Consolidated Financial Statements
(Expressed in thousands of Canadian dollars)

TREZ CAPITAL YIELD TRUST US (CANADIAN $)

And Independent Auditor's Report thereon

Year ended December 31, 2023

KPMG LLP
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INDEPENDENT AUDITOR'S REPORT

To the Unitholders of Trez Capital Yield Trust US (Canadian $)

Opinion

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

- the consolidated statement of financial position as at December 31, 2023
- the consolidated statement of comprehensive income (loss) 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 material accounting policy information

(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, 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

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 IFRS Accounting Standards as issued by the International Accounting Standards Board, 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 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 29, 2024

TREZ CAPITAL YIELD TRUST US (CANADIAN $)

Consolidated Statement of Financial Position
(Expressed in thousands of Canadian dollars)

December 31, 2023, with comparative information for 2022

	Notes	2023	2022
Assets			
Cash and cash equivalents		$ 60,969	$ 90,100
Margin deposits	6	2,990	43,370
Foreign currency derivative assets	6	26,873	-
Due from related parties	12(f)	45,637	7,658
Investments in mortgages	4	617,670	851,982
Investments held at fair value	5	540,005	358,770
Investments in associates		7,270	4,971
Investments in joint ventures		7,349	7,098
Promissory notes receivable		-	182
Other assets		5,478	8,440
		$ 1,314,241	$ 1,372,571
Equity			
Accumulated other comprehensive income		$ 32	$ 237
Non-controlling interests	12(d)	3,728	14,224
		3,760	14,461
Liabilities and Net Assets Attributable to Holders of Redeemable Units			
Accounts payable and accrued liabilities		3,231	2,827
Management and incentive fees payable	12(a)	11,055	8,985
Distributions payable to holders of redeemable units	10	6,547	5,193
Foreign currency derivative liabilities	6	63	28,567
Due to related parties	12(f)	432	383
Secured borrowing	8	27,613	219,076
Loan payable	9	150,338	5,644
Mortgage syndication liabilities	4(a)	31,961	98,479
		231,240	369,154
Redeemable units, representing net assets attributable to holders of redeemable units	11	1,079,241	988,956
		$ 1,314,241	$ 1,372,571

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 US (CANADIAN $)

Consolidated Statement of Comprehensive Income (Loss)
(Expressed in thousands of Canadian dollars)

Year ended December 31, 2023, with comparative information for 2022

	Notes	2023	2022
Revenue:			
Interest income on mortgages		$ 113,807	$ 86,464
Interest expense on mortgage syndication liabilities		(6,775)	(2,172)
Other income		3,738	1,255
		110,770	85,547
Expenses:			
Provision for mortgage losses	4(b)	680	2,757
Foreign exchange loss (gain)		5,631	(92)
General and administrative		9,420	5,636
Management and incentive fees	12(a)	28,168	23,624
		43,899	31,925
Fair value gain on investments held at fair value	5	58,071	30,004
Loss from investments in associates		(1,122)	(1,976)
Gain from investments in joint ventures		419	1,758
		57,368	29,786
Income from operations		124,239	83,408
Financing costs:			
Interest expense		32,969	17,327
Distributions to holders of redeemable units	10	88,161	68,484
		121,130	85,811
Net income (loss) for the year		$ 3,109	$ (2,403)
Other comprehensive income:			
Translation adjustment on foreign operations		(205)	274
Comprehensive income (loss) for the year		$ 2,904	$ (2,129)
Net income (loss) attributable to:			
Holders of redeemable units		$ 2,828	$ (3,031)
Non-controlling interests	12(d)	281	628
		$ 3,109	$ (2,403)
Net comprehensive income (loss) attributable to:			
Holders of redeemable units		$ 2,623	$ (2,757)
Non-controlling interests		281	628
		$ 2,904	$ (2,129)

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

TREZ CAPITAL YIELD TRUST US (CANADIAN $)

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

Year ended December 31, 2023, with comparative information for 2022

	2023	2022
Balance, beginning of the year	$ 988,956	$ 913,562
Net income (loss) attributable to holders of redeemable units	2,828	(3,031)
Contributions and redemptions:		
Issuance of units	241,881	243,531
Reinvestment of distributions on redeemable units	34,770	26,223
Redemption of units	(189,194)	(191,329)
	87,457	78,425
Balance, end of year	$ 1,079,241	$ 988,956

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

TREZ CAPITAL YIELD TRUST US (CANADIAN $)

Consolidated Statement of Cash Flows
(Expressed in thousands of Canadian dollars)

Year ended December 31, 2023, with comparative information for 2022

	2023	2022
Cash provided by (used in):		
Operating activities:		
Net income (loss) for the year	$ 3,109	$ (2,403)
Items not involving cash:		
Interest income, net of interest expense on syndications	(107,032)	(84,292)
Provision for mortgage losses	680	2,757
Fair value gain on investments held at fair value	(58,071)	(30,004)
Loss from investments in associates	1,122	1,976
Gain from investments in joint ventures	(419)	(1,758)
Foreign exchange translation	26,282	(66,271)
Distributions to holders of redeemable units	88,161	68,484
Unrealized (gain) loss on foreign currency derivatives	(55,378)	29,014
Interest expense	32,969	17,327
Interest received	67,898	38,663
Interest paid	(32,022)	(17,358)
Changes in operating working items:		
Margin deposits	40,380	(15,416)
Other assets	(995)	7,393
Accounts payable and accrued liabilities	404	(302)
Management and incentive fees payable	2,070	8,985
	9,158	(43,205)
Investing activities:		
Funding of investments in mortgages	(593,142)	(790,287)
Repayments on investments in mortgages, including syndications	483,856	809,865
Contributions to investments held at fair value	(170,297)	(692,765)
Distributions from investments held at fair value	261,218	584,504
Contributions to investments in associates	(3,512)	(663)
Repayments on promissory note receivable	182	306
Distributions to non-controlling interests	(1,204)	9,264
Change in due from related parties	(33,807)	(4,640)
	(56,706)	(84,416)
Financing activities:		
Issuance of units	241,881	243,531
Redemption of units	(189,194)	(191,329)
Distributions paid	(52,036)	(40,058)
Proceeds from secured borrowing	21,826	45,849
Repayments of secured borrowing	(85,764)	-
Proceeds from loan payable	92,013	7,815
Repayments of loan payable	(10,358)	(13,451)
Change in due to related parties	49	-
	18,417	52,357
Decrease in cash and cash equivalents	(29,131)	(75,264)
Cash and cash equivalents, beginning of year	90,100	165,364
Cash and cash equivalents, end of year	$ 60,969	$ 90,100

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

1. Nature of business:

Trez Capital Yield Trust US (Canadian $) (the "Trust") is an unincorporated trust established under the laws of British Columbia pursuant to a Declaration of Trust dated December 8, 2016 (the "Declaration of Trust").

Trez Capital Fund Management Limited Partnership is the Trust's manager (the "Manager") and Trez Capital Limited Partnership is the Trust's mortgage broker (the "Mortgage Broker").

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 and from limited equity profit sharing arrangements through limited partnerships within the United States ("US").

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 IFRS Accounting Standards as issued by the International Accounting Standards Board ("IASB").

These consolidated financial statements were authorized for issue by the Board of Governors on April 29, 2024.

(b) Basis of measurement:

These consolidated financial statements have been prepared on the historical cost basis, except for margin deposits, foreign currency derivative assets, investments in mortgages measured at fair value, investments held at fair value, and foreign currency derivative liabilities which are measured at fair value.

(c) Functional and presentation currency:

The Trust's functional currency is the US dollar. Foreign currency monetary assets and liabilities are translated into US dollars at the rate of exchange prevailing at the balance sheet date. Non-monetary assets and liabilities are translated at historical exchange rates.

The Trust is using the Canadian dollar as its presentation currency. Accordingly, the financial statements of the Trust 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.

2. Basis of preparation (continued):

(d) Use of estimates and judgments:

The preparation of 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 the 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(i)(*ii*). 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.

(*ii*) Investments held at fair value:

Included in the investments held at fair value are interests in limited partnerships created to enable the Trust to participate in loan sharing arrangements with US domiciled financial institutions (“Special Purpose Entities”). 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 that it 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.

Also included in investments held at fair value are investment interests in real estate development and land banking projects.

The Trust has determined for these entities that it has neither control, joint control or significant influence as the Trust has no ability to control or influence any of the relevant activities and has therefore measured the investments at fair value in accordance with IFRS 9.

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

3. Material accounting policy information:

Effective January 1, 2023, the Trust adopted the amendments to IAS 1 Presentation of Financial Statements and the updated guidance under IFRS Practice Statement 2 Making Materiality Judgements. The amendments require the disclosure of ‘material’, rather than ‘significant’, accounting policies. The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, except where otherwise mentioned:

(a) Basis of presentation:

(*i*) Subsidiaries:

The 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.

The 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.

The Trust consolidates the following material subsidiaries:

	Province of Registration	Percentage of ownership
Trez Capital Yield Trust US C$ Sub-Trust	British Columbia	100%
Trez Capital Yield Trust US C$ Equities LP	British Columbia	100%
Trez Capital Yield Trust US C$ Blocker Corp	Delaware	100%
TCL Land BK (2023) LP	British Columbia	84%
TCL Land BK3 LP	British Columbia	82%
TCL Land BK4 LP	British Columbia	82%
TC LB LP	British Columbia	80%
TC LB Aspen Meadows LP	British Columbia	80%
TC LB Bella Vita LP	British Columbia	80%
TC LB Heron Bay LP	British Columbia	80%
TC LB Royal Pines LP	British Columbia	80%
TRCH Moore Road LP	British Columbia	70%

During 2023, the Trust made investments in TCL Land BK (2023) LP. All these investments were established to facilitate land banking transactions with either 95% or 99% funding provided as a mortgage.

3. Material accounting policy information (continued):

(a) Basis of presentation (continued):

(*i*) Subsidiaries (continued):

On October 13, 2023, the Trust ceased to control Trez Capital (2018) Nominee LP, a subsidiary 100% owned in the prior year. As a result, effective October 13, 2023, profit and loss and net assets of the former subsidiary were not consolidated in the Trust's consolidated financial statements as at December 31, 2023 and instead recognized as investment in an unconsolidated structured entity within investments held at fair value.

During 2023, Trez Camperdown LP, a subsidiary 85% owned in the prior year, was wound up. The loan facility noted in Note 8(c) was fully repaid during the year ended December 31, 2023.

On April 3, 2023, the Trust ceased to control Trez Capital HBL LP, a subsidiary 82% owned in the prior year. As a result, effective April 3, 2023, profit and loss and net assets of the former subsidiary were not consolidated in the Trust's consolidated financial statements as at December 31, 2023 and instead recognized as investment in an unconsolidated structured entity within investments held at fair value.

(*ii*) 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 at fair value primarily for the purpose of participating in loan sharing arrangements with US domiciled financial institutions.

(*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 comprehensive income (loss).

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

(*iv*) 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 comprehensive income (loss).

3. Material accounting policy information (continued):

(b) Cash and cash equivalents:

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

(c) Margin deposits:

Margin deposits relate to deposits made on foreign currency swap transactions.

(d) Promissory notes receivable:

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

(e) 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 comprehensive income (loss) in the same period.

(f) Revenue recognition:

Interest income is recognized in the consolidated statement of comprehensive income (loss) 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.

(g) Distributions on redeemable units:

Distributions to Unitholders on each series of redeemable units are made on a monthly 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.

(h) 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.

3. Material accounting policy information (continued):

(i) 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"); 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.

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. Certain balances included as investments in mortgages have payments that do not constitute solely payments of principal and interest and are measured as FVTPL.

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

3. Material accounting policy information (continued):

(i) Financial instruments (continued):

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

The Trust has classified its financial instruments as follows:

	Classification
Financial assets:	
Cash and cash equivalents	Amortized cost
Margin deposits	FVTPL
Foreign currency derivative assets	FVTPL
Due from related party	Amortized cost
Investments in mortgages	Amortized cost / FVTPL
Investments held at fair value	FVTPL
Promissory notes receivable	Amortized cost
Other assets	Amortized cost
Financial liabilities:	
Accounts payable and accrued liabilities	Amortized cost
Management and incentive fees payable	Amortized cost
Distribution payable to holders of redeemable units	Amortized cost
Foreign currency derivative liabilities	FVTPL
Due to related parties	Amortized cost
Secured borrowing	Amortized cost
Loan payable	Amortized cost
Mortgage syndication liabilities	Amortized cost
Redeemable units, representing net assets attributable to holders of redeemable units	Amortized cost

(*ii*) Impairment:

Under IFRS 9, an entity recognizes loss allowances for ECL to financial assets measured at amortized cost.

The Trust measures ECL on each balance sheet 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 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.

3. Material accounting policy information (continued):

(i) Financial instruments (continued):

(*ii*) Impairment (continued):

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, when the Trust assesses that there has 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.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Trust considers both quantitative 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 another additional risk factor also needs to be identified for the mortgage to move to Stage 2.

Other additional 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: macroeconomic 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 ECL, including movements between the three stages and the application of forward-looking information.

Significant increase in credit risk is assessed relative to the risk of default on the date of modification. If the Trust determines that a modification does not result in derecognition, significant increase in credit risk is assessed based on the risk of default at initial recognition of the original asset. The expected cash flows arising from the modified contractual terms are considered when calculating the ECL for the modified asset. For loans that were modified while having a lifetime ECL, the loans can revert to having 12-month ECL after a period of performance and improvement in the borrower's financial condition.

3. Material accounting policy information (continued):

(i) Financial instruments (continued):

(*ii*) Impairment (continued):

Impaired financial assets (continued):

Lifetime ECL are the ECL that result from all possible default events over the expected life of a financial instrument. 12-months ECL are the portion of ECL 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 ECL 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 ECL for commitments and mortgages receivable classified as Stage 1: probability of default (“PD”), loss given default (“LGD”) and exposure at default (“EAD”).

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: The 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 the base case, which represents the most probable outcome and is consistent with the Trust’s view of the portfolio. The calculation of ECL includes the incorporation of forecasts of future economic conditions. In determining ECL, the Trust has considered key macroeconomic variables that are relevant to each investment type. Key macroeconomic variables that drive the estimation of future cash flows include local real estate market values and conditions, as well as employment and population growth. 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 Trust. The Trust exercises experienced credit judgment to incorporate multiple economic forecasts which are probability-weighted in the determination of the final ECL. The allowance is sensitive to changes in both economic forecast and the probability-weight assigned to each forecast scenario.

3. Material accounting policy information (continued):

(i) Financial instruments (continued):

(*iii*) Derecognition of financial assets and liabilities:

(A) Financial assets:

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

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 derecognition 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 income is recognized in the consolidated statement of comprehensive income (loss).

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.

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.

3. Material accounting policy information (continued):

(i) Financial instruments (continued):

(*iv*) Loan modifications (continued):

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.

(j) Accumulated other comprehensive income:

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

(k) 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 investments in associates and joint ventures are held by controlled subsidiaries of the Trust that are required to pay income taxes to the US Internal Revenue Service based on a determination of taxable income for US tax purposes. Accordingly, current income tax recognized in the consolidated statement of comprehensive income (loss) is based on the subsidiary's US 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 US tax assets and liabilities.

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

3. Material accounting policy information (continued):

(l) New standards adopted effective January 1, 2023:

(*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 were effective and adopted by the Trust on January 1, 2023. The amendments had no material effect on the Trust's consolidated financial statements as at and for the year ended December 31, 2023.

(*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 were effective and adopted by the Trust on January 1, 2023. The amendments had no material effect on the Trust's consolidated financial statements as at and for the year ended December 31, 2023.

(m) Standards issued but not yet effective:

As at December 31, 2023, a number of standards and amendments to standards had been issued by the IASB but are not yet effective for these consolidated financial statements. None of these standards or amendments to standards are considered relevant to the Trust's consolidated financial statements.

4. Investments in mortgages:

The Trust holds conventional uninsured mortgages on the following types of properties:

	2023		2022	
Property type	Number	Amount	Number	Amount
Residential	65	$ 531,909	96	$ 550,577
Mixed-use	3	26,556	5	63,080
Hotel	2	10,909	-	-
Industrial	4	7,663	3	18,212
Office	1	7,349	2	110,931
Other	2	1	-	-
Retail	-	-	3	9,053
Total mortgages	77	584,387	109	751,853
Mortgage syndications		31,961		98,479
Accrued interest		7,486		7,134
Less: Provision for mortgage losses (Note 4(b))		(6,164)		(5,484)
Investment in mortgages		$ 617,670		$ 851,982

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

4. Investments in mortgages (continued):

Included in total mortgages of $584,387 (2022 - $751,853) are mortgages measured at amortized costs totaling $344,803 (2022 - $628,603) and mortgages measured at fair value totaling $239,584 (2022 - $123,250).

	2023			2022		
Property location	Number		Amount	Number		Amount
Texas	41	$	368,357	55	$	372,657
Arizona	8		58,109	12		93,992
Florida	6		38,253	18		87,321
Washington	4		38,118	4		22,780
Georgia	7		30,921	7		33,911
Alabama	1		13,705	1		4,519
South Carolina	3		12,678	4		117,298
Colorado	2		10,394	2		6,538
Pennsylvania	1		7,349	1		3,310
Oklahoma	1		4,039	2		2,118
Indiana	1		2,463	1		5,423
Utah	2		1	-		-
Oregon	-		-	1		1,506
North Carolina	-		-	1		480
Total mortgages	77	$	584,387	109	$	751,853

The mortgages are secured by the real estate to which they relate, bear interest at a weighted average interest rate of 19.6% (2022 - 14.2%).

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

Maturity period	Number		Amount
Past due	1	$	20,993
Past due but not credit impaired	-		-
2024	38		259,112
2025	19		137,365
2026	16		144,896
2027 and beyond	3		22,021
	77	$	584,387

(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 is secured by first mortgage positions. As a result, the senior lenders' position is recorded as a non-recourse mortgage syndication liability. The interest earned on the transferred participation interests and the related interest expense is recognized in the consolidated statement of comprehensive income (loss).

For those investments which have not met the derecognition 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. As at December 31, 2023, the carrying value, which is equivalent to the fair value, of the transferred assets and corresponding liabilities is $31,961 (2022 - $98,479).

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

4. Investments in mortgages (continued):

(b) Provision for mortgage losses:

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

	December 31, 2023			
Gross carrying amount	Stage 1	Stage 2	Stage 3	Total
Property type:				
Residential	$ 267,293	$ -	$ 25,032	$ 292,325
Office	7,349	-	-	7,349
Mixed-use	26,556	-	-	26,556
Industrial	7,663	-	-	7,663
Hotel	10,909	-	-	10,909
Other	1	-	-	1
	$ 319,771	$ -	$ 25,032	$ 344,803

	December 31, 2022			
Gross carrying amount	Stage 1	Stage 2	Stage 3	Total
Property type:				
Residential	$ 401,387	$ -	$ 25,940	$ 427,327
Office	110,931	-	-	110,931
Mixed-use	63,080	-	-	63,080
Industrial	18,212	-	-	18,212
Retail	9,053	-	-	9,053
	$ 602,663	$ -	$ 25,940	$ 628,603

	December 31, 2023			
Provision for mortgage losses	Stage 1	Stage 2	Stage 3	Total
Property type:				
Residential	$ 2,370	$ -	$ 3,303	$ 5,673
Office	35	-	-	35
Mixed-use	7	-	-	7
Industrial	267	-	-	267
Hotel	76	-	-	76
Other	106	-	-	106
	$ 2,861	$ -	$ 3,303	$ 6,164

	December 31, 2022			
Provision for mortgage losses	Stage 1	Stage 2	Stage 3	Total
Property type:				
Residential	$ 4,868	$ -	$ -	$ 4,868
Office	31	-	-	31
Mixed-use	567	-	-	567
Industrial	11	-	-	11
Retail	7	-	-	7
	$ 5,484	$ -	$ -	$ 5,484

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

4. Investments in mortgages (continued):

(b) Provision for mortgage losses (continued):

The provision for mortgage losses as at December 31, 2023 is $6,164 (2022 - $5,484). Stage 1 provisions of $2,861 (2022 - $5,484) represents management's estimate of the ECL on mortgages in the Trust'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. As at December 31, 2023, management estimated the ECL for these as $3,303 (2022 – nil).

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

	December 31, 2023			
	Stage 1	Stage 2	Stage 3	Total
December 31, 2022	$ 5,484	$ -	$ -	$ 5,484
Provision for mortgage losses:				
Transfers to Stage 1[1]	-	-	-	-
Transfers to Stage 2[1]	-	-	-	-
Transfers to Stage 3[1]	-	-	-	-
Net remeasurement[2]	(2,416)	-	3,303	887
Mortgage advances	1,195	-	-	1,195
Mortgage repayments	(1,402)	-	-	(1,402)
Write-offs	-	-	-	-
Total movement	(2,623)	-	3,303	680
December 31, 2023	$ 2,861	$ -	$ 3,303	$ 6,164

	December 31, 2022			
	Stage 1	Stage 2	Stage 3	Total
December 31, 2021	$ 2,727	$ -	$ -	$ 2,727
Provision for mortgage losses:				
Transfers to Stage 1[1]	-	-	-	-
Transfers to Stage 2[1]	-	-	-	-
Transfers to Stage 3[1]	-	-	-	-
Net remeasurement[2]	1,810	-	-	1,810
Mortgage advances	3,298	-	-	3,298
Mortgage repayments	(2,351)	-	-	(2,351)
Write-offs	-	-	-	-
Total movement	2,757	-	-	2,757
December 31, 2022	$ 5,484	$ -	$ -	$ 5,484

(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.*

5. 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 or manage certain real estate assets. 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
Limited partnerships participating in preferred investment in real estate projects	Limited partnerships created to hold real estate projects in the US investments made by the Trust earn fixed monthly interest income from their preferred investment. Common equity investments in the limited partnerships are funded by entities related to the Manager. The limited partnerships are financed by preferred investment by the Trust and entities related to the Trust, as well as common equity funded by entities related to the Trust.	Investment in preferred limited partnership units
Limited partnerships participating in land banking	Limited partnerships created to facilitate land banking transactions. The limited partnerships are financed by capital contributed in the form of limited partnership units by the Trust and entities related to the Trust and credit facilities by the Trust and entities related to the Trust.	Investment in limited partnership units

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

5. Investments held at fair value (continued):

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

December 31, 2023	Number of Limited Partnerships		Total assets		Carrying amount included in investments held at fair value
Investments in Limited Partnerships:					
Loan sharing	15	$	2,244,775	$	405,692
Real estate investments	5		284,097		134,313
	20	$	2,528,872	$	540,005

December 31, 2022	Number of Limited Partnerships		Total assets		Carrying amount included in investments held at fair value
Investments in Limited Partnerships:					
Loan sharing	16	$	1,846,775	$	258,766
Real estate investments	5		204,235		99,576
Land banking	1		5,313		428
	22	$	2,056,323	$	358,770

During the year ended December 31, 2023, a change in fair value of investments held at fair value of $58,071 was recorded (2022 - $30,004). Included within the change in fair value is realized net interest income of $21,179 (2022 - $14,859), unrealized net interest income of $33,628 (2022 - $15,145) and unrealized property income of $3,264 (2022 – nil).

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. As at December 31, 2023, the total amount of third party loan sharing the Trust is committed to repay in event of default was $551,058 (2022 - $349,549). Furthermore, as at December 31, 2023, third party loan sharing partners hold put options that can be exercised in the event of default to cause the Trust to repay an amount of $43,590 (2022 - $104,356).

As at December 31, 2023, one mortgage held by a structured entity totaling $12,367 was in default (2022 - $12,148). At the date of default during the year ended December 31, 2022, the Trust repaid $6,623 to the senior loan sharing partner.

As at December 31, 2022, the Trust had control over Trez Capital (2018) Nominee LP and consolidated its financial results. On October 13, 2023, the limited partnership agreement for Trez Capital (2018) Nominee LP was amended to allow for variable participation interest from multiple participants. As at December 31, 2023, the Trust does not have control or significant influence over the entity such that the Trust's investment in the entity is recorded in investments held at fair value as a loan sharing investment in limited partnership.

5. Investments held at fair value (continued):

As at December 31, 2022, the Trust had control over Trez Capital HBL LP and consolidated its financial results. On April 3, 2023, the limited partnership agreement for Trez Capital HBL LP was amended to allow for variable participation interest from multiple participants. As at December 31, 2023, the Trust does not have control or significant influence over the entity such that the Trust's investment in the entity is recorded in investments held at fair value as a loan sharing investment in limited partnership.

6. 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, 2023, the Trust was participating in forward exchange contracts to sell US dollars totalling $788,100 (2022 - $1,017,973). The foreign currency derivatives are marked-to-market on the consolidated statement of financial position. As at December 31, 2023, the fair value of assets is $26,873 (2022 - nil) and the fair value of liabilities is $63 (2022 - $28,567). The foreign currency derivatives are entered directly by the Trust with third party financial institutions.

As at December 31, 2023, the margin deposit on foreign exchange contracts, which is considered a restricted cash balance, totalled $2,990 (2022 - $43,370).

7. Credit Facility:

On December 28, 2023, the Trust entered into a revolving borrowing base credit facility with a Chartered bank located in the US for available proceeds up to US$30,000, bearing interest at the WSJ prime plus 0.25% and a floor of 4.5%. The credit facility is subject to an annual line fee equal to 0.5% of the available but undrawn portion of the credit facility. The credit facility matures on December 28, 2026.

The credit facility has financial tests and other covenants with which the Trust must comply. The Trust shall (a) maintain a net worth greater than 70% of the net worth at origination; (b) maintain a minimum liquidity greater than US$3,000; (c) sponsor to maintain global cash liquidity greater than US$30,000; (d) maintain a debt service coverage ratio greater than 1.5 to 1.0; (e) maintain a leverage ratio of less than 0.5 to 1.0; and (f) maintain a cash flow coverage ratio greater than 1.5 to 1.0. As at December 31, 2023, the Trust was in compliance with all of the applicable covenants of the credit facility.

As at December 31, 2023, there was nil drawn down on the credit facility.

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

8. Secured borrowing:

		2023		2022
US dollar indebtedness from a private company with maximum indebtedness of $100,000 US dollars, bearing interest at LIBOR plus 7.0% per annum compounded and payable monthly[(a)]	$	-	$	108,697
US dollar indebtedness from a private company with maximum indebtedness of $115,000 US dollars, bearing interest at Prime plus 3.25% per annum compounded and payable monthly and with maturity date of May 8, 2023[(b)]		-		75,362
US dollar indebtedness from a private company with maximum indebtedness of $83,000 US dollars, bearing interest (i) of fixed rate equal to 5.5% per annum through December 31, 2022 and (ii) interest rate that the greater of (A) A variable interest rate at the WSJ prime rate plus 50 basis points, and (B) 4.5% per annum from and after December 31, 2022 and with maturity date of January 11, 2026 [(c)]		-		9,217
US dollar indebtedness from a bank with a loan amount of $19,786 US dollars, bearing floating interest rate equal to the greater of (i) the WSJ prime rate plus 0.50%, or (ii) 4.00% per annum and with maturity date of October 31, 2025[(d)]		15,538		25,800
US dollar indebtedness from a private company bearing floating interest rate equal to the greater of (i) the WSJ prime rate plus 2.00%, or (ii) 8.25% per annum with maturity dates on September 14, 2025 and December 31, 2027[(e)]		12,075		-
Total	$	27,613	$	219,076

(a) In 2018, a subsidiary of the Trust, Trez Capital (2018) Nominee LP, has entered into a senior secured term loan facility for available proceeds up to US$100,000, bearing interest at lesser of (i) LIBOR rate plus 5.25%; or (ii) maximum rate, defined as the highest lawful and non-usurious rate of interest applicable.

In November 2021, the loan was renewed bearing interest of one month LIBOR with of a floor of 0.25%, plus 7.00% per annum. The loan is guaranteed by the Trust and other entities related to the Trust by virtue of common control.

As at December 31, 2022, the Trust held 100% of the participant interest in Trez Capital (2018) Nominee LP. On October 13, 2023, the limited partnership agreement was amended to allow for variable participation interest from multiple participants. As at December 31, 2023, entities related under common management held a participation interest of 15% in Trez Capital (2018) Nominee LP. As described in Note 5, the Trust’s investment in the entity is recorded in investments held at fair value as at December 31, 2023 as the Trust does not have control or significant influence over the entity.

(b) In 2019, Trez Camperdown LP, has entered into a senior secured term loan facility for available proceeds up to US$115,000, bearing interest at prime plus 3.25%, with a floor of 8.75%, and maturing on the earlier of 3 years from the date of the note or the initial maturity of the underlying loan. The loan maturity has extended to May 8, 2023 pursuant to the 7th amendment. The loan was fully repaid during the year ended December 31, 2023.

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

8. Secured borrowing (continued):

(c) During 2022, a subsidiary of the Trust, Trez Capital HBL LP, has entered into a senior secured term loan facility for available proceeds up to US$83,000, bearing interest at (i) of fixed rate equal to 5.5% per annum through December 31, 2022 and (ii) interest rate that the greater of (a) a variable interest rate at the WSJ prime rate plus 50 basis points, and (b) 4.5% per annum from and after December 31, 2022.

As at December 31, 2022, the Trust held 82% of the participant interest in Trez Capital HBL LP. On April 3, 2023, the limited partnership agreement for Trez Capital HBL LP was amended to allow for variable participation interest from multiple participants. As described in Note 5, the Trust's investment in the entity is recorded in investments held at fair value as at December 31, 2023 as the Trust does not have control or significant influence over the entity.

(d) During 2022, a subsidiary of the Trust, Trez Capital Yield Trust US Canadian Dollar Sub-Trust Equities LP, has entered into a loan agreement for US$19,786 bearing floating interest rate equal to the greater of (i) WSJ prime rate plus 0.50%, or (ii) 4.00% per annum and with maturity date of October 31, 2025. As at December 31, 2023, the amount outstanding on the term loan is $15,538 (2022 - $25,800).

(e) During 2023, a subsidiary of the Trust, Trez Capital Yield Trust US Canadian Dollar Sub-Trust Equities LP, has entered into loan agreements bearing floating interest rates equal to the greater of (i) WSJ prime rate plus 2.00%, or (ii) 8.25% per annum with maturity dates on September 14, 2025 and December 31, 2027. As at December 31, 2023, the amount outstanding on the term loans is $12,075.

9. Loan payable:

	2023	2022
US dollar indebtedness of limited partnerships participating in land banking to entities related under common management	$ 150,338	$ 5,644
	$ 150,338	$ 5,644

Loan payables have a maturity date ranging from March 2024 to June 2028 and are secured by deed of trust covering mortgages measured at fair value described in Note 4 in the amount of $239,584 (2022 - $123,250) as at December 31, 2023. Loan payables bear interest at the higher of fixed rates ranging from 9.50% to 10% per annum and WSJ prime rate plus a premium ranging from 4.25% to 6.75% per annum.

During the year ended December 31, 2023, the Trust incurred interest charges of $13,453 (2022 - $2,164) relating to loan payable.

As at December 31, 2023 and 2022, Trez Capital Yield Trust US C$ Equities LP had a loan payable to Trez Capital HBL LP. As of December 31, 2022, both entities were consolidated subsidiaries of the Trust and the loan balance was eliminated as an intragroup transaction. As described in Note 5, the Trust has ceased to control Trez Capital HBL LP during 2023 and this investment is recorded in investments held at fair value as at December 31, 2023. Thus, the loan payable to Trez Capital HBL LP is no longer eliminated upon consolidation and reflected as a liability to the external party.

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

10. Distributions payable to holders of redeemable units:

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

Total distributions for each Unitholder are determined relative to the proportion of the year that the Unitholder was invested in the Trust. Distributions allocable to each series of Units will differ as a result of the deduction of the amounts payable in respect of trailer fees, as defined in the Declaration of Trust, for the Series A Units and the lower administration fee payable in respect of the Series I Units.

The total distribution to be made in respect of the December 31 year-end will at least equal 100% of the Trust's taxable income including gains and losses for tax purposes relating to fluctuations of the US dollar relative to the Canadian dollar, as explained in Note 13.

For the year ended December 31, 2023, the taxable income of the Trust was $87,590 (2022 - $70,732) and cash distributions were $88,161 (2022 - $68,484).

As cash distributions were greater than taxable income, the difference of $571 between cash distributions and taxable income is considered a return of capital for tax purposes (2022 – $2,248 notional distribution for tax purposes that was distributed via the issuance of units which were consolidated immediately thereafter).

For the year ended December 31, 2023, $34,770 (2022 - $26,223) of the declared distributions were reinvested.

As at December 31, 2023, the monthly distribution payable to be distributed to the unitholders is as follows:

	2023	2022
Cash paid out subsequent to the year	$ 6,547	$ 5,193

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

As at December 31, 2023, the Trust has authorized an unlimited number of Series A units, Series F units and Series I units (collectively, the "Units").

The holders of 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. 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.

All series 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 series. As a result, the Units have been classified as financial liabilities under IFRS Accounting Standards as issued by the International Accounting Standards Board.

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

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

CDN Series A units	2023 Number		2023 Amount	2022 Number		2022 Amount
Issued and outstanding, beginning of year	8,038	$	79,935	5,787	$	57,667
Issued for cash	1,452		14,520	3,363		33,633
Issued for reinvested distributions	275		2,752	217		2,166
Redeemed for cash	(1,487)		(14,869)	(1,073)		(10,733)
Transfer between series	(149)		(1,493)	(265)		(2,646)
Increase (decrease) in net assets	-		213	-		(245)
Issued for top up	10		98	9		93
Issued and outstanding, end of year	8,139		81,156	8,038		79,935
Accumulated other comprehensive income			2			19
Cumulative IFRS 9 Stage 1 provisions			215			443
	8,139	$	81,373	8,038	$	80,397

CDN Series F units	2023 Number		2023 Amount	2022 Number		2022 Amount
Issued and outstanding, beginning of year	52,694	$	523,790	51,858	$	517,037
Issued for cash	16,096		160,960	15,419		154,186
Issued for reinvested distributions	2,232		22,316	1,677		16,774
Redeemed for cash	(10,325)		(103,251)	(10,978)		(109,780)
Transfer between series	(329)		(3,285)	(5,338)		(53,382)
Increase (decrease) in net assets	-		1,579	-		(1,605)
Issued for top up	68		687	56		560
Issued and outstanding, end of year	60,436		602,796	52,694		523,790
Accumulated other comprehensive income			18			125
Cumulative IFRS 9 Stage 1 provision			1,598			2,905
	60,436	$	604,412	52,694	$	526,820

CDN Series I units	2023 Number		2023 Amount	2022 Number		2022 Amount
Issued and outstanding, beginning of year	38,735	$	385,231	33,980	$	338,858
Issued for cash	6,640		66,401	5,571		55,712
Issued for reinvested distributions	864		8,641	644		6,437
Redeemed for cash	(7,107)		(71,074)	(7,082)		(70,817)
Transfer between series	478		4,778	5,603		56,028
Increase (decrease) in net assets	-		1,036			(1,181)
Issued for top up	28		276	19		194
Issued and outstanding, end of year	39,638		395,289	38,735		385,231
Accumulated other comprehensive income			12			92
Cumulative IFRS 9 Stage 1 provision			1,048			2,136
	39,638	$	396,349	38,735	$	387,459

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

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

	2023			2022		
CDN total units	Number		Amount	Number		Amount
Issued and outstanding, beginning of year	99,467	$	988,956	91,625	$	913,562
Issued for cash	24,188		241,881	24,353		243,531
Issued for reinvested distributions	3,371		33,709	2,538		25,377
Redeemed for cash	(18,919)		(189,194)	(19,133)		(191,330)
Increase (decrease) in net assets	-		2,828	-		(3,031)
Issued for top up	106		1,061	84		847
Issued and outstanding, end of year	108,213		1,079,241	99,467		988,956
Accumulated other comprehensive income			32			237
Cumulative IFRS 9 Stage 1 provision			2,861			5,484
	108,213	$	1,082,134	99,467	$	994,677

12. Related party transactions and balances:

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. Title to mortgages is held by a bare trust (the “Trustee”) on behalf of the beneficial owners of the mortgages.
- In addition, certain duties are performed by the Mortgage Broker. The Manager and Mortgage Broker are related to 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 Mortgage Participation and Servicing Agreement, the Mortgage Broker agrees to administer and service the mortgages on behalf of the Trustee and other investees. The Mortgage Broker acts as the Trust’s underwriter, servicer and syndicator; and
  - 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.

(a) Management and incentive fees:

The Trust is managed by the Manager pursuant to the terms and conditions of the Declaration of Trust, a summary of which is set out in the most current Offering Memorandum. The Manager may, pursuant to the terms of the Declaration of Trust, delegate its power to third parties where it deems advisable.

Each series of units of the Trust is deemed to be entitled to its proportionate share of the average annual gross assets, as defined in the Declaration of Trust. The Manager will be entitled to receive an annual fee (the “Management Fee”) equal to 1.5% of the proportionate share of the Series A Units and the Series F Units of the average annual gross assets and an annual fee equal to 1.15% of the proportionate share of the Series I Units of the average annual gross assets (calculated by using a simple moving average of the month end value of all assets, excluding mortgage syndications, of the Trust) plus applicable taxes, payable monthly. For each series of units of the Trust, the Manager also receives an additional fee (the “Incentive Fee”) equal to 10% of net earnings and capital gains plus applicable taxes but prior to the deduction for the Incentive Fee, payable annually.

12. Related party transactions and balances (continued):

(a) Management and incentive fees (continued):

During the year ended December 31, 2023, the Trust incurred management and incentive fees before waivers in the amount of $28,168 (2022 - $24,507). For the year ended December 31, 2023, the Manager has agreed to waive incentive fees in the amount of nil (2022 - $883). Any fees waived are no longer collectible in the current or future years.

As at December 31, 2023, the current year management and incentive of $11,055 (2022 - $8,985) of fee was payable to the Manager.

The Manager is responsible for the expenses of the initial offering of units, other than brokerage fees, as well as 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 will reimburse the Manager for all expenses incurred in the management of the Trust except as previously noted.

(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 is equivalent to the estimated fair values of the related mortgages.

During the year ended December 31, 2023, the Trust purchased investments in mortgages of $74,866 (2022 - $43,620) from and sold investments in mortgages of $65,475 (2022 - $174,334) to entities under common management.

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

The Trust has invested in a mortgage portfolio with a balance at December 31, 2023 of $584,387 (2022 - $751,853), 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 and real estate development. The balance at December 31, 2023 was $540,005 (2022 - $358,769), virtually all of which is made on a participation basis with related parties.

(d) Non-controlling interest:

Included in non-controlling interests on the consolidated statement of financial position is $3,728 (2022 - $14,224) which is held by entities related under common management. The non-controlling interests relate to the Trust's investments in TC LB LP, TC LB Aspen Meadows LP, TC Bella Vita LP, TC LB Heron Bay LP, TC LB Royal Pines LP of which the non-controlling interest holds 20% interest, investment in TRCH Moore Road LP of which non-controlling interest holds 30% interest, investments in TCL Land BK3 LP and TCL Land BK4 LP of which the non-controlling interest holds 18% interest, and investment in TCL Land BK (2023) LP of which non-controlling interest holds 16%.

During the year ended December 31, 2023, the Trust has allocated an income of $281 (2022 – income of $628) to the non-controlling interest.

12. Related party transactions and balances (continued):

(e) Co-investments in associates:

The Trust has co-invested in associates with a related party by virtue of common management. As at December 31, 2023, the Trust holds 67.4% and the related party holds 16.9% interest in investments in associates.

(f) Amounts due to and from related parties:

Amounts due from related parties as at December 31, 2023 were $45,637 (2022 - $7,658) relating amounts receivable for interest payments paid on credit facilities on behalf of related parties of $15,333 (2022 – nil) and invoices paid on behalf of related parties of $30,304 (2022 - $7,658). Amounts due to related parties as at December 31, 2023 were $432 (2022 - $383).

13. Income taxes:

The Trust qualifies as a mutual fund trust under the *Income Tax Act* (Canada) (the “Tax Act”).

The Trust allocates to its Unitholders taxable income, including foreign exchange gains and losses, that would otherwise attract tax in the Trust. Accordingly, no provision for Canadian income taxes is reflected in its consolidated financial statements.

For purposes of the Tax Act, 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 US 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 US dollar relative to Canadian dollar.

Any taxable income realized by the Trust for a particular taxation year will be paid or 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 foreign exchange gains/losses for the 2023 fiscal period.

The Trust holds certain investments in joint ventures based in the US. These investments in associates and joint ventures are held by wholly-owned subsidiaries, which are required to pay income taxes to the US Internal Revenue Service based on their determination of taxable income for US tax purposes. Accordingly, current income tax recognized in the consolidated statement of comprehensive income (loss) is based on the subsidiaries’ US 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.

14. 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 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”).

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

14. Fair value measurements (continued):

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, 2023	Amortized cost	FVTPL	Fair value
Financial assets not measured at fair value:			
Cash and cash equivalents	$ 60,969	$ -	$60,969
Due from related parties	45,637	-	45,637
Investments in mortgages	344,803	-	344,803
Financial assets measured at fair value:			
Margin deposits (Level 2)	-	2,990	2,990
Foreign currency derivative assets (Level 2)	-	26,873	26,873
Investments in mortgages (Level 3)	-	239,584	239,584
Investments held at fair value (Level 3)	-	540,005	540,005

	Carrying value		
December 31, 2023	Amortized cost	FVTPL	Fair value
Financial liabilities not measured at fair value:			
Accounts payable and accrued liabilities	$ 3,231	$ -	$ 3,231
Management and incentive fees payable	11,055	-	11,055
Distributions payable to holders of redeemable units	6,547	-	6,547
Due to related parties	432	-	432
Secured borrowing	27,613	-	27,613
Loan payable	150,338	-	150,338
Mortgage syndication liabilities	31,961	-	31,961
Net assets attributable to holders	1,079,241	-	1,079,241
Financial liabilities measured at fair value:			
Foreign currency derivative liabilities (Level 2)	-	63	63

	Carrying value		
December 31, 2022	Amortized cost	FVTPL	Fair value
Financial assets not measured at fair value:			
Cash and cash equivalents	$ 90,100	$ -	$ 90,100
Due from related parties	7,658	-	7,658
Investments in mortgages	628,603	-	628,603
Promissory notes receivable	182	-	182
Other assets	8,440	-	8,440
Financial assets measured at fair value:			
Margin deposits (Level 2)	-	43,370	43,370
Foreign currency derivative assets (Level 2)	-	-	-
Investments in mortgages (Level 3)	-	123,250	123,250
Investments held at fair value (Level 3)	-	358,770	358,770

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

14. Fair value measurements (continued):

December 31, 2022	Carrying value Amortized cost	Carrying value FVTPL	Fair value
Financial liabilities not measured at fair value:			
Accounts payable and accrued liabilities	$ 2,827	$ -	$ 2,827
Management and incentive fees payable	8,985	-	8,985
Distributions payable to holders of redeemable units	5,193	-	5,193
Due to related parties	383	-	383
Secured borrowing	219,076	-	219,076
Loan payable	5,644	-	5,644
Mortgage syndication liabilities	98,479	-	98,479
Net assets attributable to holders	988,956	-	-
Financial liabilities measured at fair value:			
Foreign currency derivative liabilities (Level 2)	-	28,567	28,567

There were no transfers between Level 1, Level 2 and Level 3 during the years ended December 31, 2023 and 2022.

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. 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 investments in mortgages approximates 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 investments in mortgages is based on Level 3 inputs.

A reconciliation of Level 3 investments in mortgages at December 31, 2023 is as follows:

Investments in mortgages, December 31, 2021	$ 44,174
Additions to investments	76,783
Realized change in fair value	-
Unrealized change in fair value	-
Impact of foreign exchange translation	2,293
Distributions paid	-
Investments in mortgages, December 31, 2022	123,250
Additions to investments	143,888
Realized change in fair value	-
Unrealized change in fair value	-
Impact of foreign exchange translation	(2,792)
Distributions paid	(24,762)
Investments in mortgages, December 31, 2023	$ 239,584

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

14. Fair value measurements (continued):

(a) Investments in mortgages and mortgage syndication liabilities (continued):

The key valuation techniques used in measuring the fair values of 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

(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.

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 portion 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 are based on current market rates and adjusted for any change in the credit risk of the borrower.

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

As at December 31, 2023, a 0.25% increase in the discount rate used in the discounted cash flow would decrease the fair value by $1,198 (2022 - $4,052) and a 0.25% decrease in the discount rate would increase the fair value by $1,202 (2022 - $4,165).

A reconciliation of Level 3 investments held at fair value at December 31, 2023 is as follows:

Investments held at fair value, December 31, 2021	$	176,682
Additions to investments		722,538
Realized change in fair value		14,860
Unrealized change in fair value		15,145
Impact of foreign exchange translation		14,049
Distributions paid		(584,504)
Investments held at fair value, December 31, 2022		358,770
Additions to investments		294,114
Changes in control of subsidiaries		99,464
Realized change in fair value		21,179
Unrealized change in fair value		36,892
Impact of foreign exchange translation		(9,196)
Distributions paid		(261,218)
Investments held at fair value, December 31, 2023	$	540,005

14. Fair value measurements (continued):

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

The key valuation techniques used in measuring the fair values of investments held at fair value 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 carrying values of financial assets and financial liabilities not measured at fair values, such as cash and cash equivalents, margin deposits, promissory notes receivable, due from related party, interest receivable, accounts payable and accrued liabilities, management and incentive fees payable, distribution payable to holders of redeemable units, due to related parties, secured borrowing, and loan 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.

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

The Trust routinely redeems and issues redeemable units at the amount equal to the proportionate share of net assets of the Trust at the time of redemption, calculated on a basis consistent with that used in these consolidated financial statements. Accordingly, the carrying amount of the net assets attributable to the holders of redeemable units approximates their fair value and are based on Level 2 inputs.

15. Financial instruments and risk management:

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

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

15. Financial instruments and risk management (continued):

Management's 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. The Trust has not designated any transactions as hedging transactions to manage risk.

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:

(a) 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, 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 manages its credit risk through extensive initial due diligence and careful monitoring of its mortgage portfolio, active communications with borrowers and the institution of aggressive enforcement procedures on defaulting mortgages by its Mortgage Broker, and by matching the cash flow profile of the assets and liabilities.

All mortgage investments are approved by the Credit Committee comprised of senior management of the Mortgage Broker. The Mortgage Broker’s Credit Committee reviews its policies regarding its lending limits on an ongoing basis. Minimal credit risk also arises from cash deposits. This is mitigated by holding deposits in Canada with major financial institutions.

The Trust’s maximum credit risk exposure (without taking into account collateral and other credit enhancements) at December 31, 2023, is represented by the respective carrying amounts of the relevant financial assets in the consolidated statement of financial position.

(b) 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 secured borrowing, accounts payable and accrued liabilities, mortgage syndication liabilities, management and incentive fees payable, due to related parties, distributions payable to holders of redeemable units, loan payable, interest payable, redeemable units, 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 and investments held at fair value, exceeds projected needs (including funding of further advances under existing and new mortgage investments).

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

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

15. Financial instruments and risk management (continued):

(b) Liquidity risk (continued):

Unitholders of the Trust have the limited right to redeem their units in the Trust, as described in its Offering Memorandum and paragraph 8.15 of the Trust's Declaration of Trust. The Manager is entitled to extend the time for payment of any unitholder redemption for a maximum period of 180 days during any period in which the Manager determines that conditions exist which render the sale of assets of the Trust to be impractical or impair the ability of the Manager to determine the net asset value of the Trust.

The following table shows the contractual timing of cashflows:

December 31, 2023	Carrying value	Contractual cash flow	Within a year	Following year	3 - 5 years	5+
Accounts payable and accrued expenses	$ 3,231	$ 3,231	$ 3,231	$ -	$ -	$ -
Due to Manager	11,055	11,055	11,055	-	-	-
Distribution payable	6,547	6,547	6,547	-	-	
Due to related parties	432	432	432	-	-	-
Secured borrowing	27,613	27,613	-	22,028	5,585	-
Loan payable	150,338	150,338	2,843	32,682	114,813	-
Total contractual liabilities, excluding mortgage syndication liabilities	$ 199,216	$ 199,216	$ 24,108	$ 54,710	$ 120,398	$ -

1. Secured borrowing includes interest based on the prime rate as at January 1, 2024 plus agreed add-on rates assuming that outstanding balances are not repaid until agreed maturity dates.
2. Loan payable includes interests based on annual interest rate of 14.1% assuming that outstanding balances are not repaid until loan maturity dates.
3. The principal repayments of mortgage syndication liabilities by contractual maturity date are shown net with investments in mortgages in Note 4.

As at December 31, 2023, the Trust had a cash and cash equivalent position of $60,969 (2022 - $90,100) and an unutilized credit facility of US$30,000 (2022 – nil). Management believes the Trust will be able to finance its operations using the cash flow generated from operating activities, investing activities and credit facilities.

(c) 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. 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 located within the United States that preserves capital and generates returns in order to permit the Trust to pay monthly 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.

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

15. Financial instruments and risk management (continued):

(c) Market risk (continued):

(*i*) Interest rate risk:

Interest rate risk is the risk that the fair value or the 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 return on investments in mortgages relative to its resources to fund the mortgages. As described in Note 11, units are redeemable by Unitholders upon 30-days' notice. A significant rise in interest rates may cause Unitholders to redeem their Units and could cause a shortfall in funds available to meet such redemptions. The Trust charges a 1% penalty on redemptions made prior to the Units' first anniversary.

As at December 31, 2023, a 0.25% increase/decrease in the interest rates with all other variables held constant would increase/decrease the Trust's income by approximately $1,172 (2022 - $1,547) arising from income generated on the Trust's cash deposits and higher interest income generated on variable rate mortgage investments after deducting increased or decreased interest expenses from secured borrowing and other loan payables.

(*ii*) 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 U.S dollars.

The Trust has put in place steps to mitigate the impacts from fluctuations in foreign exchange on the Trust's obligation to redeem Canadian series units in Canadian dollars as explained in Note 6. As at December 31, 2023, the Trust was participating in forward exchange contracts to sell US dollars totalling $788,100 (2022 - $1,017,973).

The foreign currency derivatives are marked-to-market on the consolidated statement of financial position. As at December 31, 2023, the fair value of assets is $26,873 (2022 - nil) and the fair value of liabilities is $63 (2022 - $28,567). The foreign currency derivatives are entered directly by the Trust with third party financial institutions.

The table below indicates the foreign currency to which the Trust had underhedged exposure at December 31, 2023 and 2022. It also illustrates the potential impact on the net assets attributable to holders of redeemable units if the Canadian dollar had strengthened or weakened by 5% in relation to the other currency, with all other variables held constant.

Increase (decrease) in Canadian dollars:

		2023
Currency	Exposure	Impact on net assets attributable to redeemable units
United States dollars exposure	$ (5,855)	$ (279)
% of net assets attributable to redeemable units	(0.54%)	(0.03%)

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

15. Financial instruments and risk management (continued):

(c) Market risk (continued):

(*ii*) Currency risk (continued):

		2022
Currency	Exposure	Impact on net assets attributable to redeemable units
United States dollars exposure	$ (4,266)	$ (21)
% of net assets attributable to redeemable units	0.43%	0.00%

(*iii*) 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 or 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.

16. Capital management:

The Trust considers net assets attributable to holders of redeemable units to be capital, which at December 31, 2023 was $1,079,241 (2022 - $988,956).

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.

The Trust is not subject to externally imposed capital requirements other than those described in Note 7 and has no legal restrictions on the issue, repurchase or resale of redeemable units beyond those included in the Trust agreement.

17. 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.

17. Commitments and contingencies (continued):

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.