



Market Update - Much worse in the short run....better in the long run

April 8th 2020

The information herein does not constitute an offer to sell securities. Automation Finance is not an investment advisor. This document contains forward-looking projections based on historical performance. Historical performance is not a predictor of future performance. Future performance could differ significantly from past performance.

CONFIDENTIAL

Agenda:

1. Market Update
 - Residential Real Estate
 - Mortgage Market
2. Significant Opportunities Ahead: ~3 month lag
3. Company Update:
 - Team Update: Adding Senior Executives
 - Divesting Legal Project Management Business
4. Q&A



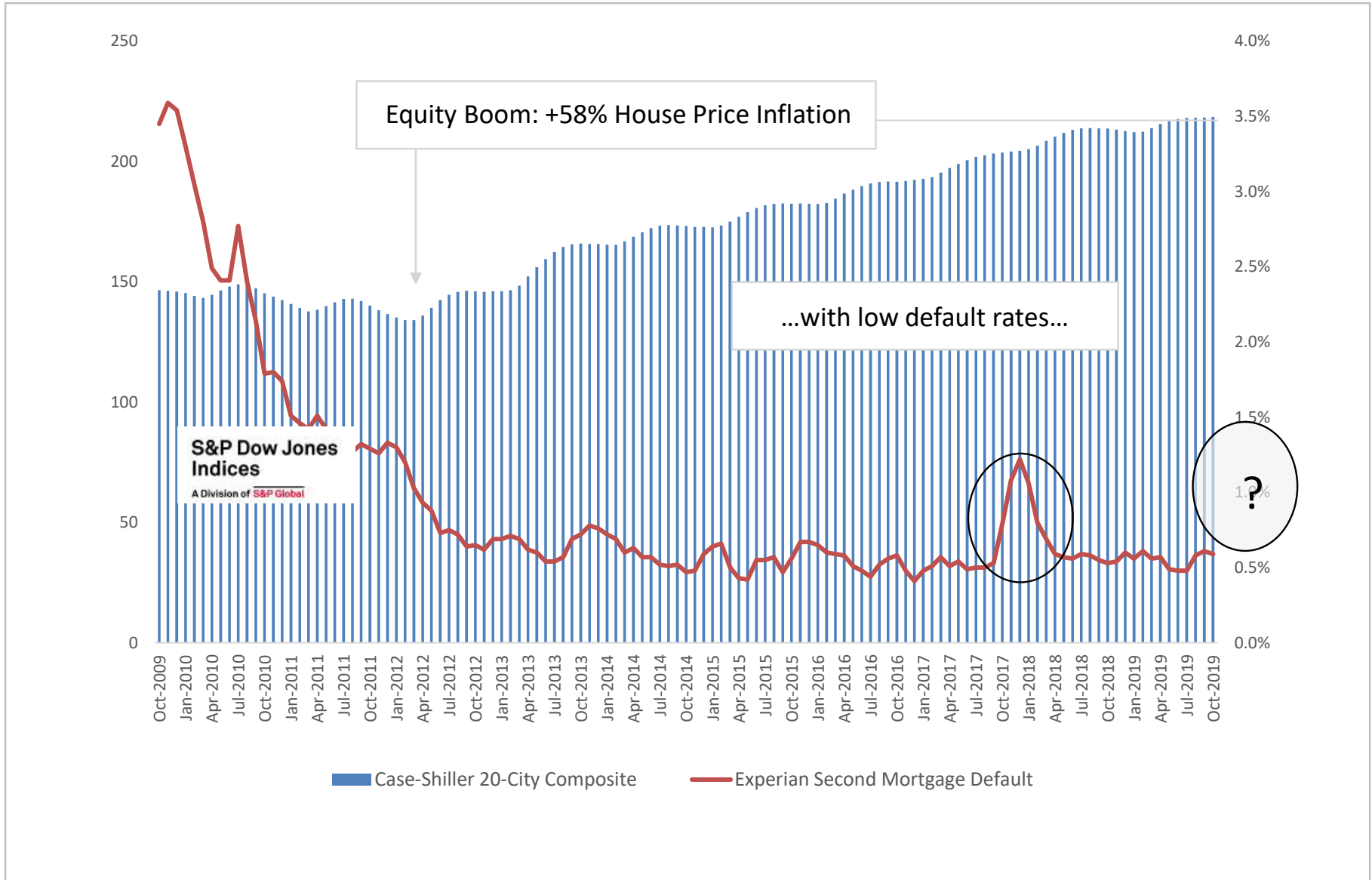
U.S. Case-Shiller Index



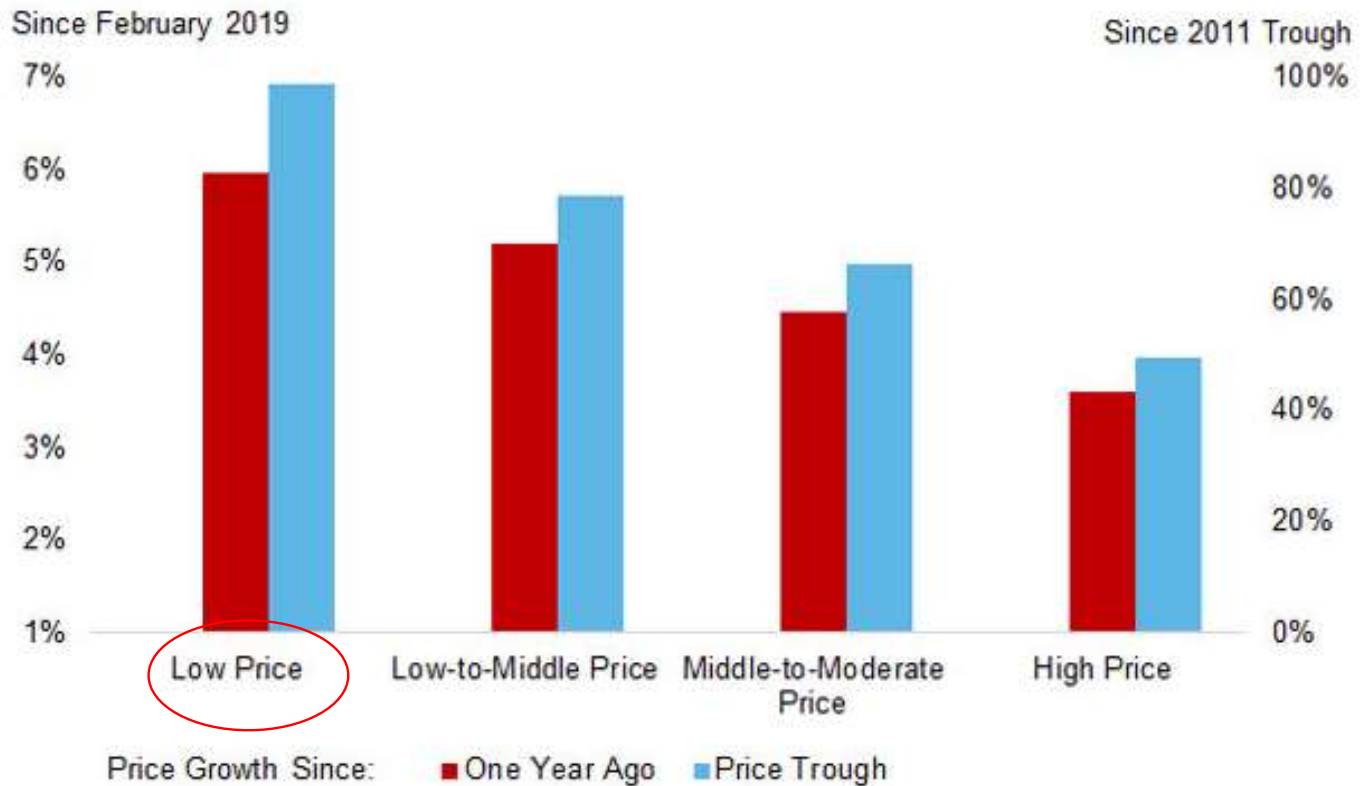
Mortgage Monitor



This is what the market looked like.....just 3 weeks ago...



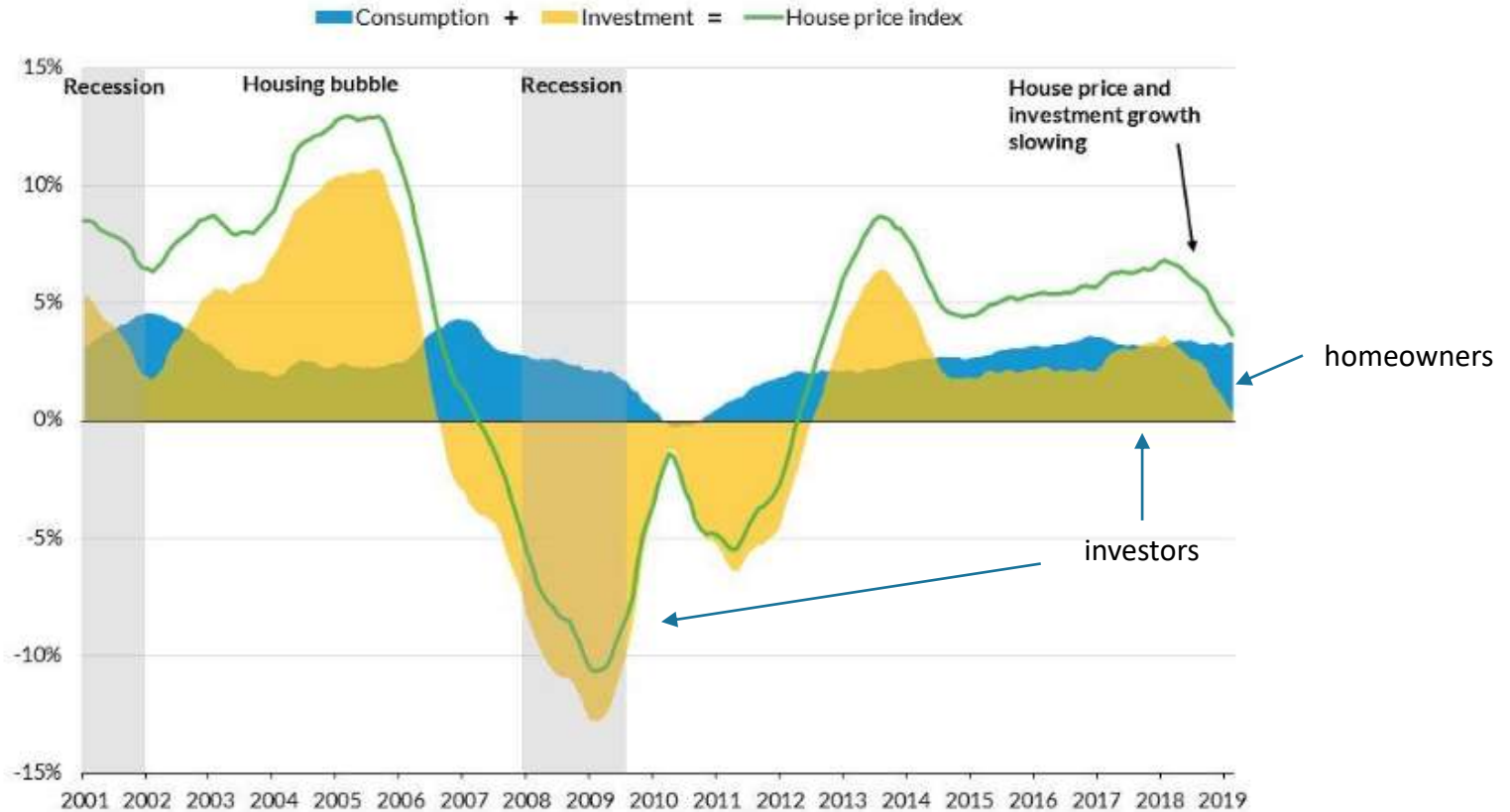
Low-value home prices have doubled since 2011



Source: CoreLogic HPI February 2020

©2020 CoreLogic, Inc. All rights reserved

Changes in the Consumption versus Investment Portion of the House Price Index



Source: Urban Institute calculations.

Notes: The "consumption" portion of the house price index (HPI) is the 12-month change in the owners' equivalent rent of residences (OER). The "investment" portion is the difference, or residual, between the 12-month change in the HPI and 12-month change in the OER.

URBAN INSTITUTE

U.S. - 35 million Low Quality Jobs at Risk

As of February 27, 2020



US Front Line "At-risk" Jobs During COVID-19 Crisis
Based on Job Quality Index ("JQI") Data

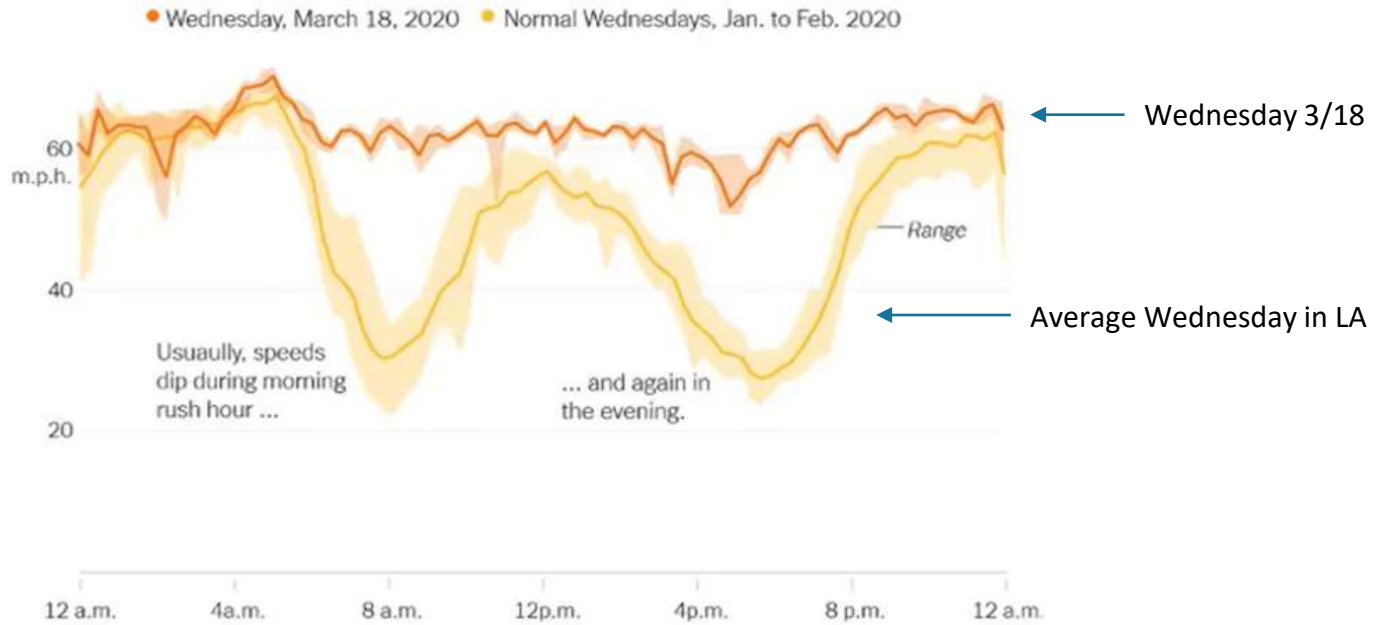
Low-wage/Low-hour Jobs Below the JQI Benchmark Weekly Average
Income of \$801.47 (as of January 2020)

	Thousands of Jobs		
Gasoline stations	798.00	Clothing stores	799.40
General merchandise stores	2,841.90	Shoe stores	143.90
Employment services	3,469.70	Jewelry, luggage, & leather goods stores	97.30
Business support services	749.90	Sporting goods & musical instrument stores	396.30
Travel arrangement & reservation services	178.60	Book stores & news dealers	68.40
Museums, historical sites, and similar institutions	137.40	Florists	49.30
Amusements, gambling, and recreation industries	1,567.80	Office supplies, stationery, & gift stores	183.40
Education	3,273.70	Used merchandise stores	152.70
Special food services	629.90	Other miscellaneous store retailers	289.50
Drinking places, alcoholic beverages	342.90	Lessors of real estate	481.10
Full-service restaurants	5,043.20	Offices of real estate agents and brokers	268.70
Limited-service restaurants	4,022.80	Performing arts companies	114.50
Cafeterias, grill buffets, and buffets	102.00	Spectator sports	124.50
Snack and nonalcoholic beverage bars	694.20	Agents, promoters & managers of arts, sports, & similar events	152.30
Membership associations & organizations	2,497.90	Traveler accommodation	1,726.20
Other motor vehicle dealers	132.70	RV parks and recreational camps	56.90
Auto parts, accessories, & tire stores	474.40	Auto repair & maintenance services	774.40
Furniture stores	184.30	Personal care services	631.60
Home furnishings stores	211.80	Drycleaning and laundry services	254.30
Building material and supplies dealers	959.40		
Lawn and garden equipment and supplies stores	129.50		
		TOTAL AT-RISK LOW QUALITY JOBS	35,206.70

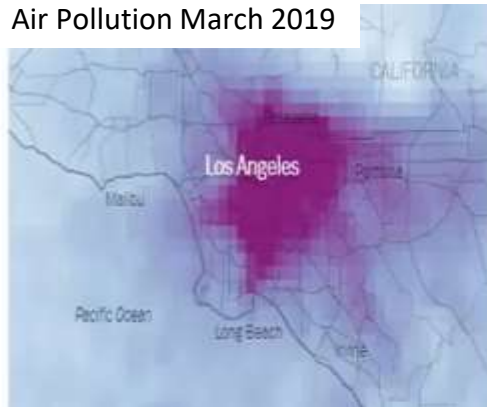
	Goldman	Bank of America	Morgan Stanley	JPMorgan	Barclays	DB	Avg	Min	Max
Q1	(6.0)	0.5	(2.4)	(4.0)	1.5	0.6	(1.6)	(6.0)	1.5
Q2	(24.0)	(12.0)	(30.1)	(14.0)	(7.0)	(12.9)	(16.7)	(30.1)	(7.0)
Q3	12.0	3.0	29.2	8.0	0.0	4.4	9.4	0.0	29.2
Q4	10.0	4.0	3.3	4.0	1.0	5.2	4.6	1.0	10.0
2020	(3.1)	(0.8)	(2.3)	(1.8)	(0.6)	(0.8)	(1.6)	(3.1)	(0.6)
Technical Recession	Yes	No	Yes	Yes	No	No	Yes		

"Our baseline forecast does not see GDP reverting to its pre-virus levels until late 2021 in the US and Europe," said Brian Coulton, Chief Economist"

Traffic speeds along Interstate 110 in Los Angeles were much faster than usual



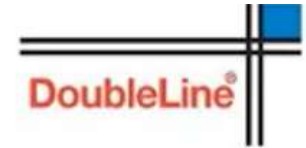
Air Pollution March 2019



Air Pollution March 2020



Bank of America: Aggregate Daily Spending by Major Categories (%YoY)



Time Series

	3/17	3/16	3/15	3/14	3/13	3/12	3/11	3/10	3/9	3/8	3/7	3/6	3/5
Airlines	-94%	-88%	-60%	-63%	-62%	-52%	-54%	-46%	-51%	-40%	-28%	-28%	-24%
Lodging	-124%	-112%	-48%	-71%	-62%	-49%	-37%	-25%	-30%	-8%	-14%	-16%	-24%
Cruises	-102%	-82%	-60%	-69%	-85%	-130%	-126%	-98%	-84%	-40%	-68%	-66%	-61%
Restaurants	-43%	-32%	-33%	-27%	-18%	-9%	-2%	-2%	2%	3%	0%	-1%	-1%
Entertainment	-67%	-95%	-70%	-79%	-72%	-56%	-32%	-32%	-24%	-26%	-22%	-26%	-22%
Transit	-38%	-56%	-42%	-43%	-16%	-31%	-4%	2%	-19%	-12%	-7%	-7%	-9%
Grocery	66%	93%	30%	59%	122%	105%	37%	20%	12%	9%	8%	10%	15%
General Merchandise	15%	37%	-4%	8%	60%	66%	30%	19%	15%	5%	5%	14%	11%
Health, Pers & Beauty stores	13%	30%	21%	20%	34%	29%	10%	7%	6%	8%	2%	2%	0%

Source: BAC internal data; Note: > 100% decline reflects refunds. We advise taking a moving average to decipher the underlying trend.

How travel changed between Feb. 28 ...

Travel fell dramatically in Seattle, from **3.8 miles...**



Mar. 27



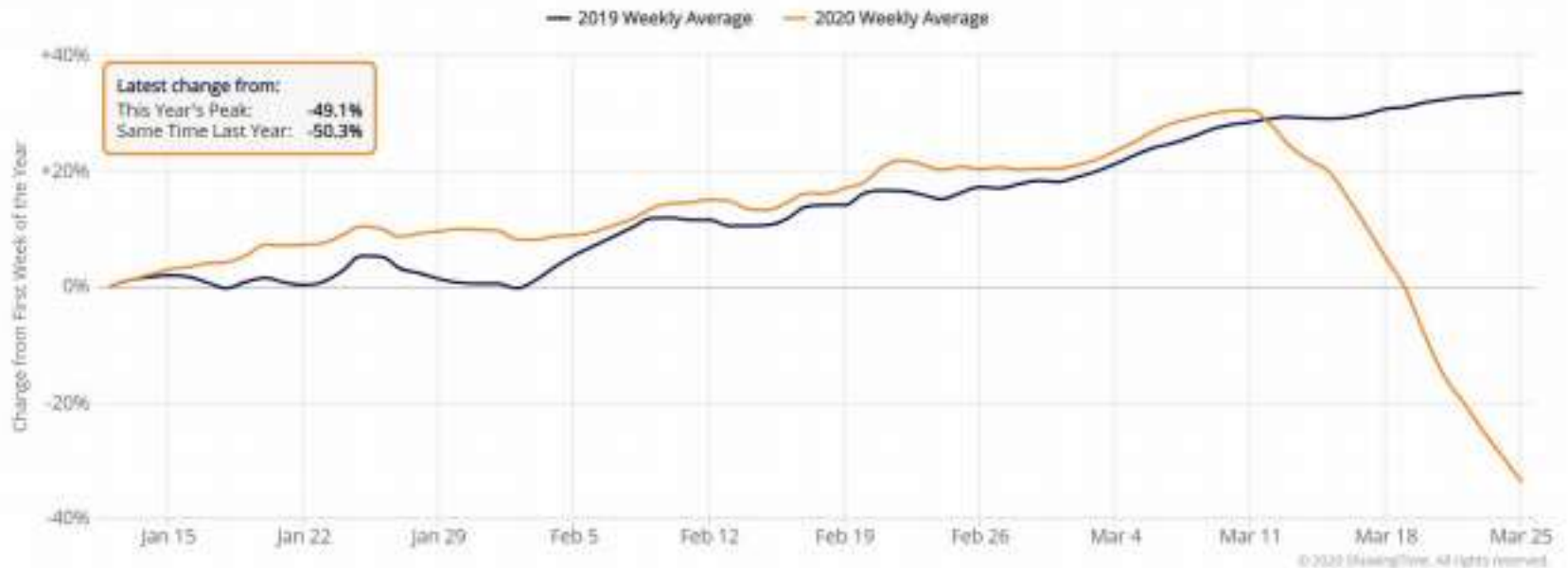
... and March 27

... to an average of **61 feet.**

The New York Times

Impact of COVID-19 to Real Estate Showings in North America

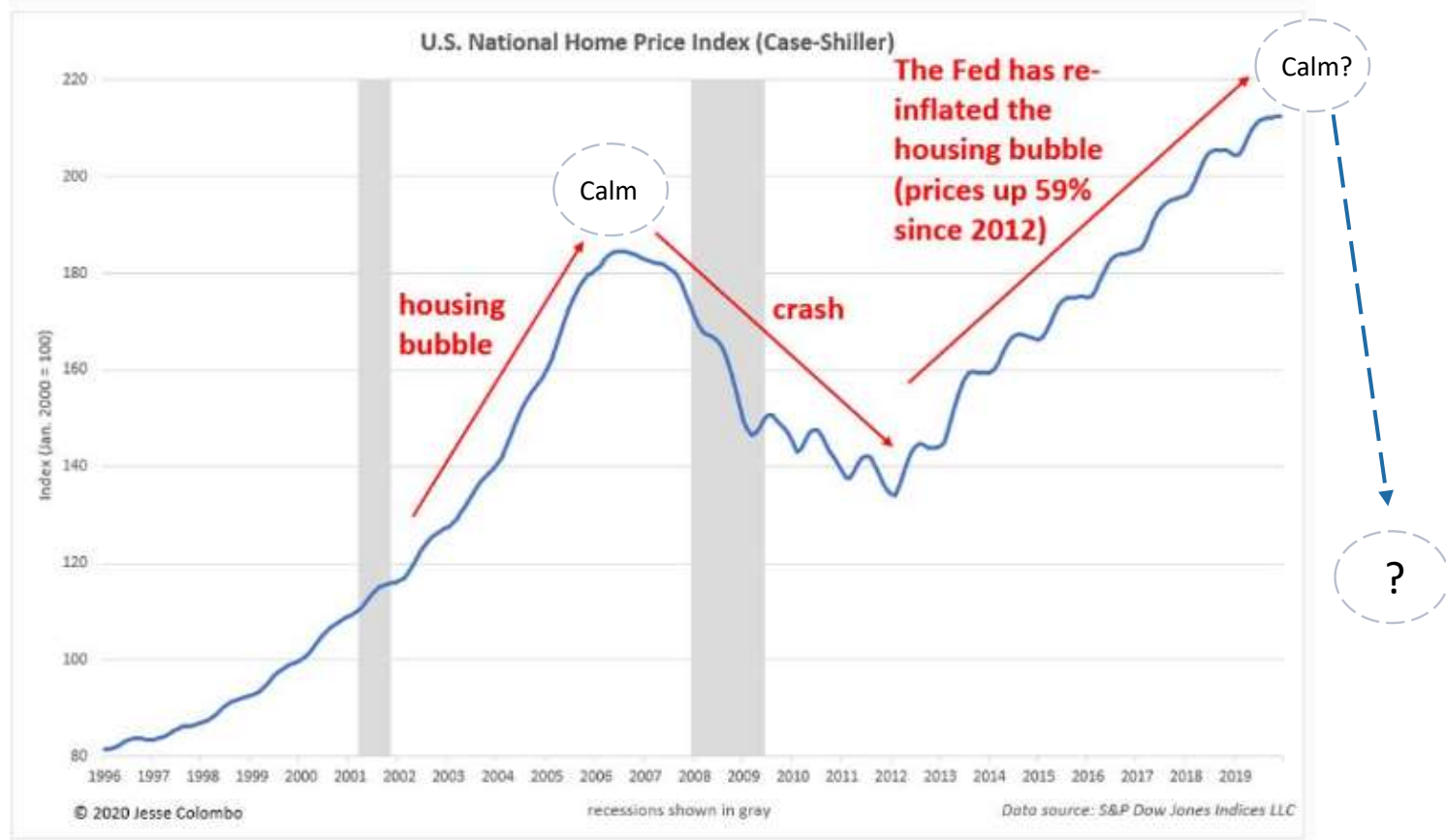
Weekly showings normalized to the first calendar week of January, 7-day moving average. Data through March 25, 2020



What if...?

- Home Sales Fall 30%: 500,000 missed transactions (8% of the projected annual total)
- New Listings: BlackKnight and Redfin report a 20% drop in new listings...

Could this set the stage for a significant fall in prices....

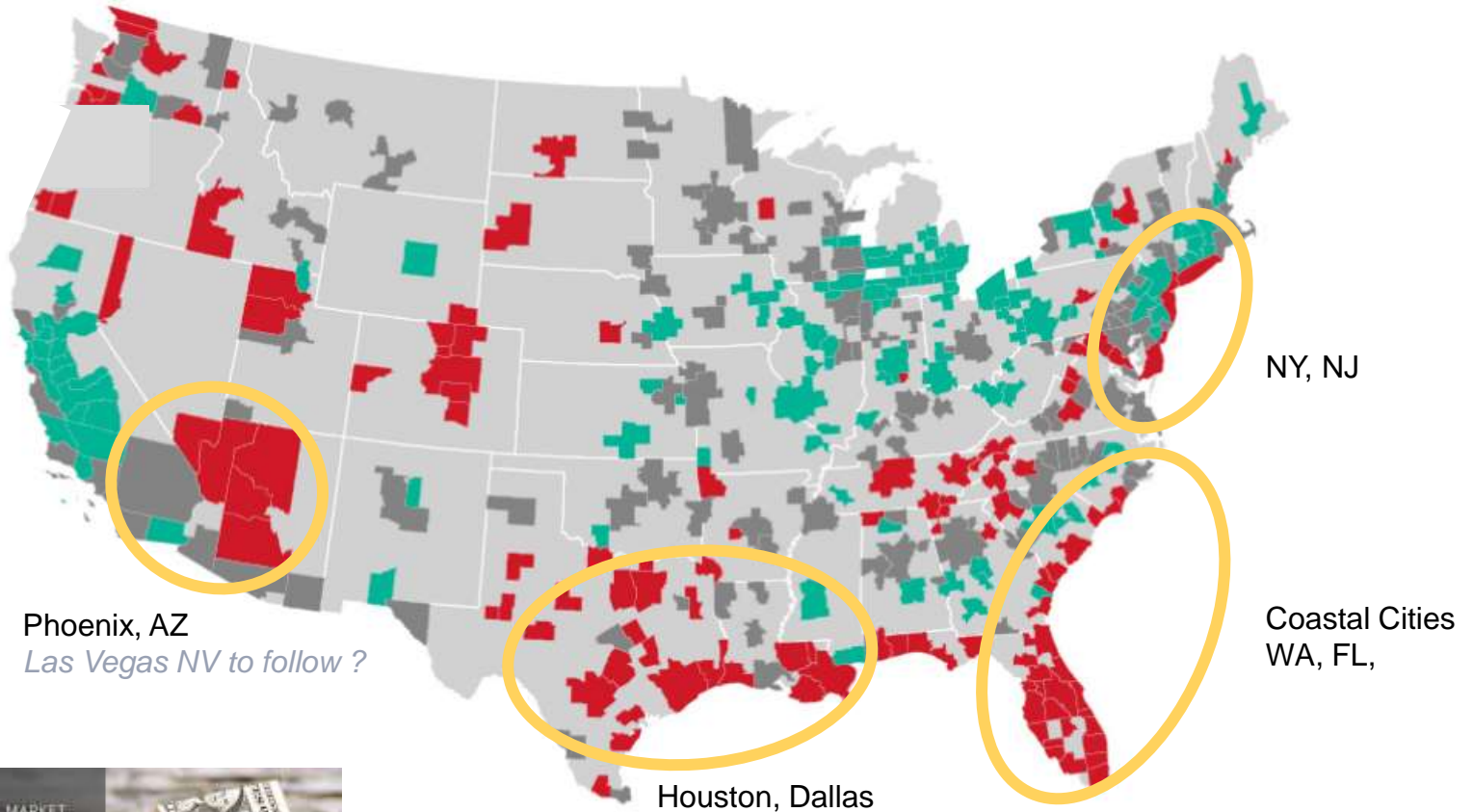


“If a large percentage -- let’s say 20-30% don’t have the ability to make a payment for six months, most servicers will not have the capital needed to cover those payments,”

Quicken C.E.O. Jay Farner

* Moody’s Chief Economist Mark Zandi (15M households)

Corelogic: 33% of US homes are overvalued....



CORELOGIC MARKET CONDITION INDICATORS

33%

of metropolitan areas have an overvalued housing market as of February 2020



Which Markets are stand to be most hard-hit?

Second Homes



Expensive N.E.



Oil Economies: TX, Tar Sands



Leisure: NV, FL



Housing: Low mortgage rates unlikely to offset demand headwinds

1. 2020 Selling Season faces significant challenges
 - Employment concerns – some businesses will not be re-opening
 - Pricing uncertainty – some markets are overvalued
2. Health concerns – risk of re-infection
3. Early signs of falling new listings – 20% fall in new listings on MLS
4. Financing Credit Tightening – many non-QM lenders have paused



This sets the Stage for margin calls increase distressed mortgage sales

Mortgage: Up to 30% of the US Mortgage Market likely to Enter Default...

<u>US Mortgage</u>	<u>Fannie/Freddie</u>	<u>FHA/VA</u>	<u>Non-Banks/Other</u>	<u>Private Security</u>	<u>Total</u>
Loan Count	27.9m	12.1m	10.4m	2.5m	52.9m
Market Share	53%	23%	20%	5%	
Treasury Backstop?	Yes	Yes	No	No	

What if? (every month)

5% Miss 1 payment	\$1.6Bn	\$0.5Bn	\$0.9Bn	\$0.2Bn	\$3.2Bn
10% Miss 1 payment	\$3.1Bn	\$1.1Bn	\$1.9Bn	\$0.3Bn	\$6.5Bn
20% Miss 1 payment	\$6.2Bn	\$2.2Bn	\$3.8Bn	\$0.7Bn	\$13.8Bn

Avg Monthly Payment	\$1,115	\$903	\$1,816	\$1,349	\$1,216
---------------------	---------	-------	---------	---------	---------

Most Smaller Loan Servicers Cannot Fund These Advances

The same is true for a very large minority of homeowners

The Median Household

- Income \$63,030
- Credit Card Debt \$6,849
- Total Savings: \$11,100
- **2-4 months to cash crisis (June)**



Likely Outcome

- Moody's predicts <15M defaults (30% of total)
- 10M jobless claims in Week 2 (10x pre-crisis)
- **July may be the point of no return....**

Mortgage: Bleak outlook for non-backstopped Loan Servicers and Investors

1. Most vulnerable borrowers, highest interest rates...least prepared
2. Smaller Servicers with weakest balance sheets...least able to sustain revenue loss
 - Servicer is paid “commission” on payments they collect
 - Must still pay the investor that owns the loan...whether borrower pays or not
3. Significant volume of Non-performing Mortgages will come to market
4. Significant risk that smaller servicers could close “FHFA – no non-bank too big to fail”
5. AF was lucky....95% in cash as the market declines; dry powder to put to work



The banner features the Automation Finance logo in the top left. A navigation menu in the top right includes 'Why AF', 'Insights', 'About Us', 'Contact Us', 'Investor Login', and an 'Invest Now' button. The main headline reads 'Earn up to 8% Return¹ Annually With Investments Backed By Real Estate Assets'. A background image shows a hand holding a tablet displaying a green line graph with an upward trend. Below the headline is a table with five columns: 'Asset Based Investment', 'Earn Up To 8%', 'Minimum \$250', 'Investors Paid First', and 'Dividends Paid Monthly'. At the bottom left is another 'Invest Now' button. In the center bottom is a 'QUALIFIED' seal. To the right of the seal is the text 'Qualified by United States Securities and Exchange Commission'. Further right is a call to action: 'Join a free webinar and market update hosted by Automation Finance. CEO Paul Birkett at 1pm ET, 8 April 2020. [Click here to register.](#)'

Asset Based Investment	Earn Up To 8%	Minimum \$250	Investors Paid First	Dividends Paid Monthly
----------------------------------	-------------------------	-------------------------	--------------------------------	----------------------------------

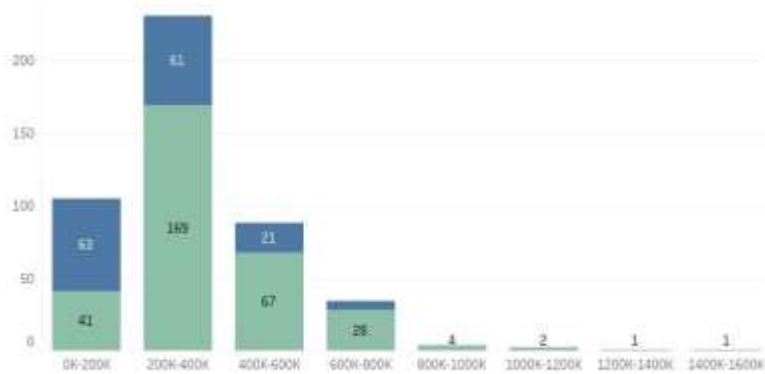
- Raising another crowd fund of up to \$50m to buy and rehabilitate distressed mortgages
- Open to everyone with \$250 to invest, qualified by the SEC....target return of 8%
- Historical returns of 21.5% no guide to the future

Second Significant Transaction in Due Diligence...

Symphony

Day of Charge-off	Number of Loans	Total UPB at Charge-Off	Avg. Total UPB at Charge-Off	FMV	Declined Value
31	480	\$37,726,238	\$78,596	\$206,296,703	Market Simulation

FMV | By Loan Count (* Green: Non_Judicial State; * Blue: Judicial State)



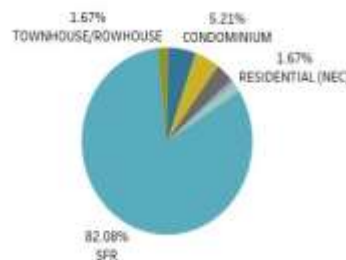
Property Location | By FMV



Property List (click arrow to open property URL)

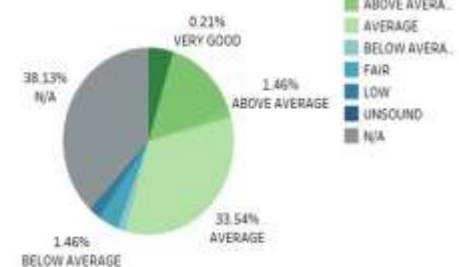
AF Loan ID	City	State	Property Type	Property Condition
AF00007	BRESHAM	OR	SFR	GOOD
AF00009	ALISO VIEJO	CA	CONDOMINIUM	N/A
AF00012	MOUNT BALDY	CA	SFR	AVERAGE
AF00013	WAIKAHU	HI	SFR	UNSOUND
AF00014	COSTA MESA	CA	CONDOMINIUM	N/A
AF00019	HIALEAH	FL	SFR	BELOW AVERAGE
AF00023	WHITTIER	CA	SFR	EXCELLENT
AF00024	PHILADELPHIA	PA	TOWNHOUSE	AVERAGE
AF00035	BELCAMP	MD	CONDOMINIUM	GOOD
AF00040	WOODBRIIDGE	VA	SFR	AVERAGE
AF00048	LAGUNA NISUEL	CA	SFR	N/A
AF00051	PALM BAY	FL	SFR	AVERAGE
AF00058	CRESTONE	CO	SFR	AVERAGE
AF00062	PRINCEVILLE	HI	N/A	N/A
AF00065	CHARLOTTE	NC	SFR	AVERAGE
AF00067	NORTHRIDGE	CA	PUD	FAIR

Property Type | By Loan Count



- APARTMENT
- CONDOMINIUM
- DUPLEX
- N/A
- PUD
- RESIDENTIAL (N)
- RURAL HOMESITE
- SFR
- TOWNHOUSE/R.

Property Condition | By Loan Count



- EXCELLENT
- VERY GOOD
- GOOD
- ABOVE AVERAGE
- AVERAGE
- BELOW AVERAGE
- FAIR
- LOW
- UNSOUND
- N/A

Two new senior leaders....more to follow



Paul Birkett
CEO
Managing
Partner



Kwang Lim
Partner



Albert Liwoso
Sr. Director
Product
Development &
Marketing

Team Members

- Managing Partner
- Partner
- Sr. Director, Marketing
- Director, Trading
- Director, Risk Analytics
- VP, Trading
- VP, Engineering
- Associates, Fund Performance

Prior Experience

Corporate GM, 2,000+ loans liquidated
20+ Banking experience, GS Strategy
American Express Marketing Analytics
Citadel Quant Trader
JPMorgan Chase Head of Risk Modelling
GS Mortgage Desk Quant
GS Investment Banking Lead Developer
E&Y Analyst, Hillside Advisor Analyst

Deep Financial Markets Experience Over The Past 2 Decades



JPMorganChase 



S&P Global
Ratings

Challenging times ahead....

- Unemployment will grow from 10% to 15%+
- Economy unlikely to re-open until new cases start to fall
- People will change how they live....we are not going back to normal (WFH etc)
- 2020 Home Sales volumes likely to be significantly below 2019
- Significant stress in the loan servicing market leading to consolidation
- Likely to see large volumes of loans coming to market by Q3 2020
- AF working to grow aggressively and adding new senior leadership to support that growth

Questions?