgages
- Distributions taxed as interest income
- Allows investors to access a professionally-managed pool of diversified mortgages

ERM Delivers Strong Performance

Book value per share has grown steadily over the past 13 quarters from \$9.32 in 2014 to \$9.71 at March 2018

| For the year/quarter ended | March 31, 2018 | December 31, 2017 | December 31, 2016 | December 31, 2015 |
|--|-------------------|----------------------|----------------------|----------------------|
| Share Information | | | | |
| Closing trading price – Common shares | \$ 9.82 | \$ 10.08 | \$ 9.80 | \$ 9.20 |
| Book value per Common share | \$ 9.71 | \$ 9.69 | \$ 9.69 | \$ 9.54 |
| Price to book value | 1.01 | 1.04 | 1.01 | 0.96 |
| Number of shares outstanding – Common shares | 3,159,409 | 3,158,160 | 2,099,853 | 2,583,851 |

ERM Delivers Strong Performance

- Consistent performance with a long track record

Annual Compound Returns by Year⁽¹⁾

| | 2017 | 2016 | 2015 | 2014 |
|-------------------------|------|------|------|------|
| Eclipse Residential MIC | 8.0% | 8.7% | 9.4% | 8.2% |

Annual Compound Returns to March 31/18

| | 1 - Year | 3 - Year | Since Inception ⁽²⁾ |
|---------------------------------------|----------|----------|--------------------------------|
| Eclipse Residential MIC | 7.9% | 8.7% | 7.9% |
| FTSE TMX Canada Short Term Bond Index | -0.4% | 0.7% | 1.8% |

(1) Based on Book Value per Common share (2) Period from June 28, 2013.

Financial Position & Operating Results

Financial Position

| For the year/quarter ended | March 31, 2018 | December 31, 2017 | December 31, 2016 | December 31, 2015 |
|-----------------------------|-------------------|----------------------|----------------------|----------------------|
| Mortgage investments | \$ 40,353,063 | \$ 40,041,710 | \$ 26,112,851 | \$ 31,720,165 |
| Total assets | \$ 40,892,615 | \$ 40,463,581 | \$ 26,493,443 | \$ 32,255,950 |
| Loans payable | \$ 9,870,392 | \$ 9,493,088 | \$ 2,199,402 | \$ 2,898,925 |
| Total long-term liabilities | -- | -- | -- | -- |

Operating Results

| For the year/quarter ended | March 31, 2018 | December 31, 2017 | December 31, 2016 | December 31, 2015 |
|---|-------------------|----------------------|----------------------|----------------------|
| Interest Income | \$ 943,819 | \$ 2,956,367 | \$ 2,986,163 | \$ 3,596,235 |
| Net Income and comprehensive income | \$ 647,111 | \$ 1,908,820 | \$ 1,982,202 | \$ 2,585,823 |
| Earnings per Common share – basic and diluted | \$ 0.20 | \$ 0.79 | \$ 0.79 | \$ 0.83 |
| Dividends per Common share | \$ 0.1875 | \$ 0.75 | \$ 0.65 | \$ 0.64 |

Well Constructed, Diversified Mortgage Portfolio

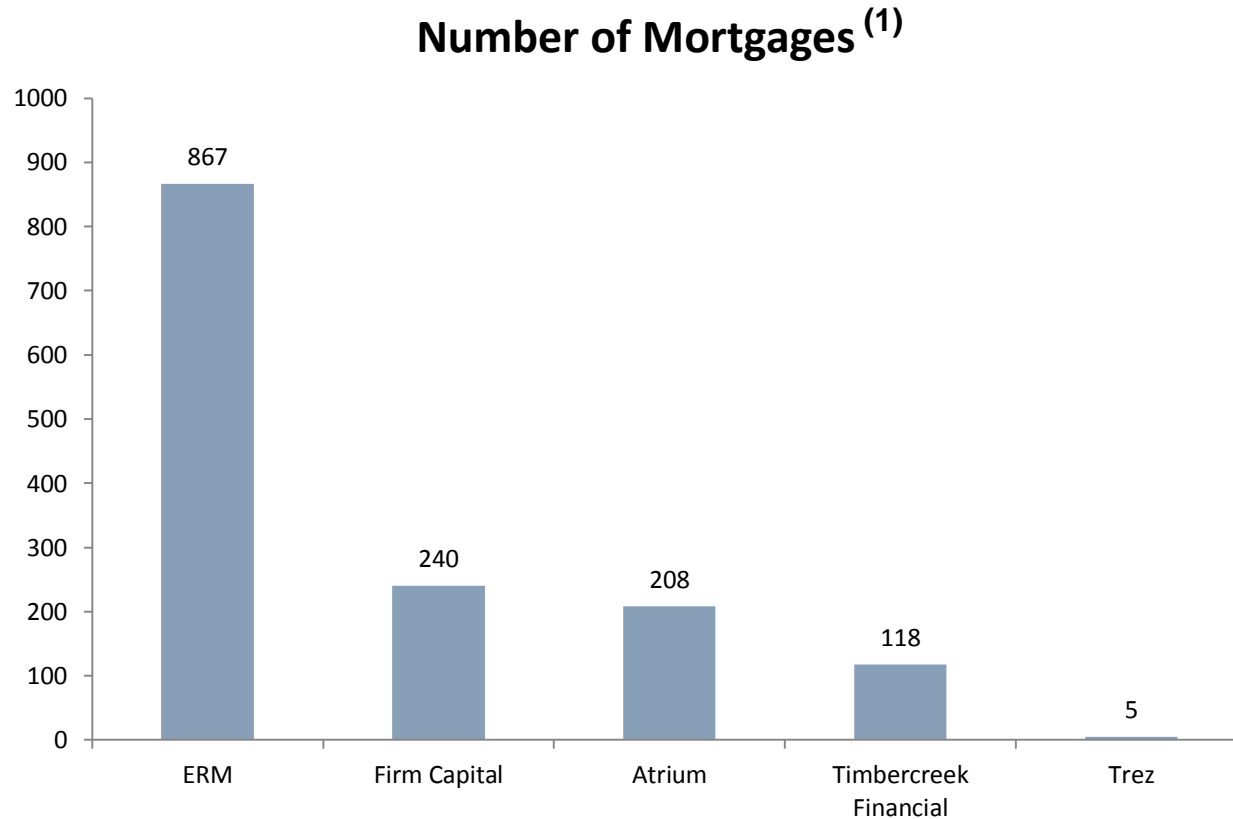
- Mortgage portfolio of \$40.4M as of March 31, 2018, diversified by product

| Type of Mortgage | % of Portfolio | Weighted Average Yield | Number of Mortgages | Weighted Average Maturity (months) | Weighted Average Loan-to-Value |
|--|----------------|------------------------|---------------------|------------------------------------|--------------------------------|
| Junior tranches of uninsured first mortgages | 77% | 10.09% | 779 | 7.8 | 75% |
| Insured 6-month convertible mortgages | 5% | 5.95% | 23 | 3.7 | 63% |
| Insured mortgages with open terms | 15% | 6.89% | 37 | 8.9 | 74% |
| Uninsured first mortgages | 2% | 9.80 % | 5 | 5.3 | 74% |
| Second charge mortgages | 1% | 11.71% | 23 | 5.9 | 76% |
| Total/Average | 100% | 9.43% | 867 | 7.7 | 74% |

As at March 31, 2018

Well Constructed, Diversified Mortgage Portfolio

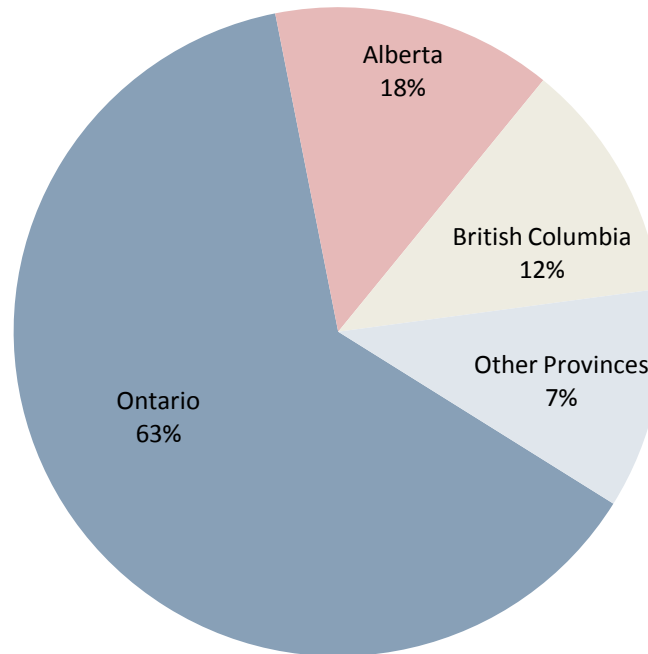
- ERM's portfolio is comprised of more than 3.5 times the number of mortgages relative to other MIC's given its single family residential focus



(1) As of March 31, 2018

Well Constructed, Diversified Mortgage Portfolio

- Geographically well positioned with the majority of exposure in Ontario (63%) followed by Alberta (18%) and B.C (12%)

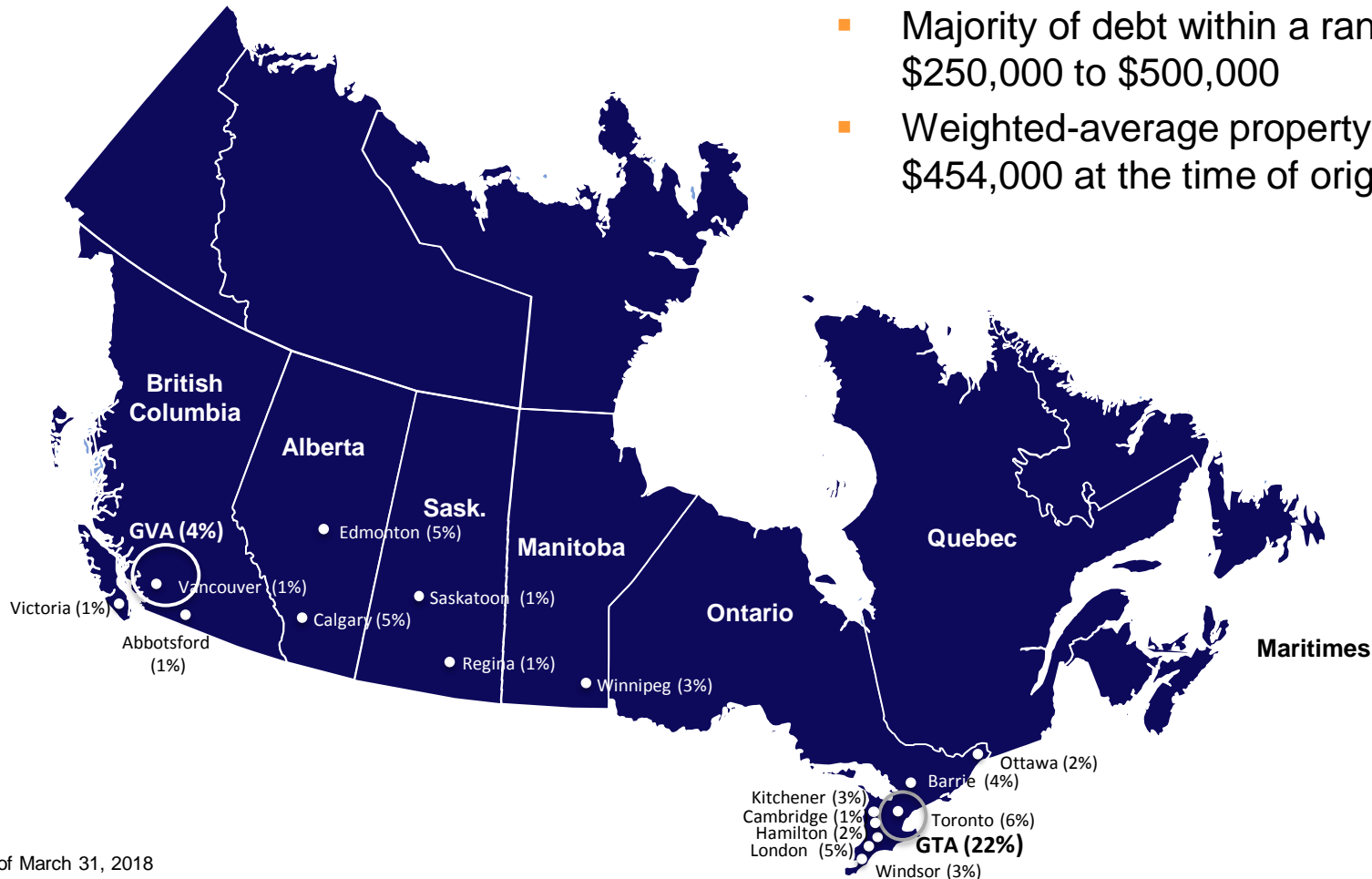


As of March 31, 2018

Well Constructed, Diversified Mortgage Portfolio

- Diversified across urban centres with only 22% in the GTA and 4% in the GVA

- Majority of debt within a range of \$250,000 to \$500,000
- Weighted-average property value of \$454,000 at the time of origination



As of March 31, 2018

Historical Performance

- All critical default management decisions are managed by MCAP with a strong focus on loss mitigation
- The Company has experienced low loan losses as shown below:

| Year | Fair Value of Portfolio | Realized Losses During the Year | Realized Losses as a % of the Portfolio |
|------|-------------------------|---------------------------------|---|
| 2013 | \$34,379,249 | nil | 0.00% |
| 2014 | \$37,282,749 | nil | 0.00% |
| 2015 | \$31,720,165 | \$14,566 | 0.05% |
| 2016 | \$26,112,851 | \$27,032 | 0.10% |
| 2017 | \$40,041,710 | \$71,074 | 0.18% |

Market Update

- Sound fundamentals in the residential mortgage market:
 - Supply and demand remain relatively in balance with demand expected to slightly outpace supply.
 - Per CMHC, new housing starts were 219,800 in 2017⁽¹⁾. Housing completions were 175,000 in 2017 and are projected to decline modestly to 172,000 on average through to 2021.⁽²⁾
 - Housing formation was estimated at around 209,100 in 2016 and is projected to trend lower to 176,700 by 2021.⁽²⁾
 - Stable and improving Canadian employment
 - Interest rates are low relative to historical long run averages
 - Regulatory changes have resulted in a slowing in the growth of the residential mortgage market in recent months

(1) CMHC, *Housing Now Tables Canada* - April, 2018

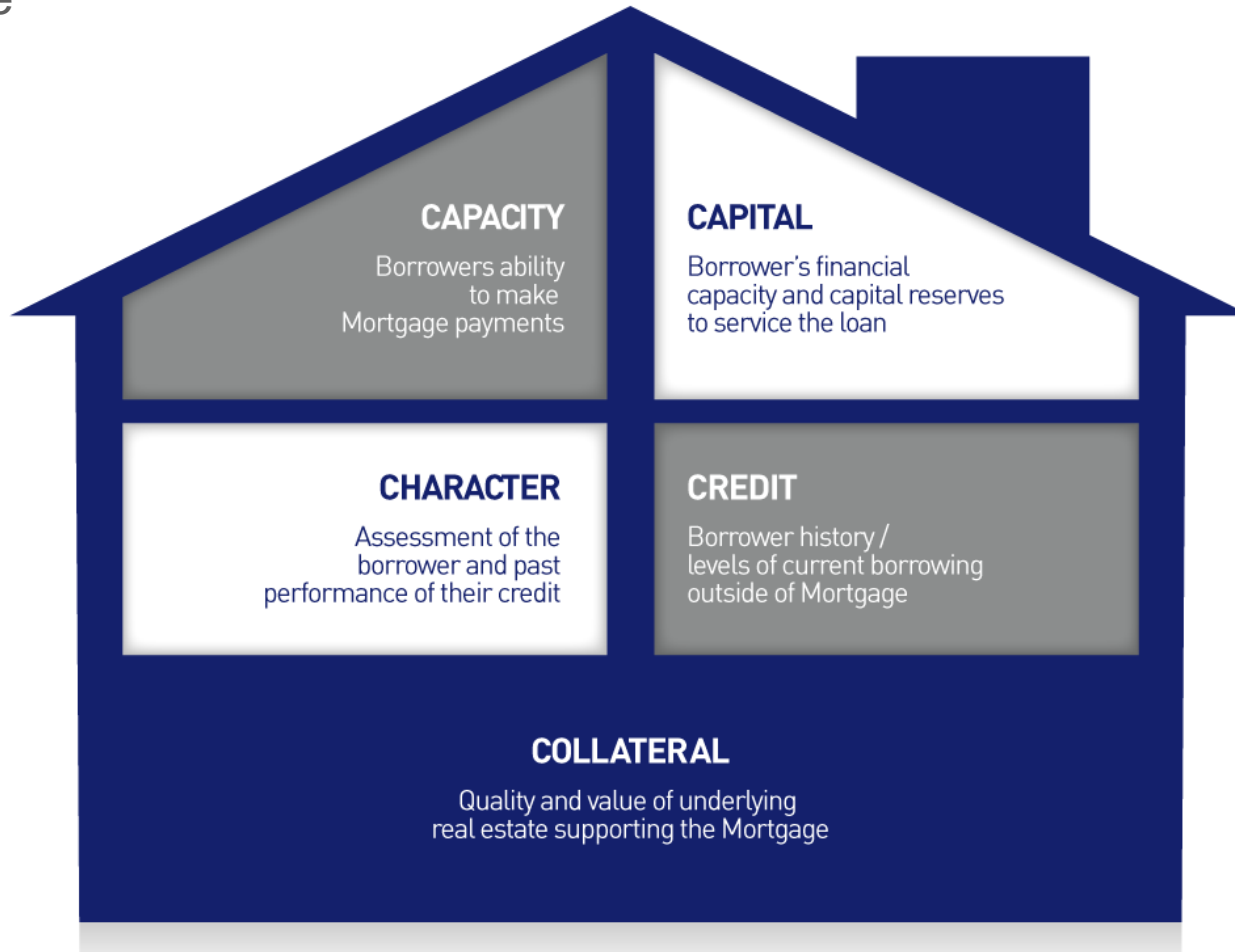
(2) Office of the Parliamentary Budget Officer, *Household Formation and the Housing Stock* – May 2017

Market Update – Regulatory Changes

- In April 2017, the Ontario government implemented a 15% foreign buyers tax, a vacancy tax and rent control.
- In January 2018, OSFI implemented new stress testing for uninsured mortgages at the greater of the BoC posted rate and the contract rate + 2.00%.
- In February 2018, the BC provincial government increased the foreign buyers tax from 15% to 20% and expanded the tax to cover more of the province. Furthermore, a 2% tax on vacant homes for non-BC residents was introduced.
- Canada's housing markets have been subject to ongoing regulatory change stemming back to 2008. The fundamentals noted below continue to support Canada's housing markets:
 - Continued demand for housing given population growth (immigration), urbanization trends, employment and low interest rates.
 - Supply constraints given time lags associated with identifying new trends and building accordingly, bureaucracy limiting new developments, land use constraints and regulatory changes.

MCAP Credit Discipline

- MCAP underwrites on a case-by-case assessment
- Underwriting is based on five C's with a primary focus on the underlying real estate



Experienced Manager

Brompton Group

- High standards of business and governance practices to protect investor interests
- Deep and experienced management team – senior executives average 20 years experience
- Managing investment funds since 2002
- \$2.0 billion in total assets; 13 TSX-listed funds

BROMPTON
GROUP

MCAP: A Leading Mortgage Lender



MCAP

- Originates, underwrites and services residential and commercial mortgages
- Manages approximately \$67 billion in mortgages on behalf of Banks, Lifeco's, Credit Unions and Institutional Investors
- Approximately \$54 billion in single family residential mortgages
- Annual mortgage originations of ~\$14 billion
- Over 700 professionals in 9 offices across Canada

Originating, underwriting & servicing mortgages for over 20 years