Financial Statements of

ALITIS PRIVATE REAL ESTATE LIMITED PARTNERSHIP

And Independent Auditors' Report thereon

Year ended December 31, 2021

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INDEPENDENT AUDITORS' REPORT

To the Partners of Alitis Private Real Estate Limited Partnership

Opinion

We have audited the accompanying financial statements of Alitis Private Real Estate Limited Partnership (the "Entity"), which comprise the statement of financial position as at December 31, 2021, and the statements of comprehensive income, changes in net assets attributable to holders of limited partnership units and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

Chartered Professional Accountants

Winnipeg, Canada

April 15, 2022

ALITIS PRIVATE REAL ESTATE LIMITED PARTNERSHIP

Statement of Financial Position

Year ended December 31, 2021, with comparative information for 2020

	2021	2020
Assets		
Investments	$ 24,644,272	$ 23,833,209
Cash	625,570	2,814,805
Interest and dividends receivable	400	838
	$ 25,270,242	$ 26,648,852
Liabilities		
Accounts payable and accrued liabilities	$ 36,508	$ 26,218
Management fees payable (note 5)	1,331	1,722
Performance fees payable (note 5)	280,451	353,458
	318,290	381,398
Net assets attributable to holders of limited partnership units	$ 24,951,952	$ 26,267,454
Net assets attributable to holders of limited partnership units per class:		
Class D	$ 23,765,127	$ 24,496,848
Class E	1,186,825	1,770,606
	$ 24,951,952	$ 26,267,454
Number of limited partnership units outstanding (note 6):		
Class D	1,386,661	1,679,915
Class E	72,881	126,356
Net assets attributable to holders of limited partnership units per unit:		
Class D	$ 17.14	$ 14.58
Class E	16.28	14.01

The accompanying notes form an integral part of these financial statements.

Approved on behalf of the Partnership,
Alitis Private Real Estate G.P. Ltd.

Signed by Cecil Baldry-White

ALITIS PRIVATE REAL ESTATE LIMITED PARTNERSHIP

Statement of Comprehensive Income

Year ended December 31, 2021, with comparative information for 2020

	2021	2020
Income:		
Investment income	$ 625,168	$ 281,821
Net change in fair value on financial assets at fair value through profit or loss:		
Net change in unrealized appreciation in value of investments	1,764	1,200,123
Net realized gain on sales of investments	3,953,248	2,397,352
	4,580,180	3,879,296
Expenses:		
Performance fees (note 5)	487,266	353,458
Operating costs	120,787	52,301
Audit fee	15,285	10,947
Management fees (note 5)	14,639	18,903
Commissions and other portfolio transaction costs	73	201
	638,050	435,810
Increase in net assets attributable to holders of limited partnership units	$ 3,942,130	$ 3,443,486
Increase in net assets attributable to holders of limited partnership units per class:		
Class D	$ 3,744,455	$ 3,226,894
Class E	197,675	216,592
	$ 3,942,130	$ 3,443,486
Increase in net assets attributable to holders of limited partnership units per unit:		
Class D	$ 2.57	$ 1.90
Class E	2.34	1.71

The accompanying notes form an integral part of these financial statements.

ALITIS PRIVATE REAL ESTATE LIMITED PARTNERSHIP

Statement of Changes in Net Assets Attributable to Holders of Limited Partnership Units

Year ended December 31, 2021, with comparative information for 2020

	2021	2020
Net assets attributable to holders of limited partnership units, beginning of year:		
Class D	$ 24,496,848	$ 22,096,031
Class E	1,770,606	1,579,014
	26,267,454	23,675,045
Increase in net assets attributable to holders of limited partnership units:		
Class D	3,744,455	3,226,894
Class E	197,675	216,592
	3,942,130	3,443,486
Capital transactions:		
Proceeds from limited partnership units issued:		
Class D	266,350	–
Class E	70,000	–
	336,350	–
Redemption of limited partnership units:		
Class D	(4,742,526)	(826,077)
Class E	(851,456)	(25,000)
	(5,593,982)	(851,077)
Net assets attributable to holders of limited partnership units, end of year:		
Class D	23,765,127	24,496,848
Class E	1,186,825	1,770,606
	$ 24,951,952	$ 26,267,454

The accompanying notes form an integral part of these financial statements.

ALITIS PRIVATE REAL ESTATE LIMITED PARTNERSHIP

Statement of Cash Flows

Year ended December 31, 2021, with comparative information for 2020

	2021	2020
Cash flow from (used in) operating activities:		
Increase in net assets attributable to holders of limited partnership units	$ 3,942,130	$ 3,443,486
Adjustments for non-cash items		
Net change in unrealized appreciation in value of investments	(1,764)	(1,200,123)
Net realized gain on sale of investments	(3,953,248)	(2,397,352)
Change in non-cash balances:		
Interest and dividends receivable	438	(838)
Accounts payable and accrued liabilities	10,290	(9,598)
Management fees payable	(391)	201
Performance fees payable	(73,007)	353,458
Loans payable	–	(5,358,814)
Proceeds from sale of investments	15,184,932	10,193,773
Purchase of investments	(12,040,983)	(2,963,575)
Net cash flow from operating activities	3,068,397	2,060,618
Cash flow from (used in) financing activities:		
Proceeds from issuances of limited partnership units	336,350	–
Amount paid on redemption of limited partnership units	(5,593,982)	(851,077)
Net cash flow used in financing activities	(5,257,632)	(851,077)
Increase (decrease) in cash during the year	(2,189,235)	1,209,541
Cash, beginning of year	2,814,805	1,605,264
Cash, end of year	$ 625,570	$ 2,814,805
Supplemental information*:		
Interest paid	$ –	$ 158
Interest received	625,207	281,722
Dividends received, net of withholding taxes	399	(739)

*Included as part of “cash flow from operating activities”.

The accompanying notes form an integral part of these financial statements.

ALITIS PRIVATE REAL ESTATE LIMITED PARTNERSHIP

Schedule of Investment Portfolio

December 31, 2021

Number of share/units/ par value	Investments owned	Average cost	Fair value	% of net assets
Canadian Real Estate:				
1,250,000	3080 Washington Development LP	$ 1,250,000	$ 1,329,794	5.33
1,150,000	Anthem 220 Bay Investments LP	1,109,884	1,323,408	5.30
914	Anthem 6075 Wilson Developments LP Series 2	–	210,551	0.84
1,000	Anthem Class A Investment LP	1,000,000	1,000,000	4.01
800	Anthem Georgetown One Investments LP	800,000	1,276,268	5.11
914	Anthem Metro Vancouver High-Rise Development Fund LP - Class B	914,000	914,000	3.66
12,000	Dream Impact Trust	52,260	73,800	0.30
4,800,000	Elliott Road Limited Partnership Class A	–	43,071	0.17
3,362,549	Government Road Limited Partnership Class A	378,695	1,982,223	7.95
3,000,000	Ironclad Developments Bridgewater Limited Partnership Class A-1	1,734,940	2,708,094	10.85
1,000,000	Ironclad Developments Costin & Carlow LP Class A-3	1,000,000	1,000,000	4.01
727,091	Ironclad Developments Main & Benn Limited Partnership Class A-1	727,091	1,016,140	4.07
3,000,000	Ironclad Developments Tenth Line Limited Partnership Class A-3	3,000,000	3,161,991	12.67
2,000,000	Kinnaird Konversion Limited Partnership - Class A	2,000,000	3,024,200	12.12
1,506,393	TC Evolution Limited Partnership Class A	2,606,060	3,498,597	14.02
256	The Mercury Block Limited Partnership Class C	2,082,135	2,082,135	8.35
Total investments owned		18,655,065	24,644,272	98.76
Commissions and other portfolio transaction costs		(207)	–	–
Net investments owned		$ 18,654,858	24,644,272	98.76
Other net assets			307,680	1.24
Net assets attributable to holders of limited partnership units			$ 24,951,952	100.00

The accompanying notes form an integral part of these financial statements.

1. Partnership organization and nature of operations:

Alitis Private Real Estate Limited Partnership (the “Partnership”) is a limited partnership formed under the laws of the Province of British Columbia pursuant to a limited partnership agreement dated April 18, 2017 and amended on May 10, 2017 and March 31, 2018. Alitis Investment Counsel Inc., a corporation incorporated under laws of British Columbia, is the manager and portfolio advisor of the Partnership (the “Manager” and “Portfolio Advisor”). Alitis Private Real Estate G.P. Ltd. (“General Partner” or “GP”), wholly-owned subsidiary of the Manager is the General Partner of the Partnership. The General Partner was incorporated by the Manager solely to act as GP of the Partnership in accordance with the *Partnership Act (British Columbia).* The Partnership commenced active operations on May 11, 2017.

The address of the Partnership’s registered office is c/o Alitis Investment Counsel Inc. 909 Island Hwy, Suite 101, Campbell River, British Columbia, V9W 2C2.

The investment objective of the Partnership is to generate a moderate level of income and a high level of capital appreciation over the long-term. The Partnership will generally invest in underlying limited partnerships, funds and pooled products rather than individual equity securities; however, the Partnership is not restricted from holding individual equity securities. The Manager seeks to gain exposure to a diversified range of real estate types, geographic regions and management expertise.

The success of the Partnership depends on the continued services of the Manager and will be influenced by a number of risk factors associated with investments in private limited partnership and other financial instruments and the use of leverage, including derivative hedge risk, market liquidity, short sales, portfolio turnover, foreign currency exposure, foreign market exposure, and interest rate fluctuations.

2. Basis of presentation:

(a) Basis of accounting:

These annual financial statements have been prepared in compliance with International Financial Reporting Standards (IFRS). The Partnership reports under this basis of accounting as required by Canadian Securities Legislation and the Canadian Accounting Standards Board.

The policies applied in these financial statements are based on IFRS issued and outstanding as of April 15, 2022, which is the date on which the financial statements were authorized for issue by the General Partner.

2. Basis of presentation (continued):

(b) Basis of measurement:

These financial statements have been prepared on the historical cost basis except for financial instruments at fair value through profit or loss, which are measured at fair value.

(c) Functional and presentation currency:

These financial statements are presented in Canadian dollars, which is the Partnership's functional currency.

3. Significant accounting policies:

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(a) Financial instruments:

(i) Classification and measurement:

Financial assets are required to be classified into one of the following categories: fair value through profit or loss (FVTPL), amortized cost or fair value through other comprehensive income (FVOCI) based on the entity's business model for managing financial assets and the contractual cash flow characteristics of the financial assets. Financial liabilities are measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is derivative or it is designated as such on initial recognition.

Assessment and decision on the business model approach used is an accounting judgement.

All financial instruments are measured at fair value on initial recognition. Measurement in subsequent periods depends on the classification of the financial instrument. Transaction costs are included in the initial carrying amount of financial instruments except for financial instruments classified as FVTPL, in which case transaction costs are expensed as incurred.

Financial instruments at FVTPL are recognized initially on the trade date, which is the date on which the Partnership becomes a party to the contractual provisions of the instrument. Other financial assets and financial liabilities are recognized on the date on which they are originated. The Partnership derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

3. Significant accounting policies (continued):

Financial assets and liabilities are offset and the net amount presented in the statement of financial position only when the Partnership has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. At December 31, 2021 and 2020, no amounts have been offset in the statement of financial position.

(ii) FVTPL:

Financial instruments classified as FVTPL are subsequently measured at fair value at each reporting period with changes in fair value recognized in the statement of comprehensive income in the year in which they occur. The Partnership has classified its investments, derivative financial assets and derivative financial liabilities as FVTPL.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of financial assets and liabilities traded in active markets (such as publicly traded derivatives and marketable securities) are based on quoted market prices at the close of trading on the reporting date. The Partnership uses the last traded market price for both financial assets and financial liabilities where the last traded price falls within that day's bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, the Manager determines the point within the bid-ask spread that is most representative of fair value based on the specific facts and circumstances. The Partnership's policy is to recognize transfers into and out of the fair value hierarchy levels as of the date of the event or change in circumstances giving rise to the transfer.

The fair value of financial assets and liabilities that are not traded in an active market, including derivative instruments, is determined using valuation techniques. Valuation techniques also include the use of comparable recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants and which make the maximum use of observable inputs. Should the value of the financial asset or liability, in the opinion of the Manager, be inaccurate, unreliable or not readily available, the fair value is estimated on the basis of the most recently reported information of a similar financial asset or liability. These valuation techniques require assumptions that are based on market conditions existing at each statement of financial position date.

Investments in private companies and other assets for which no published market exists are initially valued at cost and adjusted each reporting period, when appropriate, to reflect the most recent value at which such securities have been exchanged in an arm's length transaction which approximates a trade effected in a published market, unless a different fair market value is otherwise determined to be appropriate by the Manager.

3. Significant accounting policies (continued):

The Partnership will generally invest in underlying limited partnerships, funds and pooled products rather than individual securities; however, the Partnership is not restricted from holding individual securities. The Manager seeks to gain exposure to a diversified range of real estate types, geographic regions and management expertise, all as considered appropriate by the Manager. Unit values for each Class of Units are derived from the collective value of all of the Partnership's net assets, including underlying investments which own real property. Unlike marketable securities such as common stock and bonds, whose fair value is determined based on a stock exchange or other secondary market, valuation of real property assets are estimates. Actual proceeds on eventual disposition of real property could be greater or lesser than its estimated value.

The Partnership's accounting policies for measuring the fair value of investments are consistent with those used for measuring its net asset value (Trading NAV) for transactions with partners.

(iii) Amortized cost:

Financial instruments classified as amortized cost include financial assets that are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest and financial liabilities not classified as FVTPL. Such financial assets and liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent measurement of these financial assets and financial liabilities is at amortized cost using the effective interest method, less any impairment losses. Interest income is recognized by applying the effective interest rate. The Partnership classifies cash, interest and dividends receivable, accounts payable and accrued liabilities, management fees payable and performance fees payable, as amortized cost. Cash includes cash on deposit with the custodian.

The effective interest method is a method of calculating the amortized cost of a financial asset or liability and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(iv) Impairment:

For financial assets measured at amortized cost, the Partnership uses an expected credit loss (ECL) impairment model. The ECL model uses an allowance for expected credit losses being recorded regardless of whether or not there has been an actual loss event.

3. Significant accounting policies (continued):

The Partnership measures the loss allowance at an amount equal to lifetime ECL for trade and other receivables. Lifetime ECL's are the ECL's that result from all possible default events over the expected life of the trade and other receivables. ECL's are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (that being the difference between the cash flows due to the Partnership in accordance with the contract and the cash flows that the Partnership expects to receive). ECL's are discounted at the effective interest rate of the financial asset.

(v) Limited partnership units:

The Partnership classifies financial instruments issued as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instrument. The Partnership has multiple class of limited partnership units that do not have identical features, therefore the limited partnership units do not qualify as equity under International Accounting Standard (IAS) 32, *Financial Instruments, Presentation*.

(b) Fair value measurements:

The Partnership classifies fair value measurements within a hierarchy which gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3). Investments measured at fair value are classified into one of three fair value hierarchy levels, based on the lowest level input that is significant to the fair value measurement in its entirety. The inputs or methodologies used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. The Partnership recognizes transfers between levels of the fair value hierarchy as at the end of the reporting period during which the change has occurred.

The three fair value hierarchy levels are as follows:

Level 1: Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly including inputs in markets that are not considered to be active.

Level 3: Inputs for the asset or liability that are not based on observable market data.

Refer to note 9 for fair value measurements analysis.

3. Significant accounting policies (continued):

(c) Investment transactions and revenue recognition:

Investment transactions are accounted for on the trade date. Interest income is accrued daily and dividend income is recognized on the ex-dividend date. Realized gains and losses from investment transactions are calculated on an average cost basis.

The interest for distribution purposes shown in the statement of comprehensive income represents the coupon interest received by the Partnership and is accounted for on an accrual basis.

Realized gain/loss on sale of investments and unrealized appreciation/depreciation in investments are determined on an average cost basis. Average cost does not include amortization of premiums or discounts on fixed income securities with the exception of zero coupon bonds which are amortized on a straight line basis.

(d) Income tax:

These financial statements include the assets and liabilities and results of operations of the Partnership and do not include the assets, liabilities, revenue and expenses of the limited partners. Income taxes are not payable at the Partnership level and, accordingly, no provision is recorded in these financial statements.

Each limited partner will generally be required to include, in computing his or her income or loss for tax purposes for a taxation year, his or her share of the income or loss (including taxable capital gains or allowable capital losses) allocated to such limited partner for each fiscal year of the Partnership.

(e) Translation of foreign currency:

Transactions in currencies other than the Canadian dollar are translated at the rate of exchange prevailing at the transaction date. Assets and liabilities denominated in currencies other than the Canadian dollar are translated at the applicable exchange rates prevailing at the reporting date. Foreign exchange gains are presented as net realized gain on foreign exchange in the statement of comprehensive income except those arising from financial instruments at fair value through profit or loss which are recognized as a component within net realized gain on sale of investments, including foreign exchange adjustments and net change in unrealized appreciation in value of investments in the statement of comprehensive income.

3. Significant accounting policies (continued):

(f) Net assets attributable to holders of limited partnership units per unit:

The net assets attributable to holders of limited partnership units per unit is calculated by dividing the net assets attributable to holders of limited partnership units of a particular class of units by the total number of units of that particular class outstanding at the end of the year.

(g) Increase in net assets attributable to holders of limited partnership units per unit:

Increase in net assets attributable to holders of limited partnership units per unit is based on the increase in net assets attributable to holders of limited partnership units attributed to each class of units, divided by the weighted average number of units outstanding of that class during the year. Refer to note 12 for the calculation.

(h) Investment entity:

The Partnership has determined that it is an investment entity as defined by IFRS 10, *Consolidated Financial Statements and the Amendments to IFRS 10*, as the following conditions exist:

(i) The Partnership has obtained funds from one or more investors for the purpose of providing those investors with investment management services;

(ii) The Partnership has committed to its investors that its business purpose is to invest funds solely for returns from capital appreciation and investment income; and

(iii) The Partnership measures and evaluates the performance of substantially all of its investments on a fair value basis.

As an investment entity, the Partnership is exempted from consolidating particular subsidiaries and instead is required to measure its investments in these particular subsidiaries at fair value through profit and loss.

4. Critical accounting estimates and judgments:

The preparation of financial statements in accordance with IFRS requires management to use accounting estimates. It also requires management to exercise its judgment in the process of applying the Partnership's accounting policies. Estimates are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results could differ from those estimates.

The COVID-19 pandemic has created uncertainty in the general economy and the duration and full scope of the economic impact is unknown. This has led to increased uncertainties in the estimates and assumptions used by the Partnership in preparing the financial statements.

The following discusses the most significant accounting judgments and estimates that the Partnership has made in preparing the financial statements:

Classification and measurement of investments and application of the fair value option:

In classifying and measuring financial instruments held by the Partnership, the Manager is required to make significant judgments about whether or not the business of the Partnership is to manage its portfolio of investments and evaluate performance on a fair value basis and that the portfolio of investments is neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets. The most significant judgments made include assessing and determining the appropriate business model that enables the decision that the Partnership's investments are classified as FVTPL under IFRS 9.

Fair value measurement of investments not quoted in an active market:

The Partnership may, from time to time, hold financial instruments that are not quoted in active markets, such as unlisted securities, private securities or derivatives. The valuation methods for these financial instruments are described in note 3(a)(ii). The values of these securities are independently assessed by the Manager to ensure they are reasonable. However, because of the inherent uncertainty of valuation, the estimated fair value for these securities may be materially different from the values that would have been used had a ready market for the investment existed. The fair values of private securities are affected by the perceived credit risks of the issuer, predictability of cash flows and the length of time to maturity. Valuation models use observable data, to the extent practicable. However, areas such as credits risk (both own and counterparty); volatilities and correlations require the Manager to make estimates. Changes in assumption about these factors could affect the reporting of fair values of financial instruments.

5. Related party transactions:

Related party transactions are incurred for management and incentive allocations. Balances are unsecured, interest free and to be settled in cash.

Management fees:

The Partnership pays the Manager a monthly management fee equal to 1/12th of 1.10 percent of the Net Asset Value of the class E units and 1/12th of 1.00 percent of the Net Asset Value of the class F units. The management fee is calculated and accrued monthly, in arrears, on the last Friday of each month, or preceding business day if the last Friday of the month is a holiday, based on each Partnership's Net Asset Value on such day and is paid on the last redemption date of each month, plus applicable taxes. Management fees in respect of the class D units of the Partnership are charged to each individual account by the manager.

For the year ended December 31, 2021, management fees of $14,639 (2020 - $18,903) were incurred by the Partnership and $1,331 (2020 - $1,722) was payable at December 31, 2021.

Performance fees:

The Manager also receives a performance fee from each class of limited partnership units of the Partnership. Performance fees accrue monthly and are paid quarterly, as well as on redemption of a limited partnership unit. Upon the redemption of units of a particular class, the accrued portion of the Performance Fee allocated to the redeemed units will be payable by the Partnership. Performance fees are calculated as a 20.0 percentage of any gain on units over a specific hurdle rate being 9 percent of the class D units, 8 percent of the class E units, and 8 percent of the class F units, plus applicable taxes.

The gain on units is calculated as the difference between the Net Asset Value prior to the performance fee on each class and limited partner equity in the class. Limited partner equity is calculated by taking the net asset value of the class on the last day a performance fee was paid on that class, plus the value of all contributions made in that class since a performance fee was paid and subtracting the pro rata share of equity on every redemption of units in the class. The hurdle amount is calculated on the limited partner equity, on an annualized basis, and subtracted from the gain as defined above. A percentage of the positive difference in gain, calculated using the appropriate performance fee hurdle rate shown in the table above is accrued to the Manager, plus applicable taxes.

For the year ended December 31, 2021, performance fees of $487,266 (2020 - $353,458) were incurred by the Partnership and $280,451 (2020 - $353,458) was payable at December 31, 2021.

5. Related party transactions (continued):

Expenses:

The General Partner is entitled to be reimbursed by the Partnership for all costs actually incurred in the performance of its duties under the Limited Partnership Agreement, including legal and accounting costs relating to the Partnership, a proportionate share of the costs of maintenance of the General Partner's corporate existence, and all other costs directly incurred for the benefit of the Partnership and including such portion of the indirect and general and administrative costs of the General Partner as is reasonably allocable to the services rendered by the General Partner under the Limited Partnership Agreement.

Related party holdings:

Directors of the Partnership and employees of the Manager held 5,511 (2020 - 7,476) limited partnership units in the Partnership.

6. Net assets attributable to holders of limited partnership units:

The Partnership is authorized to issue an unlimited number of limited partnership units, issuable in an unlimited number of classes, each of which represents an equal, undivided, beneficial interest in the net assets attributable to holders of limited partnership units of the Partnership. The Partnership currently offers class D, class E and class F limited partnership units. Each limited partnership unit of each class entitles the holder to vote, with one vote for each unit and to participate equally with respect to any and all distributions made by the Partnership. Limited partnership units of a class may be consolidated and/or subdivided by the Manager.

As of March 31 in the calendar year following the calendar year in which notice occurs, or such other date as determined from time to time by the General Partner, the Partnership will redeem Units subject to availability of sufficient funds. The redemption proceeds will be equal to the Net Asset Value per unit of such Units being redeemed on the redemption date. Unless the General Partner determines otherwise, in its sole discretion, the number of Units which will be redeemed on any one Redemption Date will not exceed 10 percent of the number of Units issued and outstanding.

6. Net assets attributable to holders of limited partnership units (continued):

The limited partnership unit activity during the years ended December 31, 2021 and 2020 is as follows:

	2021	2020
Limited partnership units, beginning of year:		
Class D	1,679,915	1,744,028
Class E	126,356	128,360
Limited partnership units issued:		
Class D	17,432	–
Class E	4,722	–
Limited partnership units redeemed:		
Class D	(310,686)	(64,113)
Class E	(58,197)	(2,004)
Limited partnership units, end of year:		
Class D	1,386,661	1,679,915
Class E	72,881	126,356

Capital disclosure:

The capital of the Partnership is represented by issued limited partnership units. The limited partnership units are entitled to distributions, if any, and to payment of a proportionate share based on the Partnership's Net Asset Value per unit upon redemption or dissolution unless the General Partner considers it appropriate and equitable to make a distribution on an alternative basis. Redemptions of Units require a one-year notice from the limited partner with redemptions only occurring on March 31 each year. Any limited partner delivering a redemption notice must retain a minimum number of units having an aggregate value of $25,000 or more, otherwise the redemption notice shall be for the redemption of all such limited partner units. The relevant movements are shown on the statement of changes in financial position. In accordance with its investment objectives and strategies, and the risk management practices outlined in note 8, the Partnership endeavours to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemptions, such liquidity being augmented by short-term borrowings or disposal of investments where necessary.

7. Limited partners' entitlement:

Allocation of income and loss:

Income and loss for taxation purposes, dividends and taxable capital gains, as well as allowable losses, of the Partnership in each fiscal year will be allocated to the Limited Partners and General Partner. The taxable income or tax loss, as the case may be, for tax purposes of the Partnership for a given fiscal year of the Partnership will be allocated 100 percent to the Limited Partners, as a group, and the allocation to each Limited Partner will be made in such manner as the General Partner considers appropriate and equitable.

Distribution:

The Limited Partnership Agreement defines "distributable cash" as an amount generated by the Limited Partners, including all amounts otherwise payable to the Limited Partners (if any) as determined by the General Partner to be available for distribution to Limited Partners and not required for working capital of the Limited Partners or to pay debt service (including the amount of principal and interest of any amount lent to the Limited Partners by affiliated entities of the Limited Partners), capital expenditures or other costs or expenses (including operating expenses or fees payable under the management agreement) incurred by or on behalf of the Limited Partners or payable by the Limited Partners in connection with its business. For greater clarity the Limited Partnership does not intend to pay a regular distribution. The Partnership's taxable income (or tax loss) for the given fiscal year will be calculated annually and allocated to each Limited Partner in a such a manner that the General Partner considers appropriate and equitable.

Distribution reinvestment plan (DRIP):

Limited Partners may elect in writing, in a form prepared by the General Partner, to have all of the cash distributions to which it is entitled to receive as distributable cash reinvested in additional limited partnership units pursuant to the DRIP established by the General Partner from time to time. This election may be cancelled by a Limited Partner by providing written notice to the General Partner. The General Partner may amend, suspend and/or cancel the DRIP at any time in its sole discretion.

8. Financial instruments risk:

Management of financial instrument risks:

The Partnership's activities expose it to a variety of financial risks: interest rate risk, foreign currency risk, price risk, credit risk, liquidity risk and capital risk. An investment in the Partnership is speculative and involves a high degree of risk due to the nature of the portfolio of investments and the strategies employed.

There can be no assurance that the investment objectives of the Partnership will be achieved. Use of short sales may create special risks and substantially increase the impact of adverse price movements on the portfolio of investments.

Asset allocation is determined by the Manager who manages the distribution of the assets to achieve the investment objectives. Divergence from target asset allocations and the composition of the portfolio is monitored by the Manager.

The nature and extent of the financial instruments outstanding at the reporting date and the risk management policies employed by the Partnership are discussed below.

Interest rate risk:

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or fair values of financial instruments.

Interest rate risk arises when the Partnership invests in interest-bearing financial instruments. The Partnership is exposed to the risk that the value of such financial instruments will fluctuate due to changes in the prevailing levels of market interest rates. There is minimal sensitivity to interest rate fluctuations on any cash and cash equivalents invested at short-term market interest rates.

As at December 31, 2021 and 2020, the Partnership had no exposure to interest rate risk.

Price risk:

As at December 31, 2021, 0.3 percent (2020 - 0.8 percent) of the Partnership's net assets attributable to holders of limited partnership units were invested in securities traded on North American stock exchanges. If security prices on the North American stock exchanges had increased or decreased by 10 percent as at the year end, with all other factors remaining constant, net assets attributable to holders of limited partnership units could possibly have increased or decreased by approximately $7,000 (2020 - $21,000) respectively. In practice, the actual results may differ from this sensitivity analysis and the difference could be material.

8. Financial instruments risk (continued):

Foreign currency risk:

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

Currency risk arises from financial instruments (including cash and cash equivalents) that are denominated in a currency other than Canadian dollars, which represents the functional currency of the Partnership. The Partnership may enter into foreign exchange future or forward contracts for hedging purposes to reduce its foreign currency exposure, or to establish exposure to foreign currencies.

The Partnership may invest in financial instruments denominated in currencies other than its measurement currency. Consequently, the Partnership is exposed to risks that the exchange rate of its currency relative to other currencies may change in a manner that has an adverse effect on the value of the portion of the Partnership's assets or liabilities denominated in currencies other than Canadian dollars.

As at December 31, 2021 and 2020, the Partnership had no exposure to currency risk.

Credit risk:

Credit risk is the risk that the counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Partnership.

Where the Partnership invests in debt instruments and derivatives, this represents the main concentration of credit risk. The fair value of debt instruments and derivatives includes consideration of the credit worthiness of the issuer, and accordingly, represents the maximum credit risk exposure of the Partnership.

All transactions executed by the Partnership in listed securities are settled/paid for upon delivery using approved brokers. The risk of default is considered minimal, as delivery of securities sold is only made once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker. The trade will fail if either party fails to meet its obligation.

As at December 31, 2021 and 2020, the Partnership had no significant investments directly in debt instruments and/or derivatives.

The Partnership is indirectly exposed to the risk from the investments held by the Underlying Funds in debt instruments and/or derivatives where there is a concentration of credit risk that may arise.

8. Financial instruments risk (continued):

As at December 31, 2021 and 2020, it is estimated that the underlying investments had no significant exposure to debt instruments and derivatives.

Liquidity risk:

Liquidity risk is defined as the risk that the Partnership may not be able to settle or meet its obligation on time or at a reasonable price.

The Partnership's exposure to liquidity risk is concentrated in the periodic cash redemptions of units. The Partnership generally retains sufficient cash positions to maintain liquidity.

The Partnership may employ the use of derivatives to moderate certain risk exposures. There is no guarantee that a market will exist for some derivatives and it is possible that the exchanges may impose limits on trading of derivatives.

All investments represent a risk of loss of capital. The Manager aims to moderate this risk through careful selection and diversification of securities and other financial instruments in accordance with the Partnership's investment objective and strategy. The maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. The Partnership's overall market positions are monitored on a regular basis by the Manager. Financial instruments held by the Partnership are susceptible to market price risk arising from uncertainties about future prices of the instruments.

Capital risk management:

The Manager manages the capital of the Partnership in accordance with the Partnership's investment objectives, policies and restrictions, as outlined in the Partnership's offering memorandum, while maintaining sufficient liquidity to meet partners' withdrawals. The Partnership does not have externally imposed capital requirements.

9. Fair value measurements:

The following table summarizes the levels in the fair value hierarchy in which the Partnership's investments are categorized as of December 31, 2021:

Assets	Level 1	Level 2	Level 3	Total
Real estate	$ 73,800	$ –	$ 24,570,472	$ 24,644,272

During the year ended December 31, 2021, the reconciliation of investments measured at fair value using unobservable inputs (Level 3) is presented as follows:

Balance, January 1, 2021	$ 23,622,515
Purchases	12,040,983
Sales	(11,419,898)
Realized gains included in net income	300,300
Change in unrealized appreciation included in net income	26,572
Balance, December 31, 2021	$ 24,570,472

The following table summarizes the levels in the fair value hierarchy in which the Partnership's investments are categorized as of December 31, 2020:

Assets	Level 1	Level 2	Level 3	Total
Real estate	$ 210,694	$ –	$ 23,622,515	$ 23,833,209

During the year ended December 31, 2020, the reconciliation of investments measured at fair value using unobservable inputs (Level 3) is presented as follows:

Balance, January 1, 2020	$ 27,465,932
Purchases	2,727,090
Sales	(10,022,017)
Realized gains included in net income	2,299,477
Change in unrealized appreciation included in net income	1,152,033
Balance, December 31, 2020	$ 23,622,515

9. Fair value measurements (continued):

Significant unobservable inputs in measuring fair value:

The table below sets out information about significant unobservable inputs used in measuring financial instruments categorized as Level 3 in the fair value hierarchy.

Description	Held as of December 31, 2021	Held as of December 31, 2020	Valuation technique	Unobservable input	Range (weighted average)	Sensitivity to changes in significant unobservable inputs
Real Estate Limited Partnership	$ 1,323,408	$ 1,204,969	Net asset value	N/A	N/A	N/A
Real Estate Limited Partnership	1,276,268	1,016,120	Net asset value	N/A	N/A	N/A
Real Estate Limited Partnership	43,071	1,376,640	Net asset value	N/A	N/A	N/A
Real Estate Limited Partnership	1,982,223	4,324,251	Net asset value	N/A	N/A	N/A
Real Estate Limited Partnership	2,708,094	3,391,800	Net asset value	N/A	N/A	N/A
Real Estate Limited Partnership	1,016,140	765,700	Net asset value	N/A	N/A	N/A
Real Estate Limited Partnership	3,498,597	2,171,676	Net asset value	N/A	N/A	N/A
Real Estate Limited Partnership	1,329,794	–	Net asset value	N/A	N/A	N/A
Real Estate Limited Partnership	3,161,991	–	Net asset value	N/A	N/A	N/A
Real Estate Limited Partnership	3,024,200	–	Net asset value	N/A	N/A	N/A
Real Estate Limited Partnership	210,551	–	Net asset value	N/A	N/A	N/A
Real Estate Limited Partnership	1,000,000	–	Net asset value	N/A	N/A	N/A
Real Estate Limited Partnership	914,000	–	Net asset value	N/A	N/A	N/A
Real Estate Limited Partnership	1,000,000	–	Net asset value	N/A	N/A	N/A
Real Estate Limited Partnership	2,082,135	–	Net asset value	N/A	N/A	N/A
Real Estate Limited Partnership	–	1,193,492	Net asset value	N/A	N/A	N/A
Real Estate Limited Partnership	–	1,650	Net asset value	N/A	N/A	N/A
Real Estate Limited Partnership	–	1,136,203	Net asset value	N/A	N/A	N/A
Real Estate Limited Partnership	–	6,989,886	Net asset value	N/A	N/A	N/A
Real Estate Limited Partnership	–	50,128	Net asset value	N/A	N/A	N/A

10. Investment in Underlying Funds:

The table below describes the types of structured entities that the Partnership does not consolidate, but in which it holds an interest.

Type of structured entity	Nature and purpose	Interest held by the Partnership
Investments funds, mortgage investments, corporations and limited partnerships	To manage assets on behalf of third party investors and generate fees for the investment manager.	Investment in units issued by funds or limited partnership or shares issued by corporations.
	These vehicles are financed through the issue of units to or shares to investors.	

The table below sets out interests held by the Partnership in unconsolidated structured entities. The maximum exposure to loss is the carrying amount of the financial assets held.

December 31, 2021	Number of investments	Average cost	Carrying amount included in investments aft FVTPL
Investments in structured entities:			
Real estate limited partnership	16	$ 18,655,065	$ 24,644,272

December 31, 2020	Number of investments	Average cost	Carrying amount included in investments aft FVTPL
Investments in structured entities:			
Real estate limited partnership	14	$ 17,845,034	$ 23,833,209

During the year, the Partnership did not provide financial support to unconsolidated structured entities and has no intention of providing financial or other support.

It is estimated that the Partnership could redeem between $0.9 million and $1.3 million in the above structured entities per month.

10. Investment in Underlying Funds (continued):

The Partnership has determined that all of the other funds ("Investee Funds") in which it invests are unconsolidated structured entities. This represents a significant judgment by the Partnership and generally because decision making about the Investee Funds' investing activities is not governed by voting rights held by the Partnership and other investors.

The Investee Funds are managed by asset managers who are unrelated to the Partnership and apply various investment strategies to accomplish their respective investment objectives.

The change in fair value of each Investee Fund is included in the statement of comprehensive income in net changes in unrealized appreciation (depreciation) in value of investments.

11. Expenses:

The Manager has the power to incur and make payment out of the Partnerships' property for any charges or expenses which, in the opinion of the Manager, are necessary or incidental to, or proper for, carrying out any of the purposes of the offering memorandum, including without limitation all fees and expenses relating to the management and administration of each Partnership. Each Partnership is responsible for any income or excise taxes and brokerage commissions on portfolio transactions.

12. Increase in net assets attributable to holders of limited partnership units per unit:

The increase in net assets attributable to holders of limited partnership units per unit for the years ended December 31, 2021 and 2020 is calculated as follows:

	Increase in net assets attributable to holders of limited partnership units	Weighted average of limited partnership units outstanding during the year	Increase in net assets attributable to holders of limited partnership units per unit
2021:			
Class D	$ 3,744,455	1,454,764	$ 2.57
Class E	197,675	84,519	2.34
2020:			
Class D	$ 3,226,894	1,695,155	$ 1.90
Class E	216,592	126,832	1.71

13. Indemnification of the Manager:

The Partnership will indemnify the General Partner, the Manager and their respective directors, officers, employees and agents against all claims, liabilities, damages and expenses, including legal fees, which they may suffer or incur or to which they may be or become subject by reason of their activities on behalf of the Partnership. However, this indemnity will not apply to any losses arising out of the negligence, willful misconduct, fraud or bad faith on the part of the Partnership. If the assets of the Partnership are insufficient to cover such indemnity obligations, Limited Partners may be required to return to the Partnership amounts previously distributed to them up to the amount of their contributed capital.