Consolidated Financial Statements
(Expressed in thousands of Canadian dollars)

TREZ CAPITAL PRIVATE REAL ESTATE FUND TRUST

And Independent Auditor's Report thereon

Year ended December 31, 2023

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INDEPENDENT AUDITOR'S 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, 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; and
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

Chartered Professional Accountants

Vancouver, Canada
April 29, 2024

TREZ CAPITAL PRIVATE REAL ESTATE FUND TRUST

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		$ 18,030	$ 5,683
Margin deposits	5	-	2,570
Foreign currency derivative assets	5	1,533	-
Subscriptions receivables	6	1,892	2,518
Due from related parties	7	-	15
Investments held at fair value	4	133,939	103,963
		$ 155,394	$ 114,749
Equity			
Accumulated other comprehensive income		$ 52	$ 47
Liabilities and Net Assets Attributable To Holders of Redeemable Units			
Accounts payable and accrued liabilities		800	455
Foreign currency derivative liabilities	5	-	2,333
Redemptions payable	6	81	-
Due to related parties	7	594	4,464
Deferred tax liability	8	3,779	3,353
		5,254	10,605
Redeemable units, representing net assets attributable to holders of redeemable units	6	150,088	104,097
		$ 155,394	$ 114,749

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

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		$ 566	$ 657
Early redemption charge	6	65	-
		631	657
Expenses:			
Management fees	7	1,925	887
Acquisition fees	7	91	3,542
Exit fee	7	28	-
Commissions		475	546
Foreign exchange loss (gain)		226	(84)
General and administrative		1,223	854
Manager's participating interest	6	3,267	2,328
		7,235	8,073
		(6,604)	(7,416)
Fair value gain on investments held at fair value	4	6,138	17,672
Income (loss) before income taxes		(466)	10,256
Income tax expense:			
Deferred income tax expense	8	(509)	(3,344)
Net income (loss) attributable to holders of redeemable units		(975)	6,912
Other comprehensive income		5	25
Total comprehensive income (loss) attributable to holders of redeemable units		$ (970)	$ 6,937

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

TREZ CAPITAL PRIVATE REAL ESTATE FUND TRUST

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 year	$ 104,097	$ 47,831
Net income (loss) attributable to holders of redeemable units	(975)	6,912
Contributions and redemptions by holders of redeemable units:		
Issuance of units	45,497	47,026
Manager’s participating interest vested	3,267	2,328
Redemption of units	(1,798)	-
Balance, end of year	$ 150,088	$ 104,097

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

TREZ CAPITAL PRIVATE REAL ESTATE FUND TRUST

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) attributable to holders of redeemable units	$ (975)	$ 6,912
Items not involving cash:		
Unrealized foreign exchange (gain) loss	(3,861)	2,511
Fair value gain on investments held at fair value	(6,138)	(17,672)
Deferred tax expense	426	3,353
Manager’s participating interest vested	3,267	2,328
Changes in operating working items:		
Margin deposits	2,570	(1,840)
Change in due to related parties	(3,870)	1,522
Accounts payable and accrued liabilities	345	264
	(8,236)	(2,622)
Investing activities:		
Funding of investments held at fair value	(23,838)	(47,889)
Change in due from related parties	15	(15)
	(23,823)	(47,904)
Financing activities:		
Issuance of units	46,123	52,656
Redemption of units	(1,717)	-
	44,406	52,656
Increase in cash and cash equivalents	12,347	2,130
Cash and cash equivalents, beginning of year	5,683	3,553
Cash and cash equivalents, end of year	$ 18,030	$ 5,683

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

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 and April 29, 2022.

The principal purpose of the Trust is to enhance the value of its investments and thereby maximize the long-term value of and cash distributable to units held by investors in the Trust. 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 generally 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 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, investment 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 Canadian dollars at the rate of exchange prevailing at the balance sheet date.

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 year. Equity accounts are translated using the historical rate. The translation differences from the Trust’s functional currency of US dollars to the presentation currency of Canadian dollars are recorded in other comprehensive income.

2. Basis of preparation (continued):

(d) Use of estimates and judgments:

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

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

(*i*) Investments held 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 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 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.

(*ii*) Investments in real estate development projects:

These financial statements reflect appraisals of real estate development projects each of which requires significant assumptions and judgments relating to macroeconomic and local market conditions as well as property specific information. Such appraisals are scheduled at least annually and may not occur as at December 31. As a result, the calculation of values will involve significant professional judgment, the use of assumptions, and reliance on various data which may result in a valuation that may be materially different from the value realized on the investment. In addition, there could be conditions that exist that make it more difficult to obtain accurate valuations at certain times including periods between appraisals.

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:

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%

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. This interest held by Trez Capital Private Real Estate Fund Sub Trust is accounted for at fair value.

(b) Cash and cash equivalents:

Cash and cash equivalents consist 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) Redeemable units:

All units of the Trust are redeemable at the Unitholder's option and accordingly are 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.

(e) Revenue recognition:

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

3. Material accounting policy information (continued):

(f) 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.

(g) 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. Equity instruments are measured at FVTPL unless an election is made to measure at FVOCI.

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

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
Subscriptions receivables	Amortized cost
Due from related parties	Amortized cost
Investments held at fair value	FVTPL
Financial liabilities:	
Accounts payable and accrued liabilities	Amortized cost
Foreign currency derivative liabilities	FVTPL
Redemptions payable	Amortized cost
Due to related parties	Amortized cost
Redeemable units, representing net assets attributable to holders of redeemable units	Amortized cost

3. Material accounting policy information (continued):

(g) Financial instruments (continued):

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

(B) Financial liabilities:

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

(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:

(*i*) Current tax:

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 US Internal Revenue Service and various State Department of Revenue 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.

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

3. Material accounting policy information (continued):

(i) Income taxes:

(i) Current tax (continued):

For purposes of the Income Tax Act (Canada), the Trust is required to compute its Canadian tax results in 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 the Canadian dollar.

Any net gain realized by or allocated to the Trust for a particular taxation year will be payable to Unitholders and thus will be 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 each tax year.

(ii) Deferred:

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for:

- temporary differences on the initial recognition of assets liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the trust is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognized for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are first assessed based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognizes a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries of the Trust. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized; such reductions are reversed when the probability of future taxable profits improves.

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 taxes are only recognized with respect to US tax assets and liabilities.

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

3. Material accounting policy information (continued):

(j) 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.

(k) 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 held at fair value:

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

	Balance, December 31 2022	Additions to investments	Unrealized change in fair value	Balance, December 31, 2023
Trez Capital Private Real Estate Fund US Master LP	$ 103,963	$ 23,838	$ 6,138	$ 133,939
	$ 103,963	$ 23,838	$ 6,138	$ 133,939

	Balance, December 31, 2021	Additions to investments	Unrealized change in fair value	Balance, December 31, 2022
Trez Capital Private Real Estate Fund US Master LP	$ 38,402	$ 47,889	$ 17,672	$ 103,963
	$ 38,402	$ 47,889	$ 17,672	$ 103,963

4. Investments held at fair value (continued):

During the year ended December 31, 2023, the Trust held 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. As at December 31, 2023, Trez Capital Private Real Estate Fund Sub Trust holds an 85.6% (2022 - 82.9%) interest in Trez Capital Private Real Estate Fund US Master Limited Partnership.

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.

5. 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 buy Canadian dollars totaling $134,000 (2022 - $85,810) with settlement dates during the year ended December 31, 2024. The foreign currency derivatives are marked-to-market on the statement of financial position and the fair value as at December 31, 2023 results in an asset of $1,533 (2022 - liability of $2,333). The foreign currency derivatives are entered directly by the Trust with third party financial institutions.

As at December 31, 2023, we have nil (2022 - $2,570) margin deposit on foreign exchange contracts, which is considered a restricted cash balance.

6. 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, 2023, the Trust has authorized an unlimited number of redeemable non-transferable $100 units. Unitholders are entitled to one vote per unit. The units are retractable on demand by the Unitholder.

Redemptions of units that occur within two years after issuance of such units will be subject to an Early Redemption Charge by the Trust. The Early Redemption Charge is paid to the Trust and is not a fee received by the Manager. The Early Redemption Charge is calculated as a percentage of the Redemption Price of the units being redeemed and applies as follows:

- Redemptions within the first year after issuance will be subject to an early redemption charge of 10% of the Redemption Price; and
- Redemptions within the second year after issuance will be subject to an early redemption charge of 5% of the Redemption Price

During the year ended December 31, 2023, the Trust received an Early Redemption Charge of $65 (2022 - nil).

On April 30, 2022, the Trust introduced a new Series A Unit. Series A units are similar to Series F units, but the Manager charges Series A Unitholders an additional 1.00% annual trailer fee, which is paid to Unitholders' advisors.

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

6. 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. As at December 31, 2023, $6,011 (2022 - $2,743) 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.

During the year ended December 31, 2023, the Manager received $45 (2022 - nil) of participating interest from redemptions proceeds.

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 made no cash distributions to Unitholders during the year ended December 31, 2023, including to the Manager in respect of the Series Manager Unit.

As at December 31, 2023, $1,892 of subscriptions were receivable (2022 - $2,518) and $81 of redemptions were payable (2022 - nil). These amount are shown as subscriptions receivables and redemptions payable in the consolidated statement of financial position.

	2023		2022	
Series F units	Number	Amount	Number	Amount
Issued and outstanding, beginning of year	364	$ 41,613	195	$ 18,670
Increase (decrease) in net assets	-	(489)	-	2,761
Units issued	345	41,152	169	20,182
Units transferred between classes	(52)	(6,050)	-	-
Units redeemed	(12)	(1,419)	-	-
Issued and outstanding, end of year	645	74,807	364	41,613
Accumulated other comprehensive income	-	26	-	19
	645	$ 74,833	364	$ 41,632

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

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

	2023			2022		
Series I units	Number		Amount	Number		Amount
Issued and outstanding, beginning of year	541	$	55,758	300	$	28,766
Increase (decrease) in net assets	-		(402)	-		3,712
Units issued	12		1,209	241		23,280
Units transferred between classes	52		6,050	-		-
Units redeemed	(3)		(380)	-		-
Issued and outstanding, end of year	602		62,235	541		55,758
Accumulated other comprehensive income	-		22	-		25
	602	$	62,257	541	$	55,783

	2023			2022		
Series A units	Number		Amount	Number		Amount
Issued and outstanding, beginning of year	33	$	3,813	-	$	-
Increase (decrease) in net assets	-		(44)	-		248
Units issued	26		3,136	33		3,565
Units redeemed	-		-	-		-
Issued and outstanding, end of year	59		6,905	33		3,813
Accumulated other comprehensive income	-		2	-		2
	59	$	6,907	33	$	3,815

	2023			2022		
Manager’s participating interest	Number		Amount	Number		Amount
Issued and outstanding, beginning of year	1	$	2,914	1	$	395
Increase (decrease) in net assets	-		(40)	-		191
Manager’s participating interest vested	-		3,267	-		2,328
Issued and outstanding, end of year	1		6,141	1		2,914
Accumulated other comprehensive income			2	-		1
	1	$	6,143	1	$	2,915

	2023			2022		
Total	Number		Amount	Number		Amount
Issued and outstanding, beginning of year	937	$	104,097	495	$	47,831
Increase (decrease) in net assets	-		(975)	-		6,912
Units issued	384		45,497	442		47,026
Units redeemed	(15)		(1,798)	-		-
Manager’s participating interest vested	-		3,267	-		2,328
Issued and outstanding, end of year	1,306		150,088	937		104,097
Accumulated other comprehensive income	-		52	-		47
	1,306	$	150,140	937	$	104,144

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.

(C) a cumulative annual amount equal to 2.50% of the Net Asset Value of the Series A Units, as calculated and payable on a quarterly basis.

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

During the year ended December 31, 2023, the Trust incurred Management Fees of $1,925 (2022 - $887).

(*ii*) Acquisition fee:

Pursuant to the terms and conditions of the Trust Agreement, the Manager is entitled to receive from the Trust an amount equal to:

(A) 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.

(B) 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.

(C) 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 ended December 31, 2023, the Trust incurred acquisition fees of $91 (2022 - $3,542).

7. Related party transactions and balances (continued):

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

(*iii*) Exit fees:

Pursuant to the terms and conditions of the Trust Agreement, the Manager is entitled to receive 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 ended December 31, 2023, the Trust incurred exit fees of $28 (2022 - nil).

(b) Transfer of investments from related party:

The Trust generally invests in an interest in a real estate project at the time that it is funded. However, at any time during the term of the investment, it may acquire an interest from or sell its interest to parties related to the Manager. Purchases from and sales to related parties are transacted at unpaid principal plus accrued interest due at the date of the transaction, which in the opinion of the Manager, represents the estimated fair values of the related investments.

During the year ended December 31, 2023, the Trust transferred investments of $4,539 (2022 - nil) to related parties.

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

Virtually all of the investments were co-invested 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. As at December 31, 2023, the Trust holds an 85.6% (2022 - 82.9%) interest with the remaining 14.4% (2022 - 17.1%) held by the related entity.

(d) Consulting fees:

For the year ended December 31, 2023, Trez Capital Private Real Estate Fund US Master Limited Partnership and its wholly owned subsidiaries incurred, through underlying operating partnerships, consulting fees of US $109 (2022 - US $2,271) paid to an entity related to the Manager.

(e) Other related party balances:

As at December 31, 2023, there was amounts due to related parties of $594 (2022 - $4,464) which includes sales commissions and management fee payable to the Manager of $188 (2022 - $350), acquisition fees payable to the Manager of nil (2022 - $3,707), and short-term advance from Trez Capital Private Real Estate Fund US Master LP of $406 (2022 - $407). Amounts due from related parties as at December 31, 2023 were nil (2022 - $15).

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

8. Income taxes:

For the year ended December 31, 2023, the Trust has recorded deferred tax expense of $509 (2022 - $3,344). As at December 31, 2023, the Trust had a deferred tax liability of $3,779 (2022 - $3,353).

Movements in deferred tax balances are as follows:

	Net balance, December 31, 2022	Recognized in profit or loss	Recognized in OCI	Net balance December 31, 2023
Investments held at fair value	$ (4,232)	$ (5,282)	$ 162	$ (9,352)
Startup Cost	30	(8)	(1)	21
Acquisition Fees	-	768	(10)	758
Net operating loss	849	4,013	(68)	4,794
Tax assets (liabilities) before set-off	(3,353)	(509)	83	(3,779)
Tax assets (liabilities)	$ (3,353)	$ (509)	$ 83	$ (3,779)

	Net balance, December 31, 2021	Recognized in profit or loss	Recognized in OCI	Net balance December 31, 2022
Investments held at fair value	$ -	$ (4,220)	$ (12)	$ (4,232)
Startup Cost	-	29	1	30
Net operating loss	-	847	2	849
Tax assets (liabilities) before set-off	-	(3,344)	(9)	(3,353)
Tax assets (liabilities)	$ -	$ (3,344)	$ (9)	$ (3,353)

9. Fair value measurement:

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.

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").

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

9. Fair value measurement (continued):

	Carrying value		
December 31, 2023	Amortized cost	FVTPL	Fair value
Financial assets not measured at fair value:			
Cash and cash equivalents	$ 18,030	$ -	18,030
Subscriptions receivables	1,892	-	1,892
Financial assets measured at fair value:			
Foreign currency derivative assets (Level 2)	-	1,533	1,533
Investments held at fair value (Level 3)	-	133,939	133,939
Financial liabilities not measured at fair value:			
Accounts payable and accrued liabilities	800	-	800
Redemption payable	81	-	81
Due to related parties	594	-	594

	Carrying value		
December 31, 2022	Amortized cost	FVTPL	Fair value
Financial assets not measured at fair value:			
Cash and cash equivalents	$ 5,683	$ -	5,683
Subscriptions receivables	2,518	-	2,518
Due from related parties	15	-	15
Financial assets measured at fair value:			
Margin deposits (Level 2)	-	2,570	2,570
Foreign currency derivative assets (Level 2)	-	-	-
Investments held at fair value (Level 3)	-	103,963	103,963
Financial liabilities not measured at fair value:			
Accounts payable and accrued liabilities	455	-	455
Due to related parties	4,464	-	4,464
Financial liabilities measured at fair value:			
Foreign currency derivative liabilities (Level 2)	-	2,333	2,333

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) 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.

A reconciliation of Level 3 assets at December 31, 2023 is as follows:

Investments held at fair value, December 31, 2021	$ 38,402
Net additions to investments	47,889
Unrealized change in fair value	17,672
Investments held at fair value, December 31, 2022	103,963
Net additions to investments	23,838
Unrealized change in fair value	6,138
Investments held at fair value, December 31, 2023	$ 133,939

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

9. Fair value measurement (continued):

(a) Investment held at fair value (continued):

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

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

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:

December 31, 2023	Sensitivity used*	Effect on fair value
Input:		
Discount rate	0.25%	$ 4,629
Capitalization rate	0.25%	8,948
Comparable properties (price per square foot)	1%	779

December 31, 2022	Sensitivity used*	Effect on fair value
Input:		
Discount rate	0.25%	$ 4,330
Capitalization rate	0.25%	3,248
Comparable properties (price per square foot)	1%	637

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

(b) 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.

(c) Other financial assets and liabilities:

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

9. Fair value measurement (continued):

(d) 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.

10. Financial instruments and risk management:

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

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

The Manager’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 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 LP.

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, 2023 and 2022 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.

10. Financial instruments and risk management (continued):

(b) Liquidity risk (continued):

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 the period end.

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 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.

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

(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 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 US 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.

(*i*) 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 6, units are retractable by Unitholders. 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 manages interest rate risk through the unitholder restrictions outlined in Note 6.

(*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 US dollars however the Trust receives unit subscriptions in Canadian dollars. The Trust has put in place steps to mitigate the impacts from fluctuations in foreign exchange as the Trust as detailed in Note 5.

10. Financial instruments and risk management (continued):

(c) Market risk (continued):

(*iii*) Other price risk (continued):

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. 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.

11. Capital management:

The Trust considers net assets attributable to holders of redeemable units to be capital, which at December 31, 2023 totaled $150,088 (2022 - $104,097).

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 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.

12. 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 Trust 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 Trust, determined for the purchase and redemption of units in accordance with the Trust's Offering Memorandum, by the total number of units of the class outstanding. This amount is different from the Net Assets per unit presented on the consolidated statement of financial position.

The differences are primarily comprised of:

(a) 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.

(b) Preferred interest capitalized, for Pricing NAV purposes, into a non-stabilized real estate development's project cost basis and expensed generally when the investment begins to produce sufficient development profit allocation or other appraised accretion of value. Preferred interest is incurred at various Aggregator Limited Partnerships level. Generally, a non-stabilized investment is not fully constructed and, if for leasing, is not fully leased at market comparable rates.

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

12. Reconciliation between net assets attributable to holders of redeemable units per unit and net asset value per unit for transactional purposes (continued):

(c) Debt valuation adjustment relates to fair value measurement of stabilized and non-stabilized real property liabilities incurred to finance the real estate projects. In accordance with the Trust's valuation policy such liabilities will be measured at either fair value or amortized cost using effective interest rate method. For Pricing NAV, the real property liabilities are measured at amortized cost using effective interest rate method.

(d) Due to the above differences, the deferred tax balance for Pricing NAV purposes is different from the balance presented on the consolidated statement of financial position.

The difference between the Pricing NAV and the net assets, excluding the Series Manager Unit, reflected in the financial statements was as follows:

		2023		2022*
Redeemable units, representing net assets attributable to holders of redeemable units	$	150,088	$	104,097
Manager's participating interest		(6,141)		(2,914)
Accumulated other comprehensive income		52		47
	$	143,999	$	101,230
Units issued and outstanding, excluding Series Manager Unit		1,306		937
IFRS Net assets per unit	$	110.27	$	108.08
Unamortized expense adjustments*		9.83		9.90
Capitalized preferred interest		-		2.91
Debt valuation adjustment		(2.74)		-
Pricing NAV per unit**	$	117.36	$	120.89

*Net of deferred tax balance difference (Note 12(c)).

**Pricing NAV per unit includes series A, F and I. The Trust calculates a separate NAV per unit for series A (introduced in April 2022). For simplicity, the IFRS to pricing reconciliation above shows total NAV per unit (inclusive of series A, F and I).