

# CENTURION REAL ESTATE OPPORTUNITIES TRUST

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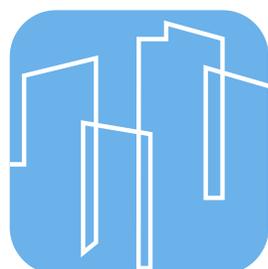
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2018 Annual Report | Management's Discussion and Analysis

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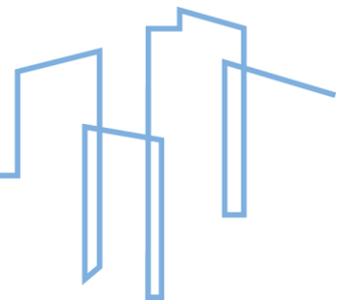
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For the twelve months ended December 31, 2018



**CENTURION**  
REAL ESTATE OPPORTUNITIES TRUST

# PROFILE



Centurion Real Estate Opportunities Trust (“REOT” or the “Trust”) is an income-producing, investment trust made up of a diversified portfolio of mortgage investments and growth-oriented real estate investments.



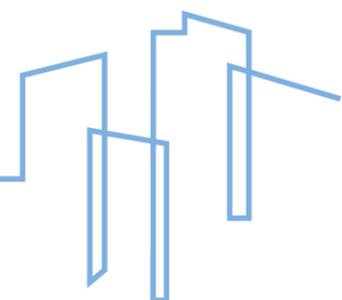
## 2018 HIGHLIGHTS

- Total assets increased 49.1% from \$373.7 million to \$557.5 million
- Net interest income increased 38.9% from \$24.3 million to \$33.8 million
- Committed funds of \$685 million in 99 investments (95 funded)
- Investments include a diverse portfolio of first mortgages, second mortgages, joint ventures, and participating equity investments across six Canadian provinces and three U.S. states
- Class A 9.95% compounded return
- Class F 10.92% compounded return
- A bonus distribution of \$0.0833 was paid to unitholders of record as at December 31, 2018

## OBJECTIVES

- To provide investors with cash distributions, payable monthly, with the opportunity for long-term growth and a focus on preservation of capital
- To maximize unit value through the active management of the portfolio
- To leverage the strategic relationships within Centurion Asset Management Inc.’s network to increase investment opportunities and manage risk

# FINANCIAL HIGHLIGHTS

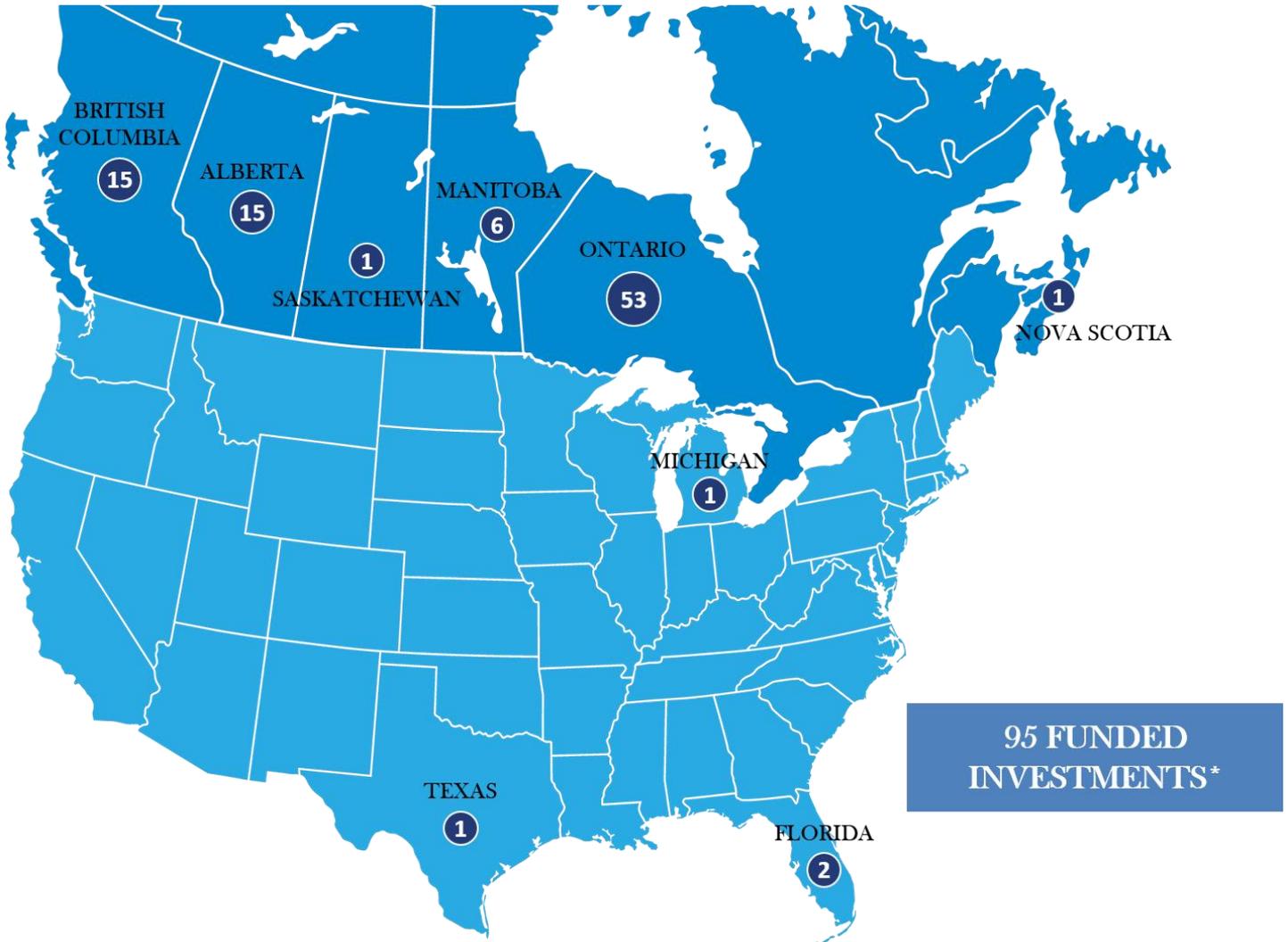


## PORTFOLIO PERFORMANCE

(expressed in thousands of Canadian dollars)

	2018	2017
Total Assets	\$557,515	\$373,665
Mortgage Investments	\$295,196	\$285,352
Participating Loan Interests	\$111,803	\$21,748
Equity Accounted Investments	\$106,005	\$56,017
Interest Income	\$33,820	\$24,341
Income from Equity Accounted Investments	\$9,585	\$10,883
Fair Value Gain on Participating Loan Interests	\$4,215	\$12,897
EBITDA Ratio	88.69%	94.64%
Future Commitments to be Funded	\$180,778	\$98,900
Net Income and Comprehensive Income per Unit ( <i>Page 33</i> )	\$1.08	\$1.69
FFO per Unit	\$1.06	\$1.72
NFFO per Unit	\$1.06	\$1.73
PFFO per Unit	\$1.06	\$1.74
Weighted Average Number of Units	38,620,673	26,206,240
<b>Total Annual Return</b>		
Class A	9.95%	13.96%
Class F	10.92%	15.02%
Class I	10.92%	15.02%
Closing Price of Units	\$11.579	\$11.277

# PORTFOLIO DIVERSIFICATION



BRITISH COLUMBIA (15) | 16%

ALBERTA (15) | 16%

SASKATCHEWAN (1) | 1%

MANITOBA (6) | 6%

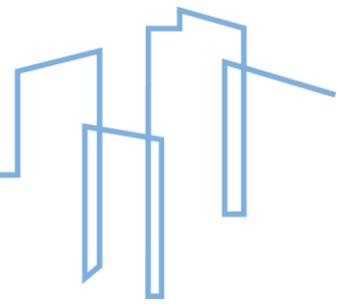
ONTARIO (53) | 56%

NOVA SCOTIA (1) | 1%

UNITED STATES (4) | 4%

*\*As at December 31, 2018*

# EXECUTIVE MANAGEMENT AND BOARD OF TRUSTEES



**GREGORY ROMUNDT**  
President and CEO  
Trustee



**MARTIN  
BERNHOLTZ**  
Chairman  
Independent Trustee



**ROBERT ORR**  
Chief Financial Officer and  
Chief Compliance Officer  
Trustee



**CHARLES  
DILLINGHAM**  
Independent Trustee



**STEPHEN STEWART**  
Executive Vice President,  
Mortgage Investments and Joint  
Ventures  
Trustee

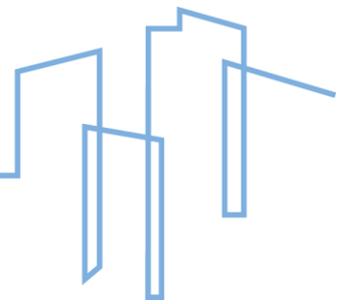


**KEN MILLER**  
Chairman of the  
Investment Committee  
Independent Trustee



**PETER SMITH**  
Independent Trustee

# LETTER FROM THE PRESIDENT



2018 was a very successful year with solid returns. The Trust earned \$41.7 million, during the year. Total assets increased 49.2% to \$557.5 million.

The current portfolio represents a diverse mix of first mortgages, second mortgages, joint ventures, participating debt and equity investments. As at December 31, 2018, committed funds totaled \$685 million in 99 investments, 95 of which are funded.

With lending at high rates comes higher risk that we manage through our underwriting and due diligence processes. The Trust foreclosed on a construction project in December 2018 and will work with a partner to complete the multi-residential project. We are confident that any loans in workout will not result in losses.

The Trust made additional investment deployment into the U.S of \$25 million. in 2018.

The Trust's Class A units earned a return of 9.95% and the Class F units earned a return of 10.92%. A bonus distribution of \$0.0833 was paid to all unitholders of record as at December 31, 2018.

Our deal pipeline is strong and new commitments in Q1 2019 were over \$60 million.

## A Look Forward to 2019

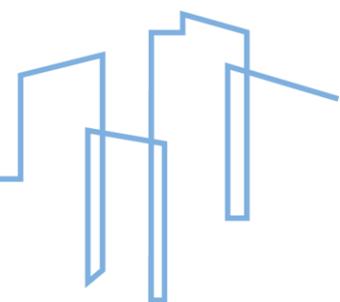
Our main focus in 2019 is on new properties (Centurion Apartment REIT) and U.S. debt investments. We continue to scale our debt origination teams with new additions to meet what we see as more demand than we have the staff to currently service.

We believe that the financial markets will continue to be volatile in 2019, possibly much more so than the last quarter of 2018. I have significant concerns about Canada's direction, which I continue to be vocal about. Our inability to build pipelines to export our largest source of national wealth is doing serious harm. Capital is leaving Canada and less money is coming to Canada to invest as we are not seen as a good place to invest currently. I have concerns about the U.S. in that the Democrat-controlled house will likely focus more on disrupting Trump than passing sound policy, leading to significant economic uncertainty which could in itself significantly slow the economy. The 35-day government shutdown, which hit record length, is just one more representation of the risks that politics could have on the economy. China also seems to be slowing significantly and there has been a rapid buildup of debt, which could be a danger to China's financial stability. Given that its economy was a significant contributor to global growth, likely means that 2019 will be a slow year for the global economy with the potential for negative shocks, mostly due to political concerns. That said, given that 2019 is year 11 of a 5-year business cycle, slowdown is long past due and is largely anticipated by the market at this point.

We believe that the Trust is well-positioned as we move into 2019. Leverage is exceptionally low and the portfolio is performing exceptionally well with plenty of runway to grow the portfolio. There is an excellent pipeline of U.S. investment opportunities, which we are examining. Liquidity positions are very good and we believe we will be able to use that to seize the opportunities we expect to see in 2019.

**GREG ROMUNDT**  
President, CEO, and Trustee

# 2018: MANAGEMENT'S DISCUSSION AND ANALYSIS



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# Forward-Looking Statements

## CAUTION REGARDING FORWARD-LOOKING STATEMENTS

The Management's Discussion and Analysis ("MD&A") of Centurion Real Estate Opportunities Trust ("Centurion" or "Centurion REOT" or "REOT" or the "Trust") contains "forward-looking statements" within the meaning of applicable securities legislation. This document should be read in conjunction with the material contained in the Trust's audited consolidated financial statements for the year-ended December 31, 2018 along with Centurion REOT documents available on the Trust's website. Forward-looking statements appear in this MD&A under the heading "Outlook" and generally include, but are not limited to, statements with respect to management's beliefs, plans, estimates and intentions, and similar statements concerning anticipated future events, results circumstances, performance, or expectations, including but not limited to financial performance and equity or debt offerings, new markets for growth, financial position, and proposed acquisitions. Generally, these forward-looking statements can be identified by the use of forward-looking terminology such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur", or "be achieved".

Forward-looking statements are subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of Centurion REOT to be materially different from those expressed or implied by such forward-looking statements, including but not limited to: the risks related to the market for Centurion REOT's trust Units, the general risks associated with real property ownership and acquisition, that future accretive acquisition opportunities will be identified and/or completed by Centurion REOT, risk management, liquidity, debt financing, credit risk, competition, general uninsured losses, interest rate fluctuations, environmental matters, restrictions on redemptions of outstanding Centurion REOT's trust Units, lack of availability of growth opportunities, diversification, potential unitholders' liability, potential conflicts of interest, the availability of sufficient cash flow, fluctuations in cash distributions, the unit price of

Centurion REOT's trust Units, the failure to obtain additional financing, dilution, reliance on key personnel, changes in legislation, failure to obtain or maintain mutual fund trust status and delays in obtaining governmental approvals or financing, as well as those additional factors discussed in Appendix B "Risks and Uncertainties" and in other sections of the MD&A.

In addition, certain material assumptions are applied by the Trust in making forward-looking statements including, without limitation, factors and assumptions regarding;

- Overall national economic activity
- Regional economic factors, such as employment rates
- Inflationary/deflationary factors
- Long, medium, and short-term interest rates
- Legislated requirements
- Development risks
- Mortgage extensions and mortgage defaults

Although the forward-looking information contained herein is based upon what Management believes are reasonable assumptions, there can be no assurance that actual results will be consistent with these forward-looking statements. Centurion REOT has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking statements; however, there may be other factors that cause results not to be as anticipated, estimated, or intended.

There can be no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. Centurion REOT does not intend to update any forward-looking statements that are incorporated by reference herein, except in accordance with applicable securities laws.

Certain statements included herein may be considered "financial outlook" for purposes of applicable securities laws, and such financial outlook may not be appropriate for purposes other than this MD&A.



# CENTURION REAL ESTATE OPPORTUNITIES TRUST

Centurion Real Estate Opportunities Trust is a private investment trust focused on investing in a diversified portfolio of mortgages and opportunistic real estate investments. The Trust is an unincorporated open-ended private investment trust created by a declaration of trust dated August 13, 2014, and as amended and restated, (the “Declaration of Trust”) and governed by the laws of the Province of Ontario and the federal laws of Canada applicable therein. See “Declaration of Trust” and “Description of Units”.

The objectives of the Trust are to provide Unitholders with stable cash distributions, payable monthly from a diversified portfolio of mortgages, opportunistic real estate investments and other investments.

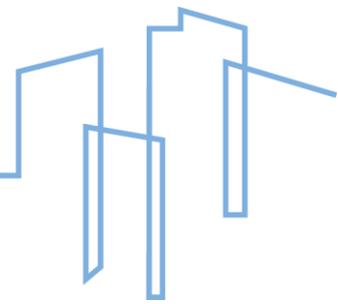
## DECLARATION OF TRUST

The investment policies of the Trust are outlined in the Declaration of Trust (the “DOT”) dated August 13, 2014, or as it is amended and restated from time to time. The DOT can be found at:

<https://www.centurion.ca/investment-solutions/centurion-reot>

The investment guidelines and operating policies set out in the DOT are as follows:

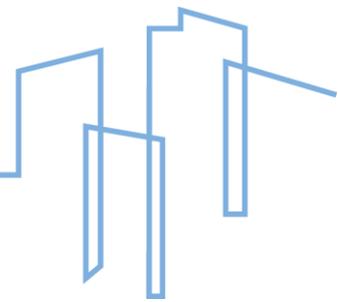
# INVESTMENT GUIDELINES



The assets of the Trust may be invested only, and the Trust shall not permit the assets of any Subsidiary to be invested otherwise, than in accordance with the following investment guidelines (as more particularly set out in the Declaration of Trust):

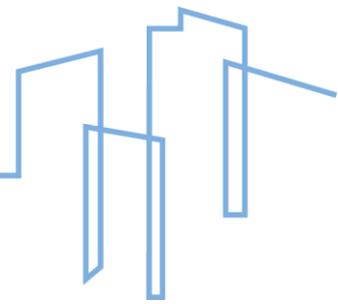
- (a) the Trust shall focus its activities primarily on Focus Activities;
- (b) notwithstanding anything in the Declaration of Trust to the contrary, no investment shall be made that would result in:
  - i. Units of the Trust being disqualified for any class of any trust governed by a Registered Plan; or
  - ii. the Trust ceasing to qualify as a “mutual fund trust” for purposes of the Tax Act;
- (c) no single asset (except as provided for in the Declaration of Trust), (i) once the Trust has net assets that exceed \$100 million, shall be acquired if the cost of such acquisition (net of the amount of debt secured by such asset) will exceed 15% of Gross Book Value, and (ii) until such time that the Trust has net assets that exceed \$100 million, no single asset (except as provided for in the Declaration of Trust) shall be acquired if the cost of such acquisition (net of the amount of debt secured by such asset) will exceed \$15 million, provided that where such asset is (x) the securities of or an interest in an entity or (y) mortgage investments with a single borrower, the foregoing tests shall be applied individually to each underlying real estate asset of such entity or mortgage investment of such borrower, respectively;
- (d) investments may be made in a joint arrangement only if:
  - i. the arrangement is in connection with a Focus Activity;
  - ii. the arrangement is with others (“joint arrangement partners”) either directly or through the ownership of securities of or an interest in an entity (“joint arrangement entity”);
  - iii. the interest in the joint arrangement entity is an interest of not less than 10% and is not subject to any restriction on transfer other than a right of first refusal, right of first offer or similar events, if any, in favor of the joint arrangement partners;
  - iv. the Trust has the ability to provide input in the management decisions of the joint arrangement entity; and
- v. without limitation, any joint arrangement with a Related Party for the purposes of the related party provisions of the Declaration of Trust has been entered into in accordance with such provisions;
- (e) unless otherwise permitted in Section 4.1 of the Declaration of Trust (Investment Guidelines) and except for temporary investments held in cash, deposits with a Canadian or U.S. chartered bank or trust company registered under the laws of a province of Canada, short-term government debt securities or in money market instruments of, or guaranteed by, a Canadian Schedule I bank maturing prior to one year from the date of issue, the Trust, directly or indirectly, may not hold securities other than (i) currency, commodity or interest rate futures contracts for hedging purposes to the extent that such hedging activity complies with the Canadian Securities Administrator’s National Instrument 81-102 – Investment Funds or any successor instrument or rule; (ii) securities of a joint arrangement entity, or any entity formed and operated solely for the purpose of carrying on ancillary activities to any real estate owned, directly or indirectly, by the Trust, or an entity wholly-owned, directly or indirectly, by the Trust formed and operated solely for the purpose of holding a particular real property or real properties; and (iii) securities of another issuer provided either (A) such securities derive their value, directly or indirectly, principally from real property, mortgage investments or other Focus Activities, (B) the principal business of the issuer of the securities is, directly or indirectly, (1) investing in mortgage investments or (2) owning, operating, managing or developing real property, and provided, in either case, the entity whose securities are being acquired are engaged in a Focus Activity, or (C) such securities are of a mortgage investment corporation, mortgage investment trust, real estate investment trust or similar entity;
- (f) no investment will be made, directly or indirectly, in operating businesses unless such investment is incidental to a transaction:
  - i. where revenue will be derived, directly or indirectly, principally from a Focus Activity; or

# INVESTMENT GUIDELINES



- ii. which principally involves the ownership, maintenance, improvement, development, leasing, or management, directly or indirectly, of real property or mortgage investments;
- (g) notwithstanding any other provisions of Section 4.1 of the Declaration of Trust (Investment Guidelines), subject to (u) below, the securities of a reporting issuer may be acquired provided that:
  - i. the activities of the issuer are focused on Focus Activities; and
  - ii. in the case of any proposed investment or acquisition which would result in the beneficial ownership of more than 10% of the outstanding equity securities of the securities issuer, the investment or acquisition is of strategic interest to the Trust as determined by the Trustees in their discretion;
- (h) no investments will be made in rights to or interests in mineral or other natural resources, including oil or gas, except as such investments may be incidental to an investment in real property or mortgage investments;
- (i) mortgage investments may only be made where:
  - i. the security thereof is real property;
  - ii. the security interest includes a mortgage or similar security interest registered on title to the real property which is the security thereof; and
  - iii. the amount of the mortgage investment (not including any mortgage insurance fees incurred in connection therewith) does not exceed 85% of the market value of the real property which is the security thereof,
- (j) loans (other than mortgage investments) may only be made where:
  - i. the security thereof is (a) real property or (b) an asset that the Trust could otherwise hold in accordance with this Section 4.1;
  - ii. the security interest includes a (a) mortgage or similar security interest registered on title to the real property which is the security thereof, (b) security interest registered against such other asset which is the security thereof or (c) other security interest acceptable to the Trustees that, in the opinion of the Trustees, protect the Trust's investment; and
- iii. the amount of the loan (not including any loan insurance fees incurred in connection therewith) does not exceed 85% of the market value of the asset which is the security thereof,
- (k) the Trust may invest in mortgages of related entities that do not deal at arm's length to the Trust provided that:
  - i. the mortgage loan bears interest at a commercial rate of interest;
  - ii. the amount of the mortgage loan is not in excess of 90% of the selling price of the property securing the mortgage;
  - iii. the mortgage loan has a maturity not exceeding five years;
  - iv. the mortgage loan is approved by the Trustees; and
  - v. the aggregate value of mortgage loans with related entities that do not deal at arm's length to the Trust, after giving effect to the proposed investment, will not exceed 15% of Gross Book Value of the Trust calculated at the time of such investment;
- (l) notwithstanding any other provisions of Section 4.1 of the Declaration of Trust (Investment Guidelines), the Trust may invest either directly or indirectly, in the equity of real estate development projects and opportunities and structure the transaction as a mortgage loan or note which will not be subject to the loan to value limits in Section 4.1 of the Declaration of Trust (Investment Guidelines);
- (m) notwithstanding any other provisions of Section 4.1 of the Declaration of Trust (Investment Guidelines), for risk management purposes only, the Trust may increase a given investment to more than the limits referred to in (c) above in order to remedy the default by a borrower of its obligations in respect of a prior ranking security or satisfy the indebtedness secured by a prior ranking security or for any other reason if such action is required to, in the opinion of the Trustees, protect the Trust's investment and if such proposed increase in the Trust's investment is approved by Trustees;
- (n) notwithstanding any other provisions of Section 4.1 of the Declaration of Trust (Investment Guidelines), the Trust may participate in mortgage investments on a

# INVESTMENT GUIDELINES



syndication basis, subject to the approval by the Trustees of the investment amount and the proposed syndication partners;

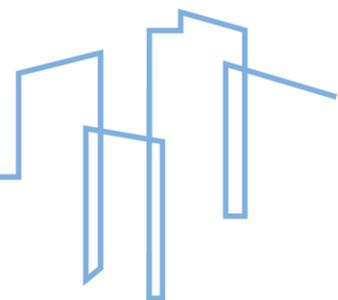
- (o) notwithstanding any other provisions of Section 4.1 of the Declaration of Trust (Investment Guidelines), the Trust may acquire mortgage investments (or exposure to mortgage investments) through Approved Warehouse Transactions;
- (p) enter into any arrangement (including the acquisition of securities for the investment portfolio of the Trust) where the result is a “dividend rental arrangement” for the purposes of the Tax Act;
- (q) hold (i) securities of any non-resident corporation or trust or other entity (or of a partnership which holds such securities) if the Trust (or partnership) would be required to include any significant amounts in income pursuant to the offshore investment fund property rules in section 94.1 of the Tax Act, (ii) any interest in a non-resident trust (or a partnership which holds such an interest) other than an “exempt foreign trust” for the purposes of section 94 of the Tax Act, or (iii) any interest in a trust (or a partnership which holds such an interest) which would require the Trust (or the partnership) to report income in connection with such interest pursuant to the rules in section 94.2 of the Tax Act;
- (r) engage in securities lending that does not constitute a “securities lending arrangement” for purposes of the Tax Act;
- (s) invest in any security that would be a “tax shelter investment” within the meaning of the Tax Act;
- (t) make or hold any investments in entities that would be “foreign affiliates” of the Trust for purposes of the Tax Act; and

- (u) notwithstanding any other provisions of Section 4.1 of the Declaration of Trust (Investment Guidelines), the Trust shall not acquire any securities unless the Trust has appointed a service provider that has the necessary registrations under applicable securities laws to permit the Trust to purchase and hold such securities or is exempt from any such requirements.

For the purpose of the foregoing guidelines, the assets, liabilities and transactions of a corporation, trust or other entity wholly or partially owned by the Trust will be deemed to be those of the Trust on a proportionate consolidation basis. In addition, any references in the foregoing to investment in real property will be deemed to include an investment in a joint arrangement or a limited partnership, the whole subject to (a) above. Except as specifically set forth in the Declaration of Trust to the contrary, all the foregoing prohibitions, limitations or requirements for investment shall be determined as at the date of investment by the Trust, but always subject to (a) above.

For greater certainty, the above Investment Guidelines are intended to set out generally the parameters under which Subsidiaries in which the Trust is permitted to invest will be empowered under their respective constating documents to re-invest. References to the Trust in those paragraphs shall be read as applying to such Subsidiary where the actual activity that is the subject of the policy is carried on by such Subsidiary. Further, any determinations in respect of the investment restrictions that are determinations reserved to the Trustees, where the actual activity is carried on by a Subsidiary, will be made by the trustees or directors of the relevant Subsidiary. Nothing in the Investment Guidelines empowers or entitles the Trust or the Trustees to carry on business or to otherwise undertake any activity that would violate the Trust’s requirement to maintain its status as a “mutual fund trust”.

# OPERATING POLICIES

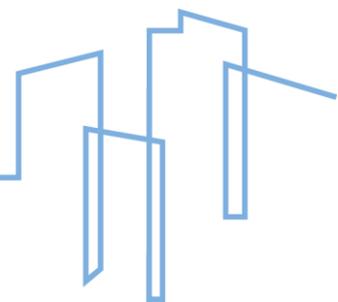


The operations and affairs of the Trust will be conducted in accordance with the following operating policies and the Trust shall not permit any subsidiary to conduct its operations and affairs other than in accordance with the following policies (as more particularly set out in the Declaration of Trust):

- a. title to each real property shall be held by and registered in the name of a corporation or other entity wholly-owned directly or indirectly by the Trust or jointly-owned directly or indirectly by the Trust with joint arrangement partners; provided, that where land tenure will not provide fee simple title, a corporation or other entity wholly-owned, directly or indirectly by the Trust or jointly owned, directly or indirectly, by the Trust with joint arrangement partners shall hold a land lease as appropriate under the land tenure system in the relevant jurisdiction;
- b. no indebtedness shall be incurred or assumed if, after giving effect to the incurring or assumption thereof of the indebtedness, the total indebtedness as a percentage of Gross Book Value would be more than 75% for indebtedness, including amounts drawn under an acquisition facility, provided that for the purposes of the foregoing, indebtedness shall exclude any obligations of the Trust under or arising out of Approved Warehouse Transactions (including any obligations to purchase mortgage or other investments on demand);
- c. subject to the approval of the Trustees, the Trust may, directly or indirectly, guarantee any indebtedness, liabilities, or other obligations of any kind of a third party, where such indebtedness, liabilities, or other obligation, if granted, incurred, or assumed by the Trust directly, would not cause the Trust to otherwise contravene the restrictions set out in Section 4.1 of the Declaration of Trust (Investment Guidelines). For greater certainty, the Trust will not directly or indirectly guarantee any indebtedness, liabilities or other obligations of any Person if doing so would contravene restriction (b) of the Investment Guidelines;
- d. in accordance with the Declaration of Trust, the Trust shall form the Investment Committee, which Investment Committee shall have the rights and responsibilities set out in the Declaration of Trust, as described under “Item 2: Business of Centurion Real Estate Opportunities Trust - 2.1 Structure - Investment Committee”;
- e. at all times insurance coverage will be obtained and maintained in respect of potential liabilities of the Trust and the accidental loss of value of the assets of the Trust from risks, in amounts and with such insurers, in each case as the Trustees consider appropriate, taking into account all relevant factors including the practices of owners of comparable properties;
- f. at least 8.5% of gross consolidated annual rental revenues generated from properties where the associated mortgage financing is insured by the Canadian Mortgage and Housing Corporation (“insured properties”) as determined pursuant to IFRS shall be expended annually on sustaining capital expenditures, repairs, and maintenance, all determined on a portfolio basis for all insured properties. For this purpose, capital expenditures and repairs and maintenance include all onsite labour costs and other expenses and items associated with such capital expenditures, repairs, and maintenance; and
- g. the Trust may engage service providers, including asset managers and mortgage managers under terms and conditions acceptable to the Trustees. As at the date hereof, the Trust has engaged the Asset Manager pursuant to the Asset Management Agreement.

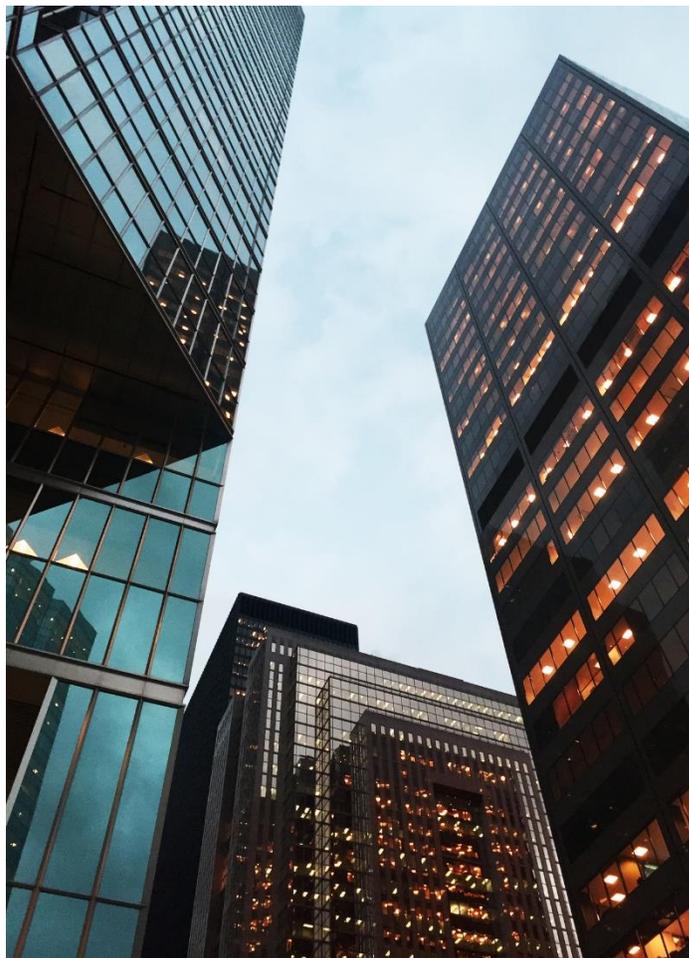
For the purposes of the foregoing investment guidelines and operating policies, the assets, indebtedness, liabilities, and transactions of a corporation, partnership or other entity wholly or partially owned by the Trust will be deemed to be those of the Trust on a proportionate, consolidated basis. In addition, any references in the foregoing investment guidelines and operating policies to investment in real property will be deemed to include an investment in a joint arrangement. A “joint arrangement” means an arrangement through which two or more parties have joint control that has the following characteristics: (a) the parties to the arrangement are bound by a contractual agreement, (b) the contractual agreement gives two or more of those parties joint control of the arrangement, and (c) is either a joint operation or a joint venture.

# OPERATING POLICIES

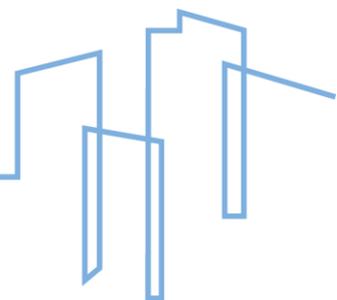


In addition, the term “indebtedness” means (without duplication):

- i. any obligation of the Trust for borrowed money;
- ii. any obligation of the Trust incurred in connection with the acquisition of property assets or business other than the amount of future income tax liability arising out of indirect acquisitions;
- iii. any obligation of the Trust issued or assumed as the deferred purchase price of property;
- iv. any capital lease obligation of the Trust; and any obligation of the type referred to in clauses (i) through (iv) of another person, the payment of which the Trust has guaranteed or for which the Trust is responsible for or liable;
- v. provided that (A) for the purposes of (i) through (iv), an obligation will constitute indebtedness only to the extent that it would appear as a liability on the consolidated balance sheet of the Trust in accordance with generally accepted accounting principles; (B) obligations referred to in clauses (i) through (iii) exclude trade accounts payable, distributions payable to Unitholders and accrued liabilities arising in the ordinary course of business, and (C) indebtedness shall exclude any obligations of the Trust under or arising out of Approved Warehouse Transactions (including any obligations to purchase mortgage or other investments on demand).



# INVESTMENT COMMITTEE



The Trust established an Investment Committee to review, approve and make investments that are in accordance with the investment guidelines of the Trust. The Investment Committee Charter is outlined below:

## **SECTION 1** PURPOSE

The Investment Committee (the “Committee”) is a committee of the Trust established by the Board of Trustees of the Trust. The Board of Trustees established the Investment Committee to:

- Review, approve and make investments on behalf of the Trust that:
  - fall within the investment guidelines of the Trust, as set out in the Declaration of Trust, and
  - fall within the prescribed limits (the “sub limits”) set by the Board of Trustees from time to time; and
- Pre-screen potential investments that exceed the sub limits;
- Recommend or refer investments exceeding the sub limits to the Board of Trustees for their consideration; and
- Review and approve minor amendments to investments previously approved by the Board of Trustees, subject to limits described below.

## **SECTION 2** SUB LIMITS

The Investment Committee shall be authorized to approve any individual investment that fits within the criteria established by the sub limits.

The sub limits for each investment are:

- Such investment must have a purchase price less than or equal to the lesser of \$20 million or 4% of net assets;
- Such investment complies with the investment guidelines of the Trust.

The sub limits for each connected group of investments are:

- Such connected group of investments must have a purchase price less than or equal to the lesser of \$30 million or 6% of net assets;
- Such connected group of investments complies with the investment guidelines of the Trust.
- Such connected group of investments does not include any individual investments that are on the Watch List

Investments are considered connected if a common individual or corporation owns 35% or more of each investment, either directly or indirectly, or is otherwise considered to exert management control or significant influence over each investment.

The Investment Committee shall be authorized, in respect of

investments not exceeding the sub limits before or after amendment, to approve any required minor amendments as necessary, and in respect of investments exceeding the sub limits before or after amendment, to approve any required minor amendments thereto, subject to the following limits:

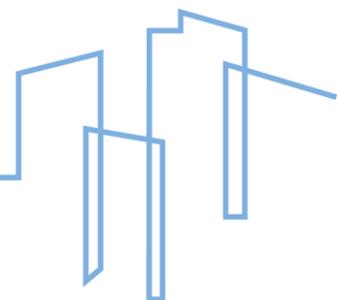
- Amendments to the investment size of up to \$4 million, including additional principal and/or interest capitalization;
- Amendments to the investment term of up to 12 months;
- Amendments to the interest rate of up to 100 basis points;
- Changes to security, which change is considered non-material by the Investment Committee;
- Changes to substitution, which substitution is considered non-material by the Investment Committee;
- Changes to guarantees, which change is considered non-material by the Investment Committee;
- Amending conditions precedent to funding;
- Amending the capital stack whereby Centurion is taking smaller or larger loan or equity position, but the exposure from an LTV perspective does not change in a material way;
- Other amendments of a non-financial nature considered minor or immaterial by the Committee;
- As a result, the onus will be on the Committee to assess whether the requested amendments are minor or non-material, and therefore fall within the scope of the delegated approval authority;
- Any such amendment approved by the Investment Committee shall require ratification by the Board of Trustees at the next following meeting.

The CEO of the Asset Manager shall be authorized to approve any individual investment with a purchase price less than or equal to the lesser of \$5 million or 1% of net assets that fits within the investment guidelines of the Trust, subject to ratification by the Investment Committee at the next following meeting.

The CEO of the Asset Manager of the Trust shall be authorized, in respect of investments no exceeding the sub limits before or after amendment, to approve any required minor amendments as necessary, and in respect of investments exceeding the sub limits before or after amendment, to approve any required minor amendments thereto, subject to the following limits:

- Amendments to the investment size of up to \$1.5 million, including additional principal and/or interest capitalization;
- Amendments to the investment term of up to 6 months;
- Amendments to the interest rate of up to 25 basis points;
- Other amendments of a non-financial nature considered

# INVESTMENT COMMITTEE



- minor or immaterial by the CEO of the Asset Manager;
- Any such amendments to investments approved by the CEO of the Asset Manager shall require ratification by the Investment Committee at the next following meeting.

## **SECTION 3** **LIMITS SUMMARY**

	<b>Individual Deal</b>	<b>Connected Exposure</b>
CEO Delegated Approval Limit	<1% or \$5 million	Same as individual deal
Investment Committee Delegated Approval Limit	<4% or \$20 million	<6% or \$30 million

## **SECTION 4** **COMPOSITION AND MEETINGS**

The Investment Committee shall be composed of, at a minimum, at least one Trustee that is an Independent Trustee or a delegate chosen by a majority of the Independent Trustees that is independent of the Trust and CAMI (or its successor) and such Independent Trustee or delegate thereof shall be the chairperson of the Investment Committee (the “Chairperson”).

There shall be no maximum number of members of the Investment Committee in addition to the Chairperson.

No business of the Investment Committee may be transacted except at a meeting of its members at which the Chairperson is present or by email circulation evidenced by a written approval from the Chairperson. The Chairperson shall constitute a quorum of the Investment Committee, provided that Chairperson will take reasonable efforts to allow other members of the Investment Committee the opportunity to attend meetings of the Investment Committee.

The Chairperson may be removed or replaced at any time by a majority of the Independent Trustees and shall cease to be a member of the Committee upon ceasing to be a trustee.

Any member of the Investment Committee may be removed or replaced at any time by the Chairperson.

Each member of the Investment Committee shall hold such office until he or she resigns or is removed from the Investment Committee.

The Committee will meet as many times as is necessary to carry out its responsibilities.

Meetings will be at the call of the Trustees, the CEO of the Asset Manager, the Chairperson, or any other member of the Investment Committee.

The Chairperson shall be entitled to receive such

remuneration for acting as the chairperson of the Committee as the Board of Trustees may from time to time determine.

## **SECTION 5** **CHAIRPERSON**

The Chairperson has the discretion to:

- approve an investment within the sub limits of the Investment Committee;
- recommend or refer an investment that is above the sub limits to the Board of Trustees;
- refer an investment that is within the sub limits of the Investment Committee to the Trustees for their approval.

An investment that does not have the approval of the Chairperson must have the approval of the Trustees to proceed.

## **SECTION 6** **GENERAL ROLE**

The Committee should:

- Review the investments of the Trust to ensure that such investments comply with the investment guidelines of the Trust;
- Review this Charter and the sub limits and recommend to the Board of Trustees changes to this Charter and/or the sub limits, as considered appropriate from time to time;
- Report to the Board of Trustees on:
  - the business conducted at meetings of the Committee and any material decision reached by the Committee; and
  - the investments of the Trust.

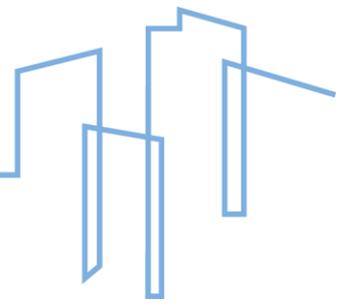
## **SECTION 7** **GENERAL**

Notwithstanding the appointment of the Committee and the granting of any authority, the Trustees may consider and approve or disapprove any matter which the Committee has the authority to consider or approve.

The Committee is a committee of the Board of Trustees and it is not and shall not be deemed to be an agent of the Trust’s Unitholders for any purpose whatsoever. The Board of Trustees may, from time to time, permit departures from the terms hereof, either prospectively or retrospectively. No provision contained herein is intended to give rise to civil liability to securityholders of the Trust or any other liability whatsoever.

The duties of the Committee may be changed from time to time by the Trustees and shall be subject to such authority as may be delegated from time to time to officers of the Trust without requiring the approval of or review by the Trustees or the Committee.

# ACCOUNTING POLICIES



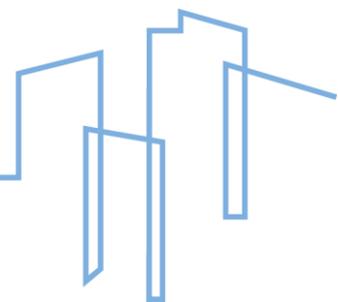
The Trust's significant accounting policies are described in Note 3 of the consolidated financial statements (see "Appendix C") for the year ended December 31, 2018. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to the preparation of consolidated financial statements.

In applying these policies, in certain cases it is necessary to use estimates, which Management determines using information available to the Trust at the time.

Management reviews key estimates on a quarterly basis to determine their appropriateness and any change to these estimates is applied prospectively in compliance with IFRS. Significant estimates are made with respect to the fair values of investment properties and the fair values of financial instruments.



# NON-IFRS MEASURES



The Trust prepares unaudited consolidated interim financial statements and audited consolidated financial statements in accordance with IFRS. In this MD&A, as a complement to the financial results provided in accordance with IFRS, the Trust also discloses and discusses certain financial measures not recognized by IFRS including Normalized Net Operating Income (“NNOI”), Funds from Operations (“FFO”), Normalized Funds from Operations (“NFFO”) and Potential Funds from Operations (“PFFO”).

These metrics (or, in each case, substantially similar terms) are measures used by Canadian real estate investment trusts as indicators of financial performance; however, they do not have standardized meanings prescribed by and these measures may differ from similar computations as reported by other trusts and, accordingly, may not be comparable to similarly termed measures reported by other such issuers.

Normalized Net Operating Income (“NNOI”) is a key measure of potential operating performance used in the real estate industry and long-term stabilizing assumptions are made in the calculation of NNOI. Such assumptions may reflect a stabilized (normalized) view of key inputs in the calculation of NNOI. NNOI is often used by property appraisers in valuing a property. NNOI’s have been used, among other things for evaluating potential property acquisitions, to determine fair values of the investment properties, and to estimate the capacity to make and the level of distributions. Management believes that given the rapid rate of growth of the portfolio and that new acquisitions often require stabilization and repositioning periods and that many in the real estate industry use NNOI when purchasing or selling a property, that NNOI is a useful tool in evaluating the portfolio.

Funds from Operations (“FFO”) is a financial measure used to define their operating performance to provide an idea of the Trust’s cash performance, which is a better indicator of a Trust’s performance than earnings which includes large non-cash items. Management does not look at FFO to be a very useful indicator of stabilized cash flow or earnings but calculates and presents FFO as an input into the calculation of the measures such as NFFO and PFFO which it believes are more useful.

Normalized Funds from Operations (“NFFO”) is a financial measure that adjusts Funds from Operations for non-recurring items. Some of these items Management considers to be capital in nature but for accounting purposes are written off portfolio stabilization costs that are not expected to be

ongoing adjustments for the difference between underwritten Internal Rates of Return on participating mortgage type investments and minimum coupon rates on those investments to show the impact of timing differences on earnings related to these investments, leakage costs on excess capital (for undeployed capital) that has dragged on current period earning but that is non-recurring and new recurring measures such as internalization of the asset and property management teams and their influence on earnings capacity. Management looks at NFFO as a better measure of the Trust’s current cash generating capacity than FFO as it takes a stabilized view of the portfolio and adjusts for items that are not expected to influence earnings capacity over the medium to long-term. It excludes identified opportunities and costs that Management has identified and believes may be realized over time.

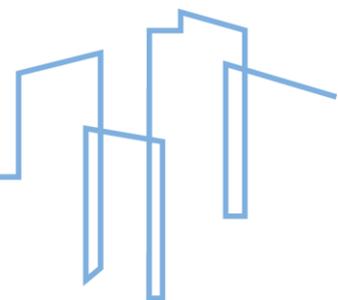
Potential Funds from Operations (“PFFO”) is a financial measure that adjusts the Normalized Funds from Operations to include items that are reasonably anticipated to impact cash flows in future periods assuming the full implementation of Management identified revenue and expense opportunities.

PFFO is Management’s preferred indicator of the Trust’s long-term cash flow generating capacity because it incorporates much more of the up to date information available to Management and is forward-looking rather than rearward looking like FFO and NFFO.

Readers are cautioned that these metrics and calculations are not alternatives to measures under IFRS and should not, on their own, be construed as indicators of the Trust’s performance or cash flows, measures of liquidity or as measures of actual return on Units of the Trust. These non IFRS measures, as presented, should only be used in conjunction with the consolidated financial statements of the Trust. In addition, these measures may be calculated differently by other similar organizations and may not be comparable.

The Trust has five classes of units, The Class “A” Units, the Class “F” Units, the Class “I” Units, the Class “M” Units and the Class “R” Units. Under IFRS, the Trust has no instrument qualifying for equity classification on its Consolidated Statement of Financial Position and as such, all units are classified as financial liabilities. The classification of all units as financial liabilities with the presentation as net assets attributable to Unitholders does not alter the underlying economic interest of the Unitholders in the net assets and net operating results attributable to Unitholders.

# HISTORY OF CENTURION REOT



Centurion Asset Management Inc. (“CAMI”), the Asset Manager, also manages Centurion Apartment REIT, a private real estate investment trust primarily focused on investing in and managing a diversified portfolio of income producing multi-residential properties, student housing and mortgage investments in Canada. In 2012, CAMI identified the provision of debt and equity financing for growth-oriented real estate transactions (including real estate development transactions), particularly in its core area of expertise of apartments and student housing, and the development thereof, as significant opportunities that would be a potentially accretive source of profit and an acquisition pipeline for Centurion Apartment REIT.

Since the beginning of 2013, CAMI had been building this financing business for Centurion Apartment REIT and in May 2013 began its first capital deployments. As the business grew, CAMI believed that the potential scale of these opportunities, particularly in the development of new apartments and student housing which Centurion Apartment REIT could buy, would ultimately require a larger capital allocation than could be supported on its balance sheet alone. Further, the Asset Manager was seeing a regular flow of other real estate debt and equity investment opportunities that fell outside of the acquisition pipeline goals of Centurion Apartment REIT by virtue of its’ activities in the market that it had to forego. As such, the Asset Manager believed that there was sufficient scope to create a fund to focus on these and other similar opportunities. To maximize the number of opportunities upon which it could execute, the Board of Trustees of Centurion Apartment REIT decided to set up a new fund, the Trust, to which it would contribute the majority of Centurion Apartment REIT’s debt and equity financing portfolio in return for equity in the Trust. Centurion Apartment REIT and the Trust would be strategic partners

in providing developers an end-to-end solution for debt and equity financing and ultimately a potential exit in a sale of the stabilized development to Centurion Apartment REIT.

This end-to-end solution has been seen by developers as an attractive option and has garnered considerable interest. The strategic partnership between Centurion Apartment REIT and the Trust is intended primarily to have the following benefits:

#### **For Developers and Other Clients:**

- an end-to-end solution to finance, develop, manage, and sell their properties.

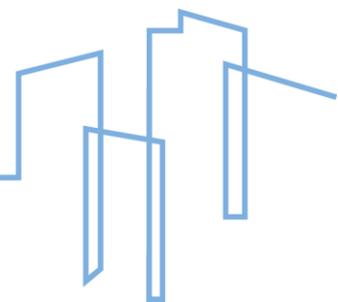
#### **For the Trust:**

- a significant starting portfolio with a track record that would allow the Trust to get to scale faster than if it started from scratch;
- the opportunity to invest for income and growth on new opportunities originating from relationships developed by Centurion Apartment REIT;
- via the Warehousing Agreements with Centurion Apartment REIT and Centurion Financial Trust, the ability to move quickly to commit to investment opportunities to build its portfolio.

#### **For Centurion Apartment REIT:**

- the continuing opportunity to participate in the income and growth on its pro-rata holdings in the portfolio it had built and contributed to the Trust;
- the opportunity to use its own operating facilities to fund higher yielding investments on a short-term basis via the Warehousing Agreement for short term income;
- the opportunity to build a larger pipeline of potential acquisitions than it could on its own.

# INVESTMENT STRATEGY



The business of the Trust and that of Centurion Apartment REIT, are mutually complementary in that there is a strategic benefit to the relationship between the two trusts that may serve to provide opportunities for investment and to mitigate risks for the Trust in the following ways:

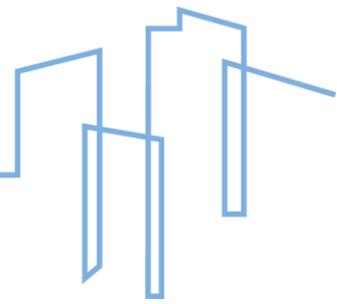
- (a) Centurion Apartment REIT is a long-term holder of real estate investments, primarily multi-residential apartments and student housing properties. Aside from its mortgage investments, Centurion Apartment REIT's investments generally don't have a maturity date or an anticipated liquidity event. The Trust will focus primarily on investments where there is a maturity date or an anticipated liquidity event and are generally more short or medium term in nature. Thus, Centurion Apartment REIT and the Trust are not naturally competing for the same investments as their primary investment portfolios will generally have different time horizons.
- (b) It is anticipated that a large portion of the opportunities that will be presented to the Trust will be related to multi-residential apartments and student housing. These could be mortgages or developments where Centurion Apartment REIT may have a future interest in owning the property (or a right to acquire the property) and could provide an exit event to the Trust, and thus potentially increase liquidity and reduce lending and/or development risks on the Trusts investment portfolio.
- (c) The Trust affiliates have considerable experience managing multi-residential apartments and student housing and the Trust believes that this experience is a competitive advantage that will help mitigate risks relative to other mortgage lenders that lack this management

infrastructure and experience.

- (d) One of the primary areas where the Trust believes there are significant opportunities is in the development of new apartments and student housing. Based on its experience, the Trust believes that developers and joint arrangement partners are attracted to the "end-to-end" solution that the Trust, its affiliate, Centurion Apartment REIT, as a group brings (e.g., the ability to finance the debt and equity during development, experience in determining project feasibility, understanding what renters want, experience in lease up and management, and ultimately being an interested buyer for the property upon completion). This ability to provide an "end-to-end" solution is, in the Trust's view, a strategic advantage in attracting investment opportunities for the Trust and is a potential acquisition pipeline for Centurion Apartment REIT.

The Trust intends to generally pursue a "barbell strategy" for its Portfolio, allocating between Mortgage Assets for income and Other Investments for capital growth. It is anticipated that most of the investments will have either a fixed maturity (like a mortgage) or an exit strategy or event (like an equity interest in a development project), as the Trust does not intend to be "permanent capital" for any particular investment. No specific percentage allocation between the income and capital growth portions of the Portfolio has been set as these allocations will be opportunity driven and determined on an ongoing basis by the Trust. The Trust has a general preference when investing in equity opportunities, to invest in the preferred equity portion of the capital stack to reduce downside risk and to attempt to achieve a preferred return to meet the Trust's income targets.

# TARGETED INVESTMENTS



The Trust is currently targeting the following areas for its investment portfolio.

- Mortgage investments
- Multi-residential apartment and student housing developments
- Other growth-oriented real estate opportunities

A description of each of these targeted investments follows:

## **Mortgage Investments**

The traditional sources of real estate mortgage financing include Schedule I and II banks, trust companies, insurance companies and pension funds (“Institutional Lenders”). The larger Institutional Lenders in Canada are generally focused on mortgage loans that comply with lending criteria established by the Canadian banks which are often restrictive. These criteria became much more restrictive after the 2008 credit crisis, resulting in a pullback by traditional lending sources from the mortgage market in general, and in particular, the commercial mortgage market. Due to the focus of large financial institutions on limited types of mortgage loans and increasingly conservative loan exposure levels, the Asset Manager believes quality lending opportunities exist in some under-served segments of the mortgage market at premium interest rates secured by high quality mortgage loans. Below are the areas of focus for the Trust in the mortgage market.

## **Construction loans for purpose-built rental apartments and student housing buildings**

Mortgage financing to support the construction of purpose-built rental apartments and student housing buildings is provided on a strictly limited basis by only a few Institutional Lenders, primarily a few of the Schedule I and Schedule II banks and some trust companies. Despite vacancy rates upon completion and stabilization for these types of projects remaining extremely low, these lending institutions are very conservative and limited in the amount of financing they will provide.

The Asset Manager believes that this will allow the Trust to potentially find an abundance of investment lending opportunities on high quality projects, typically structured as either first or second mortgages, in particular for those projects which Centurion Apartment REIT may have an interest in acquiring upon completion. The Trust expects that the loan exposure levels provided by the Trust are typically

well within the price point at which Centurion Apartment REIT would be interested in acquiring the completed projects.

## **Multi-Family Residential, Investment Properties, and Commercial Mortgages**

Mortgage lending in the income producing investment property market is dominated by a few large Institutional Lenders. These Institutional Lenders tend to be more conservative and focus only on income producing properties owned by large real estate investors, which are generally considered to be safer investments. As a result, the Trust is able to find attractive lending opportunities providing first and second mortgage financing on other income producing properties and owners, including attractive lending opportunities on purpose-built multi-residential rental and student housing.

## **Developer and Builder Pre-Construction Loans**

Builders and developers require loans to acquire land to build low rise and high-rise developments. The Institutional Lenders lend on a very limited basis on land, presenting potentially attractive lending opportunities to the Trust.

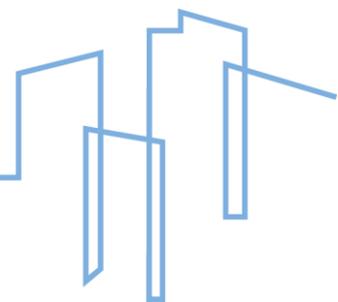
## **Mezzanine and Subordinated Debt Financing**

Mezzanine or subordinated debt financing for residential and commercial development projects is highly fragmented. Institutional Lenders typically do not provide this type of specialized financing for developers, and the capital providers in this market segment are typically small private entities with limited deployable capital. Given the lack of participation from the larger financial institutions, there is less competition in this market segment, which could provide the Trust with opportunities to underwrite mortgage loans that are, in the opinion of the Trust, well-structured, secure, and attractively priced.

## **Residential Mortgages**

The single-family Conventional Mortgage market in Canada is dominated by the Schedule I banks which are aggressive in underwriting single family Conventional Mortgage loans provided such mortgages strictly comply in all aspects with rigid underwriting criteria. The five largest Schedule I banks are generally less aggressive in pursuing single family Conventional Mortgage loans where (i) the borrower is self-employed; the borrower lacks a well-developed domestic credit history due to having recently immigrated to Canada,

# TARGETED INVESTMENTS



the borrower intends to substantially renovate the property, or (iv) the borrower or the loan is otherwise outside the strict lending guidelines of the Schedule I banks. Consequently, borrowers who do not meet the rigid underwriting criteria of the Schedule I banks find it more difficult to obtain financing from traditional Institutional Lenders, regardless of loan-to-value ratios or security offered, which the Trust believes presents attractive lending opportunities to the Trust.

## Multi-Residential Apartment and Student Housing Developments

The Trust believes that the construction of new apartments and student housing are currently two of the most compelling opportunities in the multi-residential rental business. These two opportunities were the original core reasons that Centurion Apartment REIT began to build up its financing portfolio to create a pipeline of acquisitions and to profit in the development along the way.

The Trust believes that new apartments are attractive because:

- There has been very limited construction of new apartments in Canada for decades and the existing stock is aging. Even though older properties have been renovated where renters could choose to live, many are willing and able to pay more to get a newer facility with updated amenities.
- Institutional Lenders have significantly restricted lending to condominium developers and thus, there are many sites that may be appropriate for apartment construction where developers must now look for either an alternate or deferred exit plan.
- Because developers have capital invested in the land on which they may be paying financing costs, and have ongoing infrastructure and employee costs to pay, they may be motivated to consider alternate exits and develop apartments instead.
- Condominium unit pre-sales have been much more difficult to obtain, thus preventing these developers from starting their projects.
- Capitalization rates have moved to a point where new construction makes sense.
- There is extremely strong interest on the part of institutional investors to own well located new apartments.

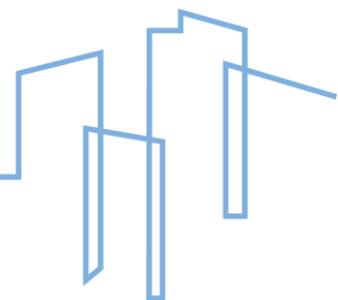
- The Trust believes that there may be a limited window to build apartments in some markets until Institutional Lenders begin lending again to developers, at which time the window may close in these markets for a long time. The Trust believes that given that this window may close, that newly built product may attract significant buyer demand as supply available for sale to the market is likely to be limited.

Centurion Apartment REIT is one of the largest owners and a leader in the student housing business. It has been building its portfolio of student properties since 2011. The Trust believes that student housing is an attractive area of focus for the Trust because:

- Canada is about a decade behind the United States in the development of the student housing industry. Purpose built student housing in Canada is only just beginning in earnest and thus there is scale in this business.
- Most of the student housing stock in Canada is on campus and is very old. This stock serves mainly first year undergraduate students leaving upper year and graduate students in either single family houses or regular apartments which are often in student “ghettos”. Not only is there a need in many cases to replace this old stock, but there is an opportunity to provide quality off-campus housing to students after they complete their first year for the remainder of their undergraduate and graduate studies.
- The development returns on many student property developments are higher than on standard apartments because rents are generally charged per bedroom creating a higher rental yield.

The Trust believes that there are currently many opportunities to build new multi-residential apartment and student housing properties which may be of interest to Centurion Apartment REIT as an investment upon the completion and stabilization of such properties. Thus, there is a natural home for a number of these projects in Centurion Apartment REIT. Though it is not expected that firm purchase agreements between Centurion Apartment REIT and the Trust will be entered into in advance of the completion of most projects, due to an alignment of interests and expertise of management and the strategic relationship

# TARGETED INVESTMENTS



between the Trust and Centurion Apartment REIT, the Trust would likely be focusing on properties that would suit Centurion Apartment REIT's primary investment objectives and it is expected that Centurion Apartment REIT would have interest in purchasing most of the properties upon stabilization. Such relationship and pre-identified potential exit option may help shorten the time to exit, increase liquidity for the Trust and reduce risk.

In order to maximize returns for the Trust, Centurion Apartment REIT would have to pay Fair Market Value for the properties and in some cases a third party may be willing to pay more than Centurion Apartment REIT. In these cases, it is expected that the property would go to the highest bidder with all other things being equal. In order to balance the interests of the Trust and REIT, who although strategic partners, may at times be in conflict, the Trust has appointed different Independent Trustees than Centurion Apartment REIT, with the exception of Martin Bernholtz who is a member of both Boards of Trustees. The intended purpose of having a crossover independent trustee is to act as a bridge between the boards that is at the same time otherwise independent of management (the Trust and its affiliates).

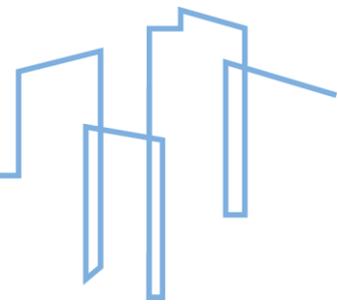
The Trust intends to pursue a primarily joint arrangement model approach to its development and opportunistic real estate investments. This means that most of these types of

investments would be with active partners who would approach the Trust with the opportunity and manage the day-to-day development with oversight by the Asset Manager (or its affiliates). The Trust's responsibilities would be primarily as an investor that brings multi-residential operations experience and the capability and interest of Centurion Apartment REIT to be the end buyer when appropriate. The Asset Manager believes that it will have access to more qualified investment opportunities and can execute on a greater scale and with less risk pursuing a strategy of working with local development partners and with Centurion Apartment REIT than if it went searching for opportunities to execute solely on its own.

## **Other Growth-Oriented Real Estate Investment Opportunities**

The Trust believes that in the course of pursuing its core investment targets that it will be presented with other attractive growth-oriented real estate investment opportunities (including real estate development opportunities). The Trust is regularly being presented with attractive opportunities outside of the multi-residential apartments and student housing areas. The Trust intends to be opportunistic in considering other growth-oriented real estate investment opportunities as they present themselves.

# WAREHOUSE AGREEMENTS



The Trust has entered into two Warehouse Agreements, one with Centurion Apartment REIT and one with Centurion Financial Trust.

Centurion Apartment REIT has agreed to fund (purchase) and warehouse certain mortgage investments originated by or on behalf of the Trust (the “Warehoused Mortgages”) and growth-oriented real estate investments, ancillary real estate, and other investments (the “Warehoused Other Investments”). The Warehouse Agreement (i) provides the Trust with a non-committed funding facility to fund (A) mortgage investments originated and placed directly or indirectly by the Mortgage Manager on behalf of the Trust and (B) growth-oriented real estate investments (including real estate development), ancillary real estate and other investments identified by the Asset Manager on behalf of the Trust and (ii) grants the Trust an option to repurchase Warehoused Mortgages and Warehoused Other Investments funded (purchased) under the Warehouse Agreement at any time. The Warehouse Agreement also provide Centurion Apartment REIT with an option to sell any Warehoused Mortgages and/ or Warehoused Other Investments to the Trust (i) on 180 days prior notice for any Warehoused Mortgages and/ or Warehoused Other Investments that remain in good standing, (ii) immediately within three (3) business days for any Warehoused Mortgages and/ or Warehoused Other Investments that have been noted in default or that have otherwise experienced a negative credit or other event, as set out in the Warehouse Agreement, or (iii) on thirty (30) days prior notice where the Trust has provided a notice to terminate the Warehouse Agreement.

For such time as Centurion Apartment REIT is the beneficial owner of the Warehoused Mortgages and Warehoused Other Investments and it is entitled to all related economic benefits. Until such time as the Trust has acquired such Warehoused Mortgages and Warehoused Other Investments from the REIT, the Trust has no rights to such Warehoused Mortgages or Warehoused Other Investments, but is fully-exposed to the related downside risks by virtue of Centurion Apartment REIT’s unrestricted option to immediately sell any Warehoused Mortgages and/ or Warehoused Other Investments that have been noted in default or that have otherwise experienced a negative credit or other event, as set out in the Warehouse Agreement.

In the event that the Trust purchases a Warehoused Mortgage

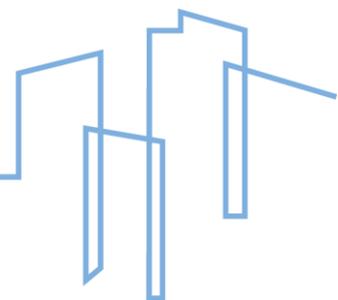
from Centurion Apartment REIT, the purchase price for such Warehoused Mortgage will be: a) the outstanding principal balance owing to the Centurion Apartment REIT in respect of each Warehoused Mortgage plus all interest attributable to such interest accrued and unpaid on such Warehoused Mortgage less (b) the Trust’s pro-rata share of the upfront, ongoing and deferred lender fees payable in respect of such Warehoused Mortgage, if any, to Centurion Apartment REIT as the beneficial owner of the Warehoused Mortgage. Where the purchased Warehoused Mortgage provides for the opportunity to share in the profits of the property underlying the Warehoused Mortgage, all such participating rights and profit sharing shall attribute exclusively to the Trust and shall not be included in the purchase price. In the event that the Trust purchases a Warehoused Other Investment from Centurion Apartment REIT, the purchase price for such Warehoused Other Investment will be determined on the basis, or using the formula, set out in the applicable commitment letter pursuant to which Centurion Apartment REIT agreed to advance funds in respect of such Warehoused Other Investment, or such other price as the Trust and the Centurion Apartment REIT may agree.

The Warehouse Agreement requires that, unless otherwise agreed by the Trust and Centurion Apartment REIT, the Warehoused Mortgages and Warehoused Other Investments funded or purchased by Centurion Apartment REIT be purchased by the Trust on a “first in, first out” basis. The “first in, first out” requirement applies collectively to Warehoused Mortgages and Warehoused Other Investments.

The Trust expects to make use of the facility under the Warehouse Agreement to fund mortgage and other investments in order to (i) permit the continuous deployment of capital and (ii) avoid a reduction of returns associated with delays in the deployment of equity capital that needs to be raised to fund mortgage investments. Centurion Apartment REIT is not required to fund (purchase) any mortgage investments pursuant to the Warehouse Agreement and has made no commitments to do so.

Any funding decision of Centurion Apartment REIT is made independent of the Trust by the independent trustees of Centurion Apartment REIT, provided that the independent trustees of Centurion Apartment REIT may set parameters

# WAREHOUSE AGREEMENTS



pursuant to which such funding decisions are delegated to the Asset Manager (or any successor asset manager of Centurion Apartment REIT).

As consideration for Centurion Apartment REIT providing the warehouse facility and entering into the Warehouse Agreement, during the term of the Warehouse Agreement, the Trust has granted Centurion Apartment REIT the exclusive first right to purchase from the Trust and exercise any Property Purchase Option granted to the Trust in connection with the acquisition of any Mortgage Assets and/or other investments. During the Term, such right shall apply to all Mortgage Assets and/or other investments for which the Trust is the beneficial owner regardless of whether or not such Mortgage Assets and/or other investments are warehoused with Centurion Apartment REIT in accordance with the Warehouse Agreement. The purchase price paid by Centurion Apartment REIT for any Property Purchase Option shall be the Fair Market Value of such Property Purchase Option determined at the time Centurion Apartment REIT exercises its right to purchase the Property Purchase Option, acting reasonably and in good faith. Any disputes with respect to the determination of the Fair Market Value of the Property Purchase Option are to be resolved through negotiation between Centurion Apartment REIT and the Trust, failing which either party may request that an independent firm of licensed real estate appraisers resolve the dispute. Centurion Apartment REIT has the option to redeem the number of Class R Units equal to the Fair Market Value of the Property Purchase Option in order to satisfy the purchase price therefore.

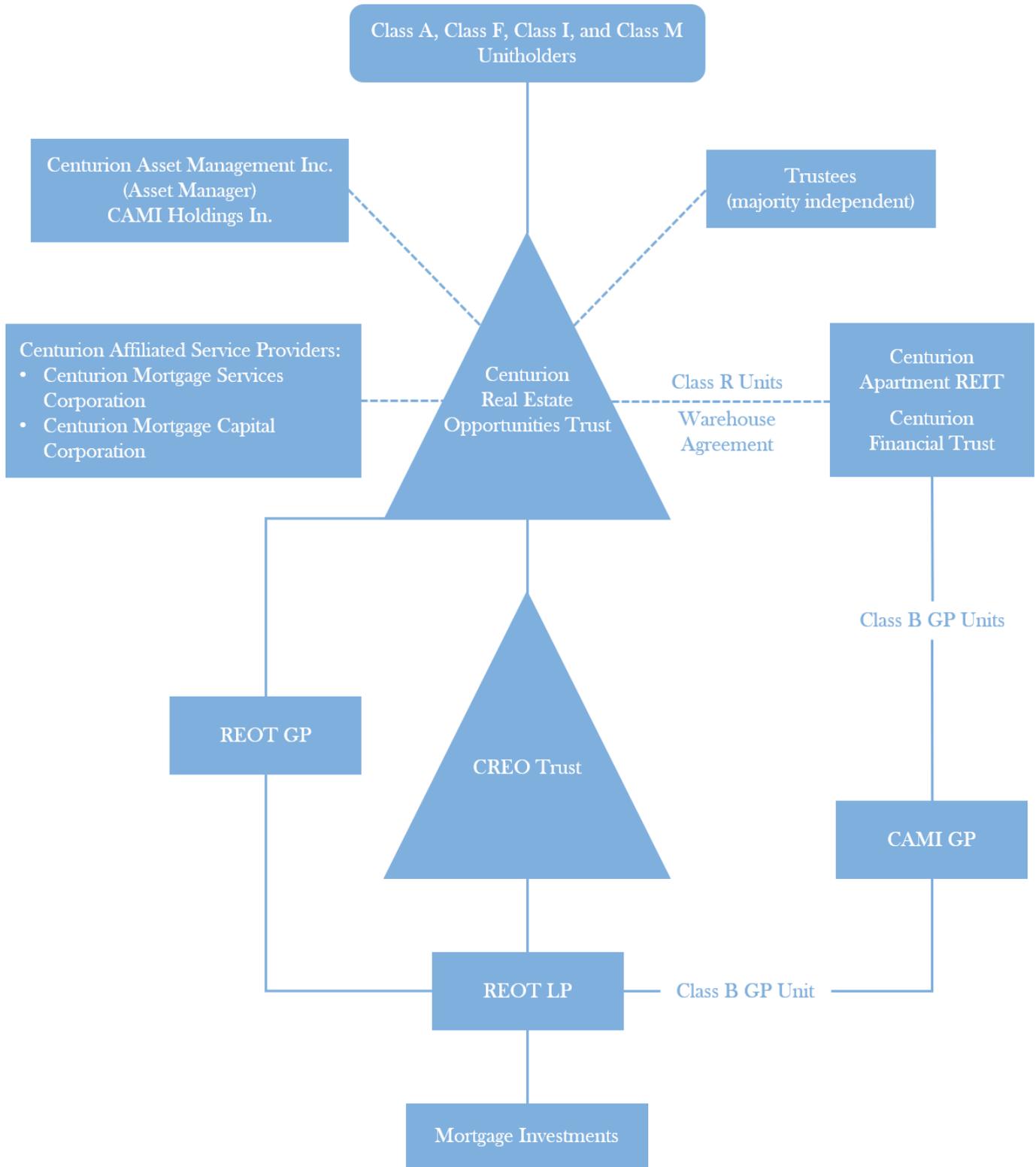
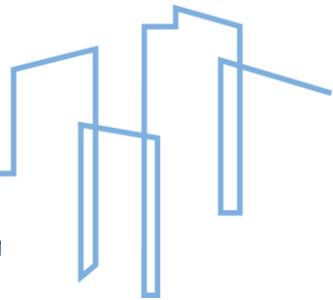
As further consideration for Centurion Apartment REIT providing the warehouse facility and entering into the Warehouse Agreement, during the term of the Warehouse Agreement, the Trust has agreed to assign at no cost to Centurion Apartment REIT the exclusive first right to exercise any Property Offer Option granted to the Trust, provided such Property Offer Option is transferable to Centurion Apartment REIT. During the term, such right shall apply to all Mortgage Assets held by the Trust regardless of whether such Mortgage Assets and/or other investments are warehoused with Centurion Apartment REIT in accordance with the Warehouse Agreement. Centurion Apartment REIT and the Trust have acknowledged in the Warehouse Agreement that the Fair Market Value of each Property Offer Option is expected to be nominal and that unless Centurion Apartment REIT and the Trust, each acting reasonably and in good faith, determine otherwise, the purchase price for each Property Offer Option shall be \$0.

Centurion Apartment REIT has the option to require that the Trust pay the purchase price of any Warehoused Mortgages and/or Warehoused Other Investments in additional Class R Units rather than in cash, or to satisfy the purchase price of a Property Offer Option and any underlying Warehoused Mortgage and/or other investment relating thereto through the redemption of Class R Units.

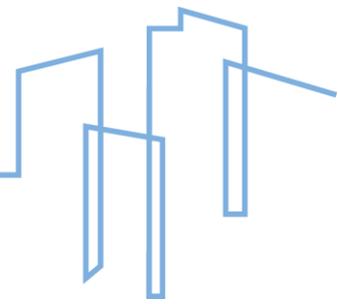
As noted, the Trust has also entered into a Warehouse Agreement with Centurion Financial Trust whereby the Trust potentially agrees to fund (purchase) and warehouse certain investments by (or on behalf of) Centurion Financial Trust. This Warehouse Agreement operates in a similar manner except that the Trust may warehouse investments for Centurion Financial Trust.

# CENTURION REOT

## ORGANIZATIONAL STRUCTURE



# OUTLOOK AND BUSINESS STRATEGY



Management is focused on a number of key areas for 2019 that can be broken down as follows:

## **Growth Strategy**

The goals for 2019 are continued profitable growth and risk mitigation. Demand for mortgage debt has continued to accelerate through 2018 and seems greater today than it was only a few months ago. We anticipate that there will be many worthwhile investment opportunities for the Trust to explore just like we saw in 2018 with exceptionally robust growth in the portfolio.

In 2018, the weighted-average mortgage investment yield declined to 9.20% not because of the market being exceptionally competitive but due to Management's deliberate strategy to move down the risk curve, and doing more first mortgage business. While absolute returns do matter, our primary concerns are to protect capital and earn the best risk adjusted returns that we can. As such, we believe that the portfolio allocation decisions we have been making are improving the risk adjusted returns of the portfolio while only moderately reducing total return.

Currently, less than 0.7% of the portfolio is in default, which is well below what we anticipate is the normal work out rate. Management believes that at this point in the market cycle, that this strategy is what makes the most sense.

## **Evolving Market Risks**

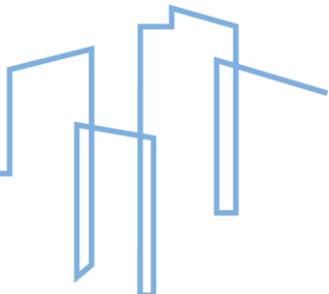
The real estate market in Canada continues to cool nationally. Increased regulatory burdens, plus increased mortgage interest rates due to hikes from the Bank of Canada, have largely engineered the soft landing that the market was hoping for. Sales activity has slowed considerably and prices in many markets have softened, but not collapsed.

The Canadian economy is vulnerable to a recession given how long the current expansion has lasted. Global economic growth also seems to be moderating. Canadian household debt levels are too high and provincial and federal governments continue to run disturbingly high deficits which will likely go higher as the economy slows. As a result, we believe that interest rates have peaked and that interest rate cuts from the Bank of Canada are likely on the table in the not too distant future.

Rental demand is exceptionally strong as supply constraints, strong inbound migration, and an increased propensity to rent due to purchase affordability concerns continue to drive rents up in most parts of the country, but most strongly in Ontario and British Columbia. Given the product mix of product that the Trust has invested in, Management believes that this provides a strong cushion of value as the correction plays out. It is these very conditions that has further tightened the availability of credit to developers and we are seeing great deal flow as a result, picking the deals that make the most sense to us.

Target yields for 2019 remain in the 7%-12% range on non-participating investments and 20% on participating investments.

# 2018 OPERATING RESULTS



2018 was an exceptional year for the Trust both operationally and performance wise.

Since its last fiscal year, assets of the Trust grew approximately 49.2% from \$373.7 million to \$557.5 million as at December 31, 2018. Interest income increased 38.9% from \$24.3 million to \$33.8 million.

The portfolio continues to be well diversified with 95 funded investments. Of these 95 investments, 20 are participating and 10 are equity. Participating means that the Trust has an equity-type risk position in these projects resulting in the potential for upside beyond the return from the mortgage investment side of the projects. This is in alignment with the strategic goals of the Trust. The Trust increased its equity investments by 89.2%. This represents 10 investments totalling \$106 million. Some of these equity investments will provide a pipeline of investment acquisition opportunities to Centurion Apartment REIT.

Of the investments categorized as mortgage investments (non-participating), the weighted-average interest rate is 9.20%, with a term to maturity of 0.77 years and a weighted average loan to value of 68.19%. 88% of the investments are residential, 9% are commercial, and 3% are industrial. This is further broken down into pre-development (23%), construction (58%), and term (19%). 83.1% of the investments are in a preferred position in terms of the capital stack.

The investments by rank include first positions (48%), second positions (35%) and equity positions (17%). The average investment size was \$5.8 million.

Portfolio turnover was strong with \$115.6 million in pay-downs and \$269.1 million in funding during the year.

A recovery of the Trust's provision for expected credit losses of approximately \$0.8 million related to mortgage investments has been recorded as at December 31, 2018, which represents 0.28% of the mortgage investment portfolio. This is an allowance against future potential credit related losses not identified and does not reflect an actual loss incurred.

The Trust made three investments in the United States totalling \$25.5 million USD during the year. One of these investments was in Texas and the other two were in Florida. The Trust continues to seek opportunities in the United States.

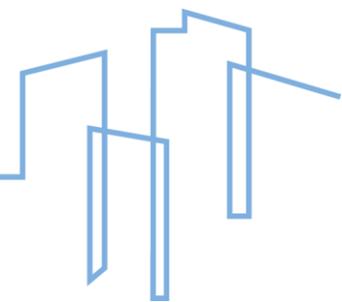
Please see Appendix A for details of the portfolio.

With lending at higher rates, comes higher risk. The Trust's underwriting and due diligence processes attempts to protect the Trust from unnecessary risk; however, defaults and other events may occur from time to time.

During the year, the Trust foreclosed on a multi-residential partially-built property after the borrower defaulted in 2017. Through legal proceedings, the Trust pursued multiple leads that had expressed interest in purchasing the property. The Trust was unable to reach an agreement for the proposed sale so the Trust completed the foreclosure in December 2018. The Trust has contracted with a builder and construction manager who will complete construction of the building. The Trust wrote down \$2.1 million on the foreclosure but anticipates a full recovery once the building is completed and sold. It is anticipated that Centurion Apartment REIT will ultimately be the buyer of the property once completed given its size, quality, and location.

During the year, the Trust entered into two syndicated mortgage investment transactions. Under IFRS, syndicated mortgages are recorded as liabilities when in fact they are not liabilities to the Trust. We intend to increase our syndicated mortgage business in 2019 by increasing the Trust's resources that will be focused on growing this business line.

# 2018 OPERATING RESULTS



## NET INCOME AND COMPREHENSIVE INCOME

(expressed in thousands of Canadian dollars)

	2018	2017
Interest income on mortgage investments	\$33,533	\$24,341
Other income	\$162	\$200
Income from equity accounted investments	\$9,585	\$10,883
Fair value gains on participating loan interests	\$4,215	\$12,897
Fair value loss on foreclosed properties	(\$2,053)	-
Recovery of (allowance for) expected credit losses	\$828	(\$872)
General and administrative expenses	(\$3,577)	(\$2,498)
Finance costs	(\$1,208)	(\$630)
Currency translation gains (losses)	\$255	(\$94)
<b>Net Income and Comprehensive Income</b>	<b>\$41,740</b>	<b>\$44,227</b>

General and administrative expenses incurred during the year were \$3.6 million which was made up of salaries, commissions, professional fees, and other expenses as noted in Note 12 of the Centurion Real Estate Opportunities Trust Consolidated Financial Statements.

While it is always difficult to predict what opportunities will present themselves over the rest of the year, Management believes that based on the Trust's current deal flow and active deals under due diligence, that it will be able to successfully and accretively deploy capital in 2019. Based on current projections, we have an estimated \$86.2 million of deal flow within the next five months.

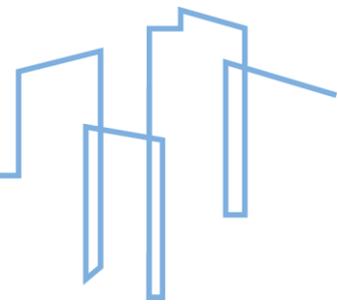
The expected returns for the portfolio based on current expectations are as follows:

## EXPECTED RETURNS

	Weight	Anticipated Returns
Non-participating investments	66.00%	9.20%
Participating investments	34.00%	30.77% <sup>1</sup>
Weighted anticipated investments	100.00%	16.53%

<sup>1</sup> This represents *IRR* of deal underwriting over the life of the specific investment. The *IRR*'s on participating investments are estimated, are not guaranteed, may not be realized, are not expected to occur linearly, and may change materially. The *IRR*'s are estimated over the investments life and may not be realized in 2019. The weighted anticipated returns are gross returns prior to operating expenses.

# 2018 OPERATING RESULTS



See Appendix A – Summary Information About the Investment Portfolio

<b>KEY PORTFOLIO METRICS</b> <i>(expressed in thousands of Canadian dollars)</i>	2018	2017
Total investments committed	\$685,118	\$442,434
Total investments funded	\$504,340	\$329,822
Mortgage investments	\$334,701	\$264,104
Participating loan interests	\$85,840	\$23,156
Equity accounted investments	\$83,799	\$42,562
LTV on mortgage investments	68.19%	65.87%
<b>Investment Ranking</b>		
First position	48%	36%
Second position	35%	51%
Equity position	17%	13%
Weighted average term*	0.77 years	1.02 years
Weighted average interest rate*	9.20%	10.01%

\* Mortgage investments only

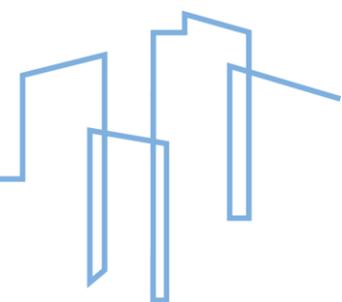
\*\* This schedule excludes fair value on participating loan interests and equity accounted investments.

\*\*\* This is an operational schedule and does not align with accounting treatment per the balance sheet (i.e. 2017 and prior, participating loan interests only included the FV component).

Effective January 1, 2018, the Trust adopted IFRS 9 Financial Instruments (“IFRS 9”), which replaced IAS 39 Financial Instruments: Recognition and Measurement (“IAS 39”). Under IFRS 9, the standard mortgage investment components previously separated from their participating loan interest counterparts were combined into single investments and remeasured at fair value. The adoption of IFRS 9 had no effect on the measurement of the Trust’s total assets or total liabilities; however, the Trust was required to reclassify \$85.1 million from mortgage investments to participating loan interests.

# “FFO”, “NFFO”, AND “PFFO”

## Funds From Operations, Normalized Funds From Operations, and Potential Funds From Operations

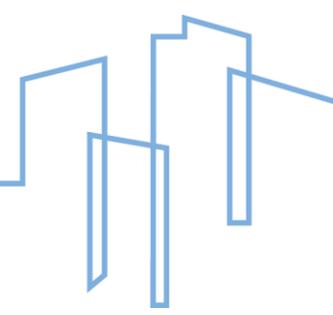


<i>(expressed in thousands of Canadian dollars)</i>	2018	2017
<b>FFO (Funds From Operations)</b>		
Net Income and Comprehensive Income	\$41,740	\$44,227
Plus: Allowance (recovery) for expected credit losses	(\$828)	\$872
Plus: Capital raising costs expensed through G&A	\$23	\$196
<b>FFO</b>	<b>\$40,935</b>	<b>\$45,295</b>
<b>NFFO (Normalized Funds From Operations)</b>		
FFO	\$40,935	\$45,295
Plus: Unlevered cash <sup>1</sup>	\$391	\$102
<b>NFFO</b>	<b>\$41,326</b>	<b>\$45,397</b>
<b>PFFO (Potential Funds From Operations)</b>		
NFFO	\$41,326	\$45,397
Plus: Deployment of undrawn credit facility	\$339	\$300
<b>PFFO</b>	<b>\$41,665</b>	<b>\$45,697</b>
Adjusted Number of Outstanding Units	38,620,673	26,206,240
<b>Per Unit Statistics (Per Adjusted Number of Outstanding Units)</b>		
Net Income and Comprehensive Income	\$1.08	\$1.69
FFO	\$1.06	\$1.72
NFFO	\$1.07	\$1.73
PFFO	\$1.08	\$1.74

**Notes:**

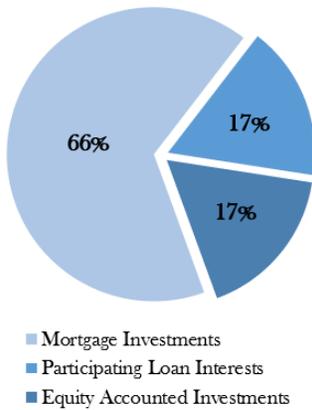
<sup>1</sup> Represents the average cash balance deployed at 10.0% net return.

# PORTFOLIO SUMMARY

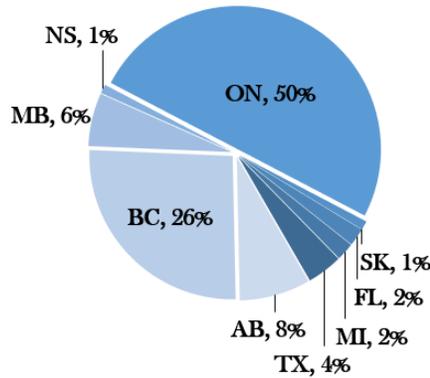


The following charts provide summary for the portfolio as at December 31, 2018.

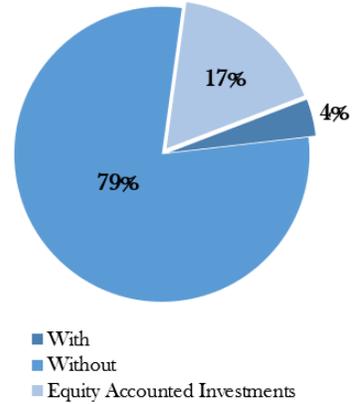
**BY PARTICIPATION**



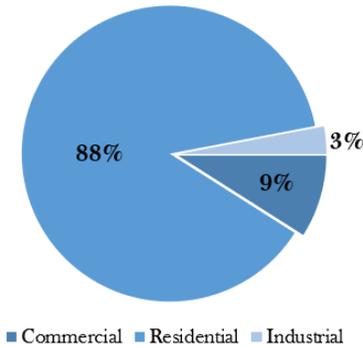
**BY PROVINCE / STATE**



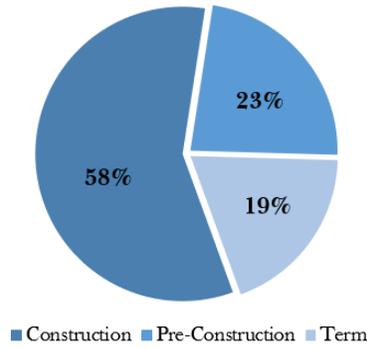
**BY PURCHASE OPTIONS**



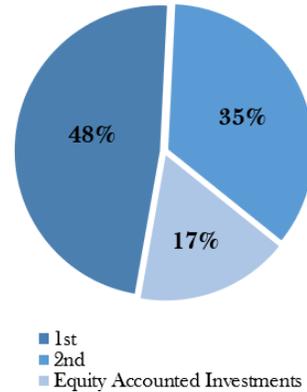
**BY LOAN TYPE**



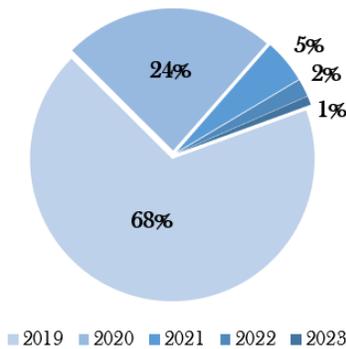
**BY DEVELOPMENT STAGE**



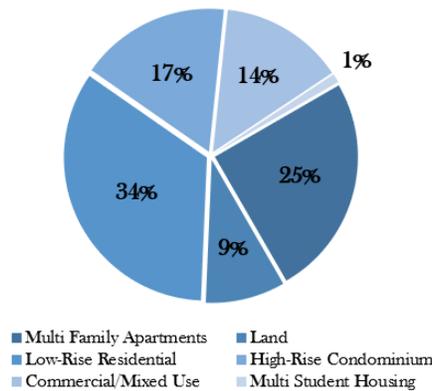
**BY RANK**



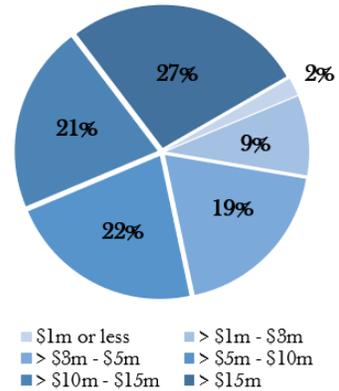
**BY MATURITY**



**BY UNDERLYING SECURITY**



**BY INVESTMENT SIZE**



# ISSUED AND OUTSTANDING NUMBER OF UNITS

The following table depicts the number of Issued and Outstanding Units as at December 31, 2018:

SUMMARY OF UNIT HOLDINGS AS AT DECEMBER 31		
	2018	2017
Class A	6,737,307	5,602,263
Class F	3,269,192	1,954,330
Class I	4,376,942	2,292,339
Class R	31,024,258	20,621,036
Class M	50,000	50,000
<b>Total</b>	<b>45,457,699</b>	<b>30,519,968</b>

As at December 31, 2018, Centurion Apartment REIT held 63.81% (2017 - 61.84%) of the Trust. The weighted-average units outstanding for the period was 38,620,673.

## DISTRIBUTIONS

Distributions per unit were set at \$0.70/Unit/Annum for Class A Units, and \$0.80/Unit/Annum for Class F and Class I Units for 2018. The unit price was \$11.579 as at December 31, 2018, an increase of 2.7% from the prior year. It is expected that the Trust will maintain this level of distributions, excluding bonus distributions. Approximately 54.0% of the Trust's investors have selected the distribution reinvestment plan option.

A Bonus Distribution was paid to all unitholders of record as at December 31, 2018 in the amount of \$0.0833/unit which was paid in units at December 31, 2018. As a result, the Net Asset Value of the Trust was subsequently reduced by the bonus amount.

## TAX TREATMENT OF DISTRIBUTIONS

The following chart discloses the tax treatment of REOT's distributions since inception:

BOX ON T3	DESCRIPTION	2018	2017	2016	2015	2014
26	Other Income	83.87%	83.10%	98.47%	94.85%	97.98%
25	Foreign non-business income	2.00%				
42	Return of Capital	14.13%	-	1.53%	5.15%	2.02%
21	Capital Gains		16.90%	-	-	-
		100.00%	100.00%	100.00%	100.00%	100.00%

# OPERATING FACILITIES AND LIQUIDITY MANAGEMENT

The Trust has a credit facility with a Canadian Chartered Bank totaling \$30.0 million. As at December 31, 2018, \$17.0 million was available as undrawn. This credit facility, combined with the Warehouse Agreements, provides the Trust with additional financial flexibility and enables the Trust to meet and continue its strategic growth goals.

# CAPITAL RAISING ACTIVITY

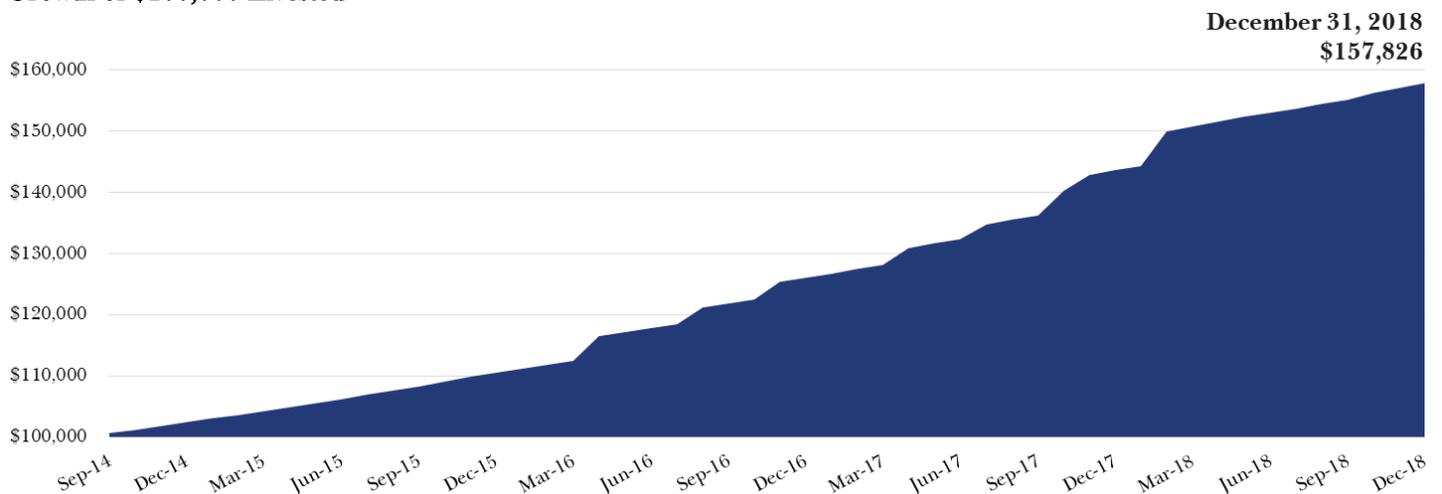
The Trust was open for investment for most of 2018 and approximately \$54.7 million was raised through external investors. In addition, Centurion Apartment REIT and Centurion Financial Trust purchased a total of \$95.0 million of Class R units during the year. As at December 31, 2018, Centurion Apartment REIT owns 63.81 % of the Trust.

The Trust continues to increase its market exposure by expanding its investment channels. The Trust is currently approved on over 43 platforms, ranging from exempt market dealers, IIROC dealers, and family offices. We continue to work on being approved at numerous other platforms across the country.

# TOTAL RETURNS

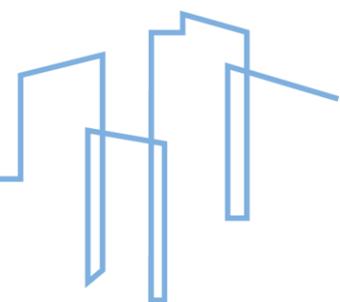
Calendar Returns	2014	2015	2016	2017	2018	Compound Returns	1-Year	2-Year	3-Year	4-Year	Since Inception
Centurion REOT	2.40%*	7.21%	14.10%	13.92%	9.95%	Centurion REOT	9.95%	11.92%	12.64%	11.26%	10.88%

## Growth of \$100,000 Invested



\* For partial year September 15, 2014 to December 31, 2014

# USE OF PROCEEDS



Form 45-106 is a required regulatory form which provides details of the use of proceeds as at the financial year-end. The date of the report is March 7, 2019, which is the date of the auditor's report on the consolidated financial statements for the Trust for the most recently completed financial year December 31, 2018.

## NOTICE OF USE OF PROCEEDS CENTURION REAL ESTATE OPPORTUNITIES TRUST (\$'000)

For the financial year ended December 31, 2018

Report date March 7, 2019 <sup>1</sup>

2018

### 1. OPENING PROCEEDS

(A)	Closing unused proceeds balance from the last Notice in Form 45-106F16 filed, if any	-
(B)	Proceeds raised in the most recently completed financial year	\$70,373
(C)	Total opening proceeds	\$70,373

### 2. PROCEEDS USED DURING THE MOST RECENT COMPLETED FINANCIAL YEAR

Proceeds used to pay the following: <sup>2</sup>

	Unit issue costs	\$750
	Mortgage investments issued, net	\$11,183
	Participating loan interests issued, net	(\$6,642)
	Equity accounted investments issued, net	\$39,029
	Redemptions of units	\$7,438
	Change in working capital	\$18,615
(D)	Total used proceeds	\$70,373

### 3. CLOSING UNUSED PROCEEDS

(E)	Closing unused proceeds	-
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### NOTES

<sup>1</sup> The regulation states that the date must be no earlier than the date of the auditor's report.

<sup>2</sup> The Consolidated Statement of Cash Flows included in the audited consolidated financial statements provides more detailed information.

# APPENDIX A

## Summary Information About The Investment Portfolio (December 31, 2018)

Investments Segregation (excl. Foreclosed Properties & Fair Value)		REOT							
		Funded				Committed			
		\$	#	% (\$)	Wt.-Avg. Rate	\$	#	% (\$)	
<b>By Participation</b>									
Mortgage Investments	\$	334,701	65	66%	9.20%	\$	493,475	69	72%
Participating Loan Interests	\$	85,840	20	17%	10.37%	\$	97,570	20	14%
Equity Accounted Investments	\$	83,799	10	17%	0.00%	\$	94,074	10	14%
<b>Total</b>	<b>\$</b>	<b>504,340</b>	<b>95</b>	<b>100%</b>	<b>9.44%</b>	<b>\$</b>	<b>685,118</b>	<b>99</b>	<b>100%</b>
<b>By Rank</b>									
1st	\$	242,565	41	48%	8.86%	\$	342,971	44	50%
2nd	\$	177,976	44	35%	10.23%	\$	248,073	45	36%
Equity Accounted Investments	\$	83,799	10	17%	0.00%	\$	94,074	10	14%
<b>Total</b>	<b>\$</b>	<b>504,340</b>	<b>95</b>	<b>100%</b>	<b>9.44%</b>	<b>\$</b>	<b>685,118</b>	<b>99</b>	<b>100%</b>
<b>By Loan Type</b>									
Commercial	\$	45,759	12	9%	8.43%	\$	58,592	12	9%
Residential	\$	442,449	78	88%	9.47%	\$	586,196	80	85%
Industrial	\$	13,829	3	3%	11.05%	\$	25,829	4	4%
Term	\$	2,302	2	0%	12.01%	\$	14,500	3	2%
<b>Total</b>	<b>\$</b>	<b>504,340</b>	<b>95</b>	<b>100%</b>	<b>9.44%</b>	<b>\$</b>	<b>685,118</b>	<b>99</b>	<b>100%</b>
<b>By Province/State</b>									
<b>Canada</b>									
AB	\$	42,538	15	8%	10.94%	\$	52,225	15	8%
BC	\$	132,771	15	26%	9.28%	\$	156,521	15	23%
MB	\$	31,133	6	6%	9.42%	\$	42,351	6	6%
NS	\$	4,235	1	1%	10.00%	\$	4,235	1	1%
ON	\$	249,144	53	50%	9.28%	\$	346,753	57	49%
SK	\$	3,711	1	1%	0.00%	\$	4,106	1	1%
<b>Subtotal (A)</b>	<b>\$</b>	<b>463,532</b>	<b>91</b>	<b>92%</b>	<b>9.43%</b>	<b>\$</b>	<b>606,191</b>	<b>95</b>	<b>88%</b>
<b>United States</b>									
FL	\$	11,117	2	2%	10.00%	\$	46,588	2	7%
MI	\$	7,652	1	2%	10.00%	\$	10,299	1	2%
TX	\$	22,039	1	4%	0.00%	\$	22,039	1	3%
<b>Subtotal (B)</b>	<b>\$</b>	<b>40,808</b>	<b>4</b>	<b>8%</b>	<b>10.00%</b>	<b>\$</b>	<b>78,927</b>	<b>4</b>	<b>12%</b>
<b>Grand Total (A + B)</b>	<b>\$</b>	<b>504,340</b>	<b>95</b>	<b>100%</b>	<b>9.44%</b>	<b>\$</b>	<b>685,118</b>	<b>99</b>	<b>100%</b>

# APPENDIX A

## Summary Information About The Investment Portfolio (December 31, 2018)

REOT								
Investments Segregation (excl. Foreclosed Properties & Fair Value)	Funded				Committed			
	\$	#	% (\$)	Wt.-Avg. Rate	\$	#	% (\$)	
<b>By City</b>								
<b>Greater Toronto Area</b>								
Ajax	\$ 12,398	2	2.46%	9.68%	\$ 20,997	2	3.06%	
Burlington	\$ -	0	0.00%	0.00%	\$ 12,000	1	1.75%	
Caledon East	\$ 582	1	0.12%	10.00%	\$ 582	1	0.09%	
Clarington	\$ 4,430	1	0.88%	10.00%	\$ 9,312	2	1.36%	
Markham	\$ 26,200	1	5.19%	9.25%	\$ 27,000	1	3.94%	
Mississauga	\$ 11,073	1	2.20%	8.00%	\$ 11,073	1	1.62%	
Newcastle	\$ 4,260	2	0.84%	14.46%	\$ 6,363	2	0.93%	
Oakville	\$ 3,852	1	0.76%	9.25%	\$ 4,500	2	0.66%	
Pickering	\$ 9,669	2	1.92%	8.16%	\$ 14,882	2	2.17%	
Richmond Hill	\$ 2,144	2	0.43%	17.18%	\$ 3,500	2	0.51%	
Scarborough	\$ 16,052	3	3.18%	8.73%	\$ 34,868	3	5.09%	
Toronto	\$ 51,268	10	10.17%	9.59%	\$ 53,777	10	7.85%	
Vaughan	\$ 20,136	1	3.99%	7.25%	\$ 20,136	1	2.94%	
<b>Subtotal (A)</b>	<b>\$ 162,066</b>	<b>27</b>	<b>32.13%</b>	<b>9.17%</b>	<b>\$ 218,990</b>	<b>30</b>	<b>31.96%</b>	
<b>Greater Vancouver Area</b>								
Coquitlam	\$ 5,042	1	1.00%	10.00%	\$ 5,042	1	0.74%	
Delta	\$ 1,678	1	0.33%	12.95%	\$ 10,000	1	1.46%	
Port Moody	\$ 2,304	1	0.46%	8.50%	\$ 2,500	1	0.36%	
Surrey	\$ 44,534	2	8.83%	8.86%	\$ 44,975	2	6.56%	
<b>Subtotal (B)</b>	<b>\$ 53,558</b>	<b>5</b>	<b>10.62%</b>	<b>9.08%</b>	<b>\$ 62,517</b>	<b>5</b>	<b>9.12%</b>	
<b>Vancouver Island</b>								
Duncan	\$ 3,229	1	0.64%	8.45%	\$ 6,392	1	0.93%	
Sooke	\$ 11,797	1	2.34%	9.50%	\$ 13,000	1	1.90%	
Victoria	\$ 37,494	6	7.43%	10.02%	\$ 42,097	6	6.14%	
<b>Subtotal (C)</b>	<b>\$ 52,519</b>	<b>8</b>	<b>10.41%</b>	<b>9.80%</b>	<b>\$ 61,490</b>	<b>8</b>	<b>8.98%</b>	
<b>Guelph-Waterloo Area</b>								
Guelph	\$ 6,459	4	1.28%	10.00%	\$ 11,570	5	1.69%	
Kitchener	\$ 5,033	1	1.00%	8.00%	\$ 5,033	1	0.73%	
Waterloo	\$ 21,129	4	4.19%	10.00%	\$ 24,994	4	3.65%	
<b>Subtotal (D)</b>	<b>\$ 32,621</b>	<b>9</b>	<b>6.47%</b>	<b>9.69%</b>	<b>\$ 41,597</b>	<b>10</b>	<b>6.07%</b>	

# APPENDIX A

## Summary Information About The Investment Portfolio (December 31, 2018)

REOT								
Investments Segregation (excl. Foreclosed Properties & Fair Value)	Funded				Committed			
	\$	#	% (\$)	Wt.-Avg. Rate	\$	#	% (\$)	
<b>By City (continued)</b>								
<b>Other Canadian Cities</b>								
Abbotsford	\$ 22,993	1	4.56%	8.25%	\$ 28,549	1	4.17%	
Barrie	\$ 624	1	0.12%	9.50%	\$ 3,000	1	0.44%	
Brantford	\$ 15,369	3	3.05%	9.72%	\$ 16,380	3	2.39%	
Calgary	\$ 9,772	3	1.94%	10.00%	\$ 9,965	3	1.45%	
Cochrane	\$ 7,433	1	1.47%	0.00%	\$ 9,730	1	1.42%	
Collingwood	\$ 413	1	0.08%	9.25%	\$ 418	1	0.06%	
Dartmouth	\$ 4,235	1	0.84%	10.00%	\$ 4,235	1	0.62%	
Edmonton	\$ 20,582	7	4.08%	11.54%	\$ 21,872	7	3.19%	
Elk Point	\$ 857	1	0.17%	10.00%	\$ 857	1	0.13%	
Grimsby	\$ 5,712	2	1.13%	8.81%	\$ 6,941	2	1.01%	
Hamilton	\$ 17,924	3	3.55%	9.48%	\$ 34,099	3	4.98%	
Kingston	\$ 3,581	1	0.71%	8.50%	\$ 3,581	1	0.52%	
Minett	\$ 6,475	3	1.28%	8.50%	\$ 10,396	3	1.52%	
Okotoks	\$ 730	1	0.14%	15.00%	\$ 6,600	1	0.96%	
Orillia	\$ 1,226	1	0.24%	10.07%	\$ 7,287	1	1.06%	
Peterborough	\$ 1,318	1	0.26%	10.00%	\$ 2,250	1	0.33%	
Regina	\$ 3,711	1	0.74%	0.00%	\$ 4,106	1	0.60%	
Squamish	\$ 3,700	1	0.73%	11.00%	\$ 3,966	1	0.58%	
St. Albert	\$ 1,149	1	0.23%	9.00%	\$ 1,185	1	0.17%	
Stony Plain	\$ 2,016	1	0.40%	9.50%	\$ 2,016	1	0.29%	
Timmins	\$ 1,815	1	0.36%	10.00%	\$ 1,815	1	0.26%	
Winnipeg	\$ 31,133	6	6.17%	9.42%	\$ 42,351	6	6.18%	
<b>Subtotal (E)</b>	<b>\$ 162,768</b>	<b>42</b>	<b>32.27%</b>	<b>9.66%</b>	<b>\$ 221,598</b>	<b>42</b>	<b>32.34%</b>	
<b>United States</b>								
Detroit	\$ 7,652	1	1.52%	10.00%	\$ 10,299	1	1.50%	
Estero	\$ 10,277	1	2.04%	0.00%	\$ 13,552	1	1.98%	
Irving	\$ 22,039	1	4.37%	0.00%	\$ 22,039	1	3.22%	
Tampa	\$ 840	1	0.17%	10.00%	\$ 33,037	1	4.82%	
<b>Subtotal (F)</b>	<b>\$ 40,808</b>	<b>4</b>	<b>8.09%</b>	<b>10.00%</b>	<b>\$ 78,927</b>	<b>4</b>	<b>11.52%</b>	
<b>Grand Total (SUM A to F)</b>	<b>\$ 504,340</b>	<b>95</b>	<b>100.00%</b>	<b>9.44%</b>	<b>\$ 685,118</b>	<b>99</b>	<b>100.00%</b>	

# APPENDIX A

## Summary Information About The Investment Portfolio (December 31, 2018)

REOT								
Investments Segregation (excl. Foreclosed Properties & Fair Value)	Funded				Committed			
	\$	#	% (\$)	Wt.-Avg. Rate	\$	#	% (\$)	
<b>By Purchase Options</b>								
With	\$ 21,513	7	4%	10.00%	\$ 26,395	8	4%	
Without	\$ 399,028	78	79%	9.41%	\$ 564,649	81	82%	
Equity Accounted Investments	\$ 83,799	10	17%	0.00%	\$ 94,074	10	14%	
<b>Total</b>	<b>\$ 504,340</b>	<b>95</b>	<b>100%</b>	<b>9.44%</b>	<b>\$ 685,118</b>	<b>99</b>	<b>100%</b>	
<b>By Development Stage</b>								
Construction	\$ 296,711	60	58%	9.93%	\$ 445,613	61	65%	
Pre-Construction	\$ 114,127	13	23%	8.73%	\$ 129,907	15	19%	
Term	\$ 93,502	22	19%	9.17%	\$ 109,598	23	16%	
<b>Total</b>	<b>\$ 504,340</b>	<b>95</b>	<b>100%</b>	<b>9.44%</b>	<b>\$ 685,118</b>	<b>99</b>	<b>100%</b>	
<b>By Underlying Security</b>								
Multi Family Apartments	\$ 127,101	22	25%	10.56%	\$ 176,321	23	26%	
Land	\$ 46,595	4	9%	8.12%	\$ 48,536	5	7%	
Low-Rise Residential	\$ 168,983	35	34%	9.38%	\$ 238,271	36	34%	
High-Rise Condominium	\$ 86,468	14	17%	9.38%	\$ 113,099	14	17%	
Commercial/Mixed Use	\$ 70,405	19	14%	9.38%	\$ 104,102	20	15%	
Multi Student Housing	\$ 4,789	1	1%	10.00%	\$ 4,789	1	1%	
<b>Total</b>	<b>\$ 504,340</b>	<b>95</b>	<b>100%</b>	<b>9.44%</b>	<b>\$ 685,118</b>	<b>99</b>	<b>100%</b>	
<b>By Investment Size</b>								
\$1m or less	\$ 11,735	18	2%	11.27%	\$ 82,511	22	12%	
> \$1m - \$3m	\$ 45,162	21	9%	10.37%	\$ 67,374	21	10%	
> \$3m - \$5m	\$ 94,875	24	19%	9.68%	\$ 115,981	24	17%	
> \$5m - \$10m	\$ 113,097	17	22%	9.75%	\$ 130,806	17	19%	
> \$10m - \$15m	\$ 103,568	9	21%	9.42%	\$ 145,747	9	21%	
> \$15m	\$ 135,903	6	27%	8.54%	\$ 142,699	6	21%	
<b>Total</b>	<b>\$ 504,340</b>	<b>95</b>	<b>100%</b>	<b>9.44%</b>	<b>\$ 685,118</b>	<b>99</b>	<b>100%</b>	

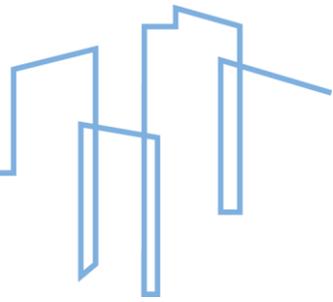
# APPENDIX A

## Summary Information About The Investment Portfolio (December 31, 2018)

REOT								
Investments Segregation (excl. Foreclosed Properties & Fair Value)	Funded				Committed			
	\$	#	% (\$)	Wt.-Avg. Rate	\$	#	% (\$)	
<b>By Maturity (excl. Equity &amp; FV Adj.)</b>								
2019	\$ 289,008	52	68%	9.37%	\$ 344,610	53	58%	
2020	\$ 100,295	25	24%	9.72%	\$ 159,716	27	27%	
2021	\$ 20,731	5	5%	8.90%	\$ 41,366	6	7%	
2022	\$ 7,652	1	2%	10.00%	\$ 10,299	1	2%	
2023	\$ 2,855	2	1%	9.65%	\$ 35,053	2	6%	
<b>Total</b>	<b>\$ 420,541</b>	<b>85</b>	<b>100%</b>	<b>9.44%</b>	<b>\$ 591,044</b>	<b>89</b>	<b>100%</b>	
<b>By Interest/Pref Rate (excl. Equity &amp; FV Adj.)</b>								
8% or less	\$ 58,718	8	14%	7.71%	\$ 58,718	8	10%	
> 8.0% - 8.5%	\$ 68,324	13	16%	8.37%	\$ 102,776	13	17%	
> 8.5% - 9.0%	\$ 69,966	7	17%	8.91%	\$ 101,382	8	17%	
> 9.0% - 9.5%	\$ 63,092	8	15%	9.33%	\$ 85,423	10	14%	
> 9.5% - 10.0%	\$ 106,174	29	26%	10.00%	\$ 161,993	30	27%	
> 10.0% - 10.5%	\$ 9,874	2	2%	10.45%	\$ 15,935	2	3%	
> 10.5% - 11.0%	\$ 4,273	2	1%	11.00%	\$ 6,641	2	1%	
> 11.0% - 11.5%	\$ 8,163	2	2%	11.27%	\$ 9,700	2	2%	
> 11.5% - 12.0%	\$ 14,586	3	3%	11.89%	\$ 14,935	3	3%	
> 12.5% - 13.0%	\$ 3,530	2	1%	12.98%	\$ 11,852	2	2%	
> 13.5% - 14.0%	\$ 1,471	1	0%	13.60%	\$ 1,471	1	0%	
> 14.5% - 15.0%	\$ 10,095	5	2%	15.00%	\$ 16,585	5	3%	
> 15.0%	\$ 2,276	3	1%	17.34%	\$ 3,632	3	1%	
<b>Total</b>	<b>\$ 420,541</b>	<b>85</b>	<b>100%</b>	<b>9.44%</b>	<b>\$ 591,044</b>	<b>89</b>	<b>100%</b>	
<b>By Committed LTV - Mortgage Investments</b>								
50% or less	\$ 43,634	8	13%	8.41%	\$ 54,341	10	11%	
> 50% - 60%	\$ 28,316	3	8%	8.68%	\$ 47,091	4	10%	
> 60% - 70%	\$ 108,083	21	32%	9.27%	\$ 148,249	21	30%	
> 70% - 80%	\$ 127,467	25	39%	9.24%	\$ 206,731	25	41%	
> 80% - 90%	\$ 27,201	8	8%	10.55%	\$ 37,063	9	8%	
<b>Total</b>	<b>\$ 334,701</b>	<b>65</b>	<b>100%</b>	<b>9.20%</b>	<b>\$ 493,475</b>	<b>69</b>	<b>100%</b>	
<b>By Payment Method - Mortgage Investments</b>								
Interest Accrue	\$ 64,571	22	34%	9.59%	\$ 157,207	25	32%	
Interest Reserve Payment	\$ 45,084	6	9%	9.01%	\$ 49,423	6	10%	
Periodic Cheques	\$ 44,740	7	11%	8.97%	\$ 55,806	7	11%	
Pre Authorized Payment	\$ 180,305	30	46%	9.17%	\$ 231,038	31	47%	
<b>Total</b>	<b>\$ 334,701</b>	<b>65</b>	<b>100%</b>	<b>9.20%</b>	<b>\$ 493,475</b>	<b>69</b>	<b>100%</b>	
<b>Estimated Built Out Value of Purchase Options</b>								
		Undiluted			Diluted			
Mortgage Investments	\$ 70,000	1	7%		\$ 52,500	1	8%	
Participating Loan Interests	\$ 349,941	6	34%		\$ 296,583	6	46%	
Equity Accounted Investments	\$ 612,761	10	59%		\$ 294,350	10	46%	
<b>Total</b>	<b>\$ 1,032,701</b>	<b>17</b>	<b>100%</b>		<b>\$ 643,434</b>	<b>17</b>	<b>100%</b>	

# APPENDIX B

## Risks and Uncertainties



There are certain risk factors inherent in an investment in the Units and in the activities of the Trust, including the following, which Subscribers should carefully consider before subscribing for the Units. Although investments made by the Trust will be carefully chosen by the Asset Manager, there is no representation made by the Asset Manager that such investments will have a guaranteed return to Unitholders nor that losses will not be suffered by the Trust from such investments. This Offering is not suitable for investors who cannot afford to assume significant risks in connection with their investments.

### **DEVELOPMENT RISKS**

The Trust may, directly or indirectly, invest in real estate development projects. Any existing or future development investments of the Trust will entail certain risks, including the expenditure of funds on and devotion of management's time to evaluating projects that may not come to fruition; the risk that development costs of a project may exceed original estimates, possibly making the project uneconomical; the risk of construction overrun or other unforeseeable delays, during which the interest rate and leasing risk may fluctuate; the risk that occupancy rates and rents at a completed project will be less than anticipated or that there will be vacant space at the project; the risk that expenses at a completed development will be higher than anticipated; and the risk that permits and other governmental approvals will not be obtained. In addition, the Trust's future real estate development investments may require a significant investment of capital. The Trust may be required to obtain funds for its capital expenditures and operating activities, if any, through cash flow from operations, property sales or financings. If the Trust is unable to obtain such funds, it may have to defer or otherwise limit certain development activities.

### **RISKS RELATED TO MORTGAGE EXTENSIONS AND MORTGAGE DEFAULTS**

The Asset Manager may from time to time deem it appropriate to extend or renew the term of a mortgage past its maturity, or to accrue the interest on a mortgage, in order to provide the borrower with increased repayment flexibility. The Asset Manager generally will do so if it believes that there is a relatively low risk to the Trust of not being repaid the full principal and interest owing on the mortgage. In these circumstances, however, the Trust is subject to the risk that the principal and/or accrued interest of such mortgage may

not be repaid in a timely manner or at all, which could impact the cash flows of the Trust during and after the period in which it is granting this accommodation. Further, in the event that the valuation of the asset has fluctuated substantially due to market conditions, there is a risk that the Trust may not recover any of the principal and interest owed to it in respect of such mortgage.

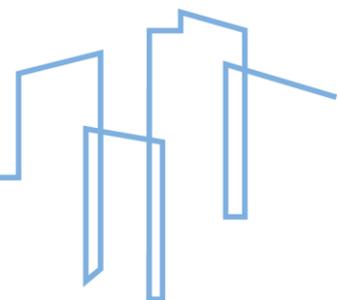
When a mortgage is extended past its maturity, the loan can either be held over on a month-to-month basis or renewed for an additional term at the time of its maturity. Notwithstanding any such extension or renewal, if the borrower subsequently defaults under any terms of the loan, the Mortgage Servicer has the ability to exercise its mortgage enforcement remedies in respect of the extended or renewed Mortgage. Exercising mortgage enforcement remedies is a process that requires a significant amount of time to complete, which could adversely impact the cash flows of the Trust during the period of enforcement. In addition, as a result of potential declines in real property values, the priority ranking of the mortgage and other factors, there is no assurance that the Trust will be able to recover all or substantially all the outstanding principal and interest owed to it in respect of such mortgages by the Mortgage Servicer's exercise of Mortgage enforcement remedies for the benefit of the Trust. Should the Trust be unable to recover any portion of the principal and interest owed to it in respect of such mortgage, the assets of the Trust would be reduced, and the returns, financial condition, and results of operations of the Trust could be adversely impacted.

### **FORECLOSURE OR POWER OF SALE AND RELATED COSTS ON MORTGAGE INVESTMENTS**

One or more borrowers could fail to make payments according to the terms of their loan, and the Trust could therefore be forced to exercise its rights as mortgagee. The recovery of a portion of the Trust's assets may not be possible for an extended period of time during this process and there are circumstances where there may be complications in the enforcement of the Trust's rights as mortgagee. Legal fees and expenses and other costs incurred by the Trust in enforcing its rights as mortgagee against a defaulting borrower are usually recoverable from the borrower directly or through the sale of the mortgaged property by power of sale or otherwise, although there is no assurance that they will actually be recovered. In the event that these expenses are not recoverable they will be borne by the Trust.

# APPENDIX B

## Risks and Uncertainties



Furthermore, certain significant expenditures, including property taxes, capital repair and replacement costs, maintenance costs, mortgage payments to prior charge holders, insurance costs and related charges must be made through the period of ownership of real property regardless of whether mortgage payments are being made. The Trust may therefore be required to incur such expenditures to protect its investment, even if the borrower is not honoring its contractual obligations.

### **CRITICAL ESTIMATES, ASSUMPTIONS, AND JUDGMENTS**

The preparation of financial statements as per IFRS requires the Asset Manager to make judgments, assumptions and estimates that affect the reported amounts in the consolidated financial statements. Actual results could differ from these estimates. Financial statement carrying values, in addition to other factors (as described under “Item 4: Capital Structure – 4.1 Share Capital – Valuation Policy”), serve as the basis for the calculation of the Fair Market Value of Units. For example, the Trust takes into account the anticipated increase in development equity investments when calculating their carry value, a practice which involves numerous assumptions and uncertainty. If such carrying values should prove to be incorrect, the Fair Market Value of the Units could be different. To the extent that the carrying values or critical estimates, assumptions and judgments are inaccurate, and given that investment portfolio values are calculated quarterly on a lagging basis, the Posted Price per Unit in any given month may be understated or overstated as the case may be. In light of the foregoing, there is a risk that a Unitholder who redeems all or part of its Units will be paid an amount less than it would otherwise be paid if the critical estimates, assumptions, and judgments were different, or if the calculation of property values was not calculated on a quarterly basis and thus potentially lagging the market. Similarly, there is a risk that such Unitholder might, in effect, be overpaid if the actual Fair Market Value is lower than the calculated Fair Market Value. In addition, there is a risk that an investment in the Trust by a new Unitholder (or an additional investment by an existing Unitholder) could dilute the value of such investments for the other Unitholders if the Posted Price of the Units is higher than the actual Fair Market Value of the Units. Further, there is a risk that a new Unitholder (or an existing Unitholder than makes an

additional investment) could pay more than it might otherwise have paid if the actual Fair Market Value of the Units is lower than the Posted Price. The Trust does not intend to adjust the Fair Market Value of the Trust retroactively.

As set forth in the definitions of “Fair Market Value”, the value of the Units is determined by the Trustees, in their sole discretion, using reasonable methods of determining Fair Market Value. Fair Market Value of the Units may or may not be equal to the net asset value of the Units. The description of the methodology of investment portfolio valuations and the calculation of Fair Market Value and Posted Prices of Units reflects the methodology used by the Trustees as at the date hereof in calculating Fair Market Value. The Trustees may, in their discretion, adopt alternative methodologies to calculate investment property values and Fair Market Value from time to time, such as obtaining independent quarterly appraisals, which the Trust does not currently receive, without notice to, or approval by, Unitholders. Such alternative methodologies may present the same or additional risks.

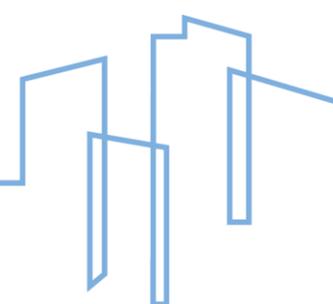
The Trust may sell properties to Centurion Apartment REIT which would be affected at a purchase price equal to Fair Market Value. The determination of Fair Market Value will be made in part by the Asset Manager and will be reviewed and approved by the Independent Trustees. Such determination will involve numerous estimates, assumptions, and uncertainties. To the extent that these estimates and assumptions are incorrect, the Trust may be adversely affected. See “also “Mortgage Warehouse Arrangements” below.

### **NO GUARANTEES OR INSURANCE ON MORTGAGE INVESTMENTS**

A mortgage borrower’s obligations to the Trust or any other person are not guaranteed by the Government of Canada, the government of any province or any agency thereof nor are they insured under the National Housing Act (Canada). In the event that additional security is given by the borrower or a third party or that a private guarantor guarantees the mortgage borrower’s obligations, there is no assurance that such additional security or guarantee will be available or sufficient to make the Trust whole if and when resort is to be had thereto.

# APPENDIX B

## Risks and Uncertainties



### **MORTGAGE WAREHOUSE ARRANGEMENTS**

The Trust may own certain rights to Warehoused Mortgages and Warehoused Other Investments pursuant to the Warehouse Agreements. The Warehouse Agreements provides the Trust with a facility to fund the purchase of additional Mortgage Assets and other investments. For such time as Centurion Apartment REIT is the beneficial owner of the Warehoused Mortgages and Warehoused Other Investments it is entitled to all related economic benefits. Until such time as the Trust has acquired such Warehoused Mortgages and Warehoused Other Investments, the Trust has no rights to such Warehoused Mortgages or Warehoused Other Investments, but is fully-exposed to the related downside risks by virtue of the unrestricted option to immediately sell any Warehoused Mortgages and/or Warehoused Other Investments that have been noted in default or that have otherwise experienced a negative credit or other event, as set out in the Warehouse Agreement. In the event that the Trust purchases Warehoused Mortgages and Warehoused Other Investments from Centurion Apartment REIT or Centurion Financial Trust, the calculation of the purchase price involves numerous estimates, assumptions, and uncertainties, especially with respect to the purchase of Warehoused Other Investments. To the extent that these estimates and assumptions are incorrect, the Trust may overpay for such Warehoused Mortgages and Warehoused Other Investments. There is no guarantee that Centurion Apartment REIT or Centurion Financial Trust will accept the warehousing of any particular Mortgage Asset or other investment and Centurion Apartment REIT may terminate the Warehouse Agreement on six (6) months' prior written notice.

### **AVAILABILITY OF CASH FOR DISTRIBUTIONS**

There can be no assurance that the Trust will be able to achieve its distribution targets or that the Trust will make any distributions in any particular month. Distributable Income is calculated before deducting items such as principal repayments and capital expenditures and, accordingly, may exceed actual cash available to the Trust from time to time. The Trust may be required to use part of its debt capacity or raise additional equity in order to accommodate such items, and there can be no assurance that funds from such sources will be available on favorable terms or at all. In such circumstances, distributions may be reduced or suspended. Accordingly, cash distributions are not guaranteed and cannot

be assured. The funds available for distribution to Unitholders will vary according to, among other things, the return on the assets in the Portfolio and the value of the assets in the Portfolio. Further, Distributable Income can exceed net income and have the result of an erosion of Unitholder's equity.

Distributable Income is calculated in accordance with the Declaration of Trust. Distributable Income is not a measure recognized under Canadian generally accepted accounting principles and does not have a standardized meaning prescribed by IFRS. Distributable Income is presented herein because management of the Trust believes this non-IFRS measure is a relevant measure of the ability of the Trust to earn and distribute cash returns to Unitholders. Distributable Income as computed by the Trust may differ from similar computations as reported by other similar organizations and, accordingly, may not be comparable to distributable income as reported by such organizations. Distributable Income is calculated by reference to the net income of the Trust on a consolidated basis, as determined in accordance with IFRS, subject to certain adjustments as set out in the constating documents of the Trust.

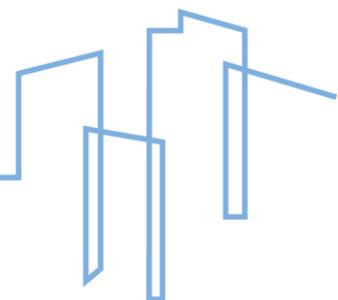
### **POTENTIAL CONFLICTS OF INTEREST**

The Trust may be subject to various conflicts of interest because the Trustees and senior officers of the Trust, senior officers of the Asset Manager, the Property Manager, the Mortgage Manager, and the Mortgage Servicer are each engaged in a wide range of mortgage investment, real estate, and other business activities. The Trust may become involved in transactions which conflict with the interests of one or more of the foregoing individuals and/or entities. The Trustees may from time to time deal with persons, firms, institutions, or corporations with whom the Trust may be dealing, or that may be seeking investments similar to those desired by the Trust. The interests of these persons could conflict with those of the Trust. In addition, from time to time, these persons may be competing with the Trust for available investment opportunities.

The Asset Manager, the Property Manager, the Mortgage Manager, and the Mortgage Servicer (collectively, the "Service Providers") are not owned by the Trust but are related by common management and personnel to the Trust. This could create conflicts of interest between any of the Service Providers and the Trust.

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The Service Providers' services are not exclusive to the Trust, as each Service Provider provides services to several other clients. In particular, each Service Provider also provides similar services to Centurion Apartment REIT, a real estate investment trust with overlapping investment objectives to those of the Trust and Centurion Financial Trust, an income and capital growth-orientated investment Trust. Centurion Apartment REIT, Centurion Financial Trust, and the Trust operate independently from one another and have separate boards of trustees with Mr. Gregory Romundt serving as a trustee for all Trusts. Mr. Martin Bernholtz and Mr. Robert Orr serves as trustees of both Centurion Apartment REIT and the Trust, they are both otherwise independent of the Asset Manager and its affiliates.

Additionally, the Warehouse Agreements among the Trust, Centurion Apartment REIT, Centurion Financial Trust and the Asset Manager and the arrangements thereunder may give rise to certain conflicts of interest, including with respect to (i) any Property Purchase Options or Property Offer Options (and the valuation and transfer thereof), (ii) the valuation and transfer of Warehoused Mortgages and/or Warehoused Other Investments between the Trust and Centurion Apartment REIT and (iii) the allocation of risk as between the Trust and Centurion Apartment REIT. The Asset Manager will follow procedures established by the Board of Trustees that are designed to ensure an appropriate allocation of risk under the Warehouse Agreement and related arrangements.

The Trust is a connected issuer, and may be considered to be a related issuer, of Centurion Asset Management Inc., its asset manager and an exempt market dealer, restricted portfolio manager and investment fund manager in certain jurisdictions, in connection with the distribution of the Units hereunder, which may result in potential conflicts of interest.

### **ALLOCATION OF INVESTMENT OPPORTUNITIES**

While Centurion Apartment REIT, Centurion Financial Trust and the Trust are not naturally competing for the same investments as their primary investment portfolios will generally have different time horizons, there may be instances in which the Trust, Centurion Apartment REIT, and Centurion Financial Trust all have an interest in the same investment opportunity. For example, the Trust may invest in long term real-estate properties and Centurion Apartment

REIT may from time to time invest in Mortgage Assets. In the event that the Trust and Centurion Apartment REIT are both interested in pursuing the same investment opportunity, the Asset Manager will seek to allocate investment opportunities on a basis which it determines to be fair and reasonable. However, there is no requirement that the Asset Manager allocate investment opportunities on a pro rata basis between the Trust and Centurion Apartment REIT. Additionally, there may be situations where an investment opportunity is allocated to Centurion Apartment REIT despite the Trust having an interest in such investment opportunity.

### **INTEREST RATES**

The Trust's income will consist primarily of interest payments on the Mortgage Assets comprising the Portfolio. If there is a decline in interest rates (as measured by the indices upon which the interest rates of the Trust's mortgages are based), the Trust may find it difficult to purchase additional Mortgage Assets bearing rates sufficient to achieve the Trust's investment objectives. A decrease in interest rates may encourage tenants to purchase condominiums or other types of housing, which could result in a reduction in demand for rental properties. Changes in interest rates may also have effects on vacancy rates, rent levels, refurbishing costs and other factors affecting the Trust's business and profitability.

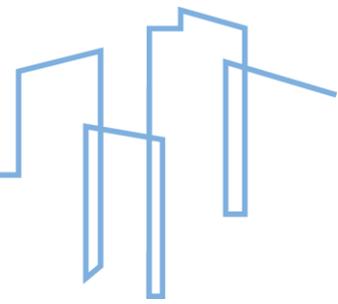
Additionally, an increase in interest rates increase may negatively affect the value of the Portfolio.

### **AVAILABILITY OF INVESTMENTS IN MORTGAGE ASSETS**

The ability of the Trust to make investments in accordance with the objectives of the Trust will depend upon the availability of suitable Mortgage Assets and other investments. The Trust will compete with individuals, corporations, trusts and financial institutions (both Canadian and foreign) for Mortgage Assets and the investment in the financing of real properties. A number of these investors may have greater financial resources than the Trust or operate without the investment or operating guidelines of the Trust, thus having greater flexibility when investing. An increase in the availability of funds for investment in Mortgage Assets, may increase the competition for Mortgage Assets investments, thereby decreasing the yields which are now available and increasing the risk/reward ratio.

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### **RISKS RELATING TO THE UNFUNDED COMMITMENTS**

In connection with the Founding Transaction and the acquisition of the Initial Portfolio, Centurion Apartment REIT has agreed to fund the Unfunded Commitments. If the Trust is required to hold reserves of cash for an extended period of time in anticipation of funding the Unfunded Commitments, the returns generated by the Trust may be significantly reduced.

### **REAL PROPERTY OWNERSHIP**

All real property investments are subject to elements of risk. Such investments are affected by general economic conditions, local real estate markets, demand for multi-unit residential premises, competition from other available residential premises and various other factors.

Certain significant expenditures, including property taxes, capital repair and replacement costs, maintenance costs, mortgage payments, insurance costs and related charges must be made throughout the period of ownership of real property regardless of whether the property is producing any income. If the Trust is unable to meet mortgage payments on any property, losses could be sustained as a result of the mortgagee's exercise of its rights of foreclosure or sale.

Real property investments tend to be relatively illiquid, with the degree of liquidity generally fluctuating in relation to demand for and the perceived desirability of such investments. Such illiquidity may tend to limit the Trust's ability to vary its portfolio promptly in response to changing economic or investment conditions. If the Trust was required to liquidate its real property investments, the proceeds to the Trust might be significantly less than the aggregate value of its properties on a going-concern basis. The Trust will be subject to the risks associated with debt financing, including the risk that existing mortgage indebtedness secured by the Properties will not be able to be refinanced or that the terms of such refinancing will not be as favorable as the terms of existing indebtedness.

### **FUTURE PROPERTY ACQUISITIONS**

While the Trust may enter into non-binding letters of intent with respect to properties under review, there can be no assurance that such properties will be acquired. Accordingly, there can be no assurance that the Trust will be able to acquire properties at the rates of return that the Asset Manager

is targeting. No forecast has been made for the acquisition of properties under review.

### **REVENUE PRODUCING PROPERTIES**

The Properties generate income through rental payments made by the tenants thereof. Upon the expiry of any lease, there can be no assurance that such lease will be renewed or the tenant replaced. The terms of any subsequent lease may be less favorable to the Trust than the existing lease. Unlike commercial leases which generally are "net" leases and allow a landlord to recover expenditures, residential leases are generally "gross" leases and the landlord is not able to pass on costs to its tenants.

### **LITIGATION RISKS**

The Trust may, from time to time, become involved in legal proceedings in the course of its business. The costs of litigation and settlement can be substantial and there is no assurance that such costs will be recovered in whole or in part. During litigation involving a borrower in respect of a mortgage, the Trust may not be receiving payments of interest on the mortgage that is the subject of litigation, thereby impacting the Trust's cash flows. The unfavorable resolution of any legal proceedings could have a material adverse effect on the Trust and its financial position and results of operations.

### **COMPETITION FOR REAL PROPERTY INVESTMENTS**

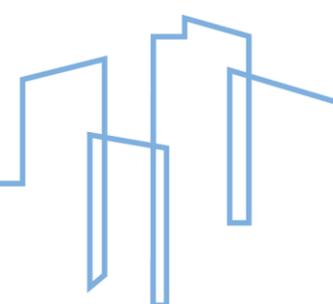
The Trust competes for suitable real property investments with individuals, corporations, and institutions (both Canadian and foreign) and other real estate investment trusts which are presently seeking, or which may seek in the future, real property investments similar to those desired by the Trust. A number of these investors may have greater financial resources than those of the Trust or operate without the investment or operating guidelines of the Trust or according to more flexible conditions. An increase in the availability of investment funds, and an increase in interest in real property investments, may tend to increase competition for real property investments, thereby increasing purchase prices and/or reducing the yield on them.

### **COMPETITION FOR TENANTS**

The real estate business is competitive. Numerous other developers, managers and owners of properties compete with the Trust in seeking tenants. The existence of competing

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developers, managers, and owners for the Trust's tenants could have an adverse effect on the Trust's ability to lease suites in its properties and on the rents charged.

### **DEBT FINANCING**

If the Trust enters into an operating credit facility, the Trust will be subject to the risks associated with debt financing, including the risk that the Trust may be unable to make interest or principal payments or meet loan covenants, the risk that defaults under a loan could result in cross defaults or other lender rights or remedies under other loans, and the risk that existing indebtedness may not be able to be refinanced or that the terms of such refinancing may not be as favorable as the terms of existing indebtedness. A portion of any such operating credit facility may be at floating interest rates, and accordingly, changes in short-term borrowing could affect the Trust's costs of borrowing. The total indebtedness of the Trust, including amounts drawn under an acquisition facility, is limited to no more than 75% of the Gross Book Value, provided that indebtedness shall exclude any obligations of the Trust under or arising out of Approved Mortgage Transactions (including any obligations to purchase mortgage or other investments on demand).

### **GENERAL ECONOMIC CONDITIONS**

The Trust is affected by general economic conditions, local real estate markets, competition from other available rental premises, including new developments, and various other factors. The competition for tenants also comes from opportunities for individual home ownership, including condominiums, which can be particularly attractive when home mortgage loans are available at relatively low interest rates. The existence of competing developers, managers and owners for the Trust's tenants could have an adverse effect on the Trust's ability to lease suites in its properties and on the rents charged, increased leasing and marketing costs and increased refurbishing costs necessary to lease and re-lease suites, all of which could adversely affect the Trust's revenues and, consequently, its ability to meet its obligations. In addition, any increase in the supply of available space in the markets in which the Trust operates or may operate could have an adverse effect on the Trust.

### **GENERAL UNINSURED LOSSES**

The Trust carries comprehensive general liability, fire, flood, extended coverage, rental loss and pollution insurance with policy specifications, limits and deductibles customarily carried

for similar properties. There are, however, certain types of risks (generally of a catastrophic nature such as from wars) which are either uninsurable or not insurable on an economically viable basis. The Trust has insurance for earthquake risks, subject to certain policy limits, deductibles, and self-insurance arrangements, and will continue to carry such insurance if economical to do so. Should an uninsured or underinsured loss occur, the Trust could lose its investment in, and anticipated profits and cash flows from, one or more of its properties, but the Trust would continue to be obligated to repay any recourse mortgage indebtedness on such properties.

### **GOVERNMENT REGULATION**

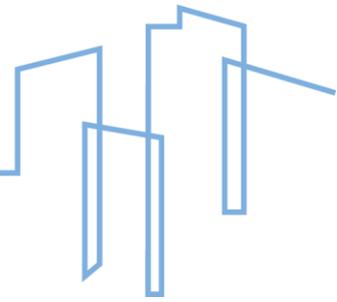
The Trust currently has interests in developments and development properties located in provinces across Canada. The nature of apartment development, construction and operation is such that the going concern is generally subject to rental legislation and other legislation relating to, among other things, environmental and fire safety standards, which are continually evolving. Changes thereto may favorably or unfavorably impact project pro-formas or give rise to ongoing financial and other obligations of the Trust or its related parties, the costs of which may not be fully recoverable from tenants. See below for further restrictions in the respective jurisdictions:

#### **ALBERTA**

In Alberta, the Residential Tenancies Act, Statutes of Alberta, 2004 (the "RTA") applies to most people who rent the place where they live. This law sets out the rights and responsibilities that apply to landlords and tenants in the province. In Alberta, residential tenancy agreements may be either periodic or fixed term. A fixed term tenancy begins and ends on specific dates, while a periodic tenancy has a start date but no end date. Either the landlord or tenant may end a periodic tenancy by giving notice. Landlords cannot increase the rent payable by a tenant under a fixed term or periodic tenancy agreement until a minimum of one year (365 days) has passed since the last rent increase or since the start of the tenancy, whichever is later. There is no limit on the amount by which the landlord may raise the rent. Landlords are entitled to require a security deposit, sometimes called a damage deposit. The RTA limits the maximum amount a landlord may ask for as a security deposit to the equivalent of one month's rent at the time the tenancy starts. Amendments to the Residential Tenancies Act and

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regulations in 2004 and 2005 allowed for the creation of the Residential Tenancy Dispute Resolution Service (the “RTDRS”) which offers landlords and tenants an alternative means of resolving serious disputes outside of court. The RTDRS is designed to be faster, more informal, and less expensive than the courts. A tenant or a landlord who has concerns related to termination of a tenancy, unpaid rent/utilities, security deposit, damages, repairs, or other common disagreements may use the service. Once someone chooses to use the service they must submit to the RTDRS their completed application form. The RTDRS will file their application and set a date and time for the hearing to take place. The matter will be heard before a Tenancy Dispute Officer who is authorized to make binding decisions on claims up to \$25,000. The decision of the Tenancy Dispute Officer is binding on all parties. Where there is a dispute, the Landlord may pursue the tenant through the RTDRS or Court for any damages not covered by the security deposit. Where an eviction is contemplated, the tenant may object to the reasons stated for the termination and the Landlord must apply to the RTDRS for a court order to terminate the tenancy; until the RTDRS or the Court issues the order, the tenant may remain on the rental premises. As these proceedings may need to be brought before the RTDRS, it may take several months to terminate a residential lease, even where the tenant’s rent is in arrears. Further, the applicable legislation may be subject to further regulations or may be amended, repealed, or enforced, or new legislation may be enacted, in a manner which will materially adversely affect the ability of the Trust to realize the full economic potential of any contemplated project or to maintain the historical level of earnings of its development properties.

### **BRITISH COLUMBIA**

In British Columbia, the Residential Tenancies Act, SBC 2002, c78 (the “RTA”) applies to tenancy agreements, rental units, and residential properties. This law sets out the rights and responsibilities that apply to landlords and tenants in the province. British Columbia has rent control. Landlords can only increase the rent once a year by an amount permitted by law and must use the approved form “Notice of Rent Increase” providing the tenant 3 months’ notice to increase rent. Tenants cannot dispute the rent increase unless the increase is more than the annual allowable amount. The allowable rent increase for 2015 is 2.5%. To raise the rent above the annual allowable amount, the landlord must have

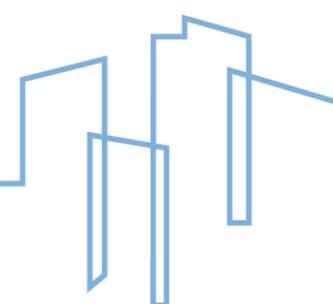
either the tenant’s written agreement or an RTB order. An order approving the increase might be issued where the landlord can demonstrate the rent for a rental unit is significantly lower than that of similar rental units in the area; completed significant repairs or renovations that could not reasonably have been foreseen and will not recur within a reasonable period; incurred a financial loss from an extraordinary increase in operating expenses; incurred a financial loss for the financing costs of purchasing the property that could not reasonably have been foreseen; is the head tenant of a rental unit; or, has received an additional rent increase, and wishes to increase the rent of a sub-tenant. As a result, the Trust may, in the future, incur capital expenditures which may not be fully recoverable from tenants. Disputes under the RTA are sent to a dispute resolution officer (“DRO”); a form of face-to-face administrative tribunal with flexible rules of procedure. The DRO has the right to refuse to hear a dispute which he or she considers to be “frivolous, vexatious, trivial or has not been initiated in good faith”. The arbitrator is not bound by legal precedent but must make his or her decision based on the merits of the matter. As these proceedings may need to be brought before the DRO, it may take an extended period of time to terminate a residential lease, even where the tenant’s rent is in arrears. Further, because the arbiter is not bound by legal precedent, any decision could be subject to bias in the interpretation of facts by the arbitrator. The applicable legislation may also be subject to further regulations or may be amended, repealed, or enforced, or new legislation may be enacted, in a manner which will materially adversely affect the ability of the Trust to realize the full economic potential of any contemplated project or to maintain the historical level of earnings of its development properties.

### **MANITOBA**

In Manitoba, the Residential Tenancies Act, C.C.S.M. c. R119 (the “RTA”) applies to most people who rent the place where they live. This law sets out the rights and responsibilities that apply to landlords and tenants in the province. Manitoba has rent control. In most cases, a landlord can legally increase the rent only once every 12 months. A landlord must give a tenant 3 months’ written notice of a rent increase. Each year, the government sets a limit on the amount that rents can be increased. This limit is called a rent increase guideline and applies to most rental units. Manitoba rent regulations do not apply to new developments. Rental complexes built and

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occupied after March 7, 2005 are exempt from the guideline for a period of 20 years, so developers who build new units can set their rental rates as they wish and raise them as they wish. After 20 years, they will be bound by the guidelines in place at that time. Rent regulations also currently do not apply to units with monthly rents in excess of \$1,495 as of December 31, 2014. The rent increase guideline for 2015 is 2.4%. Landlords wishing to rehabilitate their units can apply for exemptions to allow them to increase rents beyond the rent guidelines after improvements have been made. Landlords who want to increase the rent by more than the guideline must receive approval from the Residential Tenancies Branch (the “RTB”). As a result, the Trust may, in the future, incur capital expenditures which may not be fully recoverable from tenants. Tenants in Manitoba have the right to object to any rent increase, whether the increase is above, below, or equal to the guideline, and must do so before the RTB. Decisions made by the RTB can be appealed to the Residential Tenancies Commission if the landlord or the tenant is dissatisfied. As such, it may take an extended period of time to terminate a residential lease, even where the tenant’s rent is in arrears. The applicable legislation may also be subject to further regulations or may be amended, repealed, or enforced, or new legislation may be enacted, in a manner which will materially adversely affect the ability of the Trust to realize the full economic potential of any contemplated project or to maintain the historical level of earnings of its development properties.

### NOVA SCOTIA

Changes to Nova Scotia’s Residential Tenancies Act, R.S., c. 401, s. 1. (the “RTA”) came into effect on November 15, 2012. The purpose of the Act is to provide landlords and tenants with an efficient and cost-effective means for settling disputes. Landlords may establish fixed-term, month-to-month, or yearly leases, and a Landlord can only increase the rent once every 12 months. Written notice of any increase in rent for fixed-term leases must be stipulated in the agreement; written notices for increases on rent for month-to-month or yearly leases must be provided 4 months prior to the anniversary date. There are no limits on the amount a Landlord can increase the rent. In Nova Scotia, a tenant has immediate Security of Tenure. This means that Landlords cannot terminate the rental agreement unless legal authority can be established. As certain proceedings may need to be brought before Residential Tenancies, it may take several

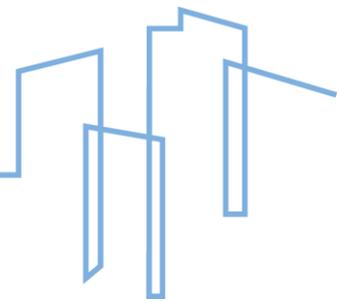
months to terminate a residential lease, even where the tenant’s rent is in arrears. The applicable legislation may be subject to further regulations or may be amended, repealed, or enforced, or new legislation may be enacted, in a manner which will materially adversely affect the ability of the Trust to realize the full economic potential of any contemplated project or to maintain the historical level of earnings of its development properties.

### ONTARIO

The Government of Ontario drafted and finalized new residential tenancy legislation, The Residential Tenancies Act, 2006 (the “RTA”), which it characterized as “effective tenant protection.” The RTA received Royal Assent June 22, 2006, and is now law, replacing the Tenant Protection Act, 1997 (Ontario) (the “TPA”). The RTA provides restrictions upon the ability of a landlord to increase rents above a prescribed guideline, which is established annually. The rent increase guideline is calculated under the RTA, and is based on the Ontario Consumer Price Index, which is calculated monthly by Statistics Canada. On June 13, 2012, the Government of Ontario passed legislation to amend the RTA, to ensure that the Rent Increase Guideline is capped at 2.5%. There is no prescribed guideline applicable to residential complexes constructed on or after November 1st of 1991, so Landlords can increase the rent on these complexes without limitation on the amount. The guideline increases for 2015 is 1.6%; the 2015 guideline increase has been calculated by averaging the percentage increase in the Ontario Consumer Price Index during the previous 12 months, from June 2013 to May 2014. Since the average CPI was 1.6%, the guideline is 1.6%. By comparison, the guideline increases for 2014 was 0.8%. In order to increase rents above the maximum guideline increase of 1.6% per annum for 2015, a landlord must make an application based on an extraordinary increase in the cost for municipal or utility levies and charges and/or capital expenditures incurred with respect to a residential complex or suite therein. As a result, the Trust may, in the future, incur capital expenditures which may not be fully recoverable from tenants. The RTA also permits tenants to bring proceedings to reduce rent due to reductions or discontinuances in services or facilities or due to a reduction in the applicable municipal taxes. The RTA provides tenants of residential rental properties with a high level of security of tenure and prescribes certain procedures, including mandatory notice periods, which must be followed

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by a landlord in order to terminate a residential tenancy. As certain proceedings may need to be brought before the Ontario Rental Housing Tribunal, it may take several months to terminate a residential lease, even where the tenant's rent is in arrears. The applicable legislation may be subject to further regulations or may be amended, repealed, or enforced, or new legislation may be enacted, in a manner which will materially adversely affect the ability of the Trust to realize the full economic potential of any contemplated project or to maintain the historical level of earnings of its development properties.

### QUÉBEC

The Government of Québec relies upon the Civil Code of Québec, C.C.Q. ("C.C.Q.") and the Act Respecting the Régie du logement, R.S.Q. c. R-8.1 (the "Act") in administering landlord tenant concerns through the Régie du logement (the Régie). Similar to Ontario, there are restrictions upon the ability of a landlord to increase rents above a prescribed guideline, which is established annually. If the method to fix the rent of the Régie is applied, the guideline increases for the period starting after April 1st, 2014 but before April 2nd, 2015 ranges between 0.6% and 1.1% depending on the type of heating employed. By comparison, the range for the previous period was between 0.9% and 1.7%. A landlord, who undertakes major repairs or renovations, may make changes to the conditions of a lease, including an increase in the rental rate above the guideline that is based upon a prescribed calculation to justify the increase. Should the tenant, within his or her right, refuse modifications and the new rental rate, the landlord may apply to the Régie (within 1 month of refusal, otherwise the lease is renewed under previous conditions) (1947 C.C.Q.). As a result, the Trust may, in the future, incur capital expenditures which may not be fully recoverable from tenants. In Québec, the cornerstone principle is the tenant's right to maintain occupancy (1936 C.C.Q.), and barring notice from either party to the contrary, automatic renewal for fixed term leases (maximum 12 months) (1941 C.C.Q.). Further, the landlord must provide notice to any new lessee, presenting the lowest rent paid in the preceding 12 months (1896 C.C.Q.); should the tenant dispute the new rental rate, they may make application to the Régie to set the rent.

### SASKATCHEWAN

The Residential Tenancies Act, 2006 (the "RTA") and Regulations came into force on March 1, 2007, to help meet

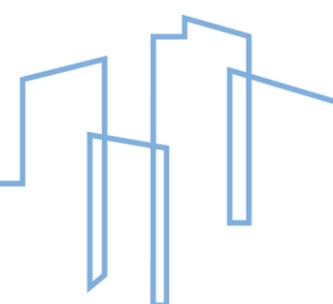
the changing needs of residential landlords and tenants in Saskatchewan. The legislation is meant to support a balance between the needs of tenants for safe, secure, and affordable living accommodations, and the legitimate need for landlords to earn reasonable profits from their rental properties. Amendments to the legislation came into effect December 2008 and June 2009 that deal with rent increases, the handling of security deposits and evictions. In Saskatchewan, residential tenancy agreements may be either periodic or fixed term. A fixed term tenancy begins and ends on specific dates, while a periodic tenancy has a start date but no end date. Either the landlord or tenant may end a periodic tenancy by giving notice. In most cases, a landlord can legally increase the rent only once every 12 months. A landlord must give a tenant 12 months' written notice of a rent increase. However, for new tenancies, notice may only be provided after the first 6 months, meaning the first rental increase is not effective until 18 months from the date of residency. Should a Landlord be a member of the Saskatchewan Rental Housing Industry Association ("SRHIA"), the notice period is 6 months, and members may increase the rent once every 6 months, except for new tenancies for which a rent increase is permitted 12 months from the date of residency. There are no limits on the amount a Landlord can increase the rent. The Office of Residential Tenancies (Rentalsman) is responsible for administering the provisions of the RTA in Saskatchewan, providing a forum for residential landlords and tenants to resolve their disputes. A Landlord cannot regain possession unless the tenant vacates or abandons the unit or the landlord obtains an order for possession and writ of possession directed to the Sheriff from the Office of Residential Tenancies. As these proceedings may need to be brought before Residential Tenancies, it may take several months to terminate a residential lease, even where the tenant's rent is in arrears. The applicable legislation may be subject to further regulations or may be amended, repealed, or enforced, or new legislation may be enacted, in a manner which will materially adversely affect the ability of the Trust to realize the full economic potential of any contemplated project or to maintain the historical level of earnings of its development properties.

### ENVIRONMENTAL MATTERS

Environmental and ecological legislation and policies have become increasingly important, and generally restrictive in recent years. Under various laws, the Trust could become liable for the costs of removal or remediation of certain

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liable for the costs of removal or remediation of certain hazardous or toxic substances released on or in its properties or disposed of at other locations. The failure to remove or remediate such substances, if any, may adversely affect an owner's ability to sell such real estate or to borrow using such real estate as collateral, and could potentially also result in claims against the owner by private plaintiffs. Where a property is purchased and new financing is obtained, Phase I Environmental Assessments are performed by an independent and experienced environmental consultant. In the case of mortgage assumption, the vendor will be asked to provide a satisfactory Phase I and/or Phase II Environmental Assessment that the Asset Manager will rely upon and/or determine whether an update is necessary.

### **DEPENDENCE ON KEY PERSONNEL**

In assessing the risk of an investment in the Units offered hereby, potential investors should be aware that they will be relying on the good faith, experience and judgment of the directors and officers of the Asset Manager to manage the business and affairs of the Trust and the members of the Investment Committee to provide investment advice to the Trust. The management of the Trust depends on the services of certain key personnel. The termination of employment by the Asset Manager or the Property Manager of any of these key personnel could have a materially adverse effect on the Trust.

There is no guarantee that the directors and officers of the Asset Manager or the Board of Trustees of the Trust will remain unchanged. It is contemplated that the directors, officers, and employees of the Asset Manager will devote to the Trust's affairs only such time as may be reasonably necessary to conduct its business.

### **TAX RELATED RISKS**

There can be no assurance that income tax laws and the treatment of mutual fund trusts will not be changed in a manner which adversely affects the Trust or the Unitholders.

If the Trust fails or ceases to qualify as a mutual fund trust for the purposes of the Tax Act, the tax consequences described under "Item 6: Tax Consequences and RRSP Eligibility - Canadian Federal Income Tax Considerations" and "Item 6: Tax Consequences and RRSP Eligibility - Eligibility for Investment" would in some respects be materially and adversely different. In addition, Unitholders may become

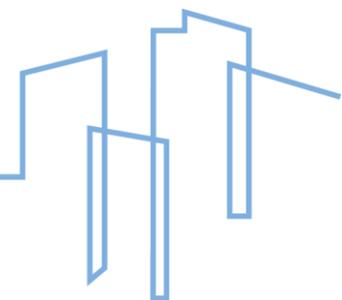
subject to provincial taxes, such as Ontario Land Transfer Tax, in respect of their Units.

If investments in the Trust become publicly listed or traded for the purposes of the Tax Act, there can be no assurances that the Trust will not be subject to the SIFT Rules at that time. If the Trust were a SIFT Trust and therefore subject to SIFT Rules, to the extent that it earns "non-portfolio earnings," as defined in the Tax Act, its Fair Market Value could be reduced and the tax consequences to the Trust and its Unitholders could be materially different.

The Foreign Account Tax Compliance provisions of the U.S. Hiring Incentives to Restore Employment Act of 2010 (or "FATCA") impose a 30% U.S. withholding tax on "withholdable payments" made to the Trust, unless the Trust complies with certain information reporting and other requirements. Withholdable payments include (i) certain U.S. source income (such as interest, dividends, and other passive income) and (ii) gross proceeds from the sale or disposition of property that can produce U.S. source interest or dividends. The withholding tax applies to withholdable payments made on or after July 1, 2014, unless the Trust complies with certain due diligence and reporting obligations under the intergovernmental agreement in effect between the United States and Canada in respect of FATCA (the "Canada-U.S. IGA"). The Trust intends to comply with these obligations so as to ensure that the 30% U.S. withholding tax does not apply to any payment they receive. Accordingly, under the Canada-U.S. IGA, the Trust generally will be required to conduct due diligence regarding all Unitholders and (where applicable) their beneficial owners, and to report to the CRA certain information regarding their U.S. Unitholders, including information regarding their name, address, and U.S. Taxpayer Identification Number. The information reported to the CRA is expected to be exchanged with the U.S. Internal Revenue Service. Notwithstanding the foregoing, the Trust's due diligence and reporting obligations under FATCA will not apply with respect to certain accounts and products established in Canada and maintained by Canadian Financial Institutions. These accounts and products, as described in the Canada-U.S. IGA, include the following: registered retirement savings plans, registered retirement income funds, pooled registered pension plans, registered pension plans, tax-free savings accounts, and deferred profit-sharing plans. Any due diligence or reporting obligations imposed on the Trust under the Canada-U.S.

# APPENDIX B

## Risks and Uncertainties



IGA will apply only after Canada has ratified the Canada-U.S. IGA and enacted legislation to facilitate FATCA compliance by Canadian residents. Although Canada has yet to ratify the Canada-U.S. IGA or to enact such legislation, it is expected to do so in 2014. If the Trust fails to meet its obligations under the Canada-U.S. IGA, it may be subject to the offences and Trust provision of the Tax Act, that is proposed to be amended consequential to the introduction of the proposed new Enhanced International Information Reporting regime in Part XVIII of the Tax Act. The administrative costs arising from compliance with FATCA may cause an increase in the operating expenses of the Trust or other underlying fund(s) in which the Trust has invested, directly or indirectly, thereby reducing returns to Unitholders. Investors should consult their own tax advisors regarding the possible implications of FATCA and the Canada-U.S. IGA on their investment and the entities through which they hold their investment.

### **DILUTION**

The Trust is authorized to issue an unlimited number of Units. The Trustees have the discretion to issue additional Units in other circumstances, pursuant to the Trust's various incentive plans. Any issuance of additional Units may have a dilutive effect on the holders of Units, whether through the Trust's incentive plans, the DRIP or to new investors. Additional Units are generally issued at the Posted Price, which may be less than the net asset value of the Units, and such issuances may have a dilutive effect on the holders of Units.

Notwithstanding the different upfront and ongoing trailer commissions with respect to each purchase option for the Class A Units, such commissions are borne by all holders of Class A Units. To the extent that the Trust is responsible for the payment of compensation to securities dealers, including upfront and ongoing trailer commissions, the funds available to the Trust for investment purposes and distributions will be reduced. Such pooling of commissions amongst all holders of Class A Units may have a dilutive effect on certain holders of Class A Units.

To the extent that the Trust experiences redemptions of Investor Units, the percentage entitlement of the Class M Units will increase above 5% and the Investor Units will be accordingly affected. See "Item 5: Securities Offered - 5.1 Terms of Securities - Description of the Units".

### **RESTRICTIONS ON POTENTIAL GROWTH AND RELIANCE ON CREDIT FACILITIES**

The payout by the Trust of a substantial part of its operating cash flow could adversely affect the Trust's ability to grow unless it can obtain additional financing. Such financing may not be available, or renewable, on attractive terms or at all. In addition, if current credit facilities were to be cancelled or could not be renewed at maturity on similar terms, the Trust could be materially and adversely affected.

### **POTENTIAL INABILITY TO FUND INVESTMENTS**

The Trust may commit to making future investments in anticipation of warehousing such investments under the Warehouse Agreements, repayment of principal outstanding and/or the payment of interest under existing mortgage investments and/or in reliance on its credit facilities, if any. In the event that such mortgage investments are not accepted under the Warehouse Agreements, repayments of principal or payments of interest are not made, or where credit facilities aren't available, the Trust may be unable to advance some or all of the funds required to be advanced pursuant to the terms of its commitments and may be required to obtain interim financing and to fund such commitments or face liability in connection with its failure to make such advances.

### **LACK OF OPERATING HISTORY**

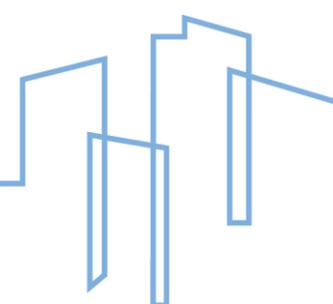
Although persons involved in the management and advising of the Trust and the service providers to the Trust, including the Asset Manager, have had long experience in their respective fields of specialization, the Trust has little operating or no performing history upon which prospective investors can evaluate its performance. Investors should be aware that the past performance by those involved in the investment management of the Trust, including the past performance of Centurion Apartment REIT, should not be considered as an indication of future results.

### **LIQUIDITY OF UNITS AND REDEMPTION RISK**

The Units are not listed on an exchange. There is currently no secondary market through which the Units may be sold, there can be no assurance that any such market will develop and the Trust has no current plans to develop such a market or to list the Units on an exchange. Accordingly, it is expected that the sole method of liquidation of an investment in Units will be by way of redemption of the Units. Aggregate cash redemptions are limited to \$50,000 per month unless

# APPENDIX B

## Risks and Uncertainties



approved by the Board of Trustees or in respect of Class R Units held by Centurion Apartment REIT. Accordingly, in the event that the Trust experiences a large number of redemptions, the Trust may not be able to satisfy all the redemption requests in cash or in specie. Depending upon the Purchase Option selected and the amount of time the Units have been held, there may be a Deferred Sales Charge or Short-Term Trading Fee associated with an early redemption (see “Item 5: Securities Offered–5.3 Terms of Securities–Description of Securities”).

### **NATURE OF UNITS**

The Units are not traditional equity investments and are not the same as shares of a corporation. As a result, Unitholders will not have the statutory rights and remedies normally associated with share ownership, including, for example, the right to bring “oppression” or “derivative” actions. The Units are not “deposits” within the meaning of the Canada Deposit Insurance Corporation Act and are not insured under the provisions of that act or any other legislation. Each Unit represents an equal, undivided beneficial interest in the Trust.

### **LACK OF INDEPENDENT EXPERTS REPRESENTING UNITHOLDERS**

Each of the Trust and the Asset Manager has consulted with a single legal counsel regarding the formation and terms of the Trust and the offering of Units. Unitholders have not, however, been independently represented. Therefore, to the extent that the Trust, Unitholders, or this offering could benefit by further independent review, such benefit will not be available. Each prospective investor should consult his or her own legal, tax and financial advisors regarding the desirability of purchasing Units and the suitability of investing in the Trust. No outside selling agent unaffiliated with the Asset Manager or its affiliates has made any review or investigation of the terms of the offering of Units, the structure of the Trust or the background of the Asset Manager or its affiliates.

### **REAL ESTATE SECURITIES**

The Trust may gain exposure to the real estate sector by investing in real estate-linked derivatives, REIT securities that trade on an exchange, and common, preferred, convertible, and debt securities of issuers in real estate-related industries. Each of these types of investments are subject to risks similar to those associated with direct ownership of real estate discussed

in this Offering Memorandum, including loss to casualty or condemnation, increases in property taxes and operating expenses, zoning law amendments, changes in interest rates, overbuilding and increased competition, variations in market value, and possible environmental liabilities.

### **CHANGES IN REAL PROPERTY VALUES**

The Trust’s investments in Mortgage Assets will be secured by real property, the value of which may fluctuate. The value of single family residential properties is affected by, among other factors, general economic conditions, local real estate markets, the attractiveness of the property and the level of supply and demand in the market for comparable properties.

A substantial decline in value of real property provided as security for a mortgage may cause the value of such Real Property to be less than the outstanding principal amount of the mortgage. In that case, and in the event the mortgage loan is uninsured, the Trust’s realization on its security and its exercise of foreclosure or power of sale rights in respect of the relevant property might not provide the Trust with proceeds sufficient to satisfy the outstanding principal amount of, and interest owing, under the mortgage loan.

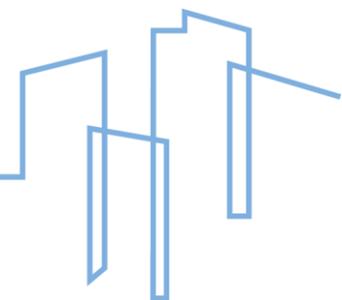
While independent appraisals may be obtained, from time to time, before the Trust makes any mortgage investments, the appraised values provided, even where reported on an “as is” basis, are not necessarily reflective of the market value of the underlying real property, which may fluctuate. In addition, the appraised values reported in independent appraisals may be subject to certain assumptions and conditions, including the completion of construction, rehabilitation, remediation, or leasehold improvements on the real property providing security for the mortgage loan. There can be no assurance that these assumptions and conditions will be satisfied and if, and to the extent they are not satisfied, the appraised value may not be achieved. Even if such assumptions and conditions are satisfied, the appraised value may not necessarily reflect the market value of the real property at the time the conditions are satisfied.

### **FOREIGN INVESTMENT AND CURRENCY EXPOSURE**

As the Trust may hold assets denominated in U.S. dollars, the FMV of the Trust, when measured in Canadian dollars, will, to the extent this has not been hedged against, be affected by changes in the value of the U.S. dollar relative to the Canadian dollar. The Trust may not be fully hedged or not

# APPENDIX B

## Risks and Uncertainties



hedged at all and it is not intended that the distributions and income statements on the assets of the Trust will be hedged and accordingly no assurance can be given that the Trust will not be adversely impacted by changes in foreign exchange rates or other factors. The use of hedges, if used, involves special risks, including the possible default by the other party to the transaction, illiquidity and, to the extent the Asset Manager's assessment of certain market movements is incorrect, the risk that the use of hedges could result in losses greater than if the hedging had not been used. Hedging arrangements may have the effect of limiting or reducing the total returns to the Trust if the Asset Manager's expectations concerning future events or market conditions prove to be incorrect. In addition, the costs associated with a hedging program may outweigh the benefits of the arrangements in such circumstances.

### **ASSET ALLOCATION RISK**

The Trust's investment performance depends upon how its assets are allocated and reallocated. There is a risk that the Asset Manager may make less than optimal or poor asset allocation decisions. The Asset Manager employs an active approach to make opportunistic investments, but there is no guarantee that such investment techniques will produce the desired results. It is possible that the Asset Manager will focus on an investment that performs poorly or underperforms other investments under various market conditions.

### **JOINT ARRANGEMENTS**

The Trust may invest in, or be a participant in, joint arrangements and partnerships with third parties in respect of the mortgage investments and/or other real estate investments. A joint arrangement or partnership involves certain additional risks which could result in additional financial demands, increased liability and a reduction in the Asset Manager's control over the mortgage investments and/or the other real estate investments and its ability to sell the Trust's interests in a mortgage investment and/or other real estate investments within a reasonable time frame.

### **UNITHOLDER LIABILITY**

Because of uncertainties in the law relating to investment trusts, there is a risk, which is considered by counsel to be remote in the circumstance, that a Unitholder could be held personally liable for obligations of the Trust (to the extent that claims are not satisfied by the Trust) in respect of contracts which the Trust enters into and for certain liabilities arising other than out of contracts including claims in tort, claims for taxes and possibly certain other statutory liabilities. The Trustees intend to cause the Trust's operations to be conducted in such a way as to minimize any such risk including by obtaining appropriate insurance and, where feasible, attempting to have every material written contract or commitment of the Trust contain an express disavowal of liability against Unitholders.

In December 2004, the Trust Beneficiaries' Liability Act (Ontario), was enacted to create a statutory limitation on the liability of Unitholders of trusts such as the Trust. The legislation provides that a unitholder of a trust, such as a Unitholder, will not, as a beneficiary, be liable for any act, default, obligation, or liability of the trust or any of its trustees. This legislation has not been judicially considered and it is possible that reliance on the legislation by a Unitholder could be successfully challenged on jurisdictional or other grounds.

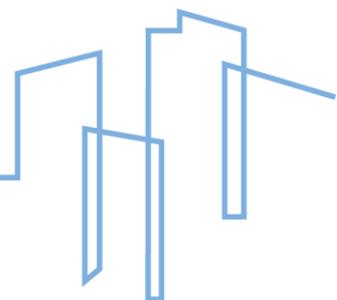
### **FAILURE OR UNAVAILABILITY OF COMPUTER & DATA PROCESSING SYSTEMS AND SOFTWARE**

The Asset Manager is dependent upon the successful and uninterrupted functioning of its computer and data processing systems and software. The failure or unavailability of these systems could interrupt operations or materially impact the Asset Manager's ability to collect revenues and make payments on behalf of the Trust and to manage risks. If sustained or repeated, a system failure or loss of data could negatively and materially adversely affect the ability of the Asset Manager to discharge its duties to the Trust and the impact on the Trust may be material.

# APPENDIX C

## Audited Consolidated Financial Statements

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# CENTURION

REAL ESTATE OPPORTUNITIES TRUST

**CENTURION REAL ESTATE OPPORTUNITIES TRUST**  
**Consolidated Financial Statements**  
**For the year ended December 31, 2018**

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## INDEPENDENT AUDITORS' REPORT

To the Unitholders of Centurion Real Estate Opportunities Trust

### ***Opinion***

We have audited the consolidated financial statements of Centurion Real Estate Opportunities Trust (the Entity), which comprise:

- the consolidated statement of financial position as at December 31, 2018
- the consolidated statement of net income and comprehensive income for the year then ended
- the consolidated statement of changes in net assets attributable to unitholders for the year then ended
- the consolidated statement of cash flows for the year then ended
- notes to the consolidated financial statements, including a summary of significant accounting policies

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2018, and its consolidated financial performance, and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

### ***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.



### ***Other Information***

Management is responsible for the other information. Other information comprises:

- 2018 Annual Report/Management's Discussion and Analysis issued to Unitholders.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

The 2018 Annual Report/Management's Discussion and Analysis is expected to be made available to us after the date of this auditors' report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

### ***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), 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.

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 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.



- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- 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*

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Chartered Professional Accountants, Licensed Public Accountants

Toronto, Canada

March 7, 2019

**CENTURION REAL ESTATE OPPORTUNITIES TRUST**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**(EXPRESSED IN THOUSANDS OF CANADIAN DOLLARS)**

<b>As at</b>	Note	<b>December 31, 2018</b>	December 31, 2017
<b>Assets</b>			
Cash		\$ 23,729	\$ 2,454
Restricted cash	9	422	650
Receivable and other assets	8	3,360	7,444
Mortgage investments	4	295,196	285,352
Participating loan interests	7	111,803	21,748
Equity accounted investments	6	106,005	56,017
Foreclosed property	5	17,000	-
<b>Total Assets</b>		<b>\$ 557,515</b>	<b>\$ 373,665</b>
<b>Liabilities</b>			
Unit subscriptions in trust	9	\$ 422	\$ 650
Accounts payable and accrued liabilities	10	925	4,789
Credit facility	17	13,000	22,000
Syndicated mortgage investment liabilities	4	18,092	-
<b>Total Liabilities excluding net assets attributable to Unitholders</b>		<b>\$ 32,439</b>	<b>\$ 27,439</b>
<b>Net assets attributable to Unitholders</b>		<b>\$ 525,076</b>	<b>\$ 346,226</b>

Commitments and Contingencies (Notes 4, 6, 7, 13 and 14)  
Subsequent Events (Note 20)

See accompanying notes to these consolidated financial statements.

**CENTURION REAL ESTATE OPPORTUNITIES TRUST**  
**CONSOLIDATED STATEMENT OF NET INCOME AND COMPREHENSIVE INCOME**  
**(EXPRESSED IN THOUSANDS OF CANADIAN DOLLARS)**

<b>For the year ended</b>	Note	<b>December 31, 2018</b>	December 31, 2017
Interest income	4 & 7	\$ 33,820	\$ 24,341
Interest on syndicated mortgage investment liabilities	4	(287)	-
Other income		162	200
<b>Net interest income</b>		<b>33,695</b>	24,541
Income from equity accounted investments	6	9,585	10,883
Fair value gains on participating loan interests	7	4,215	12,897
Impairment on foreclosed property	5	(2,053)	-
General and administrative expenses	12	(3,577)	(2,498)
Recovery of (allowance for) expected credit losses	4	828	(872)
<b>Income from operations</b>		<b>42,693</b>	44,951
Finance costs		(1,208)	(630)
Currency translation adjustment		255	(94)
<b>Net Income and Comprehensive Income</b>		<b>\$ 41,740</b>	\$ 44,227

See accompanying notes to these consolidated financial statements.

**CENTURION REAL ESTATE OPPORTUNITIES TRUST**  
**CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS**  
**(EXPRESSED IN THOUSANDS OF CANADIAN DOLLARS)**

<b>For the year ended</b>	<b>December 31, 2018</b>
<b>Net assets attributable to Unitholders at the beginning of the period</b>	<b>\$ 346,226</b>
<b>Net Income and Comprehensive Income</b>	<b>41,740</b>
Units issued (net of issuance costs)	147,623
Reinvestment of distributions by Unitholders	31,533
Redemptions of units	(7,438)
Distributions to Unitholders	(34,608)
<b>Net increase from unit transactions</b>	<b>137,110</b>
<b>Net assets attributable to Unitholders at end of the period</b>	<b>\$ 525,076</b>

<b>For the year ended</b>	<b>December 31, 2017</b>
<b>Net assets attributable to Unitholders at the beginning of the period</b>	<b>\$ 193,923</b>
<b>Net Income and Comprehensive Income</b>	<b>44,227</b>
Units issued (net of issuance costs)	119,947
Reinvestment of distributions by Unitholders	15,561
Redemptions of units	(2,455)
Distributions to Unitholders	(24,977)
<b>Net increase from unit transactions</b>	<b>108,076</b>
<b>Net assets attributable to Unitholders at end of the period</b>	<b>\$ 346,226</b>

See accompanying notes to the consolidated financial statements.

**CENTURION REAL ESTATE OPPORTUNITIES TRUST**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**(EXPRESSED IN THOUSANDS OF CANADIAN DOLLARS)**

<b>For the year ended</b>	Note	<b>December 31, 2018</b>	December 31, 2017
<b>Operating activities</b>			
Net income		\$ 41,740	\$ 44,227
Interest income, net of syndicated mortgage investment liabilities		(33,533)	(24,341)
Interest received on mortgage investments, net of syndicated mortgage investment liabilities		20,475	12,100
Allowance for (recovery of) expected credit losses	4	(828)	872
Non-cash portion of income from equity accounted investments	6	(9,585)	(10,883)
Fair value gains on participating loan interests	7	(4,215)	(12,897)
Interest received on participating loan interests	7	1,781	-
Impairment on foreclosed properties	5	2,053	-
Changes in non-cash operating account balances		1,581	1,168
Currency translation adjustment		(255)	86
<b>Net cash from operating activities</b>		<b>19,214</b>	<b>10,332</b>
<b>Financing activities</b>			
Proceeds from units issued	19	70,373	86,301
Unit issuance costs	19	(750)	(392)
Redemption of units		(7,438)	(2,455)
Cash distributions to Unitholders		(7,498)	(4,994)
Credit facility advances (repayments)		(9,000)	2,000
<b>Net cash from financing activities</b>		<b>45,687</b>	<b>80,460</b>
<b>Investing activities</b>			
Mortgage investments principal repaid, net of syndications		67,439	51,884
Mortgage investments principal funded, net of syndications	19	(78,623)	(140,288)
Capital improvements on foreclosed properties	5	(55)	-
Participating loan interests funded	7	(16,308)	-
Participating loan interests repaid	7	22,950	-
Equity accounted investments dispositions	6	-	9,119
Equity accounted investments funded	19	(39,029)	(9,477)
<b>Net cash used in investing activities</b>		<b>(43,626)</b>	<b>(88,762)</b>
Net increase in cash		21,275	2,030
Cash, beginning of the year		2,454	424
<b>Cash, end of the period</b>		<b>\$ 23,729</b>	<b>\$ 2,454</b>

See accompanying notes to the consolidated financial statements.

**CENTURION REAL ESTATE OPPORTUNITIES TRUST**  
**Notes to the Consolidated Financial Statements**  
**For the year ended December 31, 2018**  
**(Expressed in thousands of Canadian Dollars)**

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**1. Trust Information**

Centurion Real Estate Opportunities Trust (“REOT” or the “Trust”) is an unincorporated, open-ended private investment trust which was created pursuant to a Declaration of Trust dated August 13, 2014 (“Declaration of Trust”) and is governed by the laws of the Province of Ontario. The registered office of the Trust is located at 25 Sheppard Avenue West, Suite 710, Toronto, Ontario, M2N 6S6.

The Trust invests in a diversified portfolio of mortgages and opportunistic real estate developments.

**2. Basis of Presentation**

**a) Statement of Compliance**

These consolidated financial statements for the year ended December 31, 2018, have been prepared by management in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

These are the first set of the Trust’s financial statements where changes to significant accounting policies as described in Note 3 for *IFRS 9 – Financial Instruments* (“IFRS 9”) have been applied.

These consolidated financial statements have been approved for issue by the Board of Trustees on March 7, 2019.

**b) Basis of Measurement**

The consolidated financial statements have been prepared on a historical cost basis except for real estate held in equity accounted investments, one investment in a joint arrangement elected to be accounted for as a portfolio investment, participating loan interests, foreclosed property, and foreign currency futures contracts which have been measured at fair value through profit or loss (“FVTPL”) as determined at each reporting date.

**c) Principles of Consolidation**

These consolidated financial statements reflect the operations of the Trust and its wholly-owned subsidiaries Centurion Real Estate Opportunities Trust LP, Centurion (Texas) Holding LLC, and Centurion (Estero Florida) Holding LLC. The financial statements of the subsidiaries included in these consolidated financial statements are from the date that control commences until the date that control ceases.

The accounting policies of the subsidiaries are consistent with the accounting policies of the Trust and their financial statements have been prepared for the same reporting period as the Trust. All intercompany transactions and balances have been eliminated upon consolidation.

**d) Functional and Presentation Currency**

These consolidated financial statements are presented in thousands of Canadian Dollars, which is the functional currency unless otherwise noted.

**e) Statement of Financial Position Classification Change**

During the year ended December 31, 2018, the Trust changed its presentation of the consolidated statement of financial position from classified to non-classified, with comparative figures adjusted, as management believes providing this information is more relevant due to the short-term nature of the investments.

**f) Critical Accounting Estimates, Assumptions and Judgments**

The preparation of these consolidated financial statements requires management to make estimates, assumptions, and judgments that affect accounting policies and the reported amounts of assets, liabilities at the date of these consolidated financial statements, and income and expenses during the reporting period. Management relies on external information and observable conditions where possible, supplemented by internal analysis. Revisions to accounting estimates are recognized in the year in which the estimate is revised and in any future years affected.

Estimates, assumptions, and judgments have been applied in a manner consistent with prior year and there are no known trends, commitments, events or uncertainties that management believes will materially affect the methodology or assumptions utilized in making those estimates and judgments. While management makes its best estimates and assumptions, actual results could differ from these and other estimates.

The significant estimates, assumptions, and judgments used in the preparation of these consolidated financial statements are as follows:

**Measurement of Expected Credit Losses (“ECL”)**

The ECL model requires evaluation and recognition of an allowance for expected credit losses over the next 12 months for investments without evidence of change to credit risk and an allowance of lifetime losses on investments that have experienced a significant increase in credit risk since origination.

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Management assesses financial assets for objective evidence of significant changes in credit risk at each reporting period by specifically considering, but not limited to, the following:

- Payment default by a borrower is not cured within a reasonable period
- Whether the security of the mortgage is significantly negatively impacted by recent events
- Financial difficulty experienced by a borrower
- Changes in assumptions about local economic and other real estate market conditions in the geographic area in which a borrower's project is located
- Management's judgment as to whether current economic and credit conditions are such that potential losses at the reporting date are likely to be higher or lower than the amounts suggested by historic experience

The calculation of expected credit losses requires significant judgment to determine the variables that are relevant for each mortgage investment and probability weights that should be applied. Management exercises expert credit judgment in determining the amount of ECLs at each reporting date by considering reasonable and supportable information that is not already incorporated in the quantitative modeling process. Changes in these inputs, assumptions, models and judgments directly impact the measurement of ECLs.

### **Measurement of Fair Values**

Fair value measurements are recognized in financial and non-financial assets and liabilities categorized using a fair value hierarchy that reflects the significance of inputs used in determining the fair values:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Quoted prices in active markets for similar assets or liabilities or valuation techniques where significant inputs are based on observable market data.
- Level 3: Valuation techniques for which any significant input is not based on observable market data.

Each type of fair value is categorized based on the lowest level input that is significant to the fair value measurement in its entirety. The information about assumptions made in the fair value is included in the following notes:

- Note 5: Foreclosed Property
- Note 6: Equity Accounted Investments
- Note 7: Participating Loan Interests
- Note 16: Fair Value Measurement

### **3. Significant Accounting Policies**

#### **a) Financial Instruments**

##### **Recognition and measurement**

Financial instruments are classified as one of the following: (i) FVTPL, (ii) fair value through other comprehensive income ("FVOCI") or (iii) amortized cost or (iv) other liabilities. The classification of financial instruments depends on the purpose for which the financial instruments were acquired or issued, their characteristics and the Trusts designation of such instruments. The Trust has no financial instruments classified as FVOCI.

Interest income from financial assets, not classified as FVTPL, is determined using the effective interest rate method.

##### **Derecognition of financial assets and liabilities**

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. On derecognition of a financial asset, the difference between the carrying amount of the asset and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss. The Trust derecognizes a financial liability when the obligation under the liability is discharged, canceled or expires.

#### **b) Mortgage Investments**

Mortgage investments are classified and measured at amortized cost using the effective interest method, less any impairment losses. Mortgage investments are assessed at each reporting date to determine whether there is objective evidence of significant changes in credit risk since origination. A mortgage investment's credit risk increases when objective evidence indicates that factors have occurred after the initial recognition of an investment and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably. The Trust's internal credit risk rating process involves judgment and combines multiple factors to arrive at a specific score to assess each mortgage investment the probability of default. These factors include the loan to value ratio, borrower's net worth and ability to service debt, project location, experience with the borrower and credit score. Significant changes in the internal credit risk rating have resulted in reclassifications of mortgage investments into Stage 2 and Stage 3.

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**Allowance for ECL on Mortgage Investments**

The Trust maintains an allowance in order to cover impairment in the existing portfolio for loans that have not yet been individually identified as impaired. Under the IFRS 9, the ECL methodology, an allowance is recorded for ECL on financial assets according to the following stages:

Stage 1	When mortgage investments are recognized they are classified into Stage 1. The Trust recognizes an allowance based on 12 months ECLs, which represent lifetime ECLs related to default events that are expected to occur within 12 months after the reporting date. Stage 1 mortgage investments also include investments where the credit risk has subsequently improved such that the increase in credit risk since initial recognition is no longer significant and the mortgage investments have been reclassified from Stage 2.
Stage 2	When a mortgage investment has shown a significant increase in credit risk since origination, the Trust reclassifies the mortgage investment to Stage 2 and an allowance is recognized at an amount equal to ECL over the remaining life. Stage 2 mortgage investments also include investments where the credit risk has improved and the mortgage has been reclassified from Stage 3.
Stage 3	The Trust classifies mortgage investments to Stage 3 when payment defaults by the borrower are not cured within a reasonable period. In certain other cases, where qualitative thresholds indicate unlikelihood to pay as a result of a credit event, the Trust carefully considers whether the event should result in an assessment at Stage 2 or Stage 3 for ECL calculations. Allowances required for impaired loans are recorded for individually identified impaired investments to reduce their carrying value to the expected recoverable amount. The Trust reviews investments on an ongoing basis to assess whether any loans should be classified as impaired and whether an allowance or write-off should be recorded.

An impairment loss is calculated as the difference between the carrying amount of the mortgage investment and the present value of the estimated future cash flows discounted at the original effective interest rate. Losses are charged to the consolidated statement of net income and comprehensive income and are reflected in the provision for mortgage losses. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the consolidated statement of net income and comprehensive income.

**c) Joint Arrangements**

The Trust enters into joint arrangements through joint operations and joint ventures. A joint arrangement is a contractual arrangement pursuant to which the Trust and other parties undertake an economic activity that is subject to joint control, whereby the strategic financial and operating policy decisions relating to the activities of the joint arrangement require the unanimous consent of the parties sharing control. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint arrangements that involve the establishment of a separate entity in which each party to the venture has rights to the net assets of the arrangement are referred to as joint ventures.

The Trust accounts for its interest in joint ventures using the equity method. The Trust's investment in joint ventures are initially accounted for at cost, and the carrying amount is increased or decreased to recognize the Trust's share of the profit or loss and other comprehensive income of the joint venture after the date of acquisition. If an arrangement is considered a joint operation, the Trust will recognize its proportionate share of assets, liabilities, income, and expenses on a line-by-line basis.

The Trust has elected to measure one investment in associate joint venture at fair value through profit and loss.

**d) Participating Loan Interests**

The Trust enters into debt investments that comprise of a combination of contractual interest and enhanced returns such as profit participation. Participating loan interests are measured at FVTPL due to the characteristics of the instrument not being solely for the payment of principal and interest. The Trust recognizes interest income on participating loan interests based on the contractual terms of the agreement and is included as part of interest income on the consolidated statement of net income and comprehensive income. At the end of each reporting period, the Trust determines the fair value of the entire instrument with the corresponding gain or loss recorded as fair value gain or loss directly in the consolidated statement of net income and comprehensive income. Any interest income arising from the contractual portion of the mortgage investment and/or the participating loan interest are recorded as interest income and any remaining non-contractual gains or losses are recognized through FVTPL.

**e) Foreclosed Properties**

When REOT obtains the legal title of the underlying security of a default mortgage investment, the carrying value of the mortgage investment, which comprises principal, accrued interest, the related provision for mortgage investment loss and costs incurred, if any, are reclassified to foreclosed properties at fair value. At each reporting date, foreclosed properties are measured at fair value, with changes in fair value included in the consolidated statement of net income and comprehensive income in the period they arise. REOT uses management's best estimate to determine the fair value of the foreclosed properties; which may involve frequent inspections, engaging realtors to assess market conditions based on previous property transactions, costs consultants to estimate completion costs on development or construction projects, or retaining professional appraisers to provide independent valuations.

Contractual interest on the mortgage investment is discontinued from the date of transfer from the mortgage investments to foreclosed properties. Any net income or loss generated from foreclosed properties is recorded as net operating gain (loss) from foreclosed properties and recorded separately from fair value adjustments on foreclosed properties.

**f) Foreign Currency Futures Contracts**

The Trust may enter into foreign currency futures contracts to economically hedge the foreign currency risk exposure of its mortgage and other investments that are denominated in foreign currencies. The value of foreign currency futures contracts entered into by the Trust is recorded as the difference between the value of the contract on the reporting period and the value on the date the contract originated. Any resulting gain or loss is recognized in the consolidated statement of net income and comprehensive income unless the foreign currency contract is effective as a hedging instrument and designated as such under IFRS. The Trust has elected to not account for the foreign currency contracts as an accounting hedge.

**g) Provisions**

Provisions are recognized when Trust has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognized for future operating losses.

The amount of a provision is based on management's best estimate of the expenditure that is required to settle the obligation at the end of the reporting year.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

**h) Distribution Reinvestment and Unit Purchase Plan (“DRIP”)**

Trust has instituted a Dividend Reinvestment Plan (“DRIP”) in accordance with Article 5.8 of the Declaration of Trust which provides that the Trustees may in their sole discretion establish a distribution reinvestment plan at any time providing for the voluntary reinvestment of distributions by some or all the Trust Unitholders as the Trustees determine. Currently, Unitholders receive a 2% discount on Units purchased via the DRIP. No commissions, service charges or brokerage fees are payable by participants in connection with the DRIP.

**i) Income Taxes**

The Trust qualifies as a Mutual Fund Trust for Canadian income tax purposes. In accordance with the terms of the Declaration of Trust, the Trust intends to distribute its income for income tax purposes each year to such an extent that it will not be liable for income taxes under Part I of the Income Tax Act (Canada). The Trust is eligible to claim a tax deduction for distributions paid and, intends to continue to meet the requirements under the Income Tax Act (Canada). Accordingly, no provision for income taxes payable has been made. Income tax obligations relating to distributions of the Trust are the obligations of the Unitholders.

**j) Net Assets Attributable to Unitholders**

In accordance with *IAS 32 - Financial Instruments: Presentation*, puttable instruments are generally classified as financial liabilities. The Trust’s units are puttable instruments, meeting the definition of financial liabilities in IAS 32. There are exception tests within IAS 32 that could result in classification as equity; however, the Trust’s units do not meet the exception requirements. Therefore, the Trust has no instrument qualifying for equity classification on its statement of financial position pursuant to IFRS. The classification of all units as financial liabilities with the presentation as net assets attributable to Unitholders does not alter the underlying economic interest of the Unitholders in the net assets and net operating results attributable to Unitholders.

The Trust’s units are carried on the consolidated statement of financial position at net asset value. Although puttable instruments classified as financial liabilities are generally required to be remeasured to fair value at each reporting year, the alternative presentation as net assets attributable to Unitholders reflects that, in total, the interests of the Unitholders are limited to the net assets of the Trust.

**k) Changes in accounting policies**

The Trust has adopted *IFRS 9 – Financial Instruments* and *IFRS 15 – Revenue from Contracts with Customers* effective January 1, 2018, without restatement of comparative periods.

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**Financial Instruments (“IFRS 9”)**

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables and available for sale. The adoption of IFRS 9 has not had a significant effect on the Trust’s accounting policies related to financial liabilities and financial instruments. The impact of IFRS 9 on the classification and measurement of financial assets is set out below.

The implementation of IFRS 9 has been reflected in the classification and measurement of financial assets and financial liabilities. The Trust adopted IFRS 9 beginning January 1, 2018, using transitional provisions allowing the Trust to not restate comparative periods, which reflect IAS 39.

The modification in classifications have been outlined below:

<b>Financial Instrument</b>	<b>Classification under IAS 39</b>	<b>Classification under IFRS 9</b>	<b>Original Carrying amount under IAS 39</b>	<b>Reclassification</b>	<b>New carrying amount under IFRS 9</b>
Cash & restricted cash	Loans and Receivables	Amortized cost	3,104	-	3,104
Receivables and other assets	Loans and Receivables	Amortized cost	7,444	-	7,444
Mortgage investments	Loans and Receivables	Amortized cost	285,352	(85,125)	200,227
Participating loan interests	FVTPL	FVTPL	21,748	85,125	106,873
Credit facility	Other Liabilities	Other Liabilities	22,000	-	22,000
Accounts payable and accrued liabilities	Other Liabilities	Other Liabilities	4,789	-	4,789
Unit subscriptions in trust	Other Liabilities	Other Liabilities	650	-	650

Upon the adoption of IFRS 9, the Trust identified \$85,125 of mortgage investments that include a profit participation feature, which does not meet the solely payments of principal and interest (SPPI) criterion. This balance has been reclassified to participating loan interests and measured at FVTPL. IFRS 9 uses an expected credit loss (ECL) model to determine impairment. The impairment requirements in IFRS 9 apply to financial assets that are measured at amortized cost or FVOCI, and off balance-sheet lending commitments such as loan commitments and letters of credit (which are collectively referred to in this note as financial assets). The ECL model is forward looking and results in a provision for mortgage losses being recorded on all financial assets regardless of whether there has been a loss event.

Each financial asset measured at amortized cost is evaluated for expected credit losses at each reporting period, or more frequently if circumstances indicate the existence of objective evidence of significant changes in credit risk. Significant credit risk is assessed based on the criteria described in “Measurement of Expected Credit Losses” (Note 2).

On January 1, 2018, upon adoption of IFRS 9 there was no material impact to the provision for expected credit losses.

### **Revenue from Contracts with Customers ("IFRS 15")**

Effective January 1, 2018, the Trust has applied IFRS 15. IFRS 15 establishes a comprehensive framework for determining whether, how much, and when revenue is recognized, replacing reporting standards commonly used in the industry, such as *IAS 18 – Revenue*, *IAS 11 – Construction Contracts*, and *IFRIC 15 – Agreements for the Construction of Real Estate*.

In adopting IFRS 15, each revenue stream was assessed, and both the recognition of revenue and the measurement of revenue remained the same under IFRS 15, resulting in no impact to the consolidated statements of financial position and the consolidated statements of comprehensive income.

### **l) Future Changes in Accounting Policies**

#### **Leases ("IFRS 16")**

IFRS 16 is effective for reporting periods beginning on or after January 1, 2019. IFRS 16 specifies how to recognize, measure, present and disclose leases. From a lessee perspective, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as required by IAS 17 and, instead, introduces a single lessee accounting model. The single lessee accounting model requires lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value and to disclose the depreciation of lease assets separately from interest on lease liabilities in the income statement. A lessee shall either apply IFRS 16 with full retrospective effect or alternatively not restate comparative information but recognize the cumulative effect of initially applying IFRS 16 as an adjustment to opening equity at the date of initial application. The Trust does not expect the adoption of IFRS 16 to have a material impact on net income or on the net assets attributable to Unitholders of the Trust.

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**4. Mortgage Investments**

Mortgages investments represent amounts under loan arrangements. The weighted effective interest rate is 9.20% (December 31, 2017: 10.01%) and the estimated weighted average contractual term of maturity is 0.77 years (December 31, 2017: 1.14 years). Interest income for the year ended December 31, 2018 was \$24,682 (December 31, 2017: \$24,341).

For the year ended	Note	December 31, 2018	December 31, 2017 <sup>(1)</sup>
Interest income from mortgage investments		\$ 24,682	\$ 24,341
Interest income from participating loan interests	7	9,138	-
<b>Total interest income</b>		<b>\$ 33,820</b>	<b>\$ 24,341</b>

(1) Presented under IAS 39

As at December 31, 2018, mortgage investments and syndicated mortgage investment liabilities are as follows:

As at December 31, 2018	Note	Gross Mortgage Investments	Syndicated Mortgage Investments	Net Mortgage Investments
Non-current mortgage investments		\$ 82,274	\$ (6,027)	\$ 76,247
Allowance for ECL	4	(1,158)	-	(1,158)
Total non-current mortgage investments		81,116	(6,027)	75,089
Current mortgage investments		214,000	(12,065)	201,935
Mortgage interest receivable		80	-	80
Total current mortgage investments		214,080	(12,065)	202,015
<b>Total mortgage investments</b>		<b>\$ 295,196</b>	<b>\$ (18,092)</b>	<b>\$ 277,104</b>

As at December 31, 2017 <sup>(1)</sup>	Note	Gross Mortgage Investments	Syndicated Mortgage Investments	Net Mortgage Investments
Non-current mortgage investments		\$ 121,807	\$ -	\$ 121,807
Allowance for mortgage investments loss		(1,985)	-	(1,985)
Total non-current mortgage investments		119,822	-	119,822
Current mortgage investments		164,328	-	164,328
Mortgage interest receivable		1,202	-	1,202
Total current mortgage investments		165,530	-	165,530
<b>Total mortgage investments</b>		<b>\$ 285,352</b>	<b>\$ -</b>	<b>\$ 285,352</b>

(1) Presented under IAS 39

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As at December 31, 2018, the Trust holds mortgage investments which contain participation agreements with third-party lenders, whereby the Trust retains residual interests subordinate to the interests syndicated to these third-party lenders. All interest and fee income earned by the Trust recognized is included in the consolidated statement of net income and comprehensive income. Interest paid to syndicate participants for the year ended December 31, 2018 was \$287 (December 31, 2017: \$nil).

As at December 31, 2018, the Trust has additional mortgage investment commitments of \$158,773 (December 31, 2017: \$111,078).

Future repayments for gross mortgage investments excluding the allowance for ECL are as follows:

<b>As at</b>	<b>December 31, 2018</b>
December 31, 2019	\$ 214,081
December 31, 2020	70,618
December 31, 2021	1,148
December 31, 2022	7,652
December 31, 2023	2,855
<b>Total repayments</b>	<b>\$ 296,354</b>

As at December 31, 2018, mortgage investments including the allowance for ECL is allocated between the ECL stages as follows:

<b>As at December 31, 2018</b>	<b>Stage 1</b>		<b>Stage 2</b>		<b>Stage 3</b>		<b>Total</b>
Gross mortgage investments	\$ 259,494	\$ 33,280	\$ 3,580	\$	296,354		
Syndicated mortgage investments	(12,065)	(6,027)	-	-	(18,092)		
Net mortgage investments	247,429	27,253	3,580	-	278,262		
Allowance for ECL	(470)	(608)	(80)	-	(1,158)		
<b>Net mortgage investments, net</b>	<b>\$ 246,959</b>	<b>\$ 26,645</b>	<b>\$ 3,500</b>	<b>\$</b>	<b>277,104</b>		

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The changes in the allowance for ECL during the year ended December 31, 2018 are as follows:

<b>For the year ended December 31, 2018</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
Allowance for ECL, beginning of the period <sup>(1)</sup>	\$ 1,985	\$ -	\$ -	\$ 1,985
Adjustment to IFRS 9	(1,771)	1,771	-	-
Provision for ECL related to:				
Funding	531	236	-	767
Repayment	(60)	(5)	-	(65)
Remeasurement	-	(1,609)	80	(1,529)
Transfers to (from)	(215)	215	-	-
<b>Allowance for ECL, end of the period</b>	<b>\$ 470</b>	<b>\$ 608</b>	<b>\$ 80</b>	<b>\$ 1,158</b>

(1) Presented under IAS 39

During the year ended December 31, 2018, the Trust recognized a recovery of its provision for ECL of \$828 (December 31, 2017: expense of \$872).

The nature of the underlying assets for the Trust's mortgage investments as at December 31, 2018, is segregated as follows:

<b>As at</b>	<b>December 31, 2018</b>	<b>December 31, 2017 <sup>(1)</sup></b>
Low-Rise Residential	42%	43%
High-Rise Condominium	19%	10%
Commercial/Mixed Use	19%	16%
Land	13%	8%
Multi Family Apartments	6%	21%
Multi Student Housing	1%	2%
	<b>100%</b>	<b>100%</b>

(1) Presented under IAS 39

During the year ended December 31, 2018, the Trust's prior year comparative segregation of the nature of the underlying assets was revised to better reflect management's view of the relevance of the above sub-categories to the mortgage investments to which they relate. As at December 31, 2018, the Trust has a 70% interest (December 31, 2017: 42%) in first mortgages and a 30% interest (December 31, 2017: 58%) in second mortgages.

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## **5. Foreclosed Property**

When the Trust receives title to real estate properties from foreclosure activities, management will engage resources for construction or redevelopment activity to support the best future disposition value. As at December 31, 2018, there is one foreclosed property (December 31, 2017: nil), which is recorded at a fair value of \$17,000 (December 31, 2017: \$nil). The fair value has been categorized as a level 3 fair value, primarily based on a direct comparison approach.

The changes in the foreclosed property held for sale during the year ended December 31, 2018 and December 31, 2017 are as follows:

<b>For the year ended</b>	<b>December 31, 2018</b>	
Balance beginning of year	\$	-
Foreclosed property reclassified from mortgage investments		18,998
Impairment		(2,053)
Capital improvements		55
<b>Balance, end of year</b>	<b>\$</b>	<b>17,000</b>

As at the prior year ended December 31, 2017, the above noted foreclosed property was recognized by the Trust as a mortgage investment in default, with an outstanding principal and interest balance of \$16,422 and \$2,103, respectively.

## **6. Equity Accounted Investments**

Investment properties held within equity accounted investments are measured at fair value as at the consolidated statement of financial position dates. Any changes in the fair value are included in the consolidated statement of net income and comprehensive income. Fair value is supported by independent external valuations or detailed internal valuations using market-based assumptions, each in accordance with recognized valuation techniques. The techniques used comprise the capitalized net operating income method and include estimating, among other things (all considered Level 3 inputs), future normalized net operating income, capitalization rates, discount rates and other future cash flows applicable to investment properties. Fair values for investment properties are classified as Level 3 in the fair value hierarchy.

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The carrying value of equity accounted investments consists of the following:

For the year ended December 31, 2018									
Entity	Ownership	December 31, 2017	Net Contributions/ (Distributions)	Income and Fair Value adjustments	Currency Translation Adjustment	Dispositions		December 31, 2018	
The Residences of Seasons LP	50%	\$ 19,309	\$ -	\$ 244	\$ -	\$ -		\$ 19,553	
ME Living Phase LP <sup>(1)</sup>	50%	14,092	(91)	1,743	-	-		15,744	
Bridgewater Trails Apartments LP	45%	5,704	508	1,942	-	-		8,154	
No. 21 Apartments LP	50%	3,705	7	1,329	-	-		5,041	
Harbour View Estates LP	50%	-	(160)	160	-	-		-	
BW2 Apartments LP	45%	4,457	6	1,871	-	-		6,334	
Trillium Mountain Ridge Inc.	50%	8,750	(2,069)	679	-	-		7,360	
Sage Apartments LP	40%	-	7,107	-	-	-		7,107	
Acron CMCC Lake Carolyn Holding LLC	48%	-	20,939	1,617	1,100	-		23,656	
9 Dawes LP	21%	-	2,778	-	-	-		2,778	
Lee-Tamiami LLC	75%	-	10,004	-	274	-		10,278	
		<b>\$ 56,017</b>	<b>\$ 39,029</b>	<b>\$ 9,585</b>	<b>\$ 1,374</b>	<b>\$ -</b>		<b>\$ 106,005</b>	

(1) The Trust has elected to measure investments in associates and joint ventures at FVTPL.

For the year ended December 31, 2017									
Entity	Ownership	December 31, 2016	Net Contributions/ (Distributions)	Income and Fair Value adjustments	Currency Translation Adjustment	Dispositions		December 31, 2017	
The Residences of Seasons LP	50%	\$ 11,383	\$ 1,252	\$ 6,674	\$ -	\$ -		\$ 19,309	
ME Living Phase LP <sup>(1)</sup>	50%	-	11,923	2,169	-	-		14,092	
Bridgewater Trails Apartments LP	45%	3,738	-	1,966	-	-		5,704	
No. 21 Apartments LP	50%	-	3,705	-	-	-		3,705	
Harbour View Estates LP	50%	9,168	134	(183)	-	(9,119)		-	
BW2 Apartments LP	45%	-	4,122	335	-	-		4,457	
Trillium Mountain Ridge Inc.	50%	-	8,827	(77)	-	-		8,750	
		<b>\$ 24,289</b>	<b>\$ 29,963</b>	<b>\$ 10,884</b>	<b>\$ -</b>	<b>\$ (9,119)</b>		<b>\$ 56,017</b>	

(1) The Trust has elected to measure investments in associates and joint ventures at FVTPL.

As at December 31, 2018, the Trust has additional commitments for contributions to equity accounted investments of \$10,275 (December 31, 2017: \$1,839).

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The following is the summarized financial information of the above investments:

For the year ended December 31, 2018	The Residences of Seasons LP	ME Living Phase LP (1)	Acron CMCC Lake Carolyn Holding LLC	Other	Total
Non-current assets	\$ 46,821	\$ 71,555	\$ 2,316	\$ 38,322	\$ 159,014
Current assets	45,669	2,563	-	70,170	118,402
Total assets	92,490	74,118	2,316	108,492	277,416
Non-current liabilities	(53,065)	(42,787)	-	(58,404)	(154,256)
Current liabilities	(1,029)	(16,489)	-	(6,320)	(23,838)
Total liabilities	(54,094)	(59,276)	-	(64,724)	(178,094)
Total revenue	4,151	-	-	2,122	6,273
Total expenses	(3,033)	-	-	(1,924)	(4,957)
Total fair value gains	489	3,486	3,404	12,488	19,867
Net income	\$ 1,607	\$ 3,486	\$ 3,404	\$ 12,686	\$ 21,183

(1) Certain equity accounted investments include economic interests above their ownership interests.

For the year ended December 31, 2017	The Residences of Seasons LP	ME Living Phase LP (1)	Other	Total
Non-current assets	\$ 81,473	\$ 42,818	\$ 47,214	\$ 171,505
Current assets	5,669	2,653	7,796	16,118
Total assets	87,142	45,471	55,010	187,623
Non-current liabilities	(44,472)	(30,658)	(19,041)	(94,171)
Current liabilities	(4,555)	(3,474)	(5,561)	(13,590)
Total liabilities	(49,027)	(34,132)	(24,602)	(107,761)
Total revenue	398	-	221	619
Total expenses	(422)	-	(374)	(796)
Total fair value gains	13,371	4,339	5,112	22,821
Net income	\$ 13,347	\$ 4,339	\$ 4,959	\$ 22,644

(1) Certain equity accounted investments include economic interests above their ownership interests.

There were no dispositions of equity accounted investments during the year ended December 31, 2018. During the year ended December 31, 2017, the Trust completed the disposition of an equity accounted investment in Harbour View Estates LP, detailed as follows:

Disposition Date	% of Holding	Disposition Proceeds	Original Purchase Price	Prior Years Cumulative Fair Value Gains	Loss Recognized in 2017
March 3, 2017	60%	\$9,119	\$5,760	\$3,176	(\$183)

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**7. Participating Loan Interests**

In the year ended December 31, 2018, interest income was \$9,138 (December 31, 2017: \$nil) and fair value gains recognized was \$4,215 (December 31, 2017: \$12,897). The fair value of the underlying real estate assets was determined using a detailed valuation framework, and the techniques considered in this framework are as follows:

1. Consideration of recent prices of similar properties within similar market areas; and
2. The direct capitalized method, which is based on the conversion of future normalized earnings directly into an expression of market value.

As a result, the fair value of participating loan interests is based on Level 3 of the fair value hierarchy.

The following table outlines the activity for the fair value of participating loan interests:

For the year ended	Note	December 31, 2018	December 31, 2017 <sup>(1)</sup>
Balance, beginning of the period <sup>(1)</sup>		\$ 21,748	\$ 8,851
Transfers from Mortgage Investments due to IFRS 9 Transition	3	85,125	-
Adjusted balance under IFRS 9, beginning of the period		106,873	8,851
Advances		16,308	-
Interest income		9,138	-
Fair value gains		4,215	12,897
Repayments of principal		(22,950)	-
Repayments of interest		(1,781)	-
<b>Balance, end of the period</b>		<b>\$ 111,803</b>	<b>\$ 21,748</b>

(1) Presented under IAS 39

As at December 31, 2018, the Trust has additional commitments for participating loan interests of \$11,729 (December 31, 2017: \$nil).

**8. Receivables and Other Assets**

For the year ended	Note	December 31, 2018	December 31, 2017
Amounts due from mortgage servicer	15	\$ 987	\$ 6,764
Unamortized financing cost on line of credit		-	26
Prepaid expenses		-	20
Other receivables		698	634
Foreign currency forward contracts		1,675	-
		<b>\$ 3,360</b>	<b>\$ 7,444</b>

As at December 31, 2018, the Trust holds foreign currency forward contracts of \$1,675 measured at fair value (based on level 2 inputs).

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**9. Restricted Cash / Unit Subscriptions in Trust**

As at December 31, 2018, the restricted cash is \$422 (December 31, 2017: \$650). Restricted cash represents Unitholder subscriptions held in trust until the trade settlement date, and these amounts will be returned to investors if the proposed unitholder subscriptions do not successfully proceed.

**10. Accounts Payable and Accrued Liabilities**

<b>For the year ended</b>	<b>December 31, 2018</b>		<b>December 31, 2017</b>	
Accounts payable	\$	35	\$	79
Accrued expenses		890		282
Distributions payable		-		4,428
	\$	925	\$	4,789

A special distribution of \$4,427 was declared to all Unitholders effective December 31, 2017 and paid in Units on March 31, 2018.

## **11. Classification of Units**

In accordance with the Declaration of Trust (“DOT”), the Trust may issue an unlimited number of units of various classes, with each unit representing an equal undivided interest in any distributions from the Trust, and in the net assets in the event of termination or wind-up of the Trust.

### **Authorized**

- i. **Unlimited number of Class A Trust Units**  
Class A Trust Units are participating, with one vote per unit, no par value.
- ii. **Unlimited number of Class F Trust Units**  
Class F Trust Units are participating, with one vote per unit, no par value.
- iii. **Unlimited number of Class I Trust Units**  
Class I Trust Units are participating, with one vote per unit, no par value.
- iv. **Unlimited number of Class M Trust Units**  
Class M Trust Units are participating, reserved for Centurion Asset Management Inc. and represent a beneficial interest set as the ratio of the number of investor units, such that the amount of Class M Units will equal the number of investor units divided by 0.95 less the number of investor units. Apart from certain voting restrictions, Class M unitholders are entitled to vote to that percentage of all Unitholder votes equal to the Class M unit percentage interest. At any time, the holder of a Class M unit may convert into either Class A and or Class R units.
- v. **Unlimited number of Class R Trust Units**  
Class R Trust Units are participating with no par value and reserved for a Centurion Family Entity as defined in the DOT. Apart from certain voting restrictions, Class R units are entitled to vote to that percentage of all Unitholder votes equal to the Class R Percentage Interest as defined in the DOT.

Each Unitholder shall be entitled to require the Trust to redeem Class A, F, I, M, or R Trust units on the “Redemption Date” of any month on demand. Unitholders whose units are redeemed will be entitled to receive a redemption price per unit (“Redemption Price”) determined by a market formula at fair value less any applicable early redemption fees as outlined in the DOT.

The Redemption Price will be satisfied by way of cash payment. The Trust units tendered for redemption in any calendar month in which the total amount payable by the Trust exceeds \$50 (the “Monthly Limit”), may be redeemed for cash by a distribution in specie of debt securities on a pro-rata basis.

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**Issued (in thousands of units)**

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
<b>Class A Trust Units</b>		
Units as at January 1,	5,602	5,447
New units issued	955	122
Distribution reinvestment plan	305	179
Redemption of units	(125)	-
Transfer of units	-	(146)
	<u>6,737</u>	<u>5,602</u>
<b>Class F Trust Units</b>		
Units as at January 1,	1,954	1,964
New units issued	1,365	-
Distribution reinvestment plan	126	59
Redemption of units	(176)	-
Transfer of units	-	(69)
	<u>3,269</u>	<u>1,954</u>
<b>Class I Trust Units</b>		
Units as at January 1,	2,292	1,971
New units issued	2,371	323
Distribution reinvestment plan	74	6
Redemption of units	(360)	(8)
	<u>4,377</u>	<u>2,292</u>
<b>Class M Trust Units</b>		
	<u>50</u>	<u>50</u>
<b>Class R Trust Units</b>		
Units as at January 1,	20,621	8,776
New units issued	8,151	10,638
Distribution reinvestment plan	2,252	1,207
Redemption of units	-	-
	<u>31,024</u>	<u>20,621</u>

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**12. General and Administration**

<b>For the year ended</b>	<b>December 31, 2018</b>		December 31, 2017
Salaries and wages	\$	<b>2,424</b>	\$ 1,563
Fund administration costs		<b>196</b>	203
Advertising		<b>81</b>	112
Professional fees		<b>348</b>	163
Commissions		-	48
Office expenses		<b>528</b>	409
	\$	<b>3,577</b>	\$ 2,498

**13. Commitments**

The Trust has entered into an agreement with a related party, Centurion Apartment REIT (“REIT”), the warehouse lender, whereby REIT is given the opportunity to fund mortgage investments originated by the Trust. The Trust has the right during the term of the agreement to purchase the mortgage investments previously funded by the warehouse lender, subject to the provisions of the agreement. Subject to the provisions of the agreement, the Trust may also be obligated to repurchase mortgage investments funded by REIT under the warehouse agreement. The Trust has guaranteed any losses on the mortgage investments funded by REIT under the warehouse agreement. The total amount utilized in the warehouse facility as at December 31, 2018, was \$38,347 (December 31, 2017: \$nil).

**14. Contingencies**

The Trust is involved in certain litigation arising out of ordinary course of investing in loans and other real estate projects. Although such matters cannot be predicted with certainty, management believes the claims are without merit and does not consider the Trust’s exposure to such litigation to have a material impact on these consolidated financial statements.

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**15. Related Party Transactions**

Related parties of the Trust hold the 50,000 Class M Trust units of REIT and REOT. The distributions for the year ended December 31, 2018, for these units were \$473 (\$352 for the year ended December 31, 2017).

The mortgage servicer, which is a related party through common ownership of Class M Units, has outstanding balances to the Trust as at December 31, 2018, of \$987 (December 31, 2017: \$6,764).

As at December 31, 2018, Centurion Apartment REIT holds 28,259 Class R Trust units of REOT. The distributions for the year ended December 31, 2018, for the Class R Trust units were 25,120 settled with 2,209 Class R Trust units (year ended December 31, 2017: \$12,818 settled with 1,195 Class R Trust units, respectively).

As at December 31, 2018, Centurion Financial Investment Trust ("CFIT") holds 2,765 Class R Trust units of REOT. The distributions for the year ended December 31, 2018, for the Class R Trust units were \$2,316 settled with \$2,188 cash and 43 Class R Trust units (year ended December 31, 2017: \$336 settled with 12 Class R Trust units, respectively), respectively.

REOT reimbursed Centurion Asset Management GP Inc. ("CAMGPI") for \$2,082 (\$1,517 for the year ended December 31, 2017) of payroll expenses and \$76 (\$42 for the year ended December 31, 2017) of administrative expenses for the year ended December 31, 2018.

The Trust purchased \$78,000 of mortgage investments using proceeds from units issued to REIT that was initially funded via the warehouse agreement disclosed in Note 13.

Key management consists of the Board of Trustees and the executive management team of the Trust. Compensation paid to non-executive Trustees during the year ended December 31, 2018 was \$138 (December 31, 2017: \$114). Compensation paid to the executive management of the Trust during the year ended December 31, 2018 was \$251 (December 31, 2017: \$257).

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**16. Fair Value Measurement**

Fair value is the price that market participants would be willing to pay for an asset or liability in an orderly transaction under current market conditions at the measurement date.

The fair values of the Trust's financial instruments were determined as follows:

- The carrying amounts of cash, restricted cash, unit subscriptions in trust, other receivables, amounts due from mortgage servicer, credit facility and accounts payable and accrued liabilities approximate their fair values based on the short-term maturities of these financial instruments.
- Management determines fair value based on its assessment of the current lending market for mortgage investment assets and syndicated mortgage investment liabilities of same or similar terms since there are no quoted prices in an active market for these investments. The fair value of mortgage investments and syndicated mortgage investments as at December 31, 2018, is \$295,781 (December 31, 2017: \$285,352) and \$18,092 (December 31, 2017: \$nil), respectively, based on interest rates received on similar investments.
- Management determines the fair value of participating loan interests, as detailed in Note 7, using either the direct capitalization approach or the direct comparison approach.
- The fair value of the foreign currency futures contracts was determined using Level 2 inputs which include spot and futures foreign exchange rates.

The table below analyzes assets and liabilities carried at fair value in the consolidated statement of financial position, by the levels in the fair value hierarchy, which are defined as follows:

<b>December 31, 2018</b>	<b>Note</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
<b>Assets</b>				
Participating loan interests	7	\$ -	\$ -	\$ 111,803
Foreclosed properties	5	-	-	17,000
Futures currency contracts	8	-	1,675	-
<b>Measured at fair value through profit and loss</b>		<b>\$ -</b>	<b>\$ 1,675</b>	<b>\$ 128,803</b>

<b>December 31, 2017</b>		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
<b>Assets</b>				
Participating loan interests <sup>(1)</sup>	7	\$ -	\$ -	\$ 21,748
Futures currency contracts	8	-	-	-
<b>Measured at fair value through profit and loss</b>		<b>\$ -</b>	<b>\$ -</b>	<b>\$ 21,748</b>

(1) Presented under IAS 39

## **17. Capital Management**

The Trust defines capital as net assets attributable to Unitholders, debt, and lines of credit. The Trust's objectives in managing capital are to ensure adequate operating funds are available to maintain consistent and sustainable Unitholder distributions and to provide for resources needed to fund new investments.

Various debt and earnings distribution ratios are used to ensure capital adequacy and monitor capital requirements. The primary ratios used for assessing capital management are the interest coverage ratio and net debt-to-gross carrying value. Other indicators include weighted average interest rate, average term to maturity of debt, and variable debt as a portion of the total debt. These indicators assist the Trust in assessing that the debt level maintained is sufficient to provide adequate cash flows for Unitholder distributions and for evaluating the need to raise funds for further expansion.

The carrying value of the units is impacted by earnings and Unitholder distributions. The Trust endeavors to make annual distributions. Amounts retained in excess of the distributions are used to fund new investments and working capital requirements. Management monitors distributions through various ratios to ensure adequate resources are available. These include the proportion of distributions paid in cash, DRIP participation ratio, and total distributions as a percent of distributable income and distributable income per unit.

## **18. Financial Instruments**

### **a) Risk Management**

The main risks that arise from the Trust's financial instruments are liquidity, interest and credit risk. The Trust's approach to managing these risks is summarized below:

Management's risk management policies are typically performed as a part of the overall management of the Trust's operations. Management is aware of risks related to these objectives through direct personal involvement with employees and outside parties. In the normal course of its business, the Trust is exposed to a number of risks that can affect its operating performance. Management's close involvement in operations helps 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.

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These risks include, and the actions taken to manage them, are as follows:

**i) Liquidity Risk**

Liquidity risk is the risk that the Trust may not be able to meet its financial obligations as they fall due.

The Trust's principal liquidity needs arise from working capital, debt servicing and repayment obligations, planned funding of mortgage investments and distributions to Unitholders. The Trust manages its liquidity risk by ensuring its projected financial obligations can be met through its cash flow from operations, credit facility, new capital issuances and projected repayments under the existing mortgage investment portfolio.

The success of new capital issuances is subject to the capital markets being receptive to a unit issue with financial terms favorable to the Trust. As at December 31, 2018, the Trust has \$23,728 (December 31, 2017: \$2,454) in unrestricted cash. In addition, the terms of the Trust's credit facility are as follows:

	<b>December 31, 2018</b>	December 31, 2017
Credit facility agreed	<b>\$ 30,000</b>	\$ 30,000
Available for use	<b>\$ 30,000</b>	\$ 30,000
Available as undrawn	<b>\$ 17,000</b>	\$ 8,000

The Trust has a revolving facility from a Schedule 1 Bank for \$30,000 at an interest rate of prime plus 1.50%. As at December 31, 2018, \$13,000 has been drawn on this facility (December 31, 2017: \$22,000). Under the terms of the credit facility, the Trust is required to maintain a minimum tangible net worth and interest coverage ratio.

As at December 31, 2018, the Trust has contractual obligations totaling \$213,216 (December 31, 2017: \$140,356) due in less than one year, which include all liabilities excluding net liabilities attributable to unitholders, noted within the consolidated statement of financial position, additional mortgage investment commitments (Note 4), additional equity accounted investments (Note 6) and participating loan interest commitments (Note 7). For purposes of contractual obligations, no interest on the credit facility has been included as it is not practical to forecast the outstanding balance on the credit facility.

**ii) Interest Rate Risk**

The Trust's objective of managing interest rate risk is to minimize the volatility of earnings. Management establishes floor rates for all variable rate mortgage investments to limit their exposure to interest rate risk. Management monitors the Trust's variable rate credit facility on an ongoing basis and assesses the impact of any changes in this variable rate on earnings as well as routinely assesses the suitability of the terms of this credit facility.

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As at December 31, 2018, the Trust has mortgage investments of \$92,997 (December 31, 2017: \$9,216) and a credit facility with a balance of \$13,000 (December 31, 2017: \$22,000) that each bore interest at variables rates, which are outlined as follows:

	Carrying Amount	-1%		1%	
		Income	Equity	Income	Equity
<b>Financial assets</b>					
Variable rate mortgage investments	\$ 92,997	\$ (930)	\$ (930)	\$ 930	\$ 930
<b>Financial liabilities</b>					
Variable rate debt due to mature in a year	\$ 13,000	\$ 130	\$ 130	\$ (130)	\$ (130)

**iii) Credit Risk**

Credit risk related to mortgage investments is the possibility that a borrower under one of the mortgages comprising the investment portfolio, may be unable to honor their debt commitment(s) as a result of a negative change in the borrower's financial position or market conditions that could result in a loss to the Trust.

Any instability in the real estate sector or an adverse change in economic conditions in Canada could result in declines in the value of real property securing the Trust's investments. There have been significant increases in real estate values in various sectors of the Canadian market over the past few years. A correction or revaluation of real estate in such sectors will result in a reduction in values of the real estate securing mortgage loans or loan losses in the event the real estate security has to be realized upon the lender. The Trust's maximum exposure to credit risk is represented by the mortgage investment and other accounts receivables from mortgage servicer.

**iv) 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 is exposed to currency risk from a mortgage investment that is denominated in US Dollars ("USD"). The Trust uses foreign currency futures contracts to economically hedge the variability of future earnings and cash flows caused by movements in foreign exchange rates. Under the terms of the foreign currency futures contracts, the Trust buys or sells a currency against another currency at a set price on a future date.

As at December 31, 2018, the Trust has a portion of its assets denominated in USD and has entered into futures contracts to sell USD and reduce its exposure to foreign currency risk. As at December 31, 2018, the Trust has USD futures contracts with an aggregate notional value of \$39,321 USD (December 31, 2017: \$5,022 USD) at a futures contract rate of \$0.75 and a maturity of March 2019.

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The following schedule, denoted in USD, outlines the Trust's net exposure to USD:

<b>For the year ended</b>	<b>December 31, 2018</b>	December 31, 2017
Cash	\$ 14,700	\$ -
Mortgage investments	6,224	5,077
Equity accounted investments	24,874	-
Total assets held in USD	<u>45,798</u>	5,077
USD futures contracts (notional value)	(39,321)	(5,022)
<b>Net exposure</b>	<b>\$ 6,477</b>	<b>\$ 55</b>

### 19. Supplementary Information

The following schedule outlines the non-cash and cash movements during the year for items impacted by the warehouse facility:

<b>For the year ended</b>	Note	<b>December 31, 2018</b>	December 31, 2017
Cash proceeds received		\$ 70,373	\$ 86,301
Repayment of the warehouse facility in units	15	78,000	34,038
Unit issuance costs		(750)	(392)
<b>Total units issued</b>		<b>\$ 147,623</b>	<b>\$ 119,947</b>
Mortgage investments funded in cash		\$ 78,623	\$ 140,288
Mortgage investments funded by the warehouse facility	15	116,269	22,379
Mortgage investments funded through syndication	4	18,000	-
<b>Total mortgage investments funded</b>		<b>\$ 212,892</b>	<b>\$ 162,667</b>
Equity accounted investments funded in cash	6	\$ 39,029	\$ 9,477
Equity accounted investments funded by the warehouse facility	15	-	11,659
Equity accounted investments transferred from mortgage investments		-	8,827
<b>Total equity accounted investments funded</b>		<b>\$ 39,029</b>	<b>\$ 29,963</b>

## **20. Subsequent Events**

Subsequent to the reporting date the Trust completed the following transactions:

- a) The warehouse facility owing to REIT was reduced by 38.1 million.
- b) The Trust issued Class R Trust units totaling \$96.5 million to REIT.
- c) Cash distributions declared and paid were \$1.4 million.



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REAL ESTATE OPPORTUNITIES TRUST

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