that is not concentrated in a single sector. Investments in mortgages are relatively illiquid. Such illiquidity will tend to limit the ability of the Fund or an underlying investment in the Fund to vary its portfolio of mortgage investments promptly in response to changing economic or investment conditions.

9.3.6 Subordination of Cash Distributions to Loan Repayments

The Fund has the right to borrow funds to provide additional funds for investment. In determining the Fund's cash flow priorities, loan payments will take priority over the payment of cash distributions.

9.3.7 Subordinated Mortgages

Some of the mortgages in which the Fund or an underlying investment of the Fund invests may be considered to be riskier than senior debt financing because the Fund or underlying investment, as the case may be, will not have a first-ranking charge on the real property security in the mortgage loan. When a charge on real property is in a position other than first-ranking, it is possible for the holder of a senior-ranking charge on the real property, if the borrower is in default under the terms of its obligations to such holder, to take a number of actions against the borrower and ultimately against the real property to realize on the security given for the loan. Such actions may include a foreclosure action, the exercising of a giving-in-payment clause or an action forcing the property to be sold. A foreclosure action or the exercise of a giving-in-payment clause may have the ultimate effect of depriving any other holding security against the same real property. If an action is taken to sell the real property and sufficient proceeds are not realized from such sale to pay off creditors who have subordinated charges on the real property, the holder of a subordinated charge may lose its investment or part thereof to the extent of such deficiency unless the holder can otherwise recover such deficiency from other property owned by the debtor.

9.3.8 Sensitivity to Interest Rates

It is anticipated that the value of the Fund's portfolio of investments at any given time may be affected by the level of interest rates prevailing at such time. The Fund's income will consist primarily of interest payments on mortgage loans (or distributions or dividends from underlying entities which invest in mortgage loans). If there is a decline in interest rates, the Fund (or an underlying investment of the Fund) may find it difficult to purchase or acquire additional mortgage loans bearing interest rates sufficient to maintain an appropriate level of return. There is no assurance that an interest rate environment in which there is a significant decline in interest rates would not adversely affect Fund's ability to make cash distributions at a consistent level. As well, if interest rates increase, the value of the Fund's portfolio of investments will be negatively impacted.

9.3.9 Risks Related To Mortgage Defaults

The Fund or an underlying investment of the Fund may from time to time deem it appropriate to extend or renew the term of a mortgage past its maturity, or to accrue the interest on a mortgage. In such circumstances, however, the Fund or the underlying investment is subject to the risk that the principal and/or accrued interest may not be repaid in a timely manner or at all, which could impact the cash flows of the Fund during the period in which it is exercising or forebearing its legal remedies or rights. Further, in the event that the valuation of the real property underlying a mortgage has fluctuated due to market conditions, there is a risk that the Fund or an underlying investment of the Fund may not recover all or substantially all of the principal and interest owed to it in respect of such mortgage loan.

When a mortgage loan is extended past its maturity, the loan can either be held over on a month to month basis, or renewed for an additional term at the time of its maturity. Notwithstanding any such extension or renewal, if the borrower subsequently defaults under any terms of the loan, the lender has the ability to exercise its mortgage enforcement remedies in respect of the extended or renewed loan. Exercising mortgage enforcement remedies is a process that requires a significant amount of time to complete, which could adversely impact the cash flows of the Fund or the applicable underlying investment of the Fund during the period of enforcement. In addition, as a result of potential declines in real estate values, there is no assurance that the Fund or the underlying investment of the Fund will be able to recover all or substantially all of the outstanding principal and interest owed to it in respect of such loans by exercising its mortgage enforcement remedies. Should it be unable to recover all or substantially all of the principal and interest owed to it in respect of such loans, the returns, financial condition and results of operations of the Fund and/or the applicable underlying investment of the Fund would be adversely impacted.

9.3.10 Foreclosure And Related Costs

One or more borrowers could fail to make payments according to the terms of the loan made to them by the Fund or the underlying investment of the Fund, which could therefore be forced to exercise its rights as mortgagee. The recovery of a portion of a mortgage investment may not be possible for an extended period of time during this process and there are circumstances where there may be complications in the enforcement of the mortgagee's rights. Legal fees and expenses and other costs incurred by a mortgagee in enforcing its rights against a defaulting borrower are usually recoverable from the borrower directly or through the sale of the mortgaged property by power of sale or otherwise, although there is no assurance that they will actually be recovered. In the event that these expenses are not recoverable, they will be borne by the Fund or the applicable underlying investment of the Fund.

Furthermore, certain significant expenditures, including property taxes, capital repair and replacement costs, maintenance costs, mortgage payments, insurance costs and related charges must be made through the period of ownership of real property regardless of whether the property is producing income. The Fund or applicable underlying investment of the Fund may therefore be required to incur such expenditures to protect its investments, even if the borrower is not honouring its contractual obligations.

9.3.11 Construction Mortgages

Construction mortgages generally require more active and ongoing management oversight than that required for non-construction mortgages that are secured by mature income-producing properties. The rules under the Tax Act governing mortgage investment corporations prohibit a mortgage investment corporation from managing or developing real or immovable property, and therefore there are restrictions on a mortgage investment corporation being able to complete the development of properties that the mortgage investment corporation assumes ownership or control of by taking enforcement steps against defaulting borrowers. Accordingly, construction mortgages generally involve a higher degree of risk for a lender that is a mortgage investment corporation than non-construction mortgages.

9.3.12 Investment not insured

An investment in the Fund is not insured against loss through the Canada Deposit Insurance Corporation. Moreover, mortgages held by the Fund, or an underlying investment of the Fund, are not insured through the Canada Mortgage and Housing Corporation or otherwise.

9.3.13 Renewal of Mortgage Loans

There can be no assurances that any of the mortgage loans held by the Fund (or an underlying investment of the Fund) can or will be renewed at the same interest rates and terms, or in the same amounts as are currently in effect. With respect to each mortgage held, it is possible that either the mortgagor, the mortgagee (i.e. the Fund or the underlying investment of the Fund), or both, will elect not to renew such mortgage. In addition, if a mortgage in the portfolio is renewed, the principal balance, the interest rate and the other terms and conditions of such mortgage will be subject to negotiations between the mortgagor and the mortgagee (i.e. the Fund or the underlying investment of the Fund) at the time of renewal and the terms of a refinancing may therefore not be as favourable as the terms of existing indebtedness which could result in an adverse effect on the expected returns to Unitholders.

9.3.14 Nature of Mortgage Investments

Investments in mortgages are relatively illiquid. Such illiquidity will tend to limit the ability of the Fund (or an underlying investment in the Fund) to vary its direct mortgage portfolio promptly in response to changing economic or investment conditions. Furthermore, certain significant expenditures, including property taxes, capital repair and replacement costs, maintenance costs, mortgage payments, insurance costs and related charges must be made throughout the period of ownership of real property regardless of whether the property is producing income or whether mortgage payments are being made. The Fund (or an underlying investment in the Fund) may be required to incur such expenditures to protect its investment, even if the borrower is not fulfilling its contractual obligations

The Fund owns mortgages and/or securities in underlying real estate entities. Entities which own mortgages or real estate are subject to numerous risks associated with real estate, including the highly competitive nature of the real estate industry, changes in general or local economic or conditions, failure of tenants to pay rent, changes in property values, interest rates, capitalization rates, illiquidity risk, availability of mortgage funds or other debt financing, increases in real estate tax rates and other operating expenses, uninsured losses, real estate valuation risk, the possibility of competitive overbuilding and the inability to obtain full occupancy of the properties, government rules and fiscal policies, including rent control legislation which limit potential rent increases, and other events and factors which are beyond the control of the Fund.

9.3.15 Market Risk

With respect to the investments of the Fund which are publicly traded, the market value of such investments will rise and fall based on specific company developments and broader market conditions. Market value will also vary based on a number of factors relevant to the investment. Such factors may include, without limitation, risks relating to general economic conditions, financial markets, industry-specific risks and issuer-specific risks. Risks include and may be exacerbated by a pandemic, such as the COVID-19 pandemic.

9.3.16 Pandemic Risk

The Fund's business could be adversely affected by health pandemics, including the recent COVID-19 pandemic. Pandemics may also cause staff shortages, reduced tenant demand, increased government regulations or interventions, all of which may negatively impact the business, financial condition, and results of operations of the Fund. In response to the COVID-19 pandemic, governmental authorities in Canada and internationally have introduced various recommendations and measures to try to limit the pandemic, including travel restrictions, border closures, non-essential business closures, quarantines, self-isolations, shelters-in-place and social distancing. The COVID-19 pandemic and the response of governmental authorities to try to limit it are having a significant impact on the private sector and individuals, including unprecedented business, employment and economic disruptions. The Fund is faced with numerous risks related to the COVID-19 pandemic which include, but are not limited to, the determination of fair value of its underlying investments; estimates of the amount and timing of future cash flows generated from investments; and the collection of mortgage payments due to economic challenges faced by borrowers subject to temporary closures of nonessential businesses. As of the date hereof, the full extent of the effects of COVID-19 are unknown. The continued spread of COVID-19, and emerging new strains thereof, and the measures taken by the governments of countries affected could adversely impact the Fund's underlying investment, business, financial condition, results of operations and prospects.

9.3.17 Credit Risk

Credit risk is the possibility that a borrower or the counterparty to a contract, including a derivatives contract, is unable or unwilling to repay the obligation, either on time or at all. Entities that borrow money, and the debt securities they issue, are sometimes rated by specialized rating agencies. A downgrade in an issuer's credit rating or other adverse news regarding an issuer can influence a debt security's market value. Other factors can also influence a debt security's market value such the level of liquidity of the security or a change in the market perception of the creditworthiness of the security, the parties involved in structuring the security and the underlying assets, if any. Lower rated and unrated debt instruments generally offer higher rates of interest than higher grade debt instruments but have the potential for substantial loss. An investment in an entity or a market with higher credit risk tends to be more volatile. Such investments may offer the potential of higher returns over the long term.

9.3.18 Derivative Risk

A derivative is a type of investment whose value is derived from the performance of other investments or from the movement of interest rates, exchange rates or market indices. The Fund may use derivatives as long as its use is consistent with the Fund's investment objective. Derivatives have their own special risks, including:

- the use of derivatives for hedging may not always work as intended and may limit the Fund's potential to make a gain;
- the use of derivatives for non-hedging purposes does not protect the Fund from a decline in the value of the underlying security, market or other factor for which the derivative is a substitute;
- the price of a derivative may not accurately reflect the value of the underlying security, market or other factor;
- there is no guarantee that the Fund will be able to close out a derivative contract when it wants to. If, for example, a stock exchange imposes trading limits, it could affect the ability of the Fund to close out its position in a derivative. This type of event could prevent the Fund from making a profit or limiting its losses; and
- the other party to a derivative contract may not be able to meet its obligation to complete the transaction.

9.3.19 General Real Estate Industry Risks

There are also risks faced by the Fund related to the industry in which it and its underlying investments operates. Real estate values are subject to fluctuation owing to a variety of supply and demand factors impacting real estate markets. These risks could result in a material adverse effect on the business, financial condition and results of the operations of the Fund or an underlying investment of the Fund which in turn would result in a material adverse effect on cash available for distribution to Unitholders. In addition, prospective investors should take note of the following:

Competition

The Fund and underlying investments of the Fund are competing with many third parties, including other lenders and financial institutions, seeking investment opportunities similar to those sought by them. There is no assurance that the number of mortgages required to maintain an optimal level of investment will be funded, and this could have an adverse effect on the ultimate return to Unitholders. Such third parties may have greater name recognition and greater financial, managerial and technical resources or offer superior terms to borrowers than the Fund or its underlying investments. This in turn may result in an adverse effect on the returns to Unitholders.

Sensitivity to Interest Rates

It is anticipated that the value of the investment portfolio at any given time may be affected by the level of interest rates prevailing at such time. The Fund's income will consist primarily of interest payments on the mortgages. If there is a decline in interest rates, the Fund or the applicable underlying investment of the Fund may find it difficult to make a mortgage loan bearing rates sufficient to ultimately achieve an appropriate return. There can be no assurance that an interest rate environment in which there is a significant decline in interest rates would not adversely affect the Fund's business, financial condition and results of its operations which in turn would result in an adverse effect on the cash available for distribution to Unitholders.

Changes in Property Values

Mortgage loan are secured by real estate, the value of which can fluctuate. The value of real estate is affected by general economic conditions, local real estate markets, the attractiveness of the property to tenants where applicable, competition from other available properties, fluctuations in occupancy rates, operating expenses and other factors. The value of income-producing real property may also depend on the credit worthiness and financial stability of the borrowers and/or the tenants. Although independent appraisals may be obtained prior to the Fund or an underlying investment in the Fund making a mortgage investment, the appraised values, even where reported on an "as is" basis, are not necessarily reflective of the actual or future market value of the underlying real property, which may fluctuate. In addition, the appraised values reported in independent appraisals may be subject to certain conditions, including the completion, rehabilitation or making of leasehold improvements on the real property providing security for the loan. There can be no assurance that these conditions will be satisfied and, if and to the extent they are not satisfied, the loan amount may prove to exceed the value of the underlying real property thus resulting in a loan loss if the property must be sold to remedy a mortgage default and thereby affecting adversely the return to the Fund and cash available for distributions to Unitholders. Even if such conditions are satisfied, the appraised value may not necessarily reflect the market value of the real property at the time the conditions are satisfied.

Environmental Risk

Real estate entities are subject to various federal, provincial and municipal laws relating to environmental matters. Such laws provide that the property owner could be liable for the costs of removal of certain hazardous substances and remediation of certain hazardous locations. The failure to remove or remediate such substances or locations, if any, could adversely affect the ability of the property owner to sell such real estate or to borrow using such real estate as collateral and could potentially also result in claims against the property owner.

Item 10 Reporting Obligations

The Fund is not a "reporting issuer" under securities legislation of any jurisdiction. Accordingly, the Fund is not subject to the continuous disclosure obligations of reporting issuers.

The Fund will provide Unitholders audited annual financial statements for the Fund and other reports and information as the Manager may determine, including to the extent required by applicable law. Financial statements and other reports are available on the Alitis website (https://www.alitis.ca/advisors/alitis-private-mortgage-fund/).

10.1 Language of Documents

Upon receipt of this document, each Canadian investor hereby confirms that it has expressly requested that all documents evidencing or relating in any way to the sale of the securities described herein (including for greater certainty any purchase confirmation or any notice) be drawn up in the English language only. *Par la réception de ce document, chaque investisseur canadien confirme par les présentes qu'il a expressément exigé que tous les documents faisant foi ou se rapportant de quelque manière que ce soit à la vente des valeurs mobilières décrites aux présentes (incluant, pour plus de certitude, toute confirmation d'achat ou tout avis) soient rédigés en anglais seulement.*

10.2 Auditor and Unitholder Recordkeeper

The auditor of the Fund is KPMG LLP. SGGG Fund Services Inc. provides record-keeping services for the Fund.

Item 11 Resale Restrictions

The Units will be subject to a number of resale restrictions, including a restriction on trading. Until the restriction on trading expires, you will not be able to trade the Units unless you comply with an exemption from the prospectus and, if applicable, registration requirements under applicable securities legislation.

The Units are not listed on an exchange. There is currently no secondary market through which the Units may be sold, there can be no assurance that any such market will develop, and the Fund has no current plans to develop such a market. Accordingly, the sole method of liquidation of an investment in the Offered Units is by way of a redemption of the Units. Redemptions requests in excess of 5% the Net Asset Value of the Fund may, in the discretion of the Manager, take longer than 30 days to process such request and if the Purchaser wishes to redeem the Units within six (6) months of the date of purchase, the Fund may impose an early redemption charge of 3% on the Redemption Proceeds. See "Item 5 – 5.1 Terms of Securities – 5.1.2 – Redemption Right".

The Offered Units are not transferable unless by operation of law or succession or pursuant to the right of the Manager as disclosed in "Item 5: Securities Offered – 5.1 Terms of Securities – 5.1.3 Limitation of Non-Resident Ownership".

For purchasers in British Columbia, Alberta, Saskatchewan, Quebec, Ontario, New Brunswick, Nova Scotia, Prince Edward Island and Newfoundland and Labrador, unless permitted under securities legislation, the Offered Units cannot be traded before the date that is four (4) months and a day after the date the Fund becomes a reporting issuer in any province or territory of Canada.

For purchasers in Manitoba, unless permitted under securities legislation, you must not trade the Units without the prior written consent of the regulator in Manitoba unless:

(c) the Fund has filed a prospectus with the regulator in Manitoba with respect to the Units and the regulator in Manitoba has issued a receipt for that prospectus, or

(d) you have held the Units for at least 12 months.

The regulator in Manitoba will consent to your trade if the regulator is of the opinion that to do so is not prejudicial to the public interest.

The Fund is not a "reporting issuer", as such term is defined under applicable Canadian securities laws, in any province or territory of Canada. Investors are advised that the Fund currently does not intend to file a prospectus or similar document with any securities regulatory authority in Canada qualifying the resale of the Units to the public in any province or territory of Canada in connection with this Offering, nor does the Fund otherwise intend on becoming a reporting issuer. As it is not anticipated that the Fund will become a reporting issuer, the hold period for the Units may never expire and you will not be able to trade or re-sell your Units unless you comply with an exemption from the prospectus and registration requirements under applicable securities legislation. Accordingly, it is expected that the sole method of liquidation of an investment in Units will be by way of redemption of the Units.

Item 12 Purchaser's Rights

If you purchase these securities you will have certain rights, some of which are described below. For information about your rights you should consult a lawyer.

12.1 Two Day Cancellation Right

As a resident of any province of Canada acquiring the Offered Units, Purchasers can cancel their agreements to purchase the Offered Units. To do so, the Purchaser must send a notice to the Fund before midnight on the second (2nd) Business Day after the Purchaser signs the Subscription Agreement in respect of the Offered Units.

12.2 Rights of Action for Misrepresentation

Securities legislation in certain provinces of Canada provides purchasers of the Offered Units pursuant to this Offering Memorandum with a statutory right of action for damages or rescission in addition to any other rights they may have at law, in cases where the Offering Memorandum and any amendment to it contains a "Misrepresentation". Where used herein, "Misrepresentation" means an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make any statement not misleading in light of the circumstances in which it was made. These rights, or notice with respect thereto, must be exercised or delivered, as the case may be, by the Subscriber within the time limits prescribed and are subject to the defenses and limitations contained under the applicable securities legislation. Subscribers resident in provinces of Canada that do not provide for such statutory rights will be granted a contractual right similar to the statutory right of actions and rescission described below for purchasers resident in Ontario and such right will form part of the subscription agreement to be entered into between each such purchaser and the Fund in connection with the Offering.

The following summaries are subject to the express provisions of the securities legislation applicable in each of the provinces of Canada and the regulations, rules and policy statements thereunder. Subscribers should refer to the securities legislation applicable in their province along with the regulations, rules and policy statements thereunder for the complete text of these provisions or should consult with their legal advisor. The contractual and statutory rights of action described in this Offering Memorandum are in addition to and without derogation from any other right or remedy that purchasers may have at law.

12.2.1 Rights of Subscribers in Alberta

Section 204(1) of the *Securities Act* (Alberta) provides that if a person or company purchases securities offered by an offering memorandum that contains a Misrepresentation, the purchaser has, without regard to whether the purchaser relied on the Misrepresentation, a right of action (a) for damages against (i) the Fund, (ii) the Manager as at the date of the Offering Memorandum, and (iii) every person or company who signed the Offering Memorandum, and (b) for rescission against the Fund, provided that:

(a) if the purchaser elects to exercise its right of rescission, it shall cease to have a right of action for damages against the person or company referred to above;

(b) no person or company referred to above will be liable if it proves that the purchaser had knowledge of the Misrepresentation;

(c) no person or company (other than the Fund) referred to above will be liable if it proves that the offering memorandum was sent to the purchaser without the person's or company's knowledge or consent and that, on becoming aware of its being sent, the person or company promptly gave reasonable notice to the issuer that it was sent without the knowledge and consent of the person or company;

(d) no person or company (other than the Fund) referred to above will be liable if it proves that the person or company, on becoming aware of the Misrepresentation in the offering memorandum, withdrew the person's or company's consent to the offering memorandum and gave reasonable notice to the Executive Director and the issuer of the withdrawal and the reason for it;

(e) no person or company (other than the Fund) referred to above will be liable if, with respect to any part of the offering memorandum purporting to be made on the authority of an expert or purporting to be a copy of, or an extract from, a report, opinion or statement of an expert, the person or company proves that the person or company did not have any reasonable grounds to believe and did not believe that:

- (i) there had been a Misrepresentation; or
- (ii) the relevant part of the offering memorandum;
  - (A) did not fairly represent the report, opinion or statement of the expert, or
  - (B) was not a fair copy of, or an extract from, the report, opinion or statement of the expert;

(f) the person or company (other than the issuer) will not be liable if with respect to any part of the offering memorandum not purporting to be made on the authority of an expert and not purporting to be a copy of, or an extract from, a report, opinion or statement of an expert, unless the person or company

- (i) did not conduct a reasonable investigation sufficient to provide reasonable grounds for a belief that there had been no Misrepresentation, and
- (ii) believed there had been a Misrepresentation;

(g) in no case shall the amount recoverable exceed the price at which the securities were offered under the offering memorandum; and

(h) the defendant will not be liable for all or any part of the damages that the defendant proves do not represent the depreciation in value of the security as a result of the Misrepresentation.

Section 211 of the *Securities Act* (Alberta) provides that no action may be commenced to enforce these rights more than:

(a) in the case of an action for rescission, 180 days from the day of the transaction that gave rise to the cause of action, or

(b) in the case of any action, other than an action for rescission, the earlier of

- (i) 180 days from the day that the plaintiff first had knowledge of the facts giving rise to the cause of action, or
- (ii) 3 years from the day of the transaction that gave rise to the cause of action.

12.2.2 Rights of Subscribers in British Columbia

The right of action for damages or rescission described herein is conferred by Section 132.1 of the *Securities Act* (British Columbia). Section 132.1 of the *Securities Act* (British Columbia) provides, in relevant part, that in the event that an offering memorandum (such as this Offering Memorandum), contains a Misrepresentation, the purchaser will be deemed to have relied on the Misrepresentation if it was a Misrepresentation at the time of purchase, and the purchaser has, subject to certain limitations and defences, a statutory right of action for damages against the Fund and, subject to certain additional defences, every director of the Manager of the Fund at the date of the offering memorandum and every person who signed the offering memorandum or, alternatively, may elect instead to exercise a statutory right of rescission against the Fund, in which case the purchaser shall have no right of action for damages against the Fund, provided that, among other limitations:

(a) no person will be liable if it proves that the purchaser purchased the securities with knowledge of the Misrepresentation;

(b) in the case of an action for damages, no person will be liable for all or any portion of the damages that it proves do not represent the depreciation in value of the securities as a result of the Misrepresentation relied upon; and

(c) in no case will the amount recoverable in any action exceed the price at which the securities were offered to the purchaser.

In addition, a person or company, other than the Fund, will not be liable if that person or company proves that:

(a) the offering memorandum was sent or delivered to the purchaser without the person's or company's knowledge or consent and that, on becoming aware of its delivery, the person or company gave written notice to the Fund that it was delivered without the person's or company's knowledge or consent;

(b) after delivery of the offering memorandum and after becoming aware of the Misrepresentation, the person or company withdrew the person's or company's consent to the offering memorandum and gave written notice to the Fund of the withdrawal and the reason for it; or

(c) with respect to any part of the offering memorandum purporting to be made on the authority of an expert, or (ii) to be a copy of, or an extract from, an expert's report, opinion or statement, the person or company proves that the person or company had no reasonable grounds to believe and did not believe that (A) there had been a Misrepresentation, or (B) the relevant part of the offering memorandum did not fairly represent the expert's report, opinion or statement, or was not a fair copy of, or an extract from, an expert's report, opinion or statement.

Further, where a Misrepresentation is contained in an offering memorandum, the directors of the Manager of the Fund, and every person or company who signed the offering memorandum, shall not be liable with respect to any part of the offering memorandum not purporting to be made on the authority of an expert and not purporting to be a copy of, or an extract from, a report, opinion or statement of an expert, unless the person or company did not conduct a reasonable investigation to provide reasonable grounds for a belief that there had been no Misrepresentation, or believed there had been a Misrepresentation.

A person is not liable for Misrepresentation in forward-looking information if the person proves that the document containing the forward-looking information contained, proximate to that information, reasonable cautionary language identifying the forward-looking information as such, and identifying material factors that could cause actual results to differ materially from a conclusion, forecast or projection in the forward-looking information, and a statement of the material factors or assumptions that were applied in drawing a conclusion or making a forecast or projection set out in the forward-looking information, and the person had a reasonable basis for drawing the conclusions or making the forecasts and projections set out in the forward- looking information.

If a Misrepresentation is contained in a record incorporated by reference into, or deemed incorporated by reference into, the offering memorandum, the Misrepresentation is deemed to be contained in the offering memorandum. Section 140 of the *Securities Act* (British Columbia) provides that no action shall be commenced to enforce these rights more than:

(a) in the case of an action for rescission, 180 days after the date of the transaction that gave rise to the cause of action; or

(b) in the case of an action for damages, the earlier of:

    (i) 180 days after the date that the purchaser first had knowledge of the facts giving rise to the cause of action; or

    (ii) three years after the date of the transaction that gave rise to the cause of action.

12.2.3 Rights of Subscribers in Saskatchewan

Section 138(1) of the *Securities Act*, 1988 (Saskatchewan), as amended (the "**Saskatchewan Act**") provides that where an offering memorandum (such as this Offering Memorandum) or any amendment to it is sent or delivered to a purchaser and it contains a Misrepresentation, a purchaser who purchases a security covered by the offering memorandum or any amendment to it has, without regard to whether the purchaser relied on the Misrepresentation, a right of action for rescission against the Fund or a selling security holder on whose behalf the distribution is made, or has a right of action for damages against:

(a) the Fund or a selling security holder on whose behalf the distribution is made;

(b) every promoter of the Fund or director of the Manager of the Fund or the selling security holder, as the case may be, at the time the offering memorandum or any amendment to it was sent or delivered;

(c) every person or company whose consent has been filed respecting the offering, but only with respect to reports, opinions or statements that have been made by them;

(d) every person who or company that, in addition to the persons or companies mentioned in (a) to (c) above, signed the offering memorandum or the amendment to the offering memorandum; and

(e) every person who or company that sells securities on behalf of the Fund or selling security holder under the offering memorandum or amendment to the offering memorandum.

Such rights of rescission and damages are subject to certain limitations including the following:

(a) if the purchaser elects to exercise its right of rescission against the Fund or selling security holder, it shall have no right of action for damages against that party;

(b) in an action for damages, a defendant will not be liable for all or any portion of the damages that he, she or it proves do not represent the depreciation in value of the securities resulting from the Misrepresentation relied on;

(c) no person or company, other than the Fund or a selling security holder, will be liable for any part of the offering memorandum or any amendment to it not purporting to be made on the authority of an expert and not purporting to be a copy of, or an extract from, a report, opinion or statement of an expert, unless the person or company failed to conduct a reasonable investigation sufficient to provide reasonable grounds for a belief that there had been no Misrepresentation or believed that there had been a Misrepresentation;

(d) in no case shall the amount recoverable exceed the price at which the securities were offered; and

(e) no person or company is liable in an action for rescission or damages if that person or company proves that the purchaser purchased the securities with knowledge of the Misrepresentation.

In addition, no person or company, other than the Fund or selling security holder, will be liable if the person or company proves that:

(a) the offering memorandum or any amendment to it was sent or delivered without the person's or company's knowledge or consent and that, on becoming aware of it being sent or delivered, that person or company gave reasonable general notice that it was so sent or delivered;

(b) after the filing of the offering memorandum or the amendment to the offering memorandum and before the purchase of the securities by the purchaser, on becoming aware of any Misrepresentation in the offering memorandum or the amendment to the offering memorandum, the person or company withdrew the person's or company's consent to it and gave reasonable general notice of the person's or company's withdrawal and the reason for it;

(c) with respect to any part of the offering memorandum or any amendment to it purporting to be made on the authority of an expert, or purporting to be a copy of, or an extract from, a report, an opinion or a statement of an expert, that person or company had no reasonable grounds to believe and did not believe that there had been a Misrepresentation, the part of the offering memorandum or any amendment to it did not fairly represent the report, opinion or statement of the expert, or was not a fair copy of, or an extract from, the report, opinion or statement of the expert.

A person or company that sells securities on behalf of the Fund or selling security holder under the offering memorandum or amendment to the offering memorandum is not liable for damages or rescission as provided in 138(1) or 138(2) of the Saskatchewan Act if that person can establish that he, she or it cannot reasonably be expected to have had knowledge of any Misrepresentation in the offering memorandum or the amendment or the offering memorandum.

Not all defences upon which we or others may rely are described herein. Please refer to the full text of the Saskatchewan Act for a complete listing.

Section 138.2 of the Saskatchewan Act also provides that where an individual makes a verbal statement to a purchaser that contains a Misrepresentation relating to the security purchased and the verbal statement is made either before or contemporaneously with the purchase of the security, the purchaser has, without regard to whether the purchaser the Misrepresentation, if it was a Misrepresentation at the time of purchase, and has a right of action for damages against the individual who made the verbal statement.

Section 141(1) of the Saskatchewan Act provides a purchaser with the right to void the purchase agreement and to recover all money and other consideration paid by the purchaser for the securities if the securities are sold in contravention of the Saskatchewan Act, the regulations to the Saskatchewan Act or a decision of the Saskatchewan Financial Services Commission.

Section 141(2) of the Saskatchewan Act also provides a right of action for rescission or damages to a purchaser of securities to whom an offering memorandum or any amendment to it was not sent or delivered prior to or at the same time as the purchaser enters into an agreement to purchase the securities, as required by Section 80.1 of the Saskatchewan Act.

The rights of action for damages or rescission under the Saskatchewan Act are in addition to and do not derogate from any other right which a purchaser may have at law.

Section 147 of the Saskatchewan Act provides that no action shall be commenced to enforce any of the foregoing rights more than:

(a) in the case of an action for rescission, 180 days after the date of the transaction that gave rise to the cause of action; or

(b) in the case of any other action, other than an action for rescission, the earlier of:

 (i) one year after the plaintiff first had knowledge of the facts giving rise to the cause of action; or

 (ii) six years after the date of the transaction that gave rise to the cause of action.
 The Saskatchewan Act also provides a purchaser who has received an amended offering memorandum delivered in accordance with subsection 80.1(3) of the Saskatchewan Act has a right to withdraw from the agreement to purchase the securities by delivering a notice to the person who or company that is selling the securities, indicating the purchaser's intention not to be bound by the purchase agreement, provided such notice is delivered by the purchaser within two business days of receiving the amended offering memorandum.

12.2.4 Rights of Subscribers in Manitoba

The right of action for damages or rescission described herein is conferred by section 141.1 of *The Securities Act* (Manitoba). Section 141.1 of *The Securities Act* (Manitoba) provides, in relevant part, that in the event that an offering memorandum (such as this Offering Memorandum), contains a Misrepresentation, the purchaser will be deemed to have relied upon such Misrepresentation if it was a Misrepresentation at the time of purchase and has, subject to certain limitations and defences, a statutory right of action for damages against the Fund and, subject to certain additional defences, every director of the Manager of the Fund at the date of the offering memorandum and every person who signed the offering memorandum or, alternatively, may elect instead to exercise a statutory right of rescission against the Fund, in which case the purchaser shall have no right of action for damages against the Fund, directors of the Manager of the Fund or persons who have signed the offering memorandum, provided that, among other limitations:

(a) no person will be liable if it proves that the purchaser purchased the securities with knowledge of the Misrepresentation;

(b) in the case of an action for damages, no person will be liable for all or any portion of the damages that it proves do not represent the depreciation in value of the securities as a result of the Misrepresentation relied upon; and

(c) in no case will the amount recoverable in any action exceed the price at which the securities were offered to the purchaser.

In addition, a person or company, other than the Fund, will not be liable if that person or company proves that:

(a) the offering memorandum was sent or delivered to the purchaser without the person's or company's knowledge or consent and that, on becoming aware of its delivery, the person or company promptly gave reasonable notice to the Fund that it was delivered without the person's or company's knowledge or consent;

(b) after delivery of the offering memorandum and after becoming aware of the Misrepresentation, the person or company withdrew the person's or company's consent to the offering memorandum and gave reasonable notice to the issuer of the withdrawal and the reason for it; or

(c) with respect to any part of the offering memorandum purporting (i) to be made on the authority of an expert, or (ii) to be a copy of, or an extract from, an expert's report, opinion or statement, the person or company proves that the person or company had no reasonable grounds to believe and did not believe that (A) there had been a Misrepresentation, or (B) the relevant part of the offering memorandum did not fairly represent the expert's report, opinion or statement, or was not a fair copy of, or an extract from, an expert's report, opinion or statement.

Further, where a Misrepresentation is contained in an offering memorandum, the directors of the Manager of the Fund, and every person or company who signed the offering memorandum, shall not be liable with respect to any part of the offering memorandum not purporting to be made on the authority of an expert and not purporting to be a copy of, or an extract from, a report, opinion or statement of an expert, unless the person or company did not conduct an investigation sufficient to provide reasonable grounds for a belief that there had been no Misrepresentation, or believed there had been a Misrepresentation.

If a Misrepresentation is contained in a record incorporated by reference into, or deemed incorporated by reference into, the offering memorandum, the Misrepresentation is deemed to be contained in the offering memorandum.

Section 141.4(2) of *The Securities Act* (Manitoba) provides that no action shall be commenced to enforce these rights more than:

(a) in the case of an action for rescission, 180 days after the date of the transaction that gave rise to the cause of action; or

(b) in the case of an action for damages, the earlier of:

    (i) 180 days after the date that the purchaser first had knowledge of the facts giving rise to the cause of action; or

    (ii) two years after the date of the transaction that gave rise to the cause of action.

12.2.5 Rights of Subscribers in Ontario

Section 130.1 of the *Securities Act* (Ontario) provides that every purchaser of securities pursuant to an offering memorandum (such as this Offering Memorandum) shall have a statutory right of action for damages or rescission against the Fund and any selling security holder in the event that the offering memorandum contains a Misrepresentation. A purchaser who purchases securities offered by the offering memorandum during the period of distribution has, without regard to whether the purchaser relied upon the Misrepresentation, a right of action for damages or, alternatively, while still the owner of the securities, for rescission against the Fund and any selling security holder provided that:

(a) if the purchaser exercises its right of rescission, it shall cease to have a right of action for damages as against the Fund and the selling security holders, if any;

(b) the Fund and the selling security holders, if any, will not be liable if they prove that the purchaser purchased the securities with knowledge of the Misrepresentation;

(c) the Fund and the selling security holders, if any, will not be liable for all or any portion of damages that it proves do not represent the depreciation in value of the securities as a result of the Misrepresentation relied upon;

(d) in no case shall the amount recoverable exceed the price at which the securities were offered; and

(e) the Fund will not be liable for a Misrepresentation in forward-looking information if the Fund proves:

   (i) that the offering memorandum contains reasonable cautionary language identifying the forward-looking information as such, and identifying material factors that could cause actual results to differ materially from a conclusion, forecast or projection in the forward-looking information, and a statement of material factors or assumptions that were applied in drawing a conclusion or making a forecast or projection set out in the forward-looking information; and

   (ii) the Fund has a reasonable basis for drawing the conclusion or making the forecasts and projections set out in the forward-looking information.

Section 138 of the *Securities Act* (Ontario) provides that no action shall be commenced to enforce these rights more than:

(a) in the case of an action for rescission, 180 days after the date of the transaction that gave rise to the cause of action; or

(b) in the case of an action for damages, the earlier of:

   (i) 180 days after the date that the purchaser first had knowledge of the facts giving rise to the cause of action; or

   (ii) three years after the date of the transaction that gave rise to the cause of action.

12.2.6 Rights of Subscribers in Québec

In addition to any other right or remedy available to the purchaser at law, if this Offering Memorandum is delivered to an investor resident in Québec and contains a Misrepresentation, the investor will have statutory rights of action under Québec legislation or, in circumstances where Québec legislation does not provide such rights, contractual rights of action that are equivalent to the statutory rights of action set forth above in respect to purchasers resident in Ontario.

Statutory rights of action available to purchaser's resident in Québec are outlined in Section 221 of the *Securities Act* (Québec). Section 221 provides that the rights of action established under sections 217 to 219, which deal with Misrepresentation contained in a prospectus, also apply to purchasers of securities under an offering memorandum prescribed by the regulation. A purchaser who has subscribed for acquired securities in a distribution effected with an offering memorandum containing a Misrepresentation may apply to have the contract rescinded or the price revised, without prejudice to a claim for damages. The defendant may defeat the application only if it is proved that the purchaser knew, at the time of the transaction, of the alleged Misrepresentation.

The purchaser may claim damages from the Fund, the Fund Manager's directors or officers, the dealer under contract to the Fund, and any person who is required to sign an attestation in the offering memorandum. Additionally, the purchaser may claim damages from the expert whose opinion, containing a Misrepresentation, appeared, with his consent, in the offering memorandum.

12.2.7 Rights of Subscribers in Nova Scotia

The right of action for damages or rescission described herein is conferred by section 138 of the *Securities Act* (Nova Scotia). Section 138 of the *Securities Act* (Nova Scotia) provides, in relevant part, that in the event that an offering memorandum (such as this Offering Memorandum), together with any amendment thereto, or any advertising or sales literature (as defined in the *Securities Act* (Nova Scotia)) contains a Misrepresentation, the purchaser will be deemed to have relied upon such Misrepresentation if it was a Misrepresentation at the time of purchase and has, subject to certain limitations and defences, a statutory right of action for damages against the Fund and, subject to certain additional defences, every director of the Manager of the Fund at the date of the offering memorandum and every person who signed the offering memorandum or, alternatively, may elect instead to exercise a statutory right of rescission against the Fund, in which case the purchaser shall have no right of action for damages against the Fund, directors of the Manager of the Fund or persons who have signed the offering memorandum, provided that, among other limitations:

(a) no action shall be commenced to enforce the right of action for rescission or damages by a purchaser resident in Nova Scotia later than 120 days after the date on which the initial payment was made for the securities;

(b) no person will be liable if it proves that the purchaser purchased the securities with knowledge of the Misrepresentation;

(c) in the case of an action for damages, no person will be liable for all or any portion of the damages that it proves do not represent the depreciation in value of the securities as a result of the Misrepresentation relied upon; and

(d) in no case will the amount recoverable in any action exceed the price at which the securities were offered to the purchaser.

In addition, a person or company, other than the Fund, will not be liable if that person or company proves that:

(a) the offering memorandum or amendment to the offering memorandum was sent or delivered to the purchaser without the person's or company's knowledge or consent and that, on becoming aware of its delivery, the person or company gave reasonable general notice that it was delivered without the person's or company's knowledge or consent;

(b) after delivery of the offering memorandum or amendment to the offering memorandum and before the purchase of the securities by the purchaser, on becoming aware of any Misrepresentation in the offering memorandum or amendment to the offering memorandum the person or company withdrew the person's or company's consent to the offering memorandum or amendment to the offering memorandum, and gave reasonable general notice of the withdrawal and the reason for it; or

(c) with respect to any part of the offering memorandum or amendment to the offering memorandum purporting

    (i) to be made on the authority of an expert, or

    (ii) to be a copy of, or an extract from, a report, an opinion or a statement of an expert, the person or company had no reasonable grounds to believe and did not believe that

        (A) there had been a Misrepresentation, or

        (B) the relevant part of the offering memorandum or amendment to offering memorandum did not fairly represent the report, opinion or statement of the expert, or was not a fair copy of, or an extract from, the report, opinion or statement of the expert.

Further, no person or company, other than the Fund, will be liable with respect to any part of the offering memorandum or amendment to the offering memorandum not purporting (a) to be made on the authority of an expert or (b) to be a copy of, or an extract from, a report, opinion or statement of an expert, unless the person or company (i) failed to conduct a reasonable investigation to provide reasonable grounds for a belief that there had been no Misrepresentation or (ii) believed that there had been a Misrepresentation.

If a Misrepresentation is contained in a record incorporated by reference into, or deemed incorporated by reference into, the offering memorandum or amendment to the offering memorandum, the Misrepresentation is deemed to be contained in the offering memorandum or an amendment to the offering memorandum.

12.2.8 Rights of Subscribers in New Brunswick

Section 150 of the *Securities Act* (New Brunswick) provides that where an offering memorandum (such as this Offering Memorandum) contains a Misrepresentation, a purchaser who purchases securities shall be deemed to have relied on the Misrepresentation if it was a Misrepresentation at the time of purchase and:

(a) the purchaser has a right of action for damages against the Fund, directors of the Manager of the Fund, every person who signed the offering memorandum and any selling security holder(s) on whose behalf the distribution is made, or

(b) where the purchaser purchased the securities from a person referred to in paragraph (a), the purchaser may elect to exercise a right of rescission against the person, in which case the purchaser shall have no right of action for damages against the person.

There are various defences available to the Fund and the selling security holder(s). In particular, no person will be liable for a Misrepresentation if such person proves that the purchaser purchased the securities with knowledge of the Misrepresentation when the purchaser purchased the securities. Moreover, in an action for damages, the amount recoverable will not exceed the price at which the securities were offered under the offering memorandum and any defendant will not be liable for all or any part of the damages that the defendant proves do not represent the depreciation in value of the security as a result of the Misrepresentation.

12.2.9 Rights of Subscribers in Newfoundland and Labrador

The right of action for damages or rescission described herein is conferred by section 130.1 of the *Securities Act* (Newfoundland and Labrador). Section 130.1 of the *Securities Act* (Newfoundland and Labrador) provides, in relevant part, that in the event that an offering memorandum (such as this Offering Memorandum), contains a Misrepresentation, without regard to whether the purchaser relied upon the Misrepresentation, the purchaser has, subject to certain limitations and defences, a statutory right of action for damages against the Fund and, subject to certain additional defences, every director of the Manager of the Fund at the date of the offering memorandum and every person who signed the offering memorandum or, alternatively, may elect instead to exercise a statutory right of rescission against the Fund, in which case the purchaser shall have no right of action for damages against the Fund, directors of the Manager of the Fund or persons who have signed the offering memorandum, provided that, among other limitations:

(a) no person will be liable if it proves that the purchaser purchased the securities with knowledge of the Misrepresentation;

(b) in the case of an action for damages, no person will be liable for all or any portion of the damages that it proves do not represent the depreciation in value of the securities as a result of the Misrepresentation relied upon; and

(c) in no case will the amount recoverable in any action exceed the price at which the securities were offered to the purchaser.

12.2.10 Rights of Subscribers in Prince Edward Island, Northwest Territories, Yukon and Nunavut

In Prince Edward Island the *Securities Act* (PEI), in Yukon, the *Securities Act* (Yukon), in Nunavut, the *Securities Act* (Nunavut) and in the Northwest Territories, the *Securities Act* (Northwest Territories) provides a statutory right of action for damages or rescission to purchasers resident in PEI, Yukon, Nunavut and the Northwest Territories respectively, in circumstances where this Offering Memorandum or an amendment hereto contains a misrepresentation, which rights are similar, but not identical, to the rights available to Newfoundland and Labrador purchasers.

Item 13 Financial Statements

The financial statements of the Fund as at and for the fiscal year ended December 31, 2022 are attached and start on the next page.

Financial Statements of

ALITIS PRIVATE MORTGAGE FUND

And Independent Auditor's Report thereon

Year ended December 31, 2022

KPMG LLP
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INDEPENDENT AUDITOR'S REPORT

To the Unitholders of Alitis Private Mortgage Fund

Opinion

We have audited the accompanying financial statements of Alitis Private Mortgage Fund (the "Entity"), which comprise the statement of financial position as at December 31, 2022, the statements of comprehensive income, changes in net assets attributable to holders of redeemable 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, 2022 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 "***Auditor's Responsibilities for the Audit of the Financial Statements***" section of our auditor's 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.

Auditor's 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 auditor's 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 auditor's 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 auditor's 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 26, 2023

ALITIS PRIVATE MORTGAGE FUND

Statement of Financial Position

As at December 31, 2022, with comparative information for 2021

	2022	2021
Assets		
Investments	$ 83,410,235	$ 80,115,662
Future contracts	63,312	40,269
Cash	1,641,524	–
Interest and dividends receivable	901,131	853,084
Fee rebate - investments owned	5,040	19,833
Subscriptions receivable	764,234	1,288,086
Prepaid expenses	17,109	50,025
	$ 86,802,585	$ 82,366,959
Liabilities		
Bank indebtedness	$ –	$ 1,409,627
Accounts payable and accrued liabilities	63,106	102,498
Management fees payable (note 5)	70,689	55,272
Distributions payable	5,721	18,752
Redemptions payable	964,313	1,415,407
	1,103,829	3,001,556
Net assets attributable to holders of redeemable units	$ 85,698,756	$ 79,365,403
Net assets attributable to holders of redeemable units per class:		
Class D	$ 34,267,715	$ 30,070,521
Class E	49,356,628	47,454,285
Class F	2,074,413	1,840,597
Number of redeemable units outstanding (note 6):		
Class D	3,290,601	2,840,539
Class E	4,853,923	4,586,656
Class F	209,062	182,251
Net assets attributable to holders of redeemable units per unit:		
Class D	$ 10.41	$ 10.59
Class E	10.17	10.35
Class F	9.92	10.10

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

Approved on behalf of the Trust, __________ Manager
Alitis Investment Counsel Inc.

ALITIS PRIVATE MORTGAGE FUND

Statement of Comprehensive Income

Year ended December 31, 2022, with comparative information for 2021

	2022	2021
Income:		
Interest income for distribution purposes	$ 6,383,699	$ 5,650,568
Other income	51,934	12,517
Fee rebate - investments owned	60,081	59,692
Net change in fair value on financial assets at fair value through profit or loss:		
Net realized gain (loss) on sale of investments	(320,183)	806,014
Net change in unrealized appreciation (depreciation) in value of investments	(426,373)	349,829
	5,749,158	6,878,620
Expenses:		
Management fees (note 5)	641,911	542,227
Operating costs	173,847	121,401
Performance fees (note 5)	48,013	252,751
Audit fee	13,920	11,738
Custodian fees	2,520	2,520
Commissions and other portfolio transaction costs	959	1,750
	881,170	932,387
Increase in net assets attributable to holders of redeemable units	$ 4,867,988	$ 5,946,233
Increase in net assets per class:		
Class D	$ 2,160,669	$ 2,415,254
Class E	2,601,381	3,382,146
Class F	105,938	148,833
	$ 4,867,988	$ 5,946,233
Increase in net assets attributable to holders of redeemable units per unit:		
Class D	$ 0.70	$ 0.92
Class E	0.56	0.78
Class F	0.58	0.79

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

ALITIS PRIVATE MORTGAGE FUND

Statement of Changes in Net Assets Attributable to Holders of Redeemable Units

Year ended December 31, 2022, with comparative information for 2021

	2022	2021
Net assets attributable to holders of redeemable units, beginning of year:		
Class D	$ 30,070,521	$ 25,919,994
Class E	47,454,285	43,589,662
Class F	1,840,597	1,869,369
	79,365,403	71,379,025
Increase in net assets from operations:		
Class D	2,160,669	2,415,254
Class E	2,601,381	3,382,146
Class F	105,938	148,833
	4,867,988	5,946,233
Capital transactions:		
Proceeds from redeemable units issued:		
Class D	4,710,451	3,400,845
Class E	5,890,670	6,564,763
Class F	306,682	32,000
	10,907,803	9,997,608
Redemption of redeemable units:		
Class D	(2,673,926)	(1,665,572)
Class E	(6,589,708)	(6,082,658)
Class F	(128,255)	(152,497)
	(9,391,889)	(7,900,727)
Distribution to unitholders of redeemable units:		
Class D	(2,708,032)	(2,480,190)
Class E	(3,439,764)	(3,513,904)
Class F	(137,240)	(153,408)
	(6,285,036)	(6,147,502)
Re-investments of distributions to holders of redeemable units:		
Class D	2,708,032	2,480,190
Class E	3,439,764	3,514,276
Class F	86,691	96,300
	6,234,487	6,090,766
Net assets attributable to holders of redeemable units, end of year:		
Class D	34,267,715	30,070,521
Class E	49,356,628	47,454,285
Class F	2,074,413	1,840,597
	$ 85,698,756	$ 79,365,403

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

ALITIS PRIVATE MORTGAGE FUND

Statement of Cash Flows

Year ended December 31, 2022, with comparative information for 2021

	2022	2021
Cash flow from (used in) operating activities:		
Increase in net assets attributable to holders of redeemable units	$ 4,867,988	$ 5,946,233
Adjustments for non-cash items:		
Net realized loss (gain) on sale of investments	320,183	(806,014)
Net change in unrealized depreciation (appreciation) in value of investments	426,373	(349,829)
Change in non-cash balances:		
Interest and dividends receivable	(48,047)	(29,156)
Fee rebate - investments owned	14,793	(14,793)
Prepaid expenses	32,916	24,609
Accounts payable and accrued liabilities	(39,392)	63,952
Management fees payable	15,417	11,658
Performance fees payable	–	(567)
Proceeds from sale of investments	4,275,520	5,416,251
Purchase of investments	(8,367,536)	(14,945,215)
Net cash flow from (used in) operating activities	1,498,215	(4,682,871)
Cash flow from (used in) financing activities:		
Proceeds from issuances of redeemable units	11,431,655	8,473,338
Amount paid on redemption of redeemable units	(9,842,983)	(6,738,256)
Distributions paid to holders of redeemable units, net of reinvested distributions	(63,580)	(48,821)
Net cash flow from financing activities	1,525,092	1,686,261
Increase (decrease) in cash during the year	3,023,307	(2,996,610)
Foreign exchange gain (loss) on cash	27,844	(13,224)
Cash (bank indebtedness), beginning of year	(1,409,627)	1,600,207
Cash (bank indebtedness), end of year	$ 1,641,524	$ (1,409,627)
Supplemental information*:		
Interest paid	$ 11,782	$ 9,964
Interest received	5,947,200	5,541,009
Dividends received, net of withholding taxes	6,861	39,345

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

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

ALITIS PRIVATE MORTGAGE FUND

Schedule of Investment Portfolio

December 31, 2022

Number of share/units/ par value	Investments owned	Average cost	Fair value	% of net assets
Canadian Mortgages:				
1,535,664	1724 & 1730 Queen Street West, Brampton, ON, 9.35%, 1OCT2023	$ 1,662,500	$ 1,662,500	1.94
1,000,000	3911-11, North Bluff, 11.25%, 30JUNE2023	1,000,000	1,000,000	1.17
1,750,000	Whitemud Business Park, 11.45%, 1APRIL2024	1,750,000	1,750,000	2.04
		4,412,500	4,412,500	5.15
Canadian Fixed Income:				
1,200,000	Anthem Waterford Investments Ltd.	1,205,683	1,205,683	1.41
5,200,000	Antrim Balanced Mortgage Fund	5,200,000	5,200,000	6.07
103,900	Atrium Mortgage Investment Corp.	1,166,049	1,115,886	1.30
6,700,000	Cambridge Mortgage Investment Corporation Class B	6,700,000	6,700,000	7.82
268,149	Cameron Stephens High Yield Mortgage Trust	2,681,490	2,681,490	3.13
200,000	CMCC High Yield Mortgage Investment Corporation Class A	2,000,000	2,000,000	2.33
7,800,000	Kingsett High Yield Fund LP	7,800,000	7,800,000	9.10
9,218,750	KingSett Senior Mortgage Fund LP	9,218,750	9,218,750	10.76
595,000	KV Mortgage Fund Inc.	5,950,000	5,950,000	6.94
1,000,000	KVC-1466 1329606 BC Ltd.	1,000,000	1,000,000	1.17
325,000	Magenta III Mortgage Investment Corp. PFD	3,250,000	3,250,000	3.79
220,016	MCAN Mortgage Corp.	2,993,327	3,300,240	3.85
5,400,000	Neighbourhood Holdings Limited Partnership - Class F	5,400,000	5,400,000	6.30
515,000	Romspen Mortgage Investment Fund	5,150,000	5,021,250	5.86
8,100,000	Ryan Mortgage Income Fund	8,100,000	8,100,000	9.45
227,200	Timbercreek Financial Corp.	1,842,937	1,615,393	1.88
		69,658,236	69,558,692	81.16
U.S. Mortgage:				
6,876	Timbercreek Real Estate Finance US LP	8,258,196	9,439,043	11.01
Total investments owned		$ 82,328,932	$ 83,410,235	97.32
Unrealized gain, U.S. future currency contracts, notional amount $10,100,000, matures March 14, 2023, average contract rate of 0.7345			63,312	0.07
Other net assets			2,225,209	2.61
Net assets attributable to holders of redeemable units			$ 85,698,756	100.00

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

1. **Fund organization and nature of operations:**

Alitis Private Mortgage Fund (formerly Alitis Mortgage Plus Fund) (the “Fund”) is an open-ended investment trust which was created under the laws of the Province of British Columbia pursuant to a Trust Indenture dated January 15, 2014. BNY Trust Company of Canada, a company constituted under laws of Canada, is the trustee of the Fund (the “Trustee”) pursuant to a master trust agreement dated January 15, 2014 and amended on April 2, 2014, March 10, 2017, April 13, 2018, April 30, 2021 and September 16, 2021 (the “Trust Agreement”). Alitis Investment Counsel Inc., a corporation incorporated under laws of British Columbia, is the manager of the Fund (the “Manager”) pursuant to the Trust Agreement. The Fund commenced active operations on February 1, 2014.

The address of the Fund’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 Fund is to generate a high level of monthly income with relatively low volatility. The Fund invests in mortgages through equity investments in Mortgage Investment Corporations (MICs) and other managed investments including: mutual fund trusts, exchange-traded funds (ETFs), closed-end funds, limited partnerships, real estate investment trusts (REITs) and other pooled investments. The Fund also may participate in a direct investment in secured short-term mortgages on real property.

The success of the Fund depends on the continued services of the Manager and will be influenced by a number of risk factors associated with investments in mortgage pools and other pooled products 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 Fund 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 26, 2023, which is the date on which the financial statements were authorized for issue by the Manager.

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 Fund'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 Fund 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 Fund 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 Fund 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, 2022 and 2021, 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 Fund 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 Fund 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 Fund'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.

3. Significant accounting policies (continued):

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.

The Fund invests in privately held mortgages directly and through equity investments in Corporations, operating as Mortgage Investment Corporations (MIC), and similar entities. These mortgage investments through MIC's are valued at their fair value according to the value prescribed in their annual financial statements. Mortgage investments in which the Fund participates in directly are valued at their fair value using the prevailing rate of return on new mortgages of similar type and term.

The Fund'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 unitholders.

(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 Fund classifies cash, interest and dividends receivable, fee rebate - investments owned, subscriptions receivable, bank indebtedness, accounts payable and accrued liabilities, management fees payable, distributions payable, and redemptions 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.

3. Significant accounting policies (continued):

(iv) Impairment:

For financial assets measured at amortized cost, the Fund 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.

The Fund 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 Fund in accordance with the contract and the cash flows that the Fund expects to receive). ECL's are discounted at the effective interest rate of the financial asset.

(v) Redeemable units:

The Fund classifies financial instruments issued as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments. The Fund has multiple classes of redeemable units that do not have identical features and therefore, does not qualify as equity under International Accounting Standard (IAS) 32, *Financial Instruments - presentation* (IAS 32). The redeemable units, which are measured at the redemption amounts and are considered a residual amount of the net assets attributable to holders of redeemable units, provide investors with the right to require redemption, subject to available liquidity, for cash at a unit price based on the Fund's valuation policies at each redemption date.

(b) Fair value measurements:

The Fund 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 Fund recognizes transfers between levels of the fair value hierarchy as at the end of the reporting period during which the change has occurred.

3. Significant accounting policies (continued):

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 8 for fair value measurements analysis.

(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 Fund 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:

The Fund qualifies as a mutual fund trust or unit trust under the *Income Tax Act (Canada)* (the “Tax Act”), and accordingly, is not subject to tax on its net taxable income for the tax year which ends in December, including net realized capital gains, which is paid or payable to its unitholders as at the end of the tax year. The Fund is required to make distributions each year of its net income and net realized capital gains, and therefore will not generally be liable for income tax. It is the intention of the Fund to distribute all net income and net realized capital gains on an annual basis. Accordingly, no tax provision has been recorded. The Fund may be subject to alternative minimum tax, which is potentially recoverable.

Non-capital losses are available to be carried forward for twenty years and applied against future taxable income. Capital losses for income tax purposes may be carried forward indefinitely and applied against future capital gains.

3. Significant accounting policies (continued):

(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 (loss) 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 (loss) on sale of investments, including foreign exchange adjustments and net change in unrealized appreciation (depreciation) in value of investments in the statement of comprehensive income.

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

The net assets attributable to holders of redeemable units per unit is calculated by dividing the net assets attributable to holders of redeemable 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 redeemable units per unit:

Increase in net assets attributable to holders of redeemable units per unit is based on the increase in net assets attributable to holders of redeemable 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) Due from/to broker:

The Fund has a prime brokerage agreement with their broker to carry their accounts as a customer. The broker has custody of the Fund’s securities and, from time to time, cash balances which may be due from/due to the broker.

Financial instruments and/or cash positions serve as collateral for any amounts due to broker or as collateral for any securities sold, not yet purchased or securities purchased on margin. The securities and/or cash positions also serve as collateral for potential defaults of the Fund.

The Fund is subject to credit risk if the broker is unable to repay balances due or deliver securities in their custody.

3. Significant accounting policies (continued):

(i) Investment entity:

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

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

As an investment entity, the Fund 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 Fund'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.

Emerging COVID-19 variants, rising inflation driven by supply-chain and labor disruptions, changing monetary policy and escalating geopolitical tensions contribute to uncertainty regarding the timing of a full economic recovery. This has led to increased uncertainties in the estimates and assumptions used by the Fund in preparing the financial statements.

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

4. Critical accounting estimates and judgments (continued):

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

In classifying and measuring financial instruments held by the Fund, the Investment Manager is required to make significant judgments about whether or not the business of the Fund 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 Fund's investments are classified as FVTPL under IFRS 9.

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

The Fund 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 Fund 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 0.75 percent of the Net Asset Value of the class F units up to June 30, 2022. From June 30, 2022, the Funds pays the Manager a monthly management fee equal to 1/12th of 1.35 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. Management fees in respect of the class D units of the Fund are charged to each individual account by the Manager.

For the year ended December 31, 2022, management fees of $641,911 (2021 - $542,227) were incurred by the Fund and $70,689 (2021 - $55,272) was payable at December 31, 2022.

5. Related party transactions (continued):

Performance fees:

The Manager also received a performance fee from each class of units of the Fund. Performance fees accrued monthly and were paid quarterly, as well as on redemption of a Unit. Upon the redemption of units of a particular class, the accrued portion of the Performance Fee allocated to the redeemed units was payable by the Fund.

The gain on units was calculated as the difference between the Net Asset Value before performance fees on each class and the unitholder equity in the class. Unitholder 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 a pro-rata share of equity on every redemption of units in the class. The hurdle amount is calculated on the unitholder equity, on an annualized basis, and subtracted from the gain. A percentage of the positive difference in gain is accrued to the manager

Up to June 30, 2022, the Fund paid the Manager performance fees equal to 17.5 percent of any gain on units over a specific hurdle rate being 7 percent of the class D units, 6 percent of the class E units and 6 percent of the class F units. After June 30, 2022, the fee schedule changed and performance fees are no longer paid to the Manager.

For the year ended December 31, 2022, performance fees of $48,013 (2021 - $252,751) was incurred by the Fund.

6. Net assets attributable to holders of redeemable units:

The Fund is authorized to issue an unlimited number of redeemable 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 redeemable units of the Fund. The Fund currently offers class D, class E and class F units. Each 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 Fund. Units of a class may be consolidated and/or redesignated by the Manager.

Units of the Fund surrendered for redemption may be redeemed monthly on the last Friday in each month (the “Valuation Date”), or preceding business day if the last Friday is a holiday, by giving the manager written notice 31 business days prior to such Redemption Date. The redemption proceeds will be equal to the Net Asset Value per unit of such Units being redeemed on the Redemption Date. Redemptions exceeding 5 percent of the assets of the Fund may require a longer period in which to process the redemption. This longer period will be at the sole discretion of the Manager. Redemption of units which were purchased within the last 180 days may be subject to a short-term trading fee equal to 3 percent of the value of the units redeemed. With units being redeemable at the option of the holder and quarterly distributions of realized income being paid units have been classified as a liability.

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

The unit activity during the year ended December 31, 2022 and 2021 is as follows:

	2022	2021
Redeemable units, beginning of year:		
Class D	2,840,539	2,444,268
Class E	4,586,656	4,216,565
Class F	182,251	184,649
Redeemable units issued:		
Class D	445,535	318,198
Class E	568,475	626,337
Class F	30,897	3,159
Redeemable units redeemed:		
Class D	(253,875)	(155,370)
Class E	(637,257)	(581,986)
Class F	(12,764)	(15,060)
Redeemable units issued on re-investments:		
Class D	258,402	233,443
Class E	336,049	325,740
Class F	8,678	9,503
Redeemable units, end of year:		
Class D	3,290,601	2,840,539
Class E	4,853,923	4,586,656
Class F	209,062	182,251

Capital disclosure:

The capital of the Fund is represented by issued and redeemable units. The redeemable units are entitled to distributions, if any, and to payment of a proportionate share based on the Fund's Net Asset Value per unit upon redemption. The Fund has no restrictions or specific capital requirements on the subscriptions and redemptions of 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 7, the Fund endeavors 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. Financial instruments risk:

Management of financial instrument risks:

The Fund'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 Fund 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 Fund 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 Fund 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 Fund invests in interest-bearing financial instruments. The Fund 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.

The majority of the Fund's direct financial assets and liabilities are interest bearing. Accordingly, the Fund is subject to significant amounts of risk due to fluctuations in the prevailing levels of market interest rates. The Fund is indirectly exposed to the risk from the securities held by the Underlying Funds through their investments in mortgages and other debt instruments and/or derivatives and may be affected by changes in market interest rates and the effect could be material. As the holdings in the underlying investments have high yields and are shorter term in nature, net assets attributable to holders of redeemable units may be affected more by changes in overall economic growth rather than changes in interest rates.

7. Financial instruments risk (continued):

As at December 31, 2022, the underlying investments estimated exposure to debt instruments by maturity is as follows:

Debt instruments** by maturity date	
Less than 1 year	$ 64,112,473
1 - 5 years	17,355,183
5 - 10 years	13,384
Greater than 10 years	–
	$ 81,481,040

*** Excludes cash and cash equivalents, as applicable*.

As at December 31, 2021, the underlying investments estimated exposure to debt instruments by maturity is as follows:

Debt instruments** by maturity date	
Less than 1 year	$ 62,334,765
1 - 5 years	15,303,159
5 - 10 years	758,489
Greater than 10 years	–
	$ 78,396,413

*** Excludes cash and cash equivalents, as applicable*.

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 Fund. The Fund 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.

7. Financial instruments risk (continued):

The Fund may invest in financial instruments denominated in currencies other than its measurement currency. Consequently, the Fund 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 Fund's assets or liabilities denominated in currencies other than Canadian dollars.

As at December 31, 2022, the Fund had direct investments denominated in United States dollars of $9,439,043 or 11.0 percent of net assets attributable to holders of redeemable units (2021 - $8,692,078 or 10.9 percent).

Although investments owned by the Fund are denominated in Canadian or United States dollars, the currency risk of the investment owned may be different than the currency in which it trades. For example, an investment denominated in United States dollars may hold assets that trade in Euros or Pounds. The currency risk for the Fund in this example is to the underlying currency of the investment owned, referred to as the indirect currency, being Euros or Pounds. When calculating the currency risk for the Fund, when an investment's indirect currency is different than its direct currency, the indirect currency is used as this reflects the true currency risk of the Fund.

The currency to which the Fund had exposure as at December 31, 2022, is approximately as follows:

	Net assets attributable to holders of redeemable units (%)
United States dollars	0.6

7. Financial instruments risk (continued):

The currency to which the Fund had exposure as at December 31, 2021, is approximately as follows:

	Net assets attributable to holders of redeemable units (%)
United States dollars	0.7

The amounts in the above table are based on a fair estimate of the Fund's underlying investments and financial instruments (including cash and cash equivalents) as well as the underlying principal amounts of future or forward currency contracts, as applicable. Other financial assets (including dividends and interest receivable and receivable for investments sold) and financial liabilities (including payable for investments purchased) that are denominated in foreign currencies do not expose the Fund to significant currency risk.

As at December 31, 2022, if the Canadian dollar had strengthened or weakened by 1 percent in relation to all currencies, with all other variables held constant, net assets attributable to holders of redeemable units would have increased or decreased, respectively, by approximately $7,000 (2021 - $5,000). In practice, the actual trading results may differ from this sensitivity analysis and the difference could be material.

Price risk:

Price risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk).

As at December 31, 2022, 7.1 percent (2021 - 18.6 percent) of the Fund's net assets attributable to holders of redeemable 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 redeemable units could possibly have increased or decreased by approximately $603,000 (2021 - $1,437,000) respectively. In practice, the actual results may differ from this sensitivity analysis and the difference could be material. There was no significant indirect exposure to price risk from securities held by the underlying funds.

7. Financial instruments risk (continued):

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 Fund.

Where the Fund 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 Fund.

All transactions executed by the Fund 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, 2022, the Fund has no significant investments directly in debt instruments and/or derivatives. The Fund 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. As at December 31, 2022, it is estimated that the underlying investments had exposure to debt instruments and derivatives, as applicable, with the following credit ratings:

Debt instruments* by credit rating	Percentage of net assets attributable to holders of redeemable units (%)
AAA	–
AA	–
A	–
BBB	–
BB and below	–
Not rated	–
Mortgages	100

** Excludes cash and cash equivalents.*

As at December 31, 2021, the Fund had no significant investments directly in debt instruments (does not include cash and cash equivalents) and/or derivatives. The Fund 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.

7. Financial instruments risk (continued):

As at December 31, 2021, it is estimated that the underlying investments had exposure to debt instruments and derivatives, as applicable, with the following credit ratings:

Debt instruments* by credit rating	Percentage of net assets attributable to holders of redeemable units (%)
AAA	–
AA	–
A	–
BBB	–
BB and below	–
Not rated	–
Mortgages	100

** Excludes cash and cash equivalents.*

Liquidity risk:

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

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

The Fund 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 Fund's investment objective and strategy. The maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. The Fund's overall market positions are monitored on a regular basis by the Manager. Financial instruments held by the Fund is susceptible to market price risk arising from uncertainties about future prices of the instruments.

Capital risk management:

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

8. Fair value measurements:

The following table summarizes the levels in the fair value hierarchy in which the Fund's investments are categorized as of December 31, 2022:

Assets	Level 1	Level 2	Level 3	Total
Fixed income securities	$ 6,031,518	$ –	$ 77,378,717	$ 83,410,235

During the year ended December 31, 2022, the reconciliation of investments measured at fair value using unobservable inputs (Level 3) is presented as follows:

Balance, beginning of year	$ 71,267,548
Purchases	8,031,220
Sales	(3,148,827)
Realized losses included in net income	(40,806)
Change in unrealized appreciation included in net income	1,269,582
Balance, end of year	$ 77,378,717

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

Assets	Level 1	Level 2	Level 3	Total
Fixed income securities	$ 8,848,114	$ –	$ 71,267,548	$ 80,115,662

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, beginning of year	$ 58,920,406
Purchases	14,685,540
Sales	(2,148,933)
Change in unrealized appreciation included in net income	(189,465)
Balance, end of year	$ 71,267,548

8. 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, 2022	Held as of December 31, 2021	Valuation technique	Unobservable input	Range (weighted average)	Sensitivity to changes in significant unobservable inputs
Unlisted Mortgage Investment Corporation	$ 5,200,000	$ 5,200,000	Net asset value	N/A	N/A	N/A
Unlisted Mortgage Investment Corporation	6,700,000	6,700,000	Net asset value	N/A	N/A	N/A
Unlisted Mortgage Investment Corporation	5,950,000	5,950,000	Net asset value	N/A	N/A	N/A
Unlisted Mortgage Investment Corporation	8,100,000	8,100,000	Net asset value	N/A	N/A	N/A
Unlisted Mortgage Investment Corporation	3,250,000	3,250,000	Net asset value	N/A	N/A	N/A
Unlisted Mortgage Investment Corporation	5,400,000	5,400,000	Net asset value	N/A	N/A	N/A
Unlisted Mortgage Investment Corporation	9,439,043	8,692,078	Net asset value	N/A	N/A	N/A
Unlisted Mortgage Investment Corporation	9,218,750	8,256,250	Net asset value	N/A	N/A	N/A
Unlisted Mortgage Investment Corporation	5,021,250	6,638,267	Net asset value	N/A	N/A	N/A
Unlisted Mortgage Investment Corporation	2,000,000	1,052,000	Net asset value	N/A	N/A	N/A
Unlisted Mortgage Investment Corporation	1,205,683	–	Net asset value	N/A	N/A	N/A
Unlisted Mortgage Investment Corporation	1,000,000	–	Net asset value	N/A	N/A	N/A
Participation in real property mortgage	1,662,501	1,567,373	Net asset value	N/A	N/A	N/A
Participation in real property mortgage	–	500,000	Net asset value	N/A	N/A	N/A
Participation in real property mortgage	1,000,000	1,000,000	Net asset value	N/A	N/A	N/A
Participation in real property mortgage	–	550,000	Net asset value	N/A	N/A	N/A
Participation in real property mortgage	1,750,000	–	Net asset value	N/A	N/A	N/A
Investment Trust	7,800,000	5,934,426	Net asset value	N/A	N/A	N/A
Investment Trust	2,681,490	2,477,154	Net asset value	N/A	N/A	N/A

9. Investment in Underlying Funds:

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

Type of structured entity	Nature and purpose	Interest held by the Pool
Investments funds and mortgage investments, corporations	To manage assets on behalf of third party investors and generate fees for the investment manager.	Investment in units issued by the funds or limited partnerships 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 Fund in unconsolidated structured entities. The maximum exposure to loss is the carrying amount of the financial assets held.

December 31, 2022	Number of investments	Average cost	Carrying amount included in investments at FVTPL
Investments in structured entities:			
Canadian mortgage	19	$ 74,070,736	$ 73,971,192
U.S. mortgage	1	8,258,196	9,439,043

December 31, 2021	Number of investments	Average cost	Carrying amount included in investments at FVTPL
Investments in structured entities:			
Canadian mortgage	14	$ 66,275,428	$ 67,806,211
U.S. mortgage	1	8,697,829	8,692,078

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

9. Investment in Underlying Funds (continued):

It is estimated that the Fund could redeem between $8,500,000 and $11,600,000 in the above structured entities per month.

The Fund 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 Fund and generally because decision making about the Investee Funds' investing activities is not governed by voting rights held by the Fund and other investors.

The Investee Funds are managed by asset managers who are unrelated to the Fund 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 fair value on financial assets at fair value through profit or loss'.

10. Expenses:

The Manager has the power to incur and make payment out of the Fund's 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 Trust Agreement, including without limitation all fees and expenses relating to the management and administration of each Fund. Each Fund is responsible for any income or excise taxes and brokerage commissions on portfolio transactions.

11. Unitholders deposits:

Unitholders deposits relate to cash received in advance of the issuance of the Fund redeemable units.

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

The increase in net assets attributable to holders of redeemable units per unit for the years ended December 31, 2022 is calculated as follows:

	Increase in net assets attributable to holders of redeemable units	Weighted average of redeemable units outstanding during the year	Increase in net assets attributable to holders of redeemable units per unit
2022:			
Class D	$ 2,160,669	3,065,493	$ 0.70
Class E	2,601,381	4,669,351	0.56
Class F	105,938	181,983	0.58

12. Increase in net assets attributable to holders of redeemable units per unit (continued):

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

	Increase in net assets attributable to holders of redeemable units	Weighted average of redeemable units outstanding during the year	Increase in net assets attributable to holders of redeemable units per unit
2021:			
Class D	$ 2,415,254	2,622,317	$ 0.92
Class E	3,382,146	4,334,240	0.78
Class F	148,833	188,312	0.79

13. Indemnification of the Manager:

The Fund under the terms of their Trust Agreement, shall indemnify the Manager, their principals and their respective affiliates from all claims that may arise for mistakes of judgment or for action or inaction or for losses due to such mistakes, action or inaction so long as they acted honestly and not in bad faith and reasonably believed that their conduct was in the best interests of the Fund.

14. Filing exemption:

The Fund is relying on the exemption pursuant to Section 2.11 of National Instrument 81-106 not to file its financial statements with the applicable Provincial Securities Commission.

15. Income taxes:

The Fund qualifies as a Mutual Fund Trust under the provisions of the *Income Tax Act (Canada)* (the “Tax Act”), and accordingly, is not subject to tax on their net taxable income for the tax year which ends in December, including net realized capital gains, which is paid or payable to its Unitholders as at the end of the tax year. However, such part of the Fund’s net income and net realized capital gains that is not paid or payable, is subject to income tax in the Fund. It is the intention of the Fund to distribute all of its income and sufficient net realized capital gains so that the Fund will not be subject to income tax. The Fund may be subject to alternative minimum tax, potentially recoverable.

15. Income taxes (continued):

Non-capital losses are available to be carried forward for twenty years and applied against future taxable income. Capital losses for income tax purposes may be carried forward indefinitely and applied against future capital gains.

As at the tax year ended December 31, 2022, the Fund has $196,088 (2021 - nil) capital losses available for carry-forward for income tax purposes. As at December 31, 2022 and 2021, the Fund does not have any non-capital losses available for carry-forward.

Appendix A Alitis Conflict Disclosure

Although Alitis, as Manager, has various legal obligations to the Fund, situations may arise where the interests of Alitis, and its directors, officers, employees and shareholders could conflict with the interests of the Fund.

The Fund is a connected issuer of Alitis under applicable securities laws. A person is connected to another person if, due to its relationships with such person, a prospective purchaser of securities of the person might question the other person's independence from the first person or company. The Fund is sponsored and managed by Alitis and Alitis, as consideration for such sponsorship and management services, receives management and performance fees as disclosed in this Offering Memorandum. Potential investors in the Fund should be aware of this relationship between Alitis and the Fund.

Because Alitis handles many accounts for many clients and a number of investment products managed by Alitis ("Alitis Pools"), there is the possibility that a particular client or Alitis Pool could receive preferential treatment and get access to investment opportunities ahead of other clients or Alitis Pools. The Fund does not have an independent review committee or any other form of independent oversight and will rely exclusively upon Alitis to manage their business and to provide managerial skill. To mitigate this concern, Alitis allocates investment opportunities based on policies that are designed to achieve fair and equitable results for all clients and Alitis Pools based on each client's and Alitis Pool's investment objectives and policies. No individual or Alitis Pool shall be given preferential treatment in trade executions that represent the interests of more than one client or pool. However, an investment in the Fund does not carry with it the right of the Fund or of any Unitholder to invest in any other venture of Alitis or its affiliates or associates or to any profit therefrom or to any interest therein. In determining which accounts or Alitis Pools should participate in a given investment opportunity, and in what amounts, Alitis acts at all times in good faith in accordance with the governing documents of each Alitis Pool and client relationship and each of their applicable investment objectives, strategies, current portfolio allocation and other relevant investment factors.

There is the possibility that an employee, director or officer at Alitis may trade in securities in such a way as to gain an advantage over the Fund or may invest in the same investments that the Fund invests in. All employees, directors and officers are subject to our personal trading policies which require trades in certain securities or other investments where potential conflicts of interest could arise to be reviewed and approved by Alitis' compliance department prior to execution. If any proposed trades or investments could potentially be a conflict with the Fund, the Fund's interest will take priority.

Alitis' employees, directors and officers may have involvement in other activities which could take time and attention away Alitis' operations. To mitigate this concern, Alitis' employees, directors and officers shall devote as much time as is required for the effective management of Alitis' business, including management of the Fund. If an employee, director or officer wishes to undertake other activities, these must be approved by Alitis and disclosed to appropriate regulatory authorities before such activities are undertaken to ensure that there are no conflicts of interest.

Some firms with which an employee, director or officer of Alitis has an ownership interest may also create their own investment products directly or through a related entity. These products may be appropriate for use in the Fund, but it could appear that their inclusion is a result of the ownership interest rather than because of the investment merits of the product. To mitigate this risk, all investments in this situation will go through the same due diligence process as all other investments prior to approval or rejection by Alitis' Investment Committee. As well, Alitis' Chief Compliance Officer will review and approve or reject the investment based on an assessment of the whole relationship between Alitis, the firm in which the employee has an ownership interest, and the investment product. In addition, there are strict regulatory requirements that Alitis must comply with for these types of investments, which may include prior disclosure and consent of the investors in the Fund.

By subscribing for Units, the subscriber acknowledges the foregoing conflict of interest disclosure appended to this Offering Memorandum and consents to an investment in Units sold by Alitis and to investments by the Fund in accordance with its investment objectives, trajectories and process described herein and the most recent conflict of interest disclosure document available at www.alitis.ca/conflict_disclosure.

Item 14 Offering Memorandum Certificate

Date: April 30, 2023

This Certificate is provided solely to those purchasers purchasing Offered Units of the Fund pursuant to the exemption contained in section 2.9 of National Instrument 45-106 - Prospectus Exemptions.

This Offering Memorandum does not contain a misrepresentation.

On behalf of ALITIS PRIVATE MORTGAGE FUND

(Signed) Kevin Kirkwood	*(Signed) Todd Blaseckie*
Kevin Kirkwood Chief Investment Officer Alitis Investment Counsel Inc., Manager to Fund	Todd Blaseckie Chief Executive Officer Alitis Investment Counsel Inc., Manager to Fund

ALITIS INVESTMENT COUNSEL INC.

As Manager

(Signed) Cecil Baldry-White	*(Signed) Mitchell Prothman*
Cecil Baldry-White Director	Mitchell Prothman Director