Financial Statements of

ALITIS PRIVATE MORTGAGE FUND

Six months period ended June 30, 2023

(Unaudited)

MANAGEMENT RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements have been prepared by Alitis Investment Counsel Inc. in its capacity as the Manager of the Fund. The Fund's Manager is responsible for the information and representations contained in these financial statements.

The Manager maintains appropriate processes to ensure that relevant and reliable financial information is produced. The financial statements have been prepared in accordance with International Financial Reporting Standards and include certain amounts that are based on estimates and judgments made by the Manager. The significant accounting policies which the Manager believes are appropriate for the Trust are described in note 3 to the financial statements.

On behalf of the Manager:

Date: August 22, 2023

NOTICE TO UNITHOLDERS

The Auditors of the Fund have not reviewed these financial statements.

Alitis Investment Counsel Inc., the Manager of the Fund, appoints an independent auditor to audit the Fund's annual financial statements. Applicable securities laws require that if an auditor has not reviewed the Fund's interim financial statements, this must be disclosed in an accompanying notice.

ALITIS PRIVATE MORTGAGE FUND

Statement of Financial Position
As at June 30, 2023 (Unaudited)

		2023		2022
ASSETS				
Current assets				
Investments	$	88,817,220	$	83,410,235
Future contracts		–		63,312
Cash		–		1,641,524
Interest and dividends receivable		985,527		901,131
Fee rebate - investments owned		4,877		5,040
Subscriptions receivable		163,373		764,234
Prepaid expenses		7,344		17,109
		89,978,341		86,802,585
LIABILITIES				
Current liabilities				
Future contracts		3,551		–
Bank indebtedness		860,476		–
Accounts payable and accrued liabilities		108,600		63,106
Management fees payable (note 5)		71,083		70,689
Distributions payable		5,847		5,721
Redemptions payable		1,044,114		964,313
		2,093,671		1,103,829
Net assets attributable to holders of redeemable units	$	87,884,670	$	85,698,756
Net assets attributable to holders of redeemable units per class				
Class D	$	35,562,660	$	34,267,715
Class E		50,132,362		49,356,628
Class F		2,189,648		2,074,413
	$	87,884,670	$	85,698,756
Number of redeemable units outstanding (note 6)				
Class D		3,406,197		3,290,601
Class E		4,919,537		4,853,923
Class F		220,177		209,062
Net assets attributable to holders of redeemable units per unit				
Class D	$	10.44	$	10.41
Class E		10.19		10.17
Class F		9.94		9.92

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
For the six-months ended June 30, 2023 (Unaudited)

	2023	2022
Income		
Interest income for distribution purposes	$ 3,523,842	$ 3,011,732
Other income	26,556	28,729
Fee rebate - investments owned	29,793	29,936
Net realized gain on sale of investments	350,569	255,762
Net change in unrealized depreciation in value of investments	(194,144)	(737,310)
Dividends	120,919	–
	3,857,535	2,588,849
Expenses		
Management fees (note 5)	364,798	283,060
Operating costs	68,048	84,075
Audit fee	6,500	6,038
Custodian fees	1,260	1,260
Amortization expense - Wind down of Timbercreek RE Financial US LP	–	21,396
Performance fees (note 5)	–	48,013
Commissions and other portfolio transaction costs	–	950
	440,606	444,792
Increase in net assets attributable to holders of redeemable units	$ 3,416,929	$ 2,144,057
Increase in net assets attributable to holders of redeemable units per class		
Class D	$ 1,515,026	$ 930,118
Class E	1,819,126	1,166,064
Class F	82,777	47,875
	$ 3,416,929	$ 2,144,057
Increase in net assets attributable to holders of redeemable units per unit		
Class D	$ 0.45	$ 0.32
Class E	0.37	0.25
Class F	0.38	0.26

ALITIS PRIVATE MORTGAGE FUND

Statement of Changes in Net Assets Attributable to Holders of Redeemable Units
For the six-months ended June 30, 2023 (Unaudited)

	Net assets attributable to holders of redeemable units, beginning of period	Proceeds from redeemable units issued	Redemption of redeemable units	Increase in net assets attributable to holders of redeemable units	Distribution to unitholders of redeemable units from net investment income*	Reinvestments of distributions to holders of redeemable units	Net assets attributable to holders of redeemable units, end of period
June 30, 2023							
Class D	$ 34,267,715	$ 1,330,107	$ (1,550,187)	$ 1,515,026	$ (1,426,493)	$ 1,426,492	$ 35,562,660
Class E	49,356,628	2,379,231	(3,422,622)	1,819,126	(1,711,588)	1,711,587	50,132,362
Class F	2,074,413	161,229	(94,451)	82,777	(78,159)	43,839	2,189,648
	$ 85,698,756	$ 3,870,567	$ (5,067,260)	$ 3,416,929	$ (3,216,240)	$ 3,181,918	$ 87,884,670

	Net assets attributable to holders of redeemable units, beginning of period	Proceeds from redeemable units issued	Redemption of redeemable units	Increase in net assets attributable to holders of redeemable units	Distribution to unitholders of redeemable units from net investment income*	Reinvestments of distributions to holders of redeemable units	Net assets attributable to holders of redeemable units, end of period
June 30, 2022							
Class D	$ 30,070,521	$ 2,455,769	$ (979,246)	$ 930,118	$ (1,084,641)	$ 1,084,641	$ 32,477,162
Class E	47,454,285	3,537,750	(4,392,690)	1,166,064	(1,388,279)	1,388,279	47,765,409
Class F	1,840,597	–	(50,000)	47,875	(55,938)	35,197	1,817,731
	$ 79,365,403	$ 5,993,519	$ (5,421,936)	$ 2,144,057	$ (2,528,858)	$ 2,508,117	$ 82,060,302

ALITIS PRIVATE MORTGAGE FUND

Statement of Changes in Net Assets Attributable to Holders of Redeemable Units (Continued)
For the six-months ended June 30, 2023 (Unaudited)

*Detailed distribution to unitholders of redeemable units		2023		2022
Class D				
From net investment income	$	1,426,493	$	1,084,641
Class E				
From net investment income	$	1,711,588	$	1,388,279
Class F				
From net investment income	$	78,159	$	55,938

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

ALITIS PRIVATE MORTGAGE FUND

Statement of Cash Flows
For the six-months ended June 30, 2023 (Unaudited)

		2023		2022
Cash provided by (used in):				
Operating Activities				
Increase in net assets attributable to holders of redeemable units	$	3,416,929	$	2,144,057
Adjustments for non-cash items				
Net realized gain on sale of investments		(350,569)		(255,762)
Net change in unrealized depreciation in value of investments		194,144		737,310
Change in non-cash balances				
(Increase) decrease in interest and dividends receivable		(84,396)		161,570
Decrease in Fee rebate - investments owned		163		–
Decrease in prepaid expenses		9,765		22,260
Increase (decrease) in accounts payable and accrued liabilities		45,494		(19,259)
Increase (decrease) in management fees payable		394		(45,698)
Proceeds from sale of investments		6,629,544		2,404,522
Purchase of investments		(11,799,037)		(3,002,236)
Cash (used in) provided by operating activities		(1,937,569)		2,146,764
Financing Activities				
Proceeds from issuances of redeemable units		4,471,428		7,281,605
Amount paid on redemption of redeemable units		(4,987,459)		(6,645,343)
Distributions paid to holders of redeemable units, net of reinvested distributions		(34,196)		(39,493)
Cash (used in) provided by financing activities		(550,227)		596,769
(Decrease) increase in cash and cash equivalents during the period		(2,487,796)		2,743,533
Foreign exchange (loss) gain on cash		(14,204)		6,979
Cash and cash equivalents, beginning of period		1,641,524		(1,409,627)
Cash and cash equivalents, end of period	$	(860,476)	$	1,340,885
Supplemental information*				
Interest paid	$	2,359	$	11,556
Interest received		2,974,969		2,947,299
Dividends received, net of withholding taxes		194,467		80,409

*Included as a part of cash flows from operating activities

ALITIS PRIVATE MORTGAGE FUND

Schedule of Investment Portfolio
As at June 30, 2023 (Unaudited)

Number of shares/units	Investments owned	Average cost	Fair value	% of net asset value
	Canadian Canadian Mortgage			
1,558,939	1724 & 1730 Queen Street West, Brampton, ON	$ 1,796,608	$ 1,796,608	2.04
1,000,000	3911-11, North Bluff	1,000,000	1,000,000	1.14
1,200,000	Anthem Waterford Investments Ltd.	1,238,500	1,238,500	1.41
103,900	Atrium Mortgage Investment Corp.	1,166,049	1,168,875	1.33
6,700,000	Cambridge Mortgage Investment Corporation Class B	6,700,000	6,700,000	7.62
281,571	Cameron Stephens High Yield Mortgage Trust	2,815,715	2,815,715	3.20
200,000	CMCC High Yield Mortgage Investment Corporation Class A	2,000,000	2,000,000	2.28
3,000,000	Ironclad Developments Points West Holdings Inc.	3,000,000	3,000,000	3.41
8,100,000	Kingsett High Yield Fund LP	8,100,000	8,100,000	9.22
10,250,000	KingSett Senior Mortgage Fund LP	10,250,000	10,250,000	11.66
595,000	KV Mortgage Fund Inc.	5,950,000	5,950,000	6.77
1,000,000	KVC-1466 1329606 BC Ltd.	1,000,000	1,000,000	1.14
325,000	Magenta III Mortgage Investment Corp. PFD	3,250,000	3,250,000	3.70
220,016	MCAN Mortgage Corp.	2,993,327	3,379,446	3.85
5,400,000	Neighbourhood Holdings Limited Partnership - Class F	5,400,000	5,400,000	6.14
340,000	Romspen Mortgage Investment Fund	3,400,000	3,286,440	3.74
175,000	Romspen Mortgage Investment Fund - Run-Off Pool	1,750,000	1,687,875	1.92
8,100,000	Ryan Mortgage Income Fund	8,100,000	8,100,000	9.22
227,200	Timbercreek Financial Corp.	1,842,937	1,692,640	1.93
1,750,000	Whitemud Business Park	1,750,000	1,750,000	1.99
		73,503,136	73,566,099	83.71
	Global Mortgage			
4,147,000	Timbercreek Ireland Private Debt II 11% 13MAR2030	6,101,867	5,994,074	6.82
	U.S. Mortgage			
6,876	Timbercreek Real Estate Finance US LP	8,258,196	9,257,047	10.53
	Net investments owned	**$ 87,863,199**	88,817,220	101.06
	Unrealized loss, futures contracts		(3,551)	0.00
	Other liabilities, net		(928,999)	(1.06)
	Net Assets Attributable to Holders of Redeemable Units		**$ 87,884,670**	**100.00**

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 interim financial statements have been prepared in compliance with International Financial Reporting Standards applicable to the preparation of financial statements, and International Accounting Standard 34, Interim Financial Reporting (together “IFRS”). The Fund reports under this basis of accounting as required by Canadian Securities Legislation and the Canadian Accounting Standards Board. These interim financial statements should be read in conjunction with the annual financial statements for the year ended December 31, 2022 which have been prepared in accordance with IFRS.

The policies applied in these interim financial statements are based on IFRS issued and outstanding as of August 22, 2023, which is the date on which the interim 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 June 30, 2023 and December 31, 2022, 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 period 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 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 on sale of investments, including foreign exchange adjustments and net change in unrealized 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 period.

(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 period. 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 period ended June 30, 2023, management fees of $364,798 (2022 - $283,060) were incurred by the Fund and $71,083 (December 31, 2022 - $70,689) was payable at June 30, 2023.

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 period ended June 30, 2023, performance fees of $nil (2022 - $48,013) 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 period ended June 30, 2023 and 2022 is as follows:

	Redeemable Units, beginning of period	Redeemable Units Issued	Redemptions of Redeemable Units	Reinvestments of Units	Redeemable Units, end of period
June 30, 2023					
Class D	3,290,601	127,459	(148,553)	136,690	3,406,197
Class E	4,853,923	233,553	(335,928)	167,989	4,919,537
Class F	209,062	16,209	(9,504)	4,410	220,177
June 30, 2022					
Class D	2,840,539	230,208	(92,368)	102,543	3,080,922
Class E	4,586,656	339,446	(422,596)	134,285	4,637,791
Class F	182,251	–	(4,938)	3,488	180,801

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 June 30, 2023, the underlying investments estimated exposure to debt instruments by maturity is as follows:

Debt instruments** by maturity date		
Less than 1 year	$	68,569,365
1 - 5 years		18,009,645
5 - 10 years		130,583
Greater than 10 years		-
	$	86,709,593

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

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 and preferred shares, 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 June 30, 2023, the Fund had direct investments denominated in United States dollars of $9,257,047 or 10.5 percent and in European dollars of $5,994,074 or 6.8 percent of net assets attributable to holders of redeemable units (December 31, 2022 - $9,439,043 or 11.0 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 June 30, 2023, is approximately as follows:

	% Net assets attributable to holders of redeemable units (%)
United States dollars	0.9

7. Financial instruments risk (continued):

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

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 June 30, 2023, 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 $4,000 (December 31, 2022 - $7,000). 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 June 30, 2023, 5.7 percent (December 31, 2022 – 7.1 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 period end, with all other factors remaining constant, net assets attributable to holders of redeemable units could possibly have increased or decreased by approximately $507,000 (December 31, 2022 - $603,000) 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 June 30, 2023, 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 June 30, 2023, 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, 2022, 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, 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*

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.

7. Financial instruments risk (continued):

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 June 30, 2023:

	Level 1	Level 2	Level 3	Total
Assets				
Fixed income securities	$ 6,240,961	$ –	$ 82,576,259	$ 88,817,220
	$ 6,240,961	$ –	$ 82,576,259	$ 88,817,220

During the period ended June 30, 2023, the reconciliation of investments measured at fair value using unobservable inputs (Level 3) is presented as follows:

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

	Total
Beginning Balance, January 01, 2023	$ 77,378,717
Purchases	12,484,266
Sales	(6,950,000)
Change in unrealized depreciation included in net income	(336,724)
Ending Balance, June 30, 2023	$ 82,576,259

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

	Total
Beginning Balance, January 01, 2022	$ 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
Ending Balance, December 31, 2022	$ 77,378,717

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 June 30, 2023	Held as of December 31, 2022	Valuation technique	Unobservable input	Range (weighted average)	Sensitivity to changes in significant unobservable inputs
Unlisted Mortgage Investment Corporation	$ –	$ 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	9,257,047	9,439,043	Net asset value	N/A	N/A	N/A
Unlisted Mortgage Investment Corporation	10,250,000	9,218,750	Net asset value	N/A	N/A	N/A
Unlisted Mortgage Investment Corporation	3,286,440	5,021,250	Net asset value	N/A	N/A	N/A
Unlisted Mortgage Investment Corporation	2,000,000	2,000,000	Net asset value	N/A	N/A	N/A
Unlisted Mortgage Investment Corporation	1,238,500	1,205,683	Net asset value	N/A	N/A	N/A
Unlisted Mortgage Investment Corporation	1,000,000	1,000,000	Net asset value	N/A	N/A	N/A
Participation in real property mortgage	1,796,608	1,662,501	Net asset value	N/A	N/A	N/A
Participation in real property mortgage	–	–	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	–	–	Net asset value	N/A	N/A	N/A
Participation in real property mortgage	1,750,000	1,750,000	Net asset value	N/A	N/A	N/A
Investment Trust	8,100,000	7,800,000	Net asset value	N/A	N/A	N/A
Investment Trust	2,815,715	2,681,490	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. These vehicles are financed through the issue of units to or shares to investors.	Investment in units issued by the funds or limited partnerships or shares issued by corporations.

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.

June 30, 2023	Number of investments		Average cost		Carrying amount included in investments at FVTPL
Investments in structured entities:					
Canadian mortgage	20	$	73,503,136	$	73,566,099
U.S. mortgage	1		8,258,196		9,257,047
European mortgage	1		6,101,867		5,994,074

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

During the period 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 $6,000,000 and $8,200,000 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 period ended June 30, 2023 is calculated as follows:

	Increase in net assets attributable to holders of redeemable units per class	Weighted average of redeemable units outstanding during the period	Increase in net assets attributable to holders of redeemable units per unit
June 30, 2023			
Class D	$ 1,515,026	3,354,556	$ 0.45
Class E	1,819,126	4,927,873	0.37
Class F	82,777	215,219	0.38

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 period ended June 30, 2022 is calculated as follows:

	Increase in net assets attributable to holders of redeemable units per class	Weighted average of redeemable units outstanding during the period	Increase in net assets attributable to holders of redeemable units per unit
June 30, 2022			
Class D	$ 930,118	2,947,423	$ 0.32
Class E	1,166,064	4,606,007	0.25
Class F	47,875	180,662	0.26

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.