



Consolidated Financial Statements  
(Expressed in Canadian dollars)

## **TREZ CAPITAL PRIVATE REAL ESTATE FUND TRUST**

And Independent Auditors' Report thereon

Period from inception on  
June 2, 2021 to December 31, 2021



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## INDEPENDENT AUDITORS' REPORT

To the Unitholders of Trez Capital Private Real Estate Fund Trust

### ***Opinion***

We have audited the consolidated financial statements of Trez Capital Private Real Estate Fund Trust (the "Entity"), which comprise:

- the consolidated statement of financial position as at December 31, 2021
- the consolidated statement of comprehensive loss for the period from inception on June 2, 2021 to December 31, 2021
- the consolidated statement of changes in net assets attributable to holders of redeemable units for the period from inception on June 2, 2021 to December 31, 2021
- the statement of cash flows for the period from inception on June 2, 2021 to December 31, 2021
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2021, and its financial performance and its cash flows for the period then ended in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

### ***Basis for Opinion***

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

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

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



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

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

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

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

## ***Auditors' Responsibilities for the Audit of the Financial Statements***

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

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

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

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

We also:

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;



- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit; and
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

*KPMG LLP*

Chartered Professional Accountants

Vancouver, Canada  
April 28, 2022

# TREZ CAPITAL PRIVATE REAL ESTATE FUND TRUST

Statement of Financial Position  
(Expressed in Canadian dollars)

December 31, 2021

	Notes	2021
<b>Assets</b>		
Cash and cash equivalents		\$ 3,553,003
Margin deposits	6	730,000
Other receivables	5	8,147,500
Foreign currency derivatives	6	152,208
Investments held at fair value	4	38,402,365
		<hr/>
		\$ 50,985,076

## Equity

Accumulated other comprehensive income \$ 21,493

## Liabilities and Net Assets Attributable To Holders of Redeemable Units

Accounts payable and accrued liabilities		191,686
Due to related parties	7	2,941,077
		<hr/>
		3,132,763
Redeemable units, representing net assets attributable to holders of redeemable units	5	47,830,820
		<hr/>
		\$ 50,985,076

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 PRIVATE REAL ESTATE FUND TRUST

Statement of Comprehensive Loss  
(Expressed in Canadian dollars)

Period from inception on June 2, 2021 to December 31, 2021

	Notes	2021
Revenue:		
Interest income		\$ 7,025
Expenses:		
Management fees	7	-
Commissions		277,968
Foreign exchange loss		36,424
General and administrative		938,045
Manager's participating interest	5	414,940
		<u>1,667,377</u>
		(1,660,352)
Fair value loss on investments held at fair value	4	<u>(716,571)</u>
Loss from operations		(2,376,923)
Net loss attributable to holders of redeemable units from operations		(2,376,923)
Other comprehensive income		21,493
Total comprehensive loss attributable to holders of redeemable units		<u>\$ (2,355,430)</u>

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

# TREZ CAPITAL PRIVATE REAL ESTATE FUND TRUST

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

Period from inception on June 2, 2021 to December 31, 2021

	2021
Balance, beginning of period	\$ -
Loss attributable to holders of redeemable units	(2,376,923)
Contributions by holders of redeemable units:	
Issuance of units	49,792,803
Manager's participating interest vested	414,940
Balance, end of period	\$ 47,830,820

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

# TREZ CAPITAL PRIVATE REAL ESTATE FUND TRUST

Statement of Cash Flows  
(Expressed in Canadian dollars)

Period from inception on June 2, 2021 to December 31, 2021

	2021
Cash provided by (used in):	
Operating activities:	
Loss attributable to holders of redeemable units	\$ (2,376,923)
Items not involving cash:	
Unrealized foreign exchange gain	(130,715)
Fair value loss on investments held at fair value	716,571
Funding of investments held at fair value	(39,118,936)
Changes in non-cash operating working items:	
Margin deposits	(730,000)
Due to related parties	2,941,077
Accounts payable and accrued liabilities	191,686
	<u>(38,507,240)</u>
Financing activities:	
Issuance of units	49,792,803
Manager's participating interest vested	414,940
Other receivables	(8,147,500)
	<u>42,060,243</u>
Increase in cash and cash equivalents	3,553,003
Cash and cash equivalents, beginning of period	-
Cash and cash equivalents, end of period	<u>\$ 3,553,003</u>

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

# TREZ CAPITAL PRIVATE REAL ESTATE FUND TRUST

Notes to Consolidated Financial Statements

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

Period from commencement of operations from June 2, 2021 to December 31, 2021

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## 1. Nature of business:

Trez Capital Private Real Estate Fund Trust (the "Trust") is an open-ended investment trust established under the laws of British Columbia pursuant to a Declaration of Trust dated June 2, 2021 and amended and restated as of August 12, 2021.

The principal purpose of the Trust is to generate a stream of income while enhancing the value of investments and thereby maximizing the long-term value of the Units. The Trust plans to achieve its business objectives primarily by using the platform and expertise of the Trez Capital Fund Management LP ("the Manager") to source strategic real property investment opportunities through joint ventures with real estate developers. After real property has been either developed or improved to maximize its cash flow and value, the Trust will maintain these assets as long-term hold investments – a "Built-to-Hold" strategy to maximize the long-term value of the Units.

TPREF Holdings Limited is the Trust's trustee (the "Trustee"). Pursuant to the Declaration of Trust, the legal ownership of the Trust's property is vested in the Trustee and the Trust Unitholders' beneficial interest in the Trust is represented by units. The affairs and administration of the Trust are managed by the Manager.

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

## 2. Basis of preparation:

### (a) Statement of compliance:

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

These consolidated financial statements were authorized for issue by the Board of Governors on April 28, 2022.

### (b) Basis of measurement:

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

# TREZ CAPITAL PRIVATE REAL ESTATE FUND TRUST

Notes to Consolidated Financial Statements

(Amounts expressed in Canadian dollars, unless otherwise indicated)

Period from inception on June 2, 2021 to December 31, 2021

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## 2. Basis of preparation (continued):

### (c) Functional and presentational currency:

The Trust's functional currency is the U.S. dollar. Foreign currency monetary assets and liabilities are translated into U.S. 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. All assets and liabilities are translated using the exchange rate at the reporting date. Revenue and expenses are translated using the average rate for the period. Equity accounts are translated using the historical rate. The translation differences from the Trust's functional currency of U.S. dollars to the presentation currency of Canadian dollars are recorded in other comprehensive income.

### (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.

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 held at fair value.

### (i) Investments at fair value:

The investment held at fair value relates to an investment in Trez Capital Private Real Estate Fund US Master LP, which invests in real estate development projects. Judgement is applied in assessing whether the Trust exercises control, joint control, significant influence or none of the above over the investment. Control is defined as power to direct the relevant activities 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 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 investment and has therefore measured the investment at fair value in accordance with IFRS 9.

The Trust estimates the value of this investment based on the latest net asset value of Trez Capital Private Real Estate Fund US Master LP.

# TREZ CAPITAL PRIVATE REAL ESTATE FUND TRUST

Notes to Consolidated Financial Statements

(Amounts expressed in Canadian dollars, unless otherwise indicated)

Period from inception on June 2, 2021 to December 31, 2021

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### 3. Significant accounting policies:

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

(a) Basis of presentation:

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 Trust owns and consolidates the following material subsidiaries:

	Province of Registration	Percentage of ownership
Trez Capital Private Real Estate Fund Sub Trust	British Columbia	100%

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The Trust has an interest in the wholly owned Trez Capital Private Real Estate Fund Sub Trust, which has an investment in the Trez Capital Private Real Estate Fund US Master LP, which is accounted for at fair value.

(b) Cash and cash equivalents:

Cash and cash equivalents consist of cash held at financial institutions and all liquid investments with original terms to maturity of three months or less.

(c) Margin deposits:

Relates to margin deposits made on foreign currency swap transactions.

(d) Redeemable units:

All of the Units of the Trust are redeemable on demand at the unitholder's option following a redemption restriction period for two years after the date of purchase or issuance of applicable units. Subsequent to the redemption restriction period, unitholders are subject to an early redemption charge for three years. The units are therefore classified as financial liabilities and presented as "redeemable units, representing net assets attributable to holders of redeemable units" in the consolidated statement of financial position.

# TREZ CAPITAL PRIVATE REAL ESTATE FUND TRUST

Notes to Consolidated Financial Statements

(Amounts expressed in Canadian dollars, unless otherwise indicated)

Period from inception on June 2, 2021 to December 31, 2021

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### 3. Significant accounting policies (continued):

(e) Foreign currency translation:

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

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

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

(f) Revenue recognition:

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

(g) Financial instruments:

Recognition and classification of financial assets and liabilities:

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

(i) Recognition and classification of financial assets and liabilities

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.

# TREZ CAPITAL PRIVATE REAL ESTATE FUND TRUST

Notes to Consolidated Financial Statements

(Amounts expressed in Canadian dollars, unless otherwise indicated)

Period from inception on June 2, 2021 to December 31, 2021

## 3. Significant accounting policies (continued):

### (g) Financial instruments (continued):

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

The Trust has classified its financial instruments as follows:

	Classification
<b>Financial assets:</b>	
Cash and cash equivalents	Amortized cost
Margin deposits	FVTPL
Other receivables	Amortized cost
Foreign currency derivatives	FVTPL
Investments held at fair value	FVTPL
<b>Financial liabilities:</b>	
Accounts payable and accrued liabilities	Amortized cost
Due to related parties	Amortized cost
Redeemable units, representing net assets attributable to holders of redeemable units	Amortized cost

#### (ii) 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; or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or in which the Trust neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial assets. Any interest in such transferred financial assets that qualify for derecognition that is created or retained by the Trust is recognized as a separate asset or liability. On de-recognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and the sum of: (i) the consideration received (including any new asset obtained less any new liability assumed); and (ii) any cumulative gain or loss that had been recognized in other comprehensive income is recognized in the consolidated statement of comprehensive loss.

##### (B) Financial liabilities:

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

# TREZ CAPITAL PRIVATE REAL ESTATE FUND TRUST

Notes to Consolidated Financial Statements

(Amounts expressed in Canadian dollars, unless otherwise indicated)

Period from inception on June 2, 2021 to December 31, 2021

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### 3. Significant accounting policies (continued):

(h) Accumulated other comprehensive income:

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

(i) Income taxes:

The Trust holds an investment at fair value based in the US which invests in real estate projects. Certain of these investments are required to pay income taxes to the U.S. 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 loss is based on the subsidiary's U.S. taxable income for the year. Current tax is determined using tax rates that have been enacted or substantively enacted by the end of the reporting period.

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

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

Any net gain accrued by the Trust for a particular taxation year may be made payable to Unitholders and is thus required to be included in computing Unitholders' income for Canadian tax purposes. The Trust intends to distribute at least 100% of the Trust's taxable income including capital gains for the 2021 tax year.

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

# TREZ CAPITAL PRIVATE REAL ESTATE FUND TRUST

Notes to Consolidated Financial Statements

(Amounts expressed in Canadian dollars, unless otherwise indicated)

Period from inception on June 2, 2021 to December 31, 2021

## 4. Investments held at fair value:

The summary below lists the Trust's investments held at fair value, their name, type and percentage of ownership:

	Balance, June 2, 2021	Additions to investments	Unrealized change in fair value	Balance, December 31, 2021
Trez Capital Private Real Estate Fund US Master LP	\$ -	\$ 39,118,936	\$ (716,571)	\$ 38,402,365

During the period ended December 31, 2021, the Trust made an investment in Trez Capital Private Real Estate Fund US Master Limited Partnership, through its wholly owned subsidiary, Trez Capital Private Real Estate Fund Sub Trust. Trez Capital Private Real Estate Fund Sub Trust holds an 85.2% interest in Trez Capital Private Real Estate Fund US Master Limited Partnership at December 31, 2021.

Trez Capital Private Real Estate Fund US Master Limited Partnership is a Limited Partnership domiciled in the US. Trez Capital Private Real Estate Fund US Master Limited Partnership was created to invest directly in real estate projects in the US as well as various Aggregator Limited Partnerships created by the Manager to hold a pool of real estate projects of a similar nature or with the same development partner.

During the period, the limited partnership agreement for Trez Capital Private Real Estate Fund US Master Limited Partnership was amended. Prior to the amendment the Trust was deemed to have control of Trez Capital Private Real Estate Fund US Master Limited Partnership. Prior to the amendment there was minimal activity in Trez Capital Private Real Estate Fund US Master Limited Partnership. The investment retained in the former subsidiary (Trez Capital Private Real Estate Fund US Master Limited Partnership) was measured at fair value at the date control was lost, resulting in a gain of \$nil.

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

Net assets are represented by the redeemable units issued and outstanding. As at December 31, 2021, the Trust has authorized an unlimited number of redeemable non-transferable \$100 units. The unitholders are entitled to one vote per unit. The units are retractable on demand by the unitholder following a redemption restriction period for two years after the date of purchase or issuance of applicable units. Subsequent to the redemption restriction period, unitholders are subject to an early redemption charge for three years.

# TREZ CAPITAL PRIVATE REAL ESTATE FUND TRUST

Notes to Consolidated Financial Statements

(Amounts expressed in Canadian dollars, unless otherwise indicated)

Period from inception on June 2, 2021 to December 31, 2021

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

The Declaration of Trust provides for the issuance of one Series Manager Unit to the Manager on the date of the first unit issuance, which will entitle the Manager to the distribution payment, redemption proceed rights and income allocation as described below. The Series Manager Unit represents an equity interest in the Trust and, once fully vested, will entitle the Manager to receive: (i) 5% of any distributions made by the Trust to its Unitholders; and (ii) 5% of the proceeds of any Redemption amounts paid to Unitholders. This feature is referred to as the Manager's participating interest.

The Manager's participating interest will vest monthly over a three-year period from the date the Series Manager Unit is issued, such that a total of 2% will vest by the end of the first year, 2% will vest by the end of the second year for an aggregate of 4%, and the final 1% will vest by the end of the third year. At the end of the three-year period, the Manager will have a 5% equity interest in the Trust, and will therefore be entitled to receive 5% of any distributions and 5% of any Redemption proceeds. At December 31, 2021, \$414,940 is vested as the Manager's participating interest.

The Series Manager Unit will also be entitled to the number of votes that equates the total percentage voting power of the Series Manager Unit based on all outstanding Units from time to time to the vested percentage of the Manager's participating interest at such time. For instance, once the Manager's participating interest has fully vested after 35 months, the number of votes attaching to the Series Manager Unit will be equal to 5% of the total combined voting power of all outstanding Units from time to time.

The Manager will share in the Taxable Income of the Trust through its Series Manager Unit based on the portion of the Manager's participating interest vested from time to time. Through the Series Manager Unit, the Manager will receive up to a 5% equity interest based on the Net Asset Value of the Trust instead of a traditional carried interest model that allocates a percentage of profits to the Manager over a specified hurdle rate. The Trust does not anticipate making any cash distributions to Unitholders before December 31, 2023, including to the Manager in respect of the Series Manager Unit.

At December 31, 2021, \$8,147,500 of unit subscriptions were receivable. The amount is shown as other receivables in the consolidated statement of financial position.

# TREZ CAPITAL PRIVATE REAL ESTATE FUND TRUST

Notes to Consolidated Financial Statements

(Amounts expressed in Canadian dollars, unless otherwise indicated)

Period from inception on June 2, 2021 to December 31, 2021

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

Series F units	2021	
	Number	Amount
Issued and outstanding, beginning of period	-	\$ -
Decrease in net assets	-	(927,794)
Units issued	194,961	19,597,802
Issued and outstanding, end of period	194,961	18,670,008
Accumulated other comprehensive income		8,389
	194,961	\$ 18,678,397

Series I units	2021	
	Number	Amount
Issued and outstanding, beginning of period	-	\$ -
Decrease in net assets	-	(1,429,485)
Units issued	299,713	30,195,001
Issued and outstanding, end of period	299,713	28,765,516
Accumulated other comprehensive income		12,926
	299,713	\$ 28,778,442

Manager's participating interest	2021	
	Number	Amount
Issued and outstanding, beginning of period	-	\$ -
Decrease in net assets	-	(19,644)
Units issued	-	-
Manager's participating interest vested	1	414,940
Issued and outstanding, end of period	1	395,296
Accumulated other comprehensive income		178
	1	\$ 395,474

# TREZ CAPITAL PRIVATE REAL ESTATE FUND TRUST

Notes to Consolidated Financial Statements

(Amounts expressed in Canadian dollars, unless otherwise indicated)

Period from inception on June 2, 2021 to December 31, 2021

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

Total	2021	
	Number	Amount
Issued and outstanding, beginning of period	-	\$ -
Decrease in net assets	-	(2,376,923)
Units issued	494,674	49,792,803
Manager's participating interest vested	1	414,940
Issued and outstanding, end of period	494,675	47,830,820
Accumulated other comprehensive income		21,493
	494,675	\$ 47,852,313

## 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, 2021, the Trust was participating in forward exchange contracts to buy Canadian dollars totaling \$39,404,100 (settling on June 9, 2022) and sell US dollars totaling \$4,311,548 (settling on January 13, 2022). The foreign currency derivatives are marked-to-market on the statement of financial position and the fair value as at December 31, 2021 is \$152,208. The foreign currency derivatives are entered into by the Mortgage Broker on behalf of the Trust with third party financial institutions.

Margin deposits are also outstanding totaling \$730,000. This is considered restricted cash.

## 7. Related party transactions and balances:

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

### (a) Management, acquisition and exit fees:

#### (i) Management fee:

Pursuant to the terms and conditions of the Trust Agreement, the Manager is entitled to receive from the Trust

(A) a cumulative annual amount equal to 1.50% of the Net Asset Value of the Series F Units, as calculated and payable on a quarterly basis.

(B) a cumulative annual amount equal to 1.15% of the Net Asset Value of the Series I Units, as calculated and payable on a quarterly basis.

# TREZ CAPITAL PRIVATE REAL ESTATE FUND TRUST

Notes to Consolidated Financial Statements

(Amounts expressed in Canadian dollars, unless otherwise indicated)

Period from inception on June 2, 2021 to December 31, 2021

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## 7. Related party transactions and balances (continued):

### (a) Management, acquisition and exit fees (continued):

#### (i) Management fee (continued):

Initial investors of the Trust, that purchase Units in the first \$45,000,000 of Units subscribed for by investors and accepted by the Trust on or before November 30, 2021 will not be charged a Management Fee for one year from September 1, 2021.

During the year, the Trust incurred Management Fees of nil.

### (b) Acquisition fee:

An amount equal to:

(i) in the case of stabilized real property acquired by the Trust, 1.0% of the purchase price (including any closing costs and fees) of such property;

(ii) in the case of either ground up construction or value add real property, 1.0% of the pro forma cost of such real estate project

(iii) 1.0% of the capital committed to any other investment, such as mezzanine loans, equity investments, real estate company financings or mortgage investments made by the Trust, in each case, multiplied by the percentage interest held by the Trust in the investment as contemplated by the limited partnership agreement or other similar agreement or document entered into with the applicable investment entity at the time of acquisition or capital commitment

During the year, the Trust incurred acquisition fees of US\$1,228,518 charged to Trez Capital Private Real Estate Fund US Master Limited Partnership and its wholly owned subsidiaries.

### (c) Exit fees:

An amount equal to 0.5% of the gross sale price of any property (in the case of real property or equity investments) sold by the Trust from its investment portfolio, multiplied by the percentage ownership interest held in the investment by the Trust at the time of sale.

During the year, the Trust incurred exit fees of nil.

### (d) Transfer of investments from related party:

During 2021, Trez Capital Private Real Estate Fund US Master Limited Partnership and its wholly owned subsidiaries purchased six investments at fair value for US\$15,139,040 from related parties.

# TREZ CAPITAL PRIVATE REAL ESTATE FUND TRUST

Notes to Consolidated Financial Statements

(Amounts expressed in Canadian dollars, unless otherwise indicated)

Period from inception on June 2, 2021 to December 31, 2021

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## 7. Related party transactions and balances (continued):

(e) Co-investment in real estate projects and investment held at fair value:

Trez Capital Private Real Estate Fund US Master Limited Partnership and its wholly owned subsidiaries made investments in real estate projects totaling US\$36,130,206 during the period. Virtually all of the investments were made with entities related to the Manager.

The Trust, through its wholly owned subsidiary, Trez Capital Private Real Estate Fund Sub Trust, has co-invested in an investment held at fair value, Trez Capital Private Real Estate Fund US Master Limited Partnership, with entity related to the Manager. At December 31, 2021, the Trust holds an 85.2% interest with the remaining 14.8% held by the related entity.

(f) Other related party balances:

Amounts due to related parties at December 31, 2021, were \$2,941,077 which includes \$2,906,977 in subscriptions payable to Trez Capital Private Real Estate Fund US Master LP. The remaining \$34,100 relates to sales commissions payable to the Manager.

## 8. Financial instruments and risk management:

The fair value of a financial instrument is the amount at which the instrument could be exchanged in an orderly transaction between market participants at the measurement date.

(a) Fair values of financial instruments held at amortized cost using the fair value hierarchy:

The carrying values of cash and cash equivalents, other receivables, due to related parties, and accounts payable and accrued liabilities approximate their fair values due to the relatively short periods to maturity of these items or because they are receivable or payable on demand.

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

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

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

# TREZ CAPITAL PRIVATE REAL ESTATE FUND TRUST

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(Amounts expressed in Canadian dollars, unless otherwise indicated)

Period from inception on June 2, 2021 to December 31, 2021

## 8. Financial instruments and risk management (continued):

- (a) Fair values of financial instruments held at amortized cost using the fair value hierarchy (continued):

December 31, 2021	Carrying value	
	Amortized Cost	FVTPL
<b>Assets not measured at fair value:</b>		
Cash and cash equivalents	3,553,003	-
Other receivables	8,147,500	-
<b>Financial liabilities not measured at fair value:</b>		
Accounts payable and accrued liabilities	191,686	-
Due to related parties	2,941,077	-
<b>Assets measured at fair value</b>		
Foreign currency derivative (Level 2)	-	152,208
Investments held at fair value	-	38,402,365
Margin deposits	-	730,000

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

December 31, 2021	Level 1	Level 2	Level 3	Total
Investments held at fair value	\$	\$	\$ 38,402,365	\$ 38,402,365

There were no transfers between Level 1, Level 2 and Level 3 during the period ended December 31, 2021.

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

- (i) Net assets attributable to the holders of redeemable units:

The Trust routinely issues redeemable units at the amount equal to the proportionate share of net assets of the Trust at the time of subscription, 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.

- (ii) 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.

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Period from inception on June 2, 2021 to December 31, 2021

## 8. Financial instruments and risk management (continued):

(a) Fair values of financial instruments held at amortized cost using the fair value hierarchy (continued):

(iii) Investment held at fair value:

The Trust's investment recorded at fair value was initially valued at the net asset value of Trez Capital Private Real Estate Fund US Master Limited Partnership at the investment date. The Investment is revalued monthly based on the underlying fair value methodology of Trez Capital Private Real Estate Fund US Master Limited Partnership.

This investment is categorized as Level 3.

A reconciliation of Level 3 assets at December 31, 2021 is as follows:

Investments held at fair value, December 31, 2020	\$	-
Net additions to investments		39,118,936
Unrealized change in fair value		(716,571)
Realized change in fair value		-
Impact of foreign exchange translation		-
<b>Investments held at fair value, December 31, 2021</b>	<b>\$</b>	<b>38,402,365</b>

The key valuation techniques used in measuring the fair values of the investment held at fair value:

Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Adjusted NAV	Discount rate	The estimated fair value would increase/ (decrease) with changes in significant unobservable Inputs
Direct comparison	Comparable properties	
Direct capitalization	Capitalization rate	

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Period from inception on June 2, 2021 to December 31, 2021

## 8. Financial instruments and risk management (continued):

(a) Fair values of financial instruments held at amortized cost using the fair value hierarchy (continued):

(iii) Investment held at fair value (continued)

Although management believes that its estimates of fair value are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value. For fair value measurements in Level 3, changing one or more of the assumptions used to reasonably possible alternative assumptions would have the following effects on Investments held at fair value:

Description	Input	Sensitivity used*	Effect on fair value (in US\$)
Investments held at fair value	Discount rate	1%	\$ 31,097
	Capitalization rate	0.25%	673,741
	Comparable properties (price per square foot)	1%	206,014

\*The sensitivity analysis refers to a percentage amount added or deducted from the input and the effect this has on the fair value.

(b) Financial risk management:

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

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

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

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

(i) Credit risk:

Credit risk is the risk that a counterparty 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 held at fair value. For risk management reporting purposes, the Trust considers and consolidates all elements of credit risk exposure (such as location risk).

# TREZ CAPITAL PRIVATE REAL ESTATE FUND TRUST

Notes to Consolidated Financial Statements

(Amounts expressed in Canadian dollars, unless otherwise indicated)

Period from inception on June 2, 2021 to December 31, 2021

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## 8. Financial instruments and risk management (continued):

### (b) Financial risk management (continued):

#### (i) Credit risk (continued):

The Trust's policy over credit risk is to minimize its exposure to counterparties with perceived higher risk through oversight by the Managers acquisition committee, which oversees investments made by Trez Capital Private Real Estate Fund US Master Limited Partnership.

Credit risk is monitored on an on-going basis by the Manager in accordance with policies and procedures in place.

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

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

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

Credit risk is the risk that a counterparty 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 held at fair value. For risk management reporting purposes, the Trust considers and consolidates all elements of credit risk exposure (such as location risk).

The Trust's policy over credit risk is to minimize its exposure to counterparties with perceived higher risk through oversight by the Managers acquisition committee, which oversees investments made by Trez Capital Private Real Estate Fund US Master Limited Partnership.

Credit risk is monitored on an on-going basis by the Manager in accordance with policies and procedures in place.

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

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Notes to Consolidated Financial Statements

(Amounts expressed in Canadian dollars, unless otherwise indicated)

Period from inception on June 2, 2021 to December 31, 2021

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## 8. Financial instruments and risk management (continued):

### (b) Financial risk management (continued):

#### (ii) Liquidity risk:

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

The Trust's liquidity requirements relate to its obligations under accounts payable and accrued liabilities, holders of redeemable units following the restriction period, and its obligations to make future advances to its investments held at fair value. Liquidity risk is managed by ensuring that the sum of cash available exceeds projected needs.

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

In Management's opinion, the Trust has sufficient resources to meet its current cash flow requirements.

#### (iii) Market risk:

Market risk is the risk that changes in market factors, such as interest rates and other price risks will affect the Trust's fair value of its investments. 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 real property and development projects within Canada and the U.S. that preserves capital and generates returns.

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

#### (A) Interest rate risk:

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

As described in Note 5, following a redemption restriction period of two years, units are retractable by Unitholders with restrictions and penalties. A significant rise in interest rates may cause Unitholders to retract their Units and could cause a shortfall in funds available to meet such retractions. The Trust manages interest rate risk through the unitholder restrictions and penalties outlined in note 5.

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Notes to Consolidated Financial Statements

(Amounts expressed in Canadian dollars, unless otherwise indicated)

Period from inception on June 2, 2021 to December 31, 2021

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## 8. Financial instruments and risk management (continued):

(b) Financial risk management (continued):

(iii) Market risk (continued):

(B) Currency risk:

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Trust's functional currency is United States dollars however the Trust receives unit subscriptions in Canadian dollars. The Trust has put in place steps to mitigate impacts from fluctuations in foreign exchange as the Trust as detailed in note 6.

(C) Other price risk:

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Trust is exposed to price risk because of its investment in real estate and development projects through its investment held at fair value. These risks arise from changes in the real estate market and could be local or national in nature. Market disruptions associated with the COVID-19 pandemic have had a global impact including volatility in equity prices, interest rates, and foreign exchange rates. The long term implications of the COVID-19 pandemic are unknown at this time, leading to a high degree of volatility and uncertainty that will likely impact the worldwide financial markets for an extended period of time. Deteriorating real estate values increase the Trust's risk. The Trust manages these risks by actively maintaining strong relationships with developers and through geographic diversification of investments held by Trez Capital Private Real Estate Fund US Master LP.

## 9. Capital management:

The Trust considers net assets attributable to holders of redeemable units to be capital, which as at December 31, 2021 is \$47,830,820.

The Trust's objective when managing capital is to maintain its ability to continue as a going concern and ensure that it has sufficient resources in order to be able to generate returns for its investors. The Trust is not subject to externally imposed capital requirements and has no legal restrictions on the issue, repurchase or resale of redeemable units beyond those included in the Trust agreement.

# TREZ CAPITAL PRIVATE REAL ESTATE FUND TRUST

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## 10. Reconciliation between net assets attributable to holders of redeemable units per unit and net asset value per unit for transactional purposes:

The net assets in these financial statements have been prepared in accordance with IFRS ("IFRS net assets"). For the purposes of subscribing and redeeming units of the Trust, the Fund has valued units in accordance with the Trust's valuation policy outlined in the Trust's Offering Memorandum ("pricing NAV").

IFRS Net Assets per redeemable unit is computed by dividing the net assets attributable to each class determined in accordance with IFRS, by the total number of units of the class outstanding. Pricing NAV per redeemable unit is computed by dividing the NAV attributable to the class of the Fund, determined for the purchase and redemption of units in accordance with the Fund's Trust Agreement, by the total number of units of the class outstanding. This amount may be different from the Net Assets per unit presented on the statement of financial position. The difference is due to the amortization of certain expenses including but not limited to legal and accounting costs, acquisition fees, commission expenses, start-up expenses and the Managers participating interest vested. These expenses are being amortized for pricing NAV purposes over periods ranging up to 15 years.

The difference between the Pricing NAV and the net assets reflected in the financial statements as at December 31, 2021 was as follows:

	2021
Redeemable units, representing net assets attributable to holders of redeemable units	\$ 47,830,820
Accumulated other comprehensive income	21,493
	<u>\$ 47,852,313</u>
Units issued and outstanding	<u>\$ 494,674</u>
IFRS Net assets per unit	\$ 96.73
Adjustments as outlined above	6.31
Pricing NAV per unit	<u>\$ 103.04</u>