TREZ CAPITAL
YIELD TRUST

Consolidated Financial Statements
(Expressed in Canadian dollars)

TREZ CAPITAL YIELD TRUST

And Independent Auditor's Report thereon

Year ended December 31, 2022

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INDEPENDENT AUDITOR'S REPORT

To the Unitholders of Trez Capital Yield Trust

Opinion

We have audited the consolidated financial statements of Trez Capital Yield Trust (the "Entity"), which comprise:

- the consolidated statement of financial position as at December 31, 2022
- the consolidated statement of income for the year then ended
- the consolidated statement of comprehensive income for the year then ended
- the consolidated statement of changes in net assets attributable to holders of redeemable units for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the consolidated 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 consolidated financial position of the Entity as at December 31, 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

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 (IFRS) as issued by the International Accounting Standards Board (IASB), 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; and
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

KPMG LLP

Chartered Professional Accountants

Vancouver, Canada
April 21, 2023

TREZ CAPITAL YIELD TRUST

Consolidated Statement of Financial Position
(Expressed in Canadian dollars)

December 31, 2022, with comparative information for 2021

	Notes	2022	2021
Assets			
Cash and cash equivalents		$ 60,605,650	$ 139,601,462
Other assets		1,181,385	12,425,501
Foreign currency derivatives and margin deposits	12	9,546,090	6,226,033
Investments in mortgages	5, 15	940,520,033	771,609,377
Investments in associates and joint ventures	4	8,401,578	9,412,846
Investments held at fair value	6	160,549,037	175,758,686
Promissory notes receivable	8	7,223,201	315,947
Due from related parties	15	7,850,469	1,825,315
Other investments	7	64,319,104	64,319,104
Property under development held for sale	9	31,860,658	49,547,643
		$ 1,292,057,205	$ 1,231,041,914
Equity			
Accumulated other comprehensive income		$ 1,048,814	$ 757,759
Non-controlling interests	15(e)	1,077,409	4,114,393
		2,126,223	4,872,152
Liabilities and Net Assets Attributable to Holders of Redeemable Units			
Accounts payable and accrued liabilities	15(c)	11,176,272	12,841,270
Distributions payable to holders of redeemable units	13	3,013,632	2,229,335
Loans payable	11	46,381,342	28,620,571
Foreign currency derivatives	12	6,843,507	-
Mortgage syndication liabilities	5	221,639,164	102,793,831
		289,053,917	146,485,007
Redeemable units, representing net assets attributable to holders of redeemable units	14	1,000,877,065	1,079,684,755
		1,289,930,982	1,226,169,762
Total liabilities and net assets attributable to holders of redeemable units and equity		$ 1,292,057,205	$ 1,231,041,914

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

Approved on behalf of the Board of the General Partner of the Manager:
Trez Capital Fund Management Limited Partnership:

(Signed) *"John Maragliano"*
Director

(Signed) *"Dean Kirkham"*
Director

TREZ CAPITAL YIELD TRUST

Consolidated Statement of Income
(Expressed in Canadian dollars)

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

	Notes	2022	2021
Revenue:			
Revenue from property under development held for sale	9	$ 20,967,656	$ 70,367,002
Interest income		82,497,389	62,164,877
Interest expense on mortgage syndication liabilities		(9,532,727)	(4,629,744)
Rental income from foreclosed property	7	8,203,443	7,226,306
Other income		785,649	903,982
		102,921,410	136,032,423
Expenses:			
Management and incentive fees	15(c)	23,957,893	16,796,321
Foreign exchange loss		11,347,599	2,869,936
General and administrative		3,314,058	4,162,974
Provision (recovery) for mortgage losses	5	2,608,543	(115,000)
Expenses related to foreclosed property	7	4,968,811	5,202,415
Cost of sales from property under development held for sale	9	16,559,890	54,545,135
Expenses from property under development held for sale	9	260,985	1,628,981
		63,017,779	85,090,762
Income from investments in associates and joint ventures	4	396,567	1,761,299
Fair value gain on investments held at fair value	6	14,469,153	15,063,506
Foreign exchange gain on investments held at fair value	6	11,024,088	2,833,208
Income from operations		65,793,439	70,599,674
Financing costs:			
Interest expense		1,783,130	2,693,226
Distributions to holders of redeemable units	13	63,726,246	58,853,646
		65,509,376	61,546,872
Net income for the year		$ 284,063	$ 9,052,802
Attributable to:			
Holders of redeemable units		$ 3,569,014	$ 6,530,854
Non-controlling interests	15(e)	(3,284,951)	2,521,948
		$ 284,063	$ 9,052,802

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

TREZ CAPITAL YIELD TRUST

Consolidated Statement of Comprehensive Income
(Expressed in Canadian dollars)

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

	2022	2021
Net income	$ 284,063	$ 9,052,802
Other comprehensive income (loss):		
Translation adjustment on foreign operations	291,055	(1,189,502)
Comprehensive income end of year	$ 575,118	$ 7,863,300
Net comprehensive income (loss) attributable to:		
Net assets attributable to holders of redeemable units	$ 3,860,069	$ 5,341,352
Non-controlling interests	(3,284,951)	2,521,948
	$ 575,118	$ 7,863,300

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

TREZ CAPITAL YIELD TRUST

Consolidated Statement of Changes in Net Assets Attributable to Holders of Redeemable Units
(Expressed in Canadian dollars)

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

	2022	2021
Balance, beginning of year	$ 1,079,684,755	$ 1,060,044,720
Income attributable to holders of redeemable units	3,569,014	6,530,854
Contributions and redemptions:		
Issuance of units	77,234,532	91,356,824
Reinvestment of distributions on redeemable units	35,448,905	31,286,846
Redemptions	(195,060,141)	(109,534,489)
	(82,376,704)	13,109,181
Balance, end of year	$ 1,000,877,065	$ 1,079,684,755

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

TREZ CAPITAL YIELD TRUST

Consolidated Statement of Cash Flows
(Expressed in Canadian dollars)

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

	2022	2021
Cash provided by (used in):		
Operating activities:		
Net income	$ 284,063	$ 9,052,802
Items not involving cash:		
Income from investments in associates and joint ventures	(396,567)	(1,761,299)
Unrealized loss on foreign currency derivatives	7,993,450	2,721,608
Interest income, net of interest expense on syndications	(72,964,662)	(57,535,133)
Distributions to holders of redeemable units	63,726,246	58,853,646
Provision for mortgage losses	2,608,543	(115,000)
Fair value gain on investments held at fair value	(25,493,241)	(17,896,714)
Interest received	38,265,580	36,356,368
Recovery of cost of sales	16,559,889	54,545,135
Changes in non-cash operating working items:		
Other assets	-	12,366,728
Margin deposits	(4,470,000)	3,960,000
Accounts payable and accrued liabilities	(1,664,998)	(10,534,658)
	24,448,303	90,013,483
Investing activities:		
Funding of investments in mortgages	(569,523,322)	(574,378,459)
Repayments on investments in mortgages including syndications	483,365,573	566,554,144
Repayments of promissory notes receivable	191,457	3,646,920
Repayments (additions) on property under development held for sale	1,127,095	(38,709,095)
Repayments (additions) to other assets	4,145,408	(62,280)
Distributions from investment in associates and joint ventures	1,698,889	8,076,644
Net contributions (to) from investments held at fair value	108,885,856	94,342,055
	29,890,956	59,469,929
Financing activities:		
Distributions paid	(27,493,045)	(27,983,776)
Advances of loans payable	18,814,217	6,058,884
Repayments of loans payable	(1,053,446)	(42,351,647)
Issuance of units	77,234,532	91,356,824
Redemptions	(195,060,141)	(109,534,489)
Change in amounts due from related parties	(6,025,154)	(193,954)
Change in amounts due to related parties	-	(589)
Contributions (distributions) to non-controlling interest	247,966	(3,172,753)
	(133,335,071)	(85,821,500)
(Decrease) increase in cash and cash equivalents	(78,995,812)	63,661,912
Cash and cash equivalents, beginning of year	139,601,462	75,939,550
Cash and cash equivalents, end of year	$ 60,605,650	$ 139,601,462

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

1. Nature of business:

Trez Capital Yield Trust (the “Trust”) is an unincorporated trust, which was established under the laws of British Columbia, pursuant to a Declaration of Trust dated March 20, 2013, which was amended and restated March 8, 2016. The Trust commenced operations on April 1, 2013.

Trez Capital Fund Management Limited Partnership is the Trust’s manager (the “Manager”); Trez Capital Limited Partnership is the Trust's mortgage broker (the “Mortgage Broker”); and Computershare Trust Company of Canada acts as Trustee.

The Trust has been created for the purpose of generating a stream of income from interests acquired in a portfolio of mortgages related to any and all types of real property within Canada and the United States (“U.S.”) and from limited equity profit sharing arrangements through limited partnerships within the U.S. Pursuant to the Declaration of Trust, the legal ownership of the Trust's property is vested in the Trustee and the Trust Unitholders' beneficial interest in the Trust is represented by units. The affairs and administration of the Trust are managed by the Manager.

The principal place of business of the Trust is located at 1700 - 745 Thurlow Street, Vancouver, British Columbia, V6E 0C5.

2. Basis of preparation:

(a) Statement of compliance:

These consolidated financial statements of the Trust have been prepared in compliance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

These consolidated financial statements were authorized for issue by the Board of Governors of the Trust on April 21, 2023.

(b) Basis of measurement:

These consolidated financial statements have been prepared on the historical cost basis, except for foreign currency derivatives and margin deposits; investments held at fair value and other investments which are measured at fair value.

2. Basis of preparation (continued):

(c) Functional and presentation currency:

These consolidated financial statements are presented in Canadian dollars, which is also the functional currency of the Trust. The functional currency of the Trust's U.S. subsidiaries and investments in associates and joint ventures is the U.S. dollar. Accordingly, the financial statements of the Trust's U.S. subsidiaries and investments in associates and joint ventures have been translated into Canadian dollars as follows:

(*i*) Assets and liability amounts are translated at the exchange rate at the end of each reporting period;

(*ii*) Amounts included in the determination of earnings is translated at the average exchange rate during the year; and

(*iii*) Any gains or losses from the translation of amounts determined in (*i*) and (*ii*) above are recognized in accumulated other comprehensive income, which is a separate account within equity in the consolidated statement of financial position.

(d) Use of estimates and judgments:

The preparation of the consolidated financial statements requires the Manager to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized prospectively.

In making estimates, the Manager relies on external information and observable inputs where possible supplemented by internal analysis as required. The significant estimates and judgments used in determining the recorded amount for assets and liabilities in these consolidated financial statements are related to investment in mortgages and investments held at fair value:

(*i*) Investments in mortgages:

The Trust is required to make an assessment of forward looking 'expected credit losses' ("ECL") for investments in mortgages. The expected credit loss model is further explained in note 3(k). The estimation of future cash flows includes assumptions about local real estate market conditions, market interest rates, availability and terms of financing, underlying value of the security and various other factors. These assumptions are limited by the availability of reliable comparable market data, economic uncertainty and the uncertainty of future events. Accordingly, by their nature, estimates of impairment are subjective and may not necessarily be comparable to the actual outcome. Should the underlying assumptions change, the estimated future cash flows could vary by a material amount.

2. Basis of preparation (continued):

(d) Use of estimates and judgments (continued):

(ii) Investments held at fair value:

Included in investments held at fair value are interests in limited partnerships created to enable the Trust to enter loan sharing arrangements with US domiciled financial institutions. The loan sharing arrangements allow the Trust to share senior participations increasing both available investable cash and yield to the Trust. Judgment is applied in assessing whether the Trust exercises control, joint control, significant influence or none of the above over the Special Purpose Entities.

Control is defined as the power to govern the financial and operating decisions of an entity so as to obtain benefits from its activities, and significant influence is defined as the power to participate in the financial and operating decisions of the Special Purpose Entities. The Trust has determined for these Special Purpose Entities that the Trust has neither control, joint control or significant influence as the Trust has no ability to control or influence any of the relevant activities of the Special Purpose Entities and has therefore measured the investments at fair value in accordance with IFRS 9.

The Trust estimates the value of these investments based on its assessment of the current lending market for mortgages of same or similar terms. Should the underlying assumptions around current market interest rates change, the estimated future cash flows and income could vary affecting fair value.

3. Significant accounting policies:

(a) Basis of presentation:

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

(i) Subsidiaries:

These consolidated financial statements comprise the financial statements of the Trust and subsidiaries controlled by the Trust. Control exists when the Trust is exposed to, or has rights to, variable returns from its involvement with the entity, and has the ability to affect those returns through its power over the entity. The financial statements of the subsidiaries are consolidated from the date that control commences and continue to be consolidated until the date that control ceases.

These consolidated financial statements reflect the financial position, results of operations and cash flows of the Trust and its subsidiaries. Intra-group transactions and balances are eliminated in preparing the consolidated financial statements.

Non-controlling interests represent the portion of profit or loss and net assets of consolidated subsidiaries not held by the Trust and are presented separately in the consolidated statement of comprehensive income (loss) and within equity in the consolidated statement of financial position.

3. Significant accounting policies:

(a) Basis of presentation (continued):

(*i*) Subsidiaries (continued):

The Trust consolidates the following material subsidiaries:

	Province of registration	% of ownership
Trez Capital Yield Trust Sub-Trust	British Columbia	100%
Victoria Customs House LP (formerly, T-816 Government Street LP)	British Columbia	60%
Trez NP Investors LP	British Columbia	77%
Trez CN Tower Holdings Ltd.	British Columbia	100%

The principal business activity of Victoria Customs House LP is investment in real estate development. The principal business activity of Trez NP Investors LP is investment in mortgages. Trez CN Tower Holdings Ltd is invested in an office building in Edmonton, Alberta which was acquired through a foreclosure like process during 2021. The Trust is making efforts to dispose of the building through a sales process.

(*ii*) Investments in jointly controlled entities:

The Trust and certain of its subsidiaries have interests in a number of development joint ventures, which are accounted for using the equity method.

The Trust holds investments in other trusts and limited partnerships for the purpose of investing in real estate development projects. In certain cases, the Trust's investments are held through intermediary holding entities.

Where the Trust has assessed that it has joint control over the investees, the investments are initially recognized at cost and are adjusted thereafter for the post-acquisition change in the Trust's share in the investee's net assets. The Trust's share of investee's profit or loss is included in the Trust's consolidated statement of income.

(*iii*) Investments in associates:

Investments over which the Trust holds significant influence are accounted for using the equity method of accounting. Significant influence is the power to participate in the financial and operating policy decisions of the investee without actual control or joint control of those policies. Under the equity method, the investment is initially recognized at cost and is adjusted thereafter for the post-acquisition change in the Trust's share in the investee's net assets. The Trust's share of investee's profit or loss is included in the Trust's consolidated statement of income.

The Trust holds investments in associates primarily for the purpose of investing in real estate development projects.

3. Significant accounting policies (continued):

(a) Basis of presentation (continued):

(*iii*) Investments in associates (continued):

Significant accounting policies of the underlying operating partnerships involved in real estate development projects classified as investments in joint ventures or associates are as follows:

- Property under development held for sale:

  Property under development held for sale are recorded at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less cost to complete the development and selling costs. Costs include all direct development costs and capitalized carrying costs related to holding the property under development held for sale, including borrowing costs. The cost of sale of a property or unit is allocated on the basis of the estimated total cost of the project prorated by the selling price of the property or unit over the anticipated sales proceeds from the entire project.

- Sales revenue:

  Revenue from the sale of property under development held for sale is recognized at the time that the risks and rewards of ownership have been transferred, possession or title passes to the purchaser, and all material conditions of the sales contract have been met, and at which time all proceeds are received or collectability is reasonably assured.

- Other revenues:

  The operating partnerships may earn other revenue such as performance fees based on the specific contractual terms of each partnership. These revenues are recorded as earned in accordance with the terms of the respective partnership agreement.

(*iv*) Investments held at fair value:

Investments over which the Trust does not have control or significant influence are accounted for at fair value. The Trust holds investments held at fair value primarily for the purpose of participating in loan sharing arrangements with U.S. domiciled financial institutions.

(b) Cash and cash equivalents:

Cash consists of cash held at financial institutions and cash equivalents include securities with maturities of three months or less when purchased.

(c) Margin deposits:

Relates to margin deposits made on foreign currency swap transactions.

3. Significant accounting policies (continued):

(d) Investments held for sale:

When the Trust obtains legal title of the underlying security of a mortgage investment, the carrying value of the mortgage investment, which is comprised of principal, costs incurred, accrued interest and the related provision for mortgage investment loss, if any, is reclassified from mortgage investments to other investments. At each reporting date, the investments are measured at fair value, with changes in fair value recorded in profit or loss in the period they arise. The Trust uses management's best estimate to determine fair value of the properties, which may involve frequent inspections, engaging realtors to assess market conditions based on previous property transactions or obtaining property appraisals from independent valuation specialists. These investments are held in other investments (note 7).

(e) Property under development held for sale:

Property under development held for sale includes an investment property being developed for a mixed use development.

Costs include all direct development costs and capitalized carrying costs related to holding the property under development held for sale, including borrowing costs.

(f) Promissory notes receivable:

Promissory notes are recorded at amortized cost using the effective interest rate method less any impairment.

(g) Redeemable units:

All units of the Trust are redeemable at the Unitholder's option and accordingly are classified as financial liabilities and presented as "net assets attributable to holders of redeemable units" in the consolidated statement of financial position. Units redeemed are accounted for in the period during which the redemption is effective. Resultant gains on redemption are recognized in the consolidated statement of income in the same period.

(h) Revenue recognition:

Interest income is recognized in the consolidated statement of income on an effective interest rate basis.

Interest on impaired financial assets is recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Revenue from property under development held for sale is recognized at a point in time when possession or title passes to the purchaser, and all performance obligations of the sales contract have been met, and at which time all proceeds are received or collectability is reasonably assured.

Rental income is recognized when services are rendered, and the amount is earned.

3. Significant accounting policies (continued):

(i) Distributions on redeemable units:

Distributions to Unitholders on each series of redeemable units are made on a quarterly basis, in arrears. The total distributions to be made in respect of the December 31 year-end will equal at least 100% of the Trust's taxable income for the year. Distributions on redeemable units are treated as an expense within the consolidated statement of comprehensive income (loss), following the units' classification as liabilities. Distributions are accrued in the period to which they relate.

(j) Foreign currency translation:

Revenue and expenses denominated in foreign currencies are translated into Canadian dollars at the average rate of exchange prevailing for the period.

Assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the rate of exchange as at the date of the consolidated financial statements.

Assets denominated in foreign currencies under forward currency arrangements are shown at the contractual rates of exchange reflected in the arrangements. Related gains or losses on these arrangements are recognized in the consolidated statement of comprehensive income at their maturities.

For foreign subsidiaries, investments in joint arrangements and investments in associates that have a functional currency different than that of the Trust, foreign exchange gains or losses on translation of the foreign operations into the Trust's presentation currency is recognized in accumulated other comprehensive income.

(k) Financial instruments:

(*i*) Recognition, classification and measurement of financial assets and liabilities:

Under IFRS 9, on initial recognition, a financial asset is measured at fair value and subsequently classified as measured at: amortized cost; fair value through other comprehensive income ("FVOCI")-debt investment; FVOCI-equity investment; or fair value through profit or loss ("FVTPL"). The classification of financial assets that are debt instruments under IFRS 9 are generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

A financial asset that is a debt instrument is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

3. Significant accounting policies (continued):

(k) Financial instruments (continued):

(i) Recognition and classification of financial assets and liabilities (continued):

The most significant financial asset that is a debt instrument in the Trust is investments in mortgages. The objective of the Trust is to hold these investments and collect the contractual interest payments from the loans. The payments received by the Trust are solely payments of principal and interest; therefore, the asset meets the criteria under IFRS 9 to be measured at amortized cost. Cash and cash equivalents and promissory notes receivables are also classified at amortized cost. Foreign currency derivatives are classified as FVTPL.

Financial liabilities are recognized initially at fair value and are subsequently classified as other financial liabilities or FVTPL. A financial liability is classified as FVTPL if it is classified as held-for-trading, is a derivative or is designated as such on initial recognition.

Financial liabilities at FVPTL are measured at fair value and net gains and losses including any interest expense, are recognized in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense is recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

Financial instruments subsequently measured at amortized cost are done so using the effective interest method, less any impairment losses. The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

The Trust has classified its financial instruments as follows:

	Classification
Financial assets:	
Cash and cash equivalents	Amortized cost
Margin deposits and foreign currency derivatives	FVTPL
Investments in mortgages	Amortized cost
Accrued interest receivable	Amortized cost
Investments held at fair value	FVTPL
Promissory notes receivable	Amortized cost
Due from related parties	Amortized cost
Financial liabilities:	
Accounts payable and accrued liabilities	Amortized cost
Foreign currency derivatives	FVTPL
Distributions payable on redeemable units	Amortized cost
Loans payable	Amortized cost
Mortgage syndication liabilities	Amortized cost
Redeemable units, representing net assets attributable to holders of redeemable units	Amortized cost

3. Significant accounting policies (continued):

(k) Financial instruments (continued):

(*ii*) Impairment:

Under IFRS 9, an entity recognizes loss allowances for expected credit losses (“ECL”) to financial assets measured at amortized cost, and debt investments at FVOCI.

The Trust measures expected credit losses on each reporting date according to a three stage expected credit loss impairment model:

Performing financial assets:

- Stage 1: From initial recognition of a financial asset to the date on which the asset has not experienced a significant increase in credit risk relative to its initial recognition, a loss allowance is recognized equal to the credit losses expected to result from defaults occurring over the 12-months following the reporting date.
- Stage 2: Following a significant increase in credit risk relative to the initial recognition of the financial asset, a loss allowance is recognized equal to the credit losses expected over the remaining lifetime of the asset.

Impaired financial assets:

- Stage 3: When a financial asset is considered credit-impaired and in default it will be classified in Stage 3, and a loss allowance equal to credit losses expected over the remaining lifetime of the asset will be recorded.

In assessing whether a mortgage is in default, the Trust considers both quantitative and qualitative factors. This occurs when investments in mortgages are 90 days past due on interest payment or maturity date, and/or when the Trust assesses that there have been a deterioration of credit quality to the extent the Trust no longer has reasonable assurance as to the timely collection of the full amount of principal and interest, and/or when the Trust has commenced enforcement remedies available to it under its contractual agreements.

3. Significant accounting policies (continued):

(k) Financial instruments (continued):

(ii) Impairment (continued):

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Trust considers both quantative and qualitative information that is reasonable and supportable and is relevant and available. There is a presumption in IFRS 9 that credit risk has increased significantly once payments are 30-days past due. However, the Trust’s historical experience is that mortgages can become 30-days past due, but be brought up to date by the borrower; therefore, other relevant risk factors also need to be identified for the mortgage to move to Stage 2. Other relevant risk factors considered to identify a significant increase in credit risk are:

- Changes in the financial condition of the borrower;
- Responsiveness of the borrower;
- Current economic conditions: interest rates, housing prices, real estate and employment statistics; and
- Supportable forward looking information: macro-economic factors, such as interest rate forecasts.

Determining whether there has been a significant increase in credit risk since initial recognition, or a subsequent reduction in credit risk back to the level at initial recognition, requires the exercise of significant judgment. Judgment is also required in making assumptions and estimations when calculating the allowance for credit losses, including movements between the three stages and the application of forward-looking information.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-months ECLs are the portion of ECLs that result from default events that are possible within the 12-months after the reporting date (or a shorter period if the expected life of the instrument is less than 12-months). The maximum period considered when estimating ECLs is the maximum contractual period over which the Trust is exposed to credit risk.

An ECL represents the difference between the present value of all contractual cash flows that are due under the original terms of the contract and the present value of all cash flows expected to be received. The application of the concept uses three inputs to measure ECLs for commitments and mortgages receivable classified as Stage 1: probability of default (“PD”); loss given default (“LGD”); and exposure at default (“EAD”).

3. Significant accounting policies (continued):

(k) Financial instruments (continued):

(*ii*) Impairment (continued):

These inputs are determined at each reporting period using historical data and current conditions.

- PD The PD represents the likelihood that a loan will not be repaid and will go into default in either a 12-month horizon for Stage 1 or lifetime horizon for Stage 2. The PD for each individual loan is modelled based on historic data and is estimated based on current market conditions and reasonable and supportable information about future economic conditions.
- EAD EAD is modelled on historic data and represents an estimate of the outstanding amount of credit exposure at the time a default may occur. For off-balance sheet and undrawn amounts, EAD includes an estimate of any further amounts to be drawn at the time of default.
- LGD The LGD is the amount that may not be recovered in the event of default and is modelled based on historic data and reasonable and supportable information about future economic conditions, where appropriate. LGD takes into consideration the amount and quality of any collateral held.

In assessing information about possible future economic conditions, the Trust utilizes multiple economic scenarios including a base case, which represents the most probable outcome and is consistent with the Trust's view of the portfolio. The calculation of expected credit losses includes the incorporation of forecasts of future economic conditions. In determining expected credit losses, the Trust has considered key macroeconomic variables that are relevant to each investment type. Key economic variables include GDP, unemployment and interest rate forecasts. The estimation of future cash flows also includes assumptions about local real estate market values and conditions, availability and terms of financing, underlying value of the security and various other factors. These assumptions are limited by the availability of reliable comparable market data, economic uncertainty and the uncertainty of future events.

Should the underlying assumptions change, the estimated future cash flows could vary. The forecast is developed internally by the Manager of the Trust. The Trust exercises experienced credit judgment to incorporate multiple economic forecasts which are probability-weighted in the determination of the final expected credit loss. The allowance is sensitive to changes in both economic forecast and the probability-weight assigned to each forecast scenario.

(*iii*) De-recognition of financial assets and financial liabilities:

(A) Financial assets:

The Trust derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or in which the Trust neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial assets.

3. Significant accounting policies (continued):

(k) Financial instruments (continued):

(*iii*) De-recognition of financial assets and financial liabilities (continued):

(A) Financial assets (continued):

Any interest in such transferred financial assets that qualify for derecognition that is created or retained by the Trust is recognized as a separate asset or liability. On de-recognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and the sum of (*i*) the consideration received (including any new asset obtained less any new liability assumed); and (*ii*) any cumulative gain or loss that had been recognized in other comprehensive income is recognized in the consolidated statement of comprehensive income (Loss).

The Trust enters into transactions whereby it transfers mortgage or loan investments recognized on its consolidated statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred mortgage or loan investments or a portion of them. If all or substantially all risks and rewards are retained, then the transferred mortgage or loan investments are not derecognized. In transactions in which the Trust neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset and it retains control over the asset, the Trust continues to recognize the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

In circumstances where the Trust retains all or substantially all risks and rewards of a transferred mortgage, the transferred mortgage is not derecognized, and the transferred mortgage is recognized as a mortgage syndication liability on the consolidated statement of financial position.

(B) Financial liabilities:

The Trust derecognizes a financial liability when the obligation under the liability is discharged, cancelled or expired.

(*iv*) Loan modifications:

The Trust may modify the contractual terms of mortgages for either commercial or credit reasons. The terms of a loan in good standing may be modified for commercial reasons to provide competitive pricing and other terms to borrowers. Loans may also be modified for credit reasons where the contractual terms are modified to grant a concession to a borrower that may be experiencing financial difficulty.

Upon the modification of the contractual terms of a financial asset, an assessment is made if the modified contractual terms are considered significant. The Trust considers one or a combination of the following factors as a significant change: a substantial interest rate reduction, an extension of the repayment term at a below market stated interest rate, a forgiveness of principal or accrued interest, or substantial changes to the collateral provided.

3. Significant accounting policies (continued):

(k) Financial instruments (continued):

(*iv*) Loan modifications (continued):

When the modification is considered to be significant, the carrying amount of the original financial asset is derecognized and the fair value of the modified financial asset is recognized with the resulting gain or loss recognized in the consolidated statement of comprehensive income (loss). For the purposes of assessing if the financial asset experienced a significant increase in credit risk, the modification date is considered to be the origination date of the modified financial asset.

When the modification is not considered to be significant, the gross carrying amount of the modified loan is recalculated based on the present value of the modified cash flows discounted at the original effective interest rate and any gain or loss from the modification is recorded in the Consolidated Statement of Comprehensive Income (Loss). The origination date of the financial asset prior to the modification continues to be used for the purposes of assessing if the financial asset experienced a significant increase in credit risk.

(l) Accumulated other comprehensive income:

Accumulated other comprehensive income represents the cumulative translation adjustment of foreign operations whose functional currency is in U.S. dollars.

(m) Income taxes:

The Trust is a mutual fund trust under the *Income Tax Act* (Canada). The Trust will allocate to its Unitholders taxable income including taxable capital gains that would otherwise attract Canadian tax in the Trust. Accordingly, no provision for Canadian income taxes will be reflected in the Trust's consolidated financial statements.

The Trust holds certain investments in associates and joint ventures based in the US. Certain of these investments in associates and joint ventures are held by controlled subsidiaries of the Trust that are required to pay income taxes to the U.S. Internal Revenue Service based on a determination of taxable income for U.S. tax purposes. Accordingly, current income tax recognized in the Consolidated Statement of Comprehensive Income (Loss) is based on the subsidiary's U.S. taxable income for the year. Current tax is determined using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred income taxes are accounted for using the liability method. The liability method requires that income taxes reflect the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities and their tax bases. Deferred income tax assets and liabilities are determined for each temporary difference based on currently enacted or substantively enacted tax rates that are expected to be in effect when the underlying items are expected to be realized. The effect of a change in tax rates or tax legislation is recognized in the period of substantive enactment. Deferred income tax assets, such as non-capital loss carryforwards, are recognized to the extent it is probable that taxable profit will be available against which the asset can be utilized. Deferred income taxes are only recognized with respect to U.S. tax assets and liabilities.

3. Significant accounting policies (continued):

(n) New standards adopted effective January 1, 2022:

In August 2022, the IASB published the Interest Rate Benchmark Reform - Phase 2, which amended IFRS 9, *Financial Instruments*; IAS 39, *Financial Instruments: Recognition and Measurement*; IFRS 7, *Financial Instruments: Disclosure*; IFRS 1, *Insurance Contracts*; and IFRS 16, *Leases*. The Phase 2 amendments addressed issues that may affect financial reporting related to financial instruments and hedge accounting resulting from the reform of an interest rate benchmark. The amendments were effective and adopted by the Trust on January 1, 2022. The Trust adopted the amendments related to the interest rate benchmark reform and there was no material effect on its consolidated financial statements as at and for the year ended December 31, 2022.

(o) Standards issued but not yet effective:

At December 31, 2022, a number of standards and amendments to standards had been issued by the IASB but are not yet effective for these consolidated financial statements. Those which are relevant to the Trust's consolidated financial statements are set out below:

(*i*) Definition of accounting estimates:

On February 12, 2021, the IASB published Definition of Accounting Estimates (Amendments to IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors) to help entities to distinguish between accounting policies and accounting estimates. The amendments introduce a new definition for accounting estimates by clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy. The amendments are effective for the Trust's fiscal year beginning January 1, 2023 with early adoption permitted and will apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the start of that period. The Trust is in the process of assessing the impact of these amendments.

(Tabular amounts expressed in Canadian dollars, unless otherwise indicated)

3. Significant accounting policies (continued):

(o) Standards issued but not yet effective (continued):

(ii) Disclosure of accounting policies:

In February 2021, the IASB issued amendments to IAS 1 Presentation of Financial Statements and an update to IFRS Practice Statement 2 Making Materiality Judgements to help companies provide useful accounting policy disclosures. The amendments to IAS 1 require companies to disclose their material accounting policies rather than their significant accounting policies. The amendments are effective for the Trust's fiscal year beginning January 1, 2023 with early adoption permitted. The Trust is in the process of assessing the impact of these amendments.

4. Investments in associates and joint ventures:

The summary below lists the Trust's investments in associates and joint ventures, their names, types, and percentage of ownership:

	Equity investment December 31, 2021	Share of income (loss)	Net contributions (distributions)	Impact of foreign exchange	Equity investment December 31, 2022
Investments in associates:					
T-NWBP Investments LP 45% (2021 - 45%)	$ 482,869	$ 78,714	$ -	$ -	$ 561,583
TC Logan Park Investments LP 41% (2021 - 41%)	2,824,672	(129,799)	(1,455,216)	179,421	1,419,078
Trez NP LP 77% (2021 - 77%)	4,507,411	(135,793)	247,966	-	4,619,584
Total	$ 7,814,952	$ (186,878)	$ (1,207,250)	$ 179,421	$ 6,600,245

	Equity investment December 31, 2021	Share of earnings	Net contributions (distributions)	Impact of foreign exchange	investment December 31, 2022
Investments in joint ventures:					
HT Midtown LP 50% (2021 - 50%)	$ 1,597,894	$ 583,445	$ (491,639)	$ 111,633	$ 1,801,333
Total	$ 1,597,894	$ 583,445	$ (491,639)	$ 111,633	$ 1,801,333
Total	$ 9,412,846	$ 396,567	$ (1,698,889)	$ 291,054	$ 8,401,578

With the exception of Trez NP LP, the investment in associates and joint ventures above have been entered into with established property developers in Western Canada and Texas, United States to enable the Trust to benefit from local real estate expertise while pursuing returns from its investments. The underlying assets of the joint ventures are being developed with the joint venture counterparty acting as lead developer. The lead developer assumes the development risk associated with the projects in that cost overruns are to be borne by them.

4. Investments in associates and joint ventures (continued):

In the case of the joint ventures, the Trust, through an affiliated entity, is represented on the respective joint ventures' major decision committee which entitles the Trust's affiliate and the joint venture counterparty to 50% each of the voting rights with respect to the major decisions impacting the outcome of the relevant developments.

The following identifies certain obligations and or commitments in accordance with the terms of the agreements for the respective associates and joint ventures:

- T- NWBP Investments LP:

  In accordance with the provisions of the Limited Partnership Agreement, the General Partner, at its sole discretion, shall offer additional Partnership units for sale to Limited Partners on a pro-rata basis. Any additional units, which remain unsubscribed for, may be offered to any Limited Partner or third party as the General Partner determines.

- TC Logan Park Investments LP:

  In accordance with the provisions of the Limited Partnership Agreement, the Trust made an initial contribution of US$1,900,000, representing a 29.69% interest in the Limited Partnership. In accordance with the provisions of the Limited Partnership Agreement, each Limited Partner will make additional capital contributions to the capital of the Partnership to meet additional funding requirements, as determined and called by, the General Partner from time-to-time in accordance with the terms of the Limited Partnership Agreement. Any additional capital is funded on a pro-rata basis.

- Trez NP LP:

  This investment is held by the Trust's 77% owned consolidated subsidiary, Trez NP Investors LP. Trez NP LP invests in a pool of mortgages. The Trust records its investment in Trez NP LP as an investment in associate as it has significant influence but not control over the entity.

- HT Midtown LP:

  This investment is held by the consolidated subsidiary, TC H 2014 Partners Investments LP. The Trust is required to contribute a pre-agreed capital contribution of US$2,154,000, as well as the additional capital contributions as approved and called by the General Partner that cover the Trust's committed capital contributions for each particular phase of development and for which the Trust has not yet made such contributions to the required amounts. The Trust is not obligated to make additional capital contributions for cost overruns.

  However, the Trust is obligated to make additional capital contributions, should they be requested by the General Partner, to fund operating shortfalls, other permitted costs and other contribution obligations (as such capitalized terms are defined). These additional contributions will be made on a pro-rata basis to the Trust's holding in the joint venture. Should the Trust fail to make such obligated contributions, the other joint venture will be entitled to pay that defaulting amount and will thereby increase its pro-rata entitlement to the residual returns on the investment, while the Trust will be subject to a corresponding reduction in its pro-rata entitlement to the residual returns on the investment.

(Tabular amounts expressed in Canadian dollars, unless otherwise indicated)

4. Investments in associates and joint ventures (continued):

Investments in associates - significant influence:

The summary below shows 100% of the investees' total assets, total liabilities, revenue, expenses and net income on aggregate basis for investments in associates.

	2022	2021
Total assets	$ 9,753,571	$ 13,350,406
Total liabilities	155,023	730,328
Revenue	120,907	812,501
Expenses	94,829	52,585
Net income	26,078	759,916

During the year ended December 31, 2022, the Trust recorded income (loss) from its equity accounted investments in associates of $(186,878) (2021 - income of $723,818). As at December 31, 2022, the Trust's total investment in associates in which the Trust has significant influence is $6,600,245 (2021 - $7,814,952).

Investments in joint ventures:

The summary below shows 100% of the investees' total assets, total liabilities, revenue, expenses and net income on aggregate basis for its joint ventures.

	2022	2021
Total assets	$ 2,581,539	$ 7,510,610
Total liabilities	780,244	6,615,291
Revenue	13,698,315	4,728,826
Expenses	6,728,874	3,676,665
Net income	6,969,441	1,052,161

During the year ended December 31, 2022, the Trust recorded its share of income from joint ventures of $583,445 (2021 - $1,037,481). As at December 31, 2022, the Trust's total investment in joint ventures is $1,801,333 (2021 - $1,597,894).

(Tabular amounts expressed in Canadian dollars, unless otherwise indicated)

5. Investments in mortgages:

The Trust holds mortgages on the following types of properties:

	2022		2021	
Property type	Number	Amount	Number	Amount
Industrial	10	$ 58,947,489	15	$ 80,647,048
Office	12	101,322,565	13	106,057,830
Residential	73	443,598,989	73	362,400,254
Retail	5	36,413,736	8	64,336,915
Hotel	3	10,741,274	-	-
Mixed-use	3	41,729,975	-	-
Other	2	20,742,266	7	50,279,039
	108	713,496,294	116	663,721,086
Mortgage syndications		221,639,164		102,793,831
Accrued interest		12,008,118		9,109,460
Less: Provision for mortgage losses		(6,623,543)		(4,015,000)
Investments in mortgages		$ 940,520,033		$ 771,609,377

	2022		2021	
Property location	Number	Amount	Number	Amount
Alberta	24	$ 225,740,076	32	$ 293,616,458
British Columbia	32	181,674,400	36	228,265,975
Ontario	12	75,213,749	13	73,185,087
Nova Scotia	1	2,857,153	1	2,857,153
Texas	15	105,308,898	12	20,724,975
Florida	7	42,168,107	8	11,575,313
Oregon	1	1,730,003	1	4,039,099
Washington	4	13,573,673	3	12,428,121
Georgia	1	5,200,914	2	13,002,985
Arizona	6	26,263,025	4	1,000,927
Utah	1	2,388,748	-	-
Idaho	-	-	1	31,004
Pennsylvania	1	1,471,051	1	487,000
Indiana	1	2,943,623	1	2,506,483
Ohio	-	-	1	506
Colorado	2	26,962,874	-	-
Total mortgages	108	$ 713,496,294	116	$ 663,721,086

(Tabular amounts expressed in Canadian dollars, unless otherwise indicated)

5. Investments in mortgages (continued):

The mortgages are secured by the real property to which they relate, bear interest at a weighted average interest rate of 11.65% (2021 - 7.79%).

All mortgages, except for the mortgage under the CMBS program as discussed below, are conventional uninsured mortgages which contain a prepayment option, whereby the borrower may repay the principal and accrued interest, at any time prior to maturity without penalty or yield maintenance.

Principal payments, net of mortgage syndication liabilities, are due based on contractual maturities of each loan as follows:

Maturity period	Number		Amount
Past due	2	$	14,627,379
Past due but not credit impaired	10		52,554,274
2023	56		355,039,953
2024	25		203,315,814
2025	12		37,739,280
2026 and beyond	3		50,219,594
	108	$	713,496,294

(a) Mortgage syndication liabilities:

The Trust has entered into certain mortgage participation agreements with third party lenders, whereby, the third party lenders take the senior position and the Trust retains the subordinated position, all of which are secured by first mortgage positions. As a result, the senior lenders' position is recorded as a mortgage syndication liability. The interest earned on the transferred participation interests and the related interest expense is recognized in the consolidated statement of income. The Trust also retains an option, not the obligation, to repurchase the senior position at a price equal to the outstanding principal amount of the senior lenders' share together with accrued interest.

For those investments which have not met the de-recognition criteria, the participation transactions have resulted in the Trust recognizing the participating mortgages and corresponding mortgage syndication liabilities on its consolidated statement of financial position. The carrying value, which the Manager believes equates to the fair value, of the transferred assets and corresponding liabilities is $221,639,164 (2021 - $102,793,831).

(Tabular amounts expressed in Canadian dollars, unless otherwise indicated)

5. Investments in mortgages (continued):

(b) Provision for mortgage losses:

The gross carrying amounts of investments in mortgages and expected credit loss by property type are as follows:

	December 31, 2022			
Gross carrying amount	Stage 1	Stage 2	Stage 3	Total
Property type:				
Industrial	$ 49,499,294	$ 1,264,652	$ 8,183,543	$ 58,947,489
Office	50,979,154	16,730,252	33,613,159	101,322,565
Residential	350,178,898	56,329,404	37,090,687	443,598,989
Retail	36,413,736	-	-	36,413,736
Hotel	10,741,274	-	-	10,741,274
Mixed-use	41,729,975	-	-	41,729,975
Other	20,742,266	-	-	20,742,266
	$ 560,284,597	$ 74,324,308	$ 78,887,389	$ 713,496,294

	December 31, 2021			
Gross carrying amount	Stage 1	Stage 2	Stage 3	Total
Property type:				
Industrial	$ 71,412,106	$ 1,214,754	$ 8,020,188	$ 80,647,048
Office	55,849,721	16,571,212	33,636,897	106,057,830
Residential	248,390,665	48,687,276	65,322,313	362,400,254
Retail	64,336,915	-	-	64,336,915
Other	50,279,039	-	-	50,279,039
	$ 490,268,446	$ 66,473,242	$ 106,979,398	$ 663,721,086

	December 31, 2022			
Provision for credit losses	Stage 1	Stage 2	Stage 3	Total
Property type:				
Industrial	$ 37,000	$ -	$ 4,300,000	$ 4,337,000
Office	19,000	-	-	19,000
Residential	1,512,000	-	291,543	1,803,543
Retail	16,000	-	-	16,000
Other	448,000	-	-	448,000
	$ 2,032,000	$ -	$ 4,591,543	$ 6,623,543

	December 31, 2021			
Provision for credit losses	Stage 1	Stage 2	Stage 3	Total
Property type:				
Industrial	$ 175,000	$ -	$ 2,300,000	$ 2,475,000
Office	97,000	-	-	97,000
Residential	1,028,000	-	-	1,028,000
Retail	156,000	-	-	156,000
Other	259,000	-	-	259,000
	$ 1,715,000	$ -	$ 2,300,000	$ 4,015,000

(Tabular amounts expressed in Canadian dollars, unless otherwise indicated)

5. Investments in mortgages (continued):

(b) Provision for mortgage losses (continued):

The provision for mortgage losses at December 31, 2022 is $6,623,543 (2021 - $4,015,000). Stage 1 provisions of $2,032,000 (2021 - $1,715,000) represent management's estimate of the ECLs on mortgages in the company's portfolio that have not experienced a significant increase in credit risk since initial recognition. The ECL was assessed individually for each investment in mortgages and commitments classified as Stage 2 and Stage 3. Management estimated the ECL for these as $4,591,543 (2021 - $2,300,000).

The changes in the provision for mortgage losses are shown in the following table.

	December 31, 2022			
	Stage 1	Stage 2	Stage 3	Total
December 31, 2021	$ 1,715,000	$ -	$ 2,300,000	$ 4,015,000
Provision for mortgage losses in 2022:				
Transfers to Stage 1[1]	(9,000)	-	9,000	-
Transfers to Stage 2[1]	-	-	-	-
Transfers to Stage 3[1]	-	-	-	-
Net remeasurement[2]	(440,000)	-	2,282,543	1,842,543
Mortgage advances	1,301,000	-	-	1,301,000
Mortgage repayments	(535,000)	-	-	(535,000)
Write-offs	-	-	-	-
Total movement	317,000	-	2,291,543	2,608,543
	$ 2,032,000	$ -	$ 4,591,543	$ 6,623,543

	December 31, 2021			
	Stage 1	Stage 2	Stage 3	Total
December 31, 2021	$ 1,830,000	$ -	$ 2,300,000	$ 4,130,000
Provision for mortgage losses in 2022:				
Transfers to Stage 1[1]	-	-	-	-
Transfers to Stage 2[1]	-	-	-	-
Transfers to Stage 3[1]	-	-	-	-
Net remeasurement[2]	(19,000)	-	-	(19,000)
Mortgage advances	1,163,000	-	-	1,163,000
Mortgage repayments	(1,259,000)	-	-	(1,259,000)
Write-offs	-	-	-	
Total movement	(115,000)	-	-	(115,000)
December 31, 2022	$ 1,715,000	$ -	$ 2,300,000	$ 4,015,000

(1) *Transfers between Stages which are presumed to occur before any corresponding remeasurement of the provision.*

(2) *Net remeasurement represents the change in the allowance related to changes in model inputs or assumptions, including changes in macroeconomic conditions, and changes in measurement following a transfer between Stages.*

(Tabular amounts expressed in Canadian dollars, unless otherwise indicated)

6. Investments held at fair value:

The Manager has concluded that the Trust's limited partnership investments in which it does not have control or significant influence, meet the definition of structured entities.

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

Type of structure entity	Nature and purpose	Interest held by the Trust
Limited partnerships participating in loan sharing	Limited partnerships created to enable the Trust to enter loan sharing arrangements with US domiciled financial institutions. The limited partnerships are financed by capital contributed by the Trust and entities related to the Trust in the form of limited partnership units and credit facilities with US domiciled financial institutions.	Investment in limited partnership units

The table below sets out interest held by the Trust in investments held at fair value.

December 31, 2022	Number of Limited Partnerships	Total assets	Carrying amount included in investments held at fair value
Investments in Limited Partnerships:			
Loan sharing	13	$ 1,721,699,416	$ 160,549,037

December 31, 2021	Number of Limited Partnerships	Total assets	Carrying amount included in investments held at fair value
Investments in Limited Partnerships:			
Loan sharing	14	$ 839,478,062	$ 175,758,686

During 2022, a change in fair value of $25,493,241 was recorded (2021 - $17,896,714). Included within the change in fair value is realized net interest income of $9,119,789 (2021 - $13,086,051). The unrealized portion of net interest income was $5,349,364 (2021 - $1,977,455) with the remaining balance of $11,024,088 related to foreign exchange (2021 - $2,833,208).

In the event a mortgage investment held by a structured entity enters default, the Trust may have the obligation to repay the third-party loan sharing partner. At December 31, 2022 the total amount of third party loan sharing the Trust is committed to repay in event of default was $162,473,477 (2021 - $211,793,320).

At December 31, 2022, one mortgage held by a structured entity totaling $17,047,019 was in default (2021 - nil). At the date of default the Trust repaid the senior loan sharing partner $8,535,225.

(Tabular amounts expressed in Canadian dollars, unless otherwise indicated)

7. Other investments:

As at December 31, 2022, the Trust held two other investments. These consist of a property held-for-sale previously acquired through a foreclosure process with net realizable value of $58,500,104 (2021 - $64,319,104), and a guarantee provided by the Manager as described in note 15 (f) (ii) with a fair value of $5,819,000 (2021 - nil).

The Trust did not sell or acquire any additional other investments in 2022.

The Trust acquired one property through a foreclosure like process during 2020. The property is an office tower located in Edmonton, Canada. As part of the transaction, the Trust assumed a loan payable of $40,726,310 related to this property. Of this balance, a total of $36,155,061 was refinanced in 2021 with the Trust assuming an additional first mortgage of $17,990,437. An additional $9,576,667 (2021 - 10,630,113) is payable to entities related to the Manager by common control.

At December 31, 2022 the Manager determined the net realizable value of the property to be lower than the book value at the date of assumption. The Manager has recorded an impairment of $5,819,000 offset by value attributed to the guarantee provided by the Manager (note 15 (f) (ii)).

The net realizable value of the remaining property is based on an internal valuation prepared by the Manager. The property was appraised using the Direct Capitalization method whereby the fair value less costs to sell is achieved by dividing the stabilized net operating income generated by the property by its capitalization rate and adjusting for any costs incurred to achieve stabilized occupancy. The capitalization rate used to determine the fair value was 7.00%. A 0.25% increase or decrease in the capitalization rate, in isolation, would result in an approximate $2,100,000 decrease or increase in fair value less costs to sell, respectively.

8. Promissory notes receivable:

	2022	2021
USD unsecured, interest free, promissory note due on demand from a private affiliated entity[(a)]	$ 124,490	$ 315,947
USD secured, interest at 9% per annum effective January 1, 2022, promissory note due on demand from a private affiliated entity[(b)]	7,098,711	-
	$ 7,223,201	$ 315,947

(a) During 2017, a Manager affiliated entity foreclosed on 66 single-family lots in Texas. The affiliated entity has a note payable to the Trust, which is being repaid as lots are sold to home builders.

(b) During 2021, an entity related to the Manager foreclosed on a property in Venice Beach, California. As part of the foreclosure process, the entity related to the Manager assumed the mortgage provided by the Trust. At December 31, 2022, a promissory note receivable totaling $7,098,711 (2021 - other asset of $10,948,221) remains outstanding. Interest payments on the mortgage are being made and no loss to the Trust is expected.

(Tabular amounts expressed in Canadian dollars, unless otherwise indicated)

9. Property under development held for sale:

	2022	2021
Property under development held for sale	$ 31,860,658	$ 49,547,643

Property under development held for sale represents a real estate development in Victoria, British Columbia held in a Limited Partnership, that the Trust controls and consolidates. The Trust owns 60% of the units in the Limited Partnership.

For the year ended December 31, 2022, costs of sales incurred on the sale of residential units were $16,559,890 (2021 - $54,545,135).

In addition to cost of sales, expenses of $260,985 (2021 - $1,628,981) were incurred.

10. Bank indebtedness:

A credit line was active for the year ended December 31, 2022. The maximum amount available under the credit line is $105,000,000 at an interest rate of lender prime +1.5%.

The credit facility has financial tests and other covenants with which the Trust must comply. The Trust shall (a) maintain an Interest Coverage Ratio equal to or more than 3.0 to 1.0 calculated at the end of each Fiscal Quarter for the trailing 12-month period then ended; (b) maintain at all times a Total Debt to Tangible Net Worth Ratio equal to or less than 0.5 to 1.0; and (c) maintain at all times a minimum Tangible Net Worth of $750,000,000. At December 31, 2022 the Trust was in compliance with all covenants.

As at December 31, 2022, there was nil drawn down on the credit facility (2021 - nil).

11. Loans payable:

	2022	2021
Secured borrowing with a related party on property under development held for sale bearing interest at greater of 5.25% or prime plus 2.80% per annum	$ 18,814,237	$ -
First mortgage payable related to property held-for-sale bearing interest at greater of 5.70% or prime plus 2.00% per annum maturing on May 1, 2023 (note 7)	17,990,438	17,990,438
Second mortgage payable related to property held-for-sale bearing interest at 0%. Payable to entities related to the Manager maturing on May 1, 2023 (note 7)	9,576,667	10,630,133
	$ 46,381,342	$ 28,620,571

During the year, the Trust incurred interest charges of $1,107,841 (2021 - $1,542,565) relating to loans payable.

(Tabular amounts expressed in Canadian dollars, unless otherwise indicated)

12. Foreign currency derivatives and margin deposits:

The Trust has put in place steps to mitigate the impacts from fluctuations in foreign exchange as the Trust has entered into foreign exchange contracts to manage most of its foreign exchange exposure. As at December 31, 2022, the Trust was participating in forward exchange contracts to sell Canadian dollars totaling $321,232,942 (2021 - $308,152,504). The foreign currency derivatives are marked-to-market on the statement of financial position and the fair value of liabilities as at December 31, 2022 is $6,843,507 (2021 - asset of $1,149,943). The foreign currency derivatives are entered into by the Mortgage Broker on behalf of the Trust with third party financial institutions.

Margin deposits are also outstanding totaling $9,546,090 (2021 - 5,076,090). This is considered restricted cash.

13. Distributions payable to holders of redeemable units:

The Trust distributes to its Unitholders taxable income including taxable capital gains.

Distributions allocable to each class of units differs as a result of the deduction of the amounts payable quarterly in respect of 1.0% per annum trailer fee, as defined in the Declaration of Trust, for the Class A Units and the lower administration fee payable in respect of the Class I Units. For the year ended December 31, 2022, the taxable income of the Trust was $67,171,896 (2021 - $54,259,974) and the accounting income of the Trust attributable to holders of redeemable units, before distributions was $63,726,246 (2021 - $67,906,450).

In accordance with its trust indenture, the Trust distributed an amount equal to taxable income. The difference of $3,445,650 (2021 - $11,124,526) between accounting income and taxable income is considered a notional distribution for tax purposes (2021 - return of capital for tax purposes). The difference primarily reflects timing differences arising from equity investments, interest recognized in accounting income relating to property under development held for sale and Stage 1 IFRS 9 provisions.

For the year ended December 31, 2022, $35,448,905 (2021 - $31,286,846) of the declared distributions were reinvested.

As at December 31, distributions payable on redeemable units are as follows:

	2022	2021
Cash paid out subsequent to the year	$ 3,013,632	$ 2,229,335

14. Redeemable units, representing net assets attributable to holders of redeemable units:

As at December 31, 2022 and 2021, there were an unlimited number of Class A Units, Class F Units and Class I Units authorized.

The holder of Class A Units, Class F Units and Class I Units (collectively, the “Units”) are entitled to one vote per unit. The Units are redeemable on demand of the Unitholder upon 30 days’ notice in increments of not less than $5,000. If notice is received by the Manager, the redemption will occur within thirty days subsequent to the receipt of the redemption notice. Redemptions may be subject to a 1.0% discount if units are redeemed prior to their one year anniversaries.

(Tabular amounts expressed in Canadian dollars, unless otherwise indicated)

14. Redeemable units, representing net assets attributable to holders of redeemable units (continued):

All classes of units have the same objectives, strategies and restrictions, but differ with respect to one or more of their features, such as fees and distributions. The Trust's Units do not meet the exception criteria in IAS 32 for classification as equity due to the redemption terms of the Units and the dissimilarity of features between classes. As a result, the Units have been reclassified as financial liabilities under IFRS.

Reconciliation of units:

	2022		2021	
Class A units	Number	Amount	Number	Amount
Issued and outstanding, beginning of year	3,777,530	$ 36,911,691	4,063,533	$ 39,548,447
Increase (decrease) in net assets attributable to redeemable units, from operations		117,762	-	223,273
Issued for cash	157,940	1,579,400	221,974	2,219,735
Issued for reinvested distributions	109,033	1,090,335	103,444	1,034,443
Redeemed for cash	(434,500)	(4,344,998)	(611,421)	(6,114,207)
Transfer between classes	(232,967)	(2,329,671)	-	-
Issued and outstanding, end of year	3,377,036	$ 33,024,519	3,777,530	$ 36,911,691

	2022		2021	
Class F units	Number	Amount	Number	Amount
Issued and outstanding, beginning of year	52,159,778	$ 514,067,100	51,247,570	$ 501,835,503
Increase (decrease) in net assets attributable to redeemable units, from operations		1,808,960	-	3,109,517
Issued for cash	6,285,985	62,859,852	6,439,333	64,393,327
Issued for reinvested distributions	1,513,789	15,137,889	1,316,868	13,168,681
Redeemed for cash	(7,684,876)	(76,848,761)	(6,843,993)	(68,439,928)
Transfer between classes	(972,900)	(9,728,995)	-	-
Issued and outstanding, end of year	51,301,776	$ 507,296,045	52,159,778	$ 514,067,100

	2022		2021	
Class I units	Number	Amount	Number	Amount
Issued and outstanding, beginning of year	53,377,001	$ 528,705,964	52,692,289	$ 518,660,770
Increase (decrease) in net assets attributable to redeemable units, from operations		1,642,292	-	3,198,064
Issued for cash	1,279,528	12,795,280	2,474,376	24,743,763
Issued for reinvested distributions	1,922,068	19,220,681	1,708,372	17,083,722
Redeemed for cash	(11,386,638)	(113,866,382)	(3,498,036)	(34,980,355)
Transfer between classes	1,205,867	12,058,666	-	-
Issued and outstanding, end of year	46,397,826	$ 460,556,501	53,377,001	$ 528,705,964

	2022		2021	
Total	Number	Amount	Number	Amount
Issued and outstanding, beginning of year	109,314,309	$ 1,079,684,755	108,003,392	$ 1,060,044,720
Decrease in net assets attributable to redeemable units, from operations		3,569,014	-	6,530,854
Issued for cash	7,723,453	77,234,532	9,135,683	91,356,825
Issued for reinvested distributions	3,544,890	35,448,905	3,128,684	31,286,846
Redeemed for cash	(19,506,014)	(195,060,141)	(10,953,450)	(109,534,490)
Transfer between classes	-	-	-	-
Issued and outstanding, end of year	101,076,638	$ 1,000,877,065	109,314,309	$ 1,079,684,755

15. Related party transactions:

Related party transactions that are not disclosed elsewhere in these consolidated financial statements are as follows:

- The Trust invests in mortgages alone or on a participation basis with parties related to the Manager. Titles to mortgages are held by TCC Mortgage Holdings Inc., a bare trustee, or Computershare Trust Company of Canada, on behalf of the beneficial owners of the mortgages. In addition, certain duties are performed by the Mortgage Broker. The Mortgage Broker is related to the Manager and the Trust through common control. In cases where mortgages are held on a participation basis:
  - The Trust's rights are as outlined in the Declaration of Trust and a Mortgage Participation and Servicing Agreement with the Mortgage Broker;
  - Pursuant to this Mortgage Participation and Servicing Agreement, the Mortgage Broker administers and services the mortgages on behalf of the Trustee and other investees. The Mortgage Broker acts as the Trust's loan originator, underwriter, servicer and syndicator;
  - The Mortgage Broker performs certain duties including registering the mortgages, arranging for title searches, and holding all title papers and other security documentation related to the mortgages; and
  - The Mortgage Broker delivers cash payments for interest and principal to the Trustee.

The Trust is managed by the Manager pursuant to the Declaration of Trust, a summary of which is set out in the most current Offering Memorandum. Certain of the Manager's duties may be performed by a company or companies related to the Manager through common control.

The Manager is responsible for the employment expenses of its personnel, rent and other office expenses. The Manager is not responsible for any taxes payable by the Trust or to which the Trust may be subject. The Trust is liable to the Manager for all expenses incurred in the management of the Trust except as previously noted.

The following are related party transactions not disclosed elsewhere in these financial statements:

(a) Due from related parties:

Amounts due from related parties at December 31, 2022 were $7,850,469 (2021 - $1,825,315). The amounts primarily related to amounts receivable from special purpose entity loan sharing partners relating to funding made on their behalf.

(b) Transfer of investments in mortgages:

The Trust generally invests in an interest in a mortgage at the time the mortgage is funded. However, at any time during the term of the mortgage, it may acquire an interest from or sell its interest in a mortgage to parties related to the Manager, Trustee and Mortgage Broker. Purchases from and sales to related parties are transacted at unpaid principal plus accrued interest due at the date of the transaction which, in the opinion of the Manager, represent the estimated fair values of the related mortgages.

During the year ended December 31, 2022, the Trust purchased investments in mortgages of $161,184,713 (2021 - $110,641,168) and sold investments in mortgages of $119,747,323 (2021 - $63,483,712) to entities under common management.

15. Related party transactions (continued):

(c) Management and incentive fees:

Pursuant to the terms and conditions of the Declaration of Trust, the Manager in entitled to receive from the Trust in respect of each class of units an annual fee (the “Management Fee”) payable quarterly. For Class A Units and Class F Units this fee is equal to 1.5% of the proportionate share of the average gross assets of the Trust plus applicable taxes. For Class I Units this is equal to a percentage, that is negotiated between the Manager and the Unitholder, of the proportionate share of the average gross assets of the Trust plus applicable taxes. The average gross assets of the Trust are calculated using a simple moving average of the month end value of all assets, excluding mortgage syndications, of the Trust. For each class of units of the Trust, the Manager also receives an additional fee (the “Incentive Fee”) equal to 10% of net earnings and capital gains but prior to the deduction for the Incentive Fee, payable annually.

During the year, the Trust incurred incentive fees before waivers of $7,672,976 (2021 - $6,065,580) and management fees of $17,460,917 (2021 - $16,796,321), payable to the Manager. For the year ended December 31, 2022, $1,176,000 of incentive fees were waived by the Manager in 2022 (2021 - full amount of $6,065,580). Any fees waived are no longer collectible in the current or future years.

As at December 31, 2022, $7,982,639 of the current year management and incentive fee (2021 - $4,220,081) remained outstanding, and is included in accounts payable and accrued liabilities.

(d) Co-investment in mortgages and investments held at fair value:

The Trust has invested in a mortgage portfolio with a balance at December 31, 2022 of $940,520,033 (2021 - $771,609,377), virtually all of which are made on a participation basis with related parties.

The Trust has invested in investments held at fair value created to enable the Trust to enter into loan sharing arrangements with US domiciled financial institutions. The balance at December 31, 2022 was $160,549,037 (2021 - $175,758,686), virtually all of which is made on a participation basis with related parties.

(e) Non-controlling interest:

Included in non-controlling interest on the consolidated statement of financial position is $1,077,409 (2021 - $4,114,393) which is held by entities related to the Manager by common ownership. The non-controlling interest relates to the Trust’s investments in property held-for-sale. During the year ended December 31, 2022, a loss of $3,284,951 (2021 - income of $2,521,948) has been allocated to the non-controlling interest for its share of the net income.

15. Related party transactions (continued):

(f) Guarantees provided and mortgages or properties acquired by entities related to the Manager:

(*i*) An entity related to the Manager assumed ownership of three properties and the associated mortgages held by the Trust. The total amount assumed was $18,490,859. The entity related to the Manager provided guarantees to the Trust on the same three mortgages and one additional mortgage. During 2022 one of the Guaranteed mortgages was repaid in full.

The amount guaranteed in relation to the remaining three mortgages was $17,469,889 (2021 - $18,004,059), which is the full amount of the mortgages outstanding at December 31, 2022.

(*ii*) The total amount guaranteed by an entity related to the Manager in relation to other investments (note 7), being the additional property acquired through a foreclosure process during 2022, was $23,443,998 (2021 - $23,443,998) which was the full amount of the mortgage outstanding prior to proceeding with the foreclosure process.

At December 31, 2022 the Manager determined the fair value of the property to be lower than the value at the date of assumption. The Manager has recorded a reduction in fair value of $5,819,000 offset by value attributed to the guarantee.

(*iii*) During 2021, the Trust assumed a mortgage from a related entity totaling $3,750,435. The transfer occurred net of a Stage 3 IFRS 9 provision. An entity related to the Manager has provided a guarantee totaling $3,750,435.

(*iv*) During 2021, an entity related to the Manager foreclosed on a property in Venice Beach, California. As part of the foreclosure process, the entity related to the Manager assumed the mortgage provided by the Trust. At December 31, 2022, a promissory note receivable totaling $7,098,710 (2021 an unsecured receivable of $10,948,221) remains outstanding. Interest payments on the mortgage are being made and no loss to the Trust is expected.

(*v*) During 2022, an entity related to the Manager assumed ownership of two properties and the associated mortgages held by the Trust. The total mortgage amount assumed related to the Trust was $46,425,891. Subsequent to the assumption the entity related to the Manager shared a senior portion of the mortgage to a third party. On syndication the Trust received a paydown of $14,802,795.

The Trust has provided a Guarantee to the senior mortgage participant totaling $53,925,000 at December 31, 2022 (December 31, 2021 - nil).

(*vi*) One mortgage totaling $2,363,456 (2021 - $2,363,456) was acquired by an entity related to the Manager. Interest payments are current, and the Manager expects no loss to the Trust.

15. Related party transactions (continued):

(g) Co-investment in associates and joint ventures:

As at December 31, 2022, the Trust has co-invested in certain associates and joint ventures investments with the owners of the Manager and their close family members and other Trez managed funds which are related parties by virtue of common management, as follows:

- As at December 31, 2022, the owners of the Manager and their close family members own 42% (2021 - 42%) of the units of T- NWBP Investments LP.
- As at December 31, 2022, the owners of the Manager and their close family members own 8% (2021 - 8%) of the units of TC Logan Park Investments LP.
- As at December 31, 2022, the owners of the Manager and their close family members own 13% (2021 - 13%) of the units of Trez NP Investors LP and other Trez managed funds own 7% (2021 - 7%) of the units of Trez NP Investors LP.

16. Income taxes:

The Trust is a mutual fund trust under the *Income Tax Act (Canada)*.

The Trust allocates to its Unitholders taxable income, including taxable capital gains that would otherwise attract tax in the Trust. Accordingly, no provision for Canadian income taxes will be reflected in the Trust's consolidated financial statements.

For purposes of the *Income Tax Act (Canada)*, the Trust is required to compute its Canadian tax results using Canadian currency. Where an amount that is relevant in computing the Trust's Canadian tax results is expressed in U.S. dollars, such amount must be converted to Canadian currency, generally using the rate of exchange on the day such amount arose. As a result, the Trust may realize gains and losses for tax purposes by virtue of the fluctuation of the value of the U.S. dollar relative to Canadian dollar.

Any net gain realized by the Trust for a particular taxation year may be made payable to Unitholders and is thus required to be included in computing Unitholders' income for Canadian tax purposes. The Trust intends to distribute at least 100% of the Trust's taxable income including capital gains for the 2022 fiscal tax period.

During the year ended December 31, 2022, the Trust has recorded current tax expense of $47,916 (2021 - $10,562).

(Tabular amounts expressed in Canadian dollars, unless otherwise indicated)

17. Fair value measurements:

The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced liquidation or sale. The carrying value of all of the Trust's financial instruments approximates their fair value.

The carrying values of financial assets and financial liabilities not measured at fair values, such as cash and cash equivalents, other assets, accrued interest receivable, other receivables, due from related parties, promissory notes receivable, accounts payable and accrued liabilities, distributions payable on redeemable units, line of credit and loans payable approximate their fair values due to the relatively short periods to maturity of these items or because they are receivable or payable on demand. The carrying values of the investments in mortgages and mortgage syndication liabilities, approximate their fair values because the Manager does not expect any significant changes in interest rates or credit risk.

The following table shows a hierarchy for disclosing fair value based on inputs used to value the Trust's assets or liabilities that are measured at fair value or for which fair value disclosure is required. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities ("Level 1 measurement") and the lowest priority to unobservable inputs ("Level 3 measurements").

The three levels of the fair value hierarchy are as follows:

- Quoted prices (unadjusted) in active markets for identical assets and liabilities ("Level 1");
- Inputs other than quoted prices in active markets included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices) ("Level 2"); and
- Inputs for the asset or liability that are not based on observable market data (unobservable inputs) ("Level 3").

	Carrying value		
December 31, 2022	Amortized cost	FVTPL	Fair value
Assets not measured at fair value:			
Investments in mortgages, including mortgage syndication liabilities	$ 940,520,033	$ -	$ 940,520,033
Cash and cash equivalents	60,605,650	-	60,605,650
Promissory notes receivable	7,223,201	-	7,223,201
Due from related parties	7,850,469	-	7,850,469
Assets measured at fair value:			
Investments held at fair value	-	160,549,037	160,549,037
Other investments	-	64,319,104	64,319,104
Foreign currency derivatives and margin deposits	-	9,546,090	9,546,090

	Carrying value		
December 31, 2022	Amortized cost	FVTPL	Fair value
Financial liabilities not measured at fair value			
Accounts payable and accrued liabilities	$ 11,176,272	$ -	$ 11,176,272
Distributions payable on redeemable units	3,013,632	-	3,013,632
Loans payable	46,381,342	-	46,381,342
Mortgage syndication liabilities	221,639,164	-	221,639,164
Net assets attributable to holders of redeemable units	1,000,877,065	-	1,000,877,065

(Tabular amounts expressed in Canadian dollars, unless otherwise indicated)

17. Fair value measurements (continued):

December 31, 2021	Carrying value Amortized cost	FVTPL	Fair value
Assets not measured at fair value:			
Investments in mortgages, including mortgage syndication liabilities	$ 771,609,377	$ -	$ 771,609,377
Cash and cash equivalents	139,601,462	-	139,601,462
Promissory notes receivable	315,947	-	315,947
Due from related parties	1,825,315	-	1,825,315
Assets measured at fair value:			
Investments held at fair value	-	175,758,686	175,758,686
Other investments	-	64,319,104	64,319,104
Foreign currency derivatives and margin deposits	-	6,226,033	6,226,033

December 31, 2021	Carrying value Amortized cost	FVTPL	Fair value
Financial liabilities not measured at fair value			
Accounts payable and accrued liabilities	$ 12,841,270	$ -	$ 12,841,270
Distributions payable on redeemable units	2,229,335	-	2,229,335
Loans payable	28,620,571	-	28,620,571
Mortgage syndication liabilities	102,793,831	-	102,793,831
Net assets attributable to holders of redeemable units	1,079,684,755	-	1,079,684,755

The valuation techniques and inputs used for the Trust's financial instruments are as follows:

(a) Investments in mortgages and mortgage syndication liabilities:

There is no quoted price in an active market for the mortgage investments or mortgage syndication liabilities. The Manager makes its determination of fair value based on its assessment of the current lending market for mortgage investments of same or similar terms. Typically, the fair value of these mortgage investments approximate their carrying value given the amounts consist of short-term loans that are repayable at the option of the borrower without yield maintenance or penalties. As a result, the fair value of mortgage investments is based on Level 3 inputs.

(b) Investments held at fair value:

The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced liquidation or sale. The Company's investments in mortgages and mortgage syndication liabilities are carried at fair value in the financial statements.

There is no quoted price in an active market for the Investments held at fair value. The investments held at fair value consists of a portfolio of mortgage loans in the United States. The Manager makes its determination of fair value based on its assessment of the current lending market and credit risk for mortgage investments of same or similar terms. The fair value of the portfolio of mortgage loans has been determined based on a cash flow model discount rates based on current market rates and adjusted for any change in the credit risk of the borrower.

(Tabular amounts expressed in Canadian dollars, unless otherwise indicated)

17. Fair value measurements (continued):

(b) Investments held at fair value (continued):

Typically, the fair value of these investments approximate their carrying value given the investments consist of short-term mortgages and the mortgages have variable interest rates.

At December 31, 2022, a 25-basis point increase in the discount rate used in the discounted cash flow would decrease the fair value by $1,079,354 (2021 - 25-basis points decrease - $159,785) and a 25-basis point decrease in the discount rate would increase the fair value by $1,082,716 (2021 - 25-basis points increase - $694,918).

The following table shows a hierarchy for disclosing fair value based on inputs used to value the Company's investments. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities ("Level 1 measurement") and the lowest priority to unobservable inputs ("Level 3 measurements").

The three levels of the fair value hierarchy are as follows:

- Quoted prices (unadjusted) in active markets for identical assets and liabilities ("Level 1");
- Inputs other than quoted prices in active markets included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices) ("Level 2"); and
- Inputs for the asset or liability that are not based on observable market data (unobservable inputs) ("Level 3").

The Trust's assets and liabilities recorded at fair value have been categorized as follows:

2022	Level 1	Level 2	Level 3	Total
Investments held at fair value	$ -	$ -	$ 160,549,037	$ 160,549,037

2021	Level 1	Level 2	Level 3	Total
Investments held at fair value	$ -	$ -	$ 175,758,686	$ 175,758,686

(Tabular amounts expressed in Canadian dollars, unless otherwise indicated)

17. Fair value measurements (continued):

(b) Investments held at fair value (continued):

A reconciliation of Level 3 investments held at fair value at December 31, 2022 is as follows:

Investments held at fair value, December 31, 2020	$	204,569,614
Additions to investments		289,400,563
Realized change in fair value		13,086,051
Unrealized change in fair value		1,977,455
Unrealized foreign exchange		2,833,208
Distributions paid		(336,108,205)
Investments held at fair value, December 31, 2021		175,758,686
Additions to investments		296,750,897
Realized change in fair value		9,119,789
Unrealized change in fair value		5,349,364
Unrealized foreign exchange		11,024,088
Distributions paid		(337,453,787)
Investments held at fair value, December 31, 2022	$	160,549,037

The key valuation techniques used in measuring the fair values of underlying investments in mortgages include:

Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Discounted cash flow	Net operating income Discount rate Probability of cash flows	The estimated fair value would increase / (decrease) with changes in significant unobservable inputs

(c) Foreign currency derivatives:

The Trust has entered into foreign exchange contracts to mitigate the impact from fluctuations in foreign exchange rates. The Manager determines the fair value of foreign currency derivatives with reference to quotations from third party derivative dealers and accepts the amount as fair value for the derivatives. As a result, the fair value of foreign currency derivatives is based on Level 2 inputs.

(d) Other financial assets and liabilities:

The fair values of cash and cash equivalents, margin deposits, interest receivable, other receivables, due from related parties, promissory notes receivable, accounts payable and accrued liabilities, distributions payable on redeemable units, and loans payable approximate their carrying value due to their short-term maturities.

(e) Net assets attributable to holders of redeemable units:

The Trust routinely redeems and issues redeemable units at $10 per unit.

18. Financial instruments and risk management:

(a) Financial risk management:

The Trust has exposure to the following risks from financial instruments:

- Credit risk;
- Liquidity risk; and
- Market risk.

The Managers risk management policies are typically performed as a part of the overall management of the Trust's operations. Management is aware of risks related to these objectives through direct personal involvement with employees and outside parties. In the normal course of its business, the Trust may be exposed to a number of risks that could affect its operating performance. Management's close involvement in operations will help to identify risks and variations from expectations.

As a part of the overall operation of the Trust, management considers the avoidance of undue concentrations of risk. The risk and the actions taken to manage them include the following:

(*i*) Credit risk:

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation that it has entered into with the Trust, resulting in a financial loss to the Trust. This risk arises principally from the investments in mortgages, promissory notes receivable, and other receivables. For risk management reporting purposes the Trust considers and consolidates all elements of credit risk exposure (such as loan-to-value, sector risk, location risk, and individual obligor default risk).

The Trust's policy over credit risk is to minimize its exposure to counterparties with perceived higher risk of default by dealing only with counterparties meeting the credit standards set out by the Manager's Credit Committee.

Credit risk is monitored on an on-going basis by the Manager in accordance with policies and procedures in place. The Trust's credit risk is monitored on a quarterly basis by the Trust's Board of Governors.

The Mortgage Broker's Credit Committee reviews its policies regarding its lending limits on an on-going basis. As at December 31, 2022, 11.6% (2021 - 16%) of the Trust's investments in mortgages was advanced to a single borrowing group. Minimal credit risk also arises from cash, and deposits which is mitigated by holding cash and deposits in Canada with a major financial institution.

The Trust's maximum credit risk exposure (without taking into account collateral and other credit enhancements) at December 31, 2022 and 2021 is represented by the respective carrying amounts of the relevant financial assets in the Consolidated Statement of Financial Position.

(Tabular amounts expressed in Canadian dollars, unless otherwise indicated)

18. Financial instruments and risk management (continued):

(a) Financial risk management (continued):

(*ii*) Liquidity risk:

Liquidity risk is the risk of encountering difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

The Trust's liquidity requirements relate to its obligations under its loans payable, accounts payable and accrued liabilities, mortgage syndication liabilities, distributions payable to holders of redeemable units, redeemable units, loans payable and its obligations to make future advances under its existing mortgage portfolio. Liquidity risk is managed by ensuring that the sum of: (*i*) availability under the Trust's bank borrowing line; (*ii*) the sourcing of other borrowing facilities; and (*iii*) projected repayments under the existing mortgage portfolio, exceeds projected needs (including funding of further advances under existing and new mortgage investments). As at December 31, 2022, 59% of the Trust's mortgage portfolio, being $422,221,606 is due on or before December 31, 2023 (2021 - 40% or $310,265,008 due before December 31, 2022).

Accounts payable and accrued liabilities arise from normal operating expenses and are expected to be settled within three months of year-end.

The following table shows the contractual timing of cashflows.

December 31, 2022	Carrying value	Contractual cash flow	Within a year	Following year	3 - 5 years	5+ years
Accounts payable and accrued expenses	$ 3,193,633	$ 3,193,633	$ 3,193,633	$ -	$ -	$ -
Distribution payable	3,013,632	3,013,632	3,013,632	-	-	-
Due to Manager	7,982,639	7,982,639	7,982,639	-	-	-
Credit facility	-	-	-	-	-	-
Loans payable	46,381,342	48,921,343	48,921,343	-	-	-
Total	60,571,246	63,111,247	63,111,247	-	-	-
Total contractual liabilities, excluding mortgage syndication liabilities	$ 60,571,246	$ 63,111,247	$ 63,111,247	$ -	$ -	$ -

1. As at December 31, 2022, there was nil drawn down on the credit facility (Note 10).
2. Loans payable include one year of interest based on annual interest rates assuming all loans are repaid at December 31, 2023.

As at Dec 31, 2022, the Trust had a cash position of $60,605,650 (December 31, 2022- $139,601,462), an unutilized credit facility of $105,000,000 (December 31, 2021-100,000,000). Management believes the Trust will be able to finance its operations using the cash flow generated from operations, investing activities and credit facilities.

18. Financial instruments and risk management (continued):

(a) Financial risk management (continued):

(*iii*) Market risk:

Market risk is the risk that changes in market factors, such as interest rates, currency and other price risks will affect the Trust's income or the fair value of its holdings of financial instruments and investments in associates. The objective of market risk management is to manage and control market risk exposure within acceptable parameters, while optimizing the return.

The Trust's strategy for the management of market risk is driven by the Trust's investment objective which is to invest in a diversified portfolio of mortgages on real property and development projects within Canada and the U.S. that preserves capital and generates returns in order to permit the Trust to pay quarterly distribution to its Unitholders.

The Trust's market risk is managed on a regular basis by the Manager in accordance with policies and procedures in place.

(A) Interest rate risk:

Interest rate risk is the risk that fair values or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Trust's interest rate risk is primarily attributable to its resources to fund the mortgages. As described in note 14, units are retractable by Unitholders upon 30-days' notice. A significant rise in interest rates may cause Unitholders to retract their Units and could cause a shortfall in funds available to meet such retractions. The Trust manages interest rate risk by generally investing in short term variable rate mortgages with floor rates which are greater than the rate charged by its lenders. The Trust also charges a 1% penalty on retractions made prior to units' first year anniversary.

As at December 31, 2022, a 0.5% increase/decrease in interest rates with all other variables held constant would increase/decrease the Trust's income by approximately $3,835,016 (2021 - $2,995,339), arising mainly as a result of higher interest income generated on variable rate mortgage investments.

(B) Currency risk:

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Trust's functional currency is Canadian dollars however the Trust invests in mortgages and investments in associated and joint ventures that are denominated in U.S. dollars.

The Trust has put in place steps to mitigate impacts from fluctuations in foreign exchange as the Trust has entered into forward exchange contracts to manage its foreign exchange exposure. As at December 31, 2022, the Trust was participating in forward exchange contracts to sell U.S. dollars totaling $321,232,942 (2021 - $308,152,504).

(Tabular amounts expressed in Canadian dollars, unless otherwise indicated)

18. Financial instruments and risk management (continued):

(a) Financial risk management (continued):

(*iii*) Market risk (continued):

(B) Currency risk (continued):

The foreign currency derivatives are marked-to-market on the Consolidated Statement of Financial Position and the fair value as at December 31, 2022 is an asset of $6,843,507 (2021 - asset $1,149,943). The foreign currency derivatives are entered into by the Mortgage Broker on behalf of the Trust with third-party financial institutions.

The table below indicates the foreign currency to which the Trust had unhedged exposure at December 31, 2021 and over hedged exposure at December 31, 2022. It also illustrates the potential impact on the net assets attributable to holders of redeemable units if Canadian dollar had strengthened or weakened by 5% in relation to the other currency, with all other variables held constant.

		2022
Currency	Exposure	Impact on net assets attributable to redeemable units
United States dollars	$ (30,383)	$ (1,519)
% of net assets attributable to redeemable units	0.00%	0.00%

		2021
Currency	Exposure	Impact on net assets attributable to redeemable units
United States dollars	$ 1,603,474	$ 80,174
% of net assets attributable to redeemable units	0.15%	0.01%

(C) Other price risk:

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Trust is exposed to price risk because of its investment in mortgages and development projects through its investments in associates and joint ventures. These risks arise from changes in the real estate market and could be local, national, and global in nature. Deteriorating real estate values increase the Trust’s risk. The Trust manages these risks by actively maintaining strong borrower relationship and active monitoring of all loans. Further, the Trust has diversified its portfolio of investment mortgages geographically to manage this risk.

19. Capital management:

The Trust considers net assets attributable to holders of redeemable units to be capital, which at December 31, 2022 was $1,000,877,065 (2021 - $1,079,684,755).

The Trust's objective when managing capital is to maintain its ability to continue as a going concern and ensure that it has sufficient cash resources to invest in mortgages in order to provide a return to its Unitholders. To secure the additional capital necessary to pursue these plans, the Trust may attempt to raise additional funds through the issuance of additional units.

The Trust, through its Manager, manages its capital structure and makes adjustments as appropriate based on the funds available to the Trust, as well as, utilization of its line of credit in order to support the continued investment in mortgages and other investments. The Manager's investment strategy continues to be to preserve investor capital, while providing a consistent stream of interest income.

20. Commitments and contingencies:

In the ordinary course of business activities, the Trust may be contingently liable for litigation and claims arising from investing in mortgage investments and other investments. Where required, management records adequate provisions in the accounts.

Although it is not possible to accurately estimate the extent of potential costs and losses, if any, management believes that the ultimate resolution of such contingencies would not have a material adverse effect on the Trust's consolidated financial position. The Trust's estimate involves significant judgement, given the fact that the Trust's liability, if any, has yet to be determined and as such could vary by a material amount in the future should this change.