

Q1 REPORT

2023

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the three months ended March 31, 2023



Centurion Financial Trust (“CFIT” or the “Trust”) is an income and capital growth-orientated mutual fund trust that allows qualified investors to invest in a portfolio of private debt investments, including but not limited to mortgages, opportunistic real estate developments, and corporate debt.



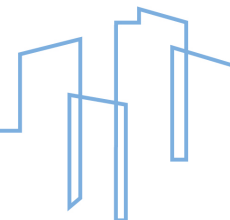
Q1 2023 HIGHLIGHTS

- Total assets were \$53.0 million at March 31, 2023
- Net income and comprehensive income was \$0.7 million for the three months ended March 31, 2023
- Trailing 12-Month Class A Return of 7.16%
- Trailing 12-Month Class F Return of 8.30%
- Diversified investment portfolio broken down by sector: Food and Beverage (33.82%), Power Generation (23.01%), Health Care (18.95%), Real Estate (14.94%), and Sports and Entertainment (9.27%)

OBJECTIVES

- To provide investors with stable cash distributions, payable monthly, with the opportunity for long-term growth and a focus on the preservation of capital
- To offer a diversified portfolio of income-producing and growth-orientated alternative credit investments
- To maximize unit value through the active management of the portfolio

FINANCIAL HIGHLIGHTS



As at	Notes	March 31, 2023	December 31, 2022
Debt Investments	\$	24,838,004 \$	25,107,185
Participating Loan Interests		23,790,715	24,044,955
Other Financial Assets and Warrants		3,737,285	3,737,959
Receivable and other assets		120,732	13,127
Cash		528,437	775,003
Restricted Cash		—	50,000
Total Assets	\$	53,015,173 \$	53,728,229
Warehouse liabilities	\$	14,388,177 \$	13,086,736
Three months ended		March 31, 2023	March 31, 2022
Net Investment Income	\$	740,543 \$	1,306,374
Net Income and Comprehensive Income	\$	655,738 \$	1,292,225
Net Income and Comprehensive Income per Unit		0.14	0.26
FFO per Unit	1	0.31	0.23
NFFO per Unit	1	0.31	0.23
Weighted Average Number of Units		4,526,748	5,048,418
Trailing 12-Month Returns		March 31, 2023	December 31, 2022
Class A		7.16 %	4.30 %
Class F		8.30 %	5.41 %
Closing Price of Units		\$9.532	\$9.557

Notes:

1. Refer to Page 18 for definitions and Page 29 for calculations

LETTER FROM THE PRESIDENT



Though the inflation rate in Canada decreased slightly, uncertainty in the economy continues and the cost of living continues to soar across Canada. On January 25, 2023, the Bank of Canada increased its rate another 25 bps to 4.50%. There have been several bank failures in recent months reducing confidence in the global banking system. Credit Suisse, the second largest bank in Switzerland collapsed in March 2023 and was bought by UBS. Silicon Valley Bank, the 16th largest bank in the United States collapsed on March 10, 2023. On May 01, 2023 US regulators seized trouble First Republic Bank and sold its deposits and most of its assets to JP Morgan Chase.

The private debt market has experienced significant reductions in new debt issuances as rising interest rates and inflation continue. The result is that while the Trust reviewed over 56 deals in the first quarter of 2023 we have become more selective when looking at new deals in this environment, focusing on our preferred terms. We are projecting significant activities on the horizon for the second quarter

The investment portfolio continues to be well diversified with investments in Real Estate (14.94%), Food and Beverage (33.82%), Power Generation (23.01%), Health Care (18.95%) and Sports and Entertainment (9.27%). The Trust made advances of \$0.1 million and recorded \$0.3 million of investment repayments.

The weighted average interest rate increased from 11.90% to 12.65% due to higher rates on existing variable loans.

The Class A and Class F returns as at March 31, 2023 were 7.16% and 8.30% respectively. The current annual distribution yields is at a all time high for re-invested units at 7.76% for Class A Units and 8.91% for Class F Units.

We continue to look for accretive opportunities in all sectors.

A handwritten signature in black ink, appearing to read 'Greg Romundt', written in a cursive style.

GREG ROMUNDT

President, CEO, and Trustee

Q1 2023: MANAGEMENT’S DISCUSSION AND ANALYSIS

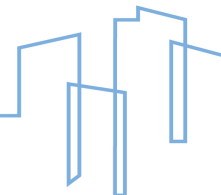


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Forward-Looking Statements

CAUTION REGARDING FORWARD-LOOKING STATEMENTS



The Management's Discussion and Analysis ("MD&A") of Centurion Financial Trust ("Centurion" or "CFIT" 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 unaudited condensed consolidated interim financial statements (See Appendix B) for the period ended March 31, 2023, along with CFIT 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 in 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 CFIT 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 CFIT trust Units, the general risks associated with real property ownership and acquisition, that future accretive acquisition opportunities will be identified and/or completed by CFIT, risk management, liquidity, debt financing, credit risk, competition, general uninsured losses, interest rate fluctuations, environmental matters, restrictions on redemptions of outstanding CFIT'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 CFIT'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 A "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. CFIT 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. CFIT 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.

DECLARATION OF TRUST



The policies of the Trust are outlined in the second amended and restated Declaration of Trust (the “DOT”) dated January 12, 2022. The DOT can be found at:

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

The Declaration of Trust contains investment guidelines and operating policies. The investment guidelines include, among other things, criteria with respect to the types of investments that the Trust can acquire and certain other parameters regarding the Trust’s investment activities. The operating policies address, among other things, the maximum level of the Trust’s debt and the requirements for investment analysis, security, appraisals, insurance coverage, environmental audits, and due diligence. The investment guidelines and certain operating policies may only be changed upon the approval of a two-thirds majority of the votes cast by Unitholders at a meeting called for such purpose. The remaining operating policies may be changed upon the approval of a majority of the votes cast by Unitholders at a meeting called for such purpose.

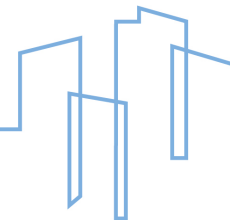
The investment guidelines and operating policies set out in the DOT.



The Trust's significant accounting policies are described in Note 3 of the condensed consolidated interim financial statements (Unaudited) (See Appendix B) for the period ended March 31, 2023. The condensed consolidated interim financial statements (Unaudited) have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to the preparation of the condensed consolidated financial statements (Unaudited).

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 quarterly 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 value of financial instruments.



The Trust prepares its unaudited condensed 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 Funds from Operations (“FFO”), and Normalized Funds from Operations (“NFFO”).

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.

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.

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.

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 unaudited condensed 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 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.

Q1 2023 OPERATING RESULTS



Qualified deal flow remained strong during the quarter which is summarized in the table below:

CORPORATE DEBT PROSPECTS REVIEWED	
	Q1 2023
External Deals for the Quarter	56
Declined/Passed on After Initial Review	(44)
Qualified Prospects Declined/Lost	(8)
Other Prospects Declined/Lost	(2)
Subtotal	2
Completed External New Investments by the Trust	—
Remaining Qualified and Other Prospects	2

The private debt market experienced significant reductions in new debt issuance as rising interest rates and inflation took hold. The result is that while the Trust reviewed over 56 deals in first quarter we have become more selective when looking at new deals in this environment, focusing on our preferred terms. We are already projecting significant activities on the horizon for the second quarter of 2023.

The total assets of the Trust were \$53.0 million as at March 31, 2023.

The Trust's investment portfolio is comprised of Corporate Debt and Participating Loan Investments (85.06%) and Real Estate Investments (14.94%). The Corporate Debt and Participating Loan Investments portfolio is comprised of investments in several sectors including Food and Beverage (33.82%), Power Generation (23.01%), Health Care (18.95%), and Sports and Entertainment (9.27%).

The Trust's Corporate Debt portfolio has a weighted-average interest rate of 12.65% and a weighted-average contractual term-to-maturity of 1.25 years. The weighted-average interest rate increased from 9.91% due to higher rates on new loans and existing loans being variable, and increases in the Bank of Canada rate.

During the quarter, the Trust issued a Demand Letter and Notice to Enforce Security on a participating loan with a carrying value of \$6.4 million. The Trust is currently working with the borrower on a restructuring plan. All other investments are performing well.

Q1 2023 OPERATING RESULTS



NET INCOME AND COMPREHENSIVE INCOME

	Three Months Ended March 31 2023	Three Months Ended March 31 2022
Interest income	\$ 1,858,809	\$ 1,502,146
Net fair value losses	(783,447)	174,392
Interest expense	(334,819)	(370,164)
Net Investment Income	\$ 740,543	\$ 1,306,374
Other income and expenses	(26,720)	(39,000)
General and administrative expenses	(152,243)	(150,489)
(Allowance) recovery for ECL	24,085	(20,443)
Foreign exchange gains	70,073	195,783
Net Income and Comprehensive Income	\$ 655,738	\$ 1,292,225

From an income perspective, Interest income on investments increased by 23.7% to \$1.9 million from \$1.5 million over the same period last year due to an increase in interest rates.

Net Income and Comprehensive Income decreased to \$0.7 million from \$1.3 million from the same period in the prior quarter. This decrease was primarily due to increases in net fair value losses and interest incurred on the Warehouse. The Trust recorded fair value losses totaling \$0.78 million made up of fair value losses of \$0.71 million on participating loan investments and fair value losses of \$0.07 million on other financial assets in real estate investments. This is a decrease of \$0.96 million as compared to the fair value gains recognized in the same period in prior quarter.

For the three months ended March 31, 2023, the Trust advanced \$nil of debt investments and received \$0.3 million in debt investments repayments. The Trust advanced \$0.004 million of participating loan interests and received \$nil in participating loan interests repayments. The Trust advanced \$0.1 million of other financial assets and received \$nil in other financial assets repayments.

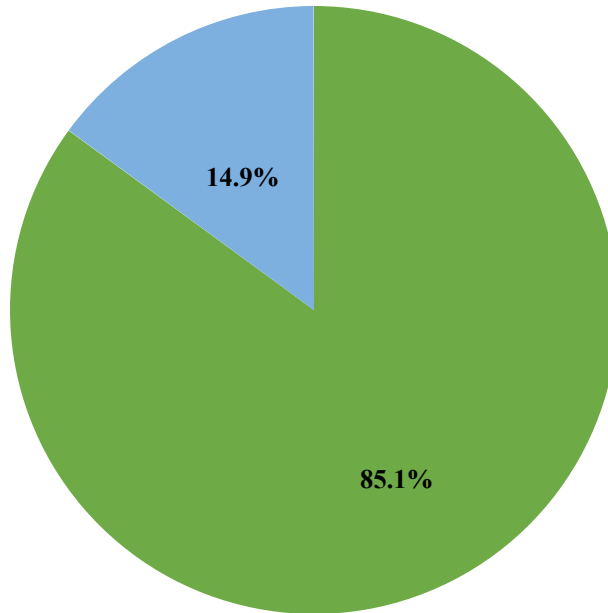
The Trust has utilized the Warehouse Facility and has recorded a warehouse liability of \$14.4 million as at March 31, 2023 with Centurion Apartment Real Estate Investment Trust ("REIT") for funding investments originated by the Trust. For the three months ended March 31, 2023, the REIT funded investments of \$2.4 million and the Trust repaid investments of \$1.1 million to REIT. The Trust incurred interest costs of \$0.3 million in 2022 on the Warehouse Facility.

The Trust uses the services of Centurion Asset Management GP Inc. (CAMGPI) which acts as a shared services entity. CAMGPI assists with the payment of payroll and other administrative expenses on behalf of the Trust, for which the Trust subsequently reimburses. The Trust used CAMGPI's services for \$0.3 million of payroll expenses and \$0.1 million of administrative expenses for the three months ended March 31, 2023.

At the discretion of Centurion Asset Management Inc. ("CAMI"), the Asset Manager, reimbursed the Trust for \$0.2 million of general and administrative expenses for the period ended March 31, 2023.

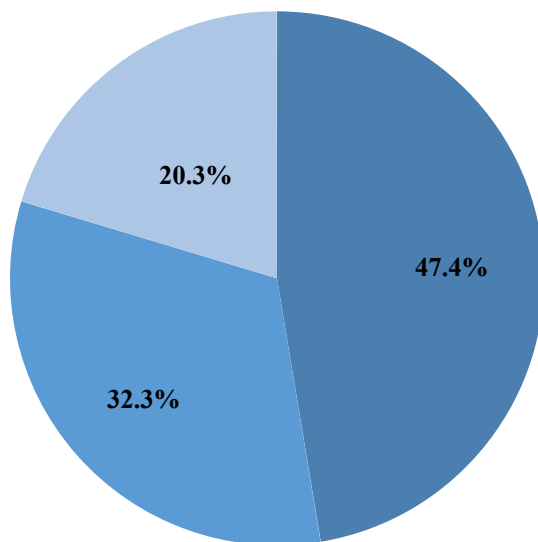


CFIT Investments



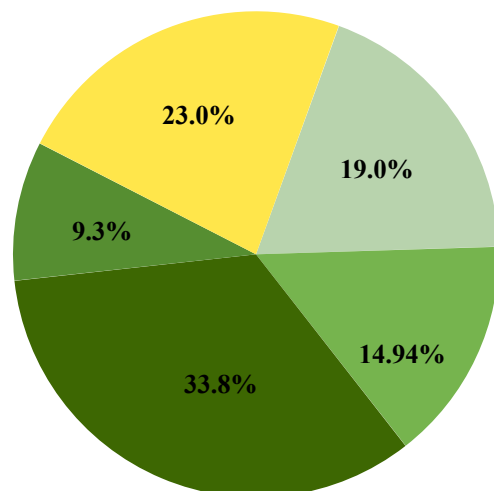
Real Estate Corporate

Real Estate Investments by Type



Mortgages
Participating Loan Interests
Real Estate Equity Accounted Investments

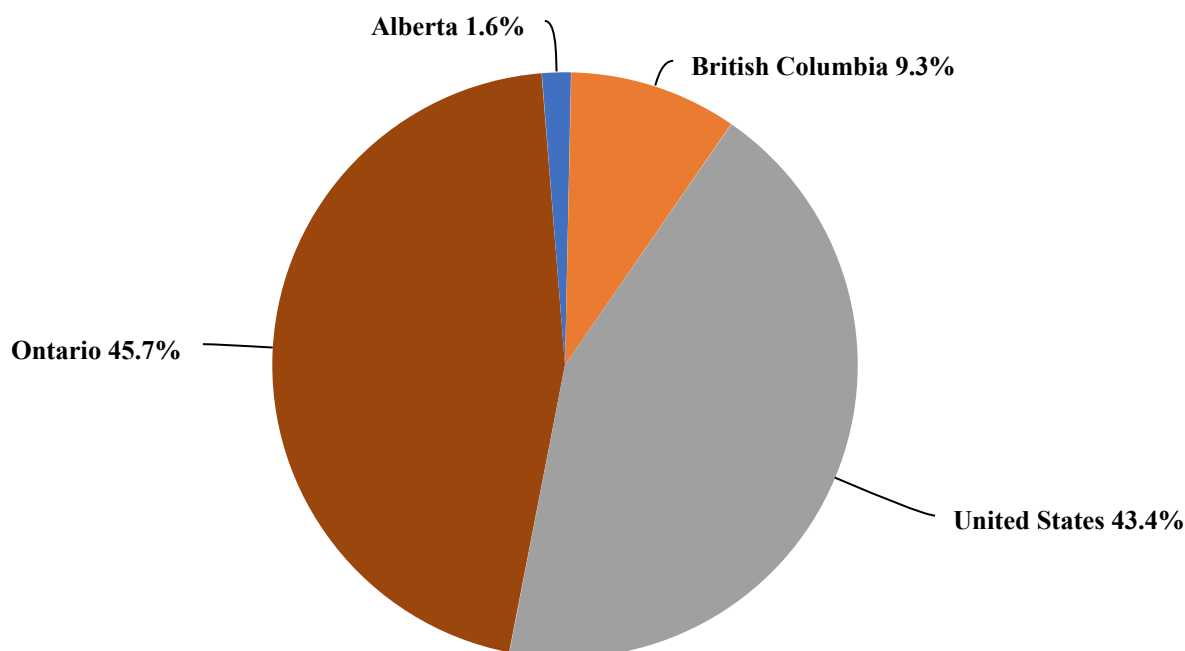
Investments by Industry



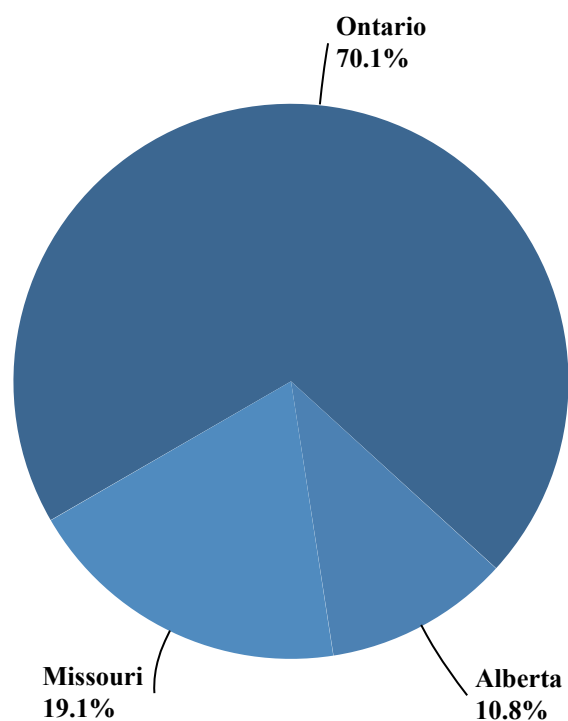
Healthcare
Real Estate
Food and Beverage
Sports and Entertainment
Power Generation



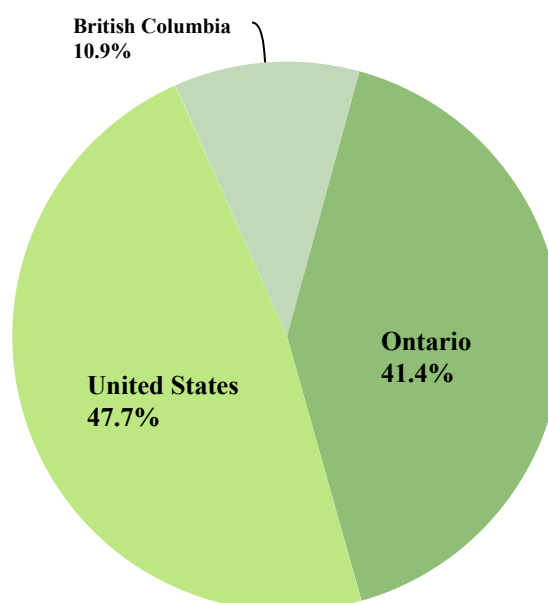
CFIT Investments by Geography



Real Estate Investments by Geography



Corporate Investments by Geography



“FFO” AND “NFFO”

Funds From Operations and Normalized Funds From Operations



Three Months Ended March 31

	2023	2022
FFO (Funds From Operations)		
Net Income and Comprehensive Income	\$655,738	\$1,292,225
Less/Plus: Net fair value (gains) losses	783,447	(174,392)
Plus: Allowance for expected credit losses	(24,085)	20,443
FFO	\$1,415,100	\$1,138,276
NFFO (Normalized Funds From Operations)		
FFO	\$1,415,100	\$1,138,276
NFFO	\$1,415,100	\$1,138,276

Average Number of Outstanding Units	4,526,748	5,048,418
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Per Unit Statistics (Per Average Number of Outstanding Units)

Net Income and Comprehensive Income	\$0.14	\$0.26
FFO	\$0.31	\$0.23
NFFO	\$0.31	\$0.23
FFO Coverage of Payout Ratio	165 %	115 %

For the three months ending March 31, 2023, the Trust experienced a \$0.12/unit decrease in Net Income and Comprehensive Income.

Funds From Operations (FFO) and Normalized Funds From Operations (NFFO) was \$0.31/unit, an increase of \$0.08/unit from the same quarter last year. These increases were mainly due to the following:

The weighted average interest rate increased by 27.6% from 9.91% to 12.65% for the three months ended March 31, 2023 over the same period in prior year. The Bank of Canada increased interest rates eight times over the last 12 months which has benefit the Trust's new loans and existing loans variable loans and with little impact to the Trust's operating costs.

The average number of outstanding units decreased by 10% to 4,526,748 for the three months March 31, 2023 (March 31, 2022: 5,048,418).

The FFO coverage of payout ratio of all potential distributions has significantly improved for the three months ended March 31, 2023. An increase of 43% was recorded as compared to the same period in prior year.



ISSUED AND OUTSTANDING NUMBER OF UNITS

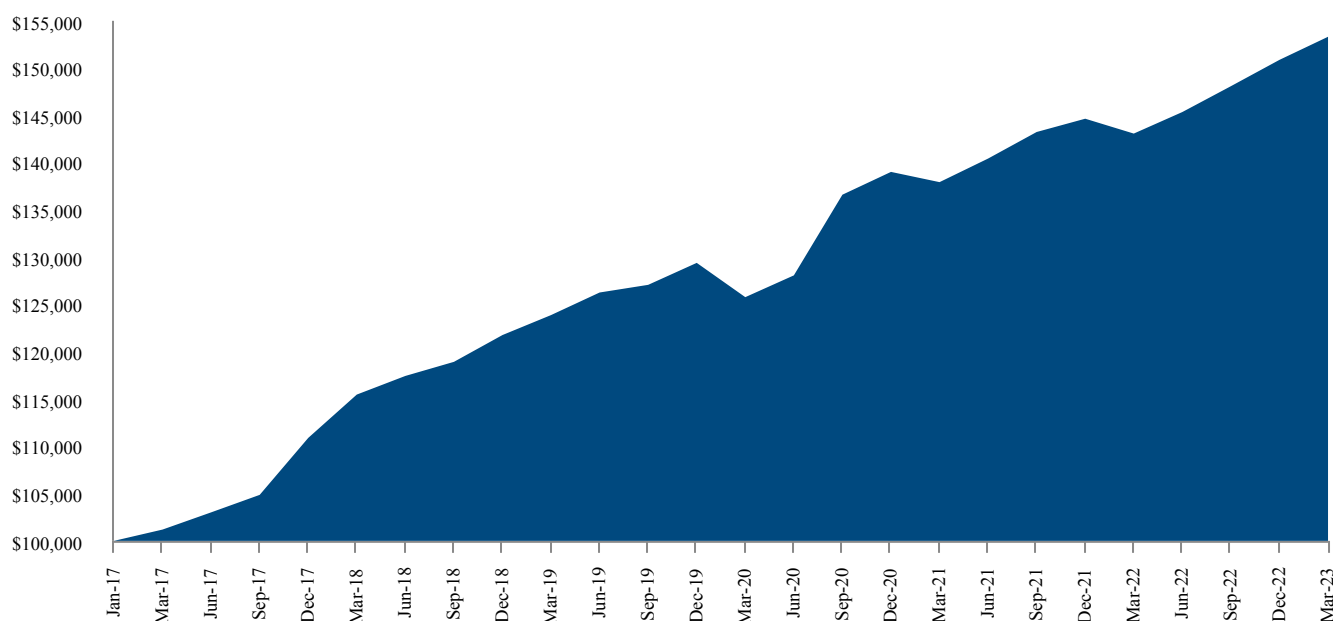
The following table discloses the number of Issued and Outstanding Number of Units as at:

SUMMARY OF UNIT HOLDINGS		
	March 31, 2023	December 31, 2022
Class A	2,364,995	2,466,826
Class F	2,091,655	2,146,939
Class M	50,000	50,000
Class R	10,789	10,549
Class I	—	—
Total	4,517,439	4,674,314

TOTAL RETURNS

Growth of \$100,000 Invested (Class A Units)

March 31, 2023
\$153,312





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 and approved by the Investment Committee or the Trustees, there is no representation made by the Trustees or the Asset Manager that such investments will have a guaranteed return to Unitholders or 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.

SPECULATIVE INVESTMENT

An investment in the Trust may be deemed speculative and is not intended as a complete investment program. There is no assurance that distributions will be paid. A subscription for units should be considered only by persons financially able to maintain their investment and who can bear the risk of loss associated with an investment in the Trust. Investors should review closely the investment objective, strategies and restrictions to be utilized by the Trust as outlined herein to familiarize themselves with the risks associated with an investment in the Trust.

CRITICAL ESTIMATES, ASSUMPTIONS, AND JUDGMENTS

The preparation of financial statements as per IFRS requires the Trust to make judgments, assumptions and estimates that affect the reported amounts in the condensed consolidated financial statements. Actual results could differ from these estimates. Financial statement carrying values, in addition to other factors, 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 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 then 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, at 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 values and Fair Market Value from time to time, such as obtaining independent 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.



RISKS RELATED TO COVID-19 AND OTHER HEALTH CRISES

Public health crisis, including the ongoing health crisis related to the novel coronavirus disease (“COVID-19”) pandemic, or related to any other virus, flu, epidemic, pandemic or any other similar disease or illness (each a “Health Crisis”) could adversely impact the Trust.

There has been and continues to be a global Health Crisis related to an outbreak of COVID-19. This Health Crisis, and any future Health Crisis has led, and could in the future lead, to disruptions in global economic activity, resulting in, among other things, a general decline in equity prices and lower interest rates. These circumstances could have an adverse effect on levels of employment, which may adversely impact the ability of borrowers and other counterparties to make timely payments on their credit facilities, mortgages and other loans. An increase in delinquent payments by borrowers and other counterparties may negatively affect the Trust’s financial position. While governments, have implemented policies in an attempt to address COVID-19, and may in the future implement policies to address other Health Crises, no assurance can be made regarding the effectiveness of policies that may be adopted by the Bank of Canada, the Canadian federal, provincial or municipal governments, their agencies, the United States government or any other foreign or sub-national government to address the effects of COVID-19, any future Health Crisis or any market volatility.

The Trust has a Health Crisis response plan and business continuity policies in place and is developing additional strategies to address potential disruptions in its operations. However, no assurance can be made that such strategies will successfully mitigate the adverse impacts related to the COVID-19 outbreak or another Health Crisis. A prolonged outbreak of COVID-19 or other Health Crisis could adversely impact the health of the Trust’s employees, borrowers, counterparties and other stakeholders.

The full extent of the duration and impact that COVID-19, including any regulatory responses to the outbreak, will have on the Canadian, United States and global economies and the Trust’s business is highly uncertain and difficult to predict.

RISKS RELATED TO DEFAULTS OF LOAN EXTENSIONS

The Trust may invest in speculative loans that may default. The Asset Manager may from time to time deem it appropriate to extend or renew the term of an Investment loan past its maturity, or to accrue the interest on an Investment, 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 loan. In these circumstances, however, the Trust is subject to the risk that the principal and/or accrued interest of such loan 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 loan.

When an Investment loan is extended past its maturity, the Investment 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 Investment Advisor has the ability to exercise its enforcement remedies in respect of the extended or renewed loan. Exercising 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 security values and other factors, there is no assurance that the Trust will be able to recover all or substantially all of the outstanding principal and interest owed to it in respect of such loans by the Investment Advisor’s exercise of 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 loans, the assets of the Trust would be reduced, and the returns, financial condition and results of operations of the Trust could be adversely impacted.



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 favourable 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 mortgage transactions (including any obligations to purchase mortgage or Investments on demand).

RISKS RELATED TO PORTFOLIO COMPANIES

The Trust will be dependent on the operations, assets and financial health of its Portfolio of companies in which it has made Investments ("Portfolio Companies"). The Trust's ability to pay distributions, to satisfy its debt service obligations, if any, and to pay its operating expenses is dependent on the payments received from its Portfolio Companies. Accordingly, to the extent that the financial performance of a Portfolio Company declines, cash payments to the Trust may decline. The failure of any material Portfolio Company to fulfill its payment obligations to Trust could materially adversely affect the Trust's financial condition and cash flows. There is a risk that some liabilities or other matters that are not identified by the Trust could have a material adverse effect on a Portfolio Company and the Trust.

There is generally no publicly available information, including audited or other financial information about the Trust's Portfolio Companies and the boards of directors and management of these companies are not subject to the same governance and disclosure requirements applicable to Canadian public companies. Therefore, the Trust relies on its management, the Asset Manager and other third-party service providers to investigate Portfolio Companies. There can be no assurance that the Trust's due diligence efforts or ongoing monitoring procedures will uncover all material information about privately held Portfolio Companies necessary to make fully informed decisions. In addition, the Trust's due diligence and monitoring procedures will not necessarily result or ensure that an investment will be successful.

Numerous factors may affect the ability of a Portfolio Company to service its payment obligations to the Trust, including, without limitation: the failure to meet its business plan; regulatory or other changes affecting its industry; integration issues with respect to acquisitions or new business lines; a downturn in its industry; negative general economic conditions; supply chain disruptions; disputes, or changes in arrangements, with customers or suppliers; and working capital and/or cash flow management issues. Deterioration in a Portfolio Company's financial condition and prospects may be accompanied by a material reduction in the payments received by the Trust.

Certain of the Investments that may be included in the Portfolio from time to time may be unsecured, which will increase the risk of loss in case of default or insolvency of the applicable Portfolio Companies.

INVESTMENTS IN LESS ESTABLISHED COMPANIES

The Trust may make Investments in less established Portfolio Companies. Investments in such companies may involve greater risks than are generally associated with investment in more established companies. The securities of such companies, if publicly listed, may be subject to more abrupt and erratic market price movements than larger, more established companies, since trading volumes for their securities are generally quite low. Less established companies tend to have smaller capitalizations and fewer resources and, therefore, are often more vulnerable to financial failure and have shorter operating histories on which to judge future performance.



AVAILABILITY OF INVESTMENTS AND COMPETITION

The success of the Trust will depend on the availability of appropriate investment opportunities and the ability of the Trust to identify, underwrite, close and realize repayment from those investments. There can be no assurance that there will be a sufficient number of suitable Investment opportunities to enable the Trust to satisfy the Trust's investment short or long-term objectives. The identification of attractive investment opportunities is difficult and involves a high degree of uncertainty. The Trust will compete with individuals, corporations, trusts and financial institutions (both Canadian and foreign) for Investments. 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 Investments may increase the competition for Investments, thereby decreasing the yields that are currently available and increasing the risk/reward ratio. Additionally, new competitors may enter the Canadian alternative financing market or current market participants may significantly increase their activities in this area. There is no guarantee that the Trust will be able to compete effectively with such competitors in the origination of new Investments.

ILLIQUID AND LONG-TERM INVESTMENTS

Investments made by the Fund may take several years from the date of the initial investment to reach a state of maturity and realization of value can be achieved. It is anticipated that there will generally not be a public market for all or a substantial portion of the Investments held by the Trust at the time of their acquisition.

MONITORING, ENFORCEMENT, AND LIQUIDATION PROCEDURES

From time to time, the Trust will be required to take enforcement proceedings with respect to non-performing investments and may be required to liquidate a Portfolio Company's assets where such investment was secured. Enforcement and liquidation proceedings can be time consuming and, if a sufficient number of Investments require enforcement, management's attention may be diverted from the day-to-day operations or from pursuing its growth strategy and the Trust may incur significant expenses that cannot be recovered.

In connection with managing and monitoring the Portfolio, the Trust has a "watch list" system whereby a Portfolio Company with a deteriorating financial condition, or that otherwise meets certain criteria, is closely monitored by the Trust with a view to the Trust taking a proactive approach to ensuring the Portfolio Company's compliance with the terms and obligations of its investment and managing the risk of default. There can be no assurance that the Trust's watch list procedures will successfully identify Portfolio Companies at risk of defaulting on, or failing to comply with, their obligations, or that enhanced scrutiny by the Trust of borrowers on the watch list will be sufficient to prevent a Portfolio Company's default on its obligations.

At any given time, investments in Portfolio Companies, including but not necessarily limited to those placed on a watch list by management, may represent a risk of a loss to the Trust. Such situations could arise where the value of the collateral, if any, of a Portfolio Company falls below the outstanding investment balance, or where a Portfolio Company has otherwise failed to comply with its obligations. In appropriate cases, management will take a specific loss provision to reflect the potential loss on the Investment that could be expected through a workout situation or a liquidation scenario. Portfolio Companies on the watch list or Investments subject to a loss provision may be, and often are, still performing for the Trust with respect to their contractual monthly interest payments.

Each Portfolio Company is expected to provide certain representations and warranties and covenants to the Trust regarding its business and certain other matters. Following a transaction with the Trust, the Portfolio Company may distribute all or a substantial portion of the proceeds that it receives from the Trust to its security holders or owners. In the event that the Trust suffers any loss as a result of a breach of the representations and warranties or non-compliance with any other term of an agreement with a Portfolio Company, the Trust may not be able to recover the amount of our entire loss from the Portfolio Company. The Portfolio Company may not have sufficient assets to satisfy the

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Trust's loss. In addition, the Trust's rights and remedies in the event of a default are generally subordinated to a Portfolio Company's senior lenders, if any, which can limit the Trust's ability to recover any losses from a Portfolio Company.

ASSET MANAGER REIMBURSEMENT OF GENERAL AND ADMINISTRATIVE EXPENSES

Since inception of the Trust, the asset manager, Centurion Asset Management Inc. has reimbursed the Trust for a portion of the Trust's general and administrative expenses. This reimbursement is discretionary and may be reduced or withdrawn at any time.

INVESTMENT WAREHOUSE ARRANGEMENT

The Trust may own certain rights to Warehoused Investments pursuant to the Warehouse Agreement. The Warehouse Agreement provide the Trust with a facility to fund the purchase of additional Investments. For such time as the applicable Warehouse Lender is the beneficial owner of the Warehoused Investments, the Trust has no rights to such Warehoused Investments, but is fully-exposed to the related downside risks by virtue of the applicable Warehouse Lender's unrestricted option to immediately sell any Warehoused Investments that have been noted in default or that have otherwise experienced a negative credit or other event, as set out in their respective Warehouse Agreement. There is no guarantee that the applicable Warehouse Lender will accept the warehousing of any particular Investment and the applicable Warehouse Lender may terminate their respective Warehouse Agreement on six (6) months' prior written notice.

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, and the Investment Advisor are each engaged in a wide range of real estate, mortgage investments, lending 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 Investment Advisor 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.

The Service Providers' services are not exclusive to the Trust, as each Service Provider provides services to several other clients. In particular, the Asset Manager also provides similar services to Centurion Apartment REIT. Centurion Apartment REIT and the Trust each operate independently from one another and have separate boards of trustees, with Mr. Gregory Romundt serving as Trustees for Centurion Apartment REIT and the Trust.

Additionally, the Warehouse Agreement between the Trust and the Warehouse Lender 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 Investments between the Trust and the Warehouse Lender, and (iii) the allocation of risk as between the Trust and the Warehouse Lender. 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 and investment fund manager in certain jurisdictions, in connection with



the distribution of the Units hereunder, which may result in potential conflicts of interest. The Trust is a connected issuer of the Asset Manager due to the factors described in the Offering Memorandum, and in particular, as a result of the fact that the President of each of the Trust and the Asset Manager, namely Mr. Gregory Romundt, are the same and Mr. Gregory Romundt indirectly owns all of the shares of the Asset Manager and its affiliates, including the Investment Advisor and the Loan Servicer. The Trust has retained the Asset Manager to provide asset management services to it pursuant to the Asset Management Agreement and the Trust has agreed to pay the Asset Manager the fees described herein. The Trust may be considered to be a related issuer of the Asset Manager by virtue of the Asset Manager's right, during the term of the Asset Management Agreement, to appoint a prescribed number of nominees to the board of trustees of the Trust. The prescribed number of nominees that the Asset Manager is entitled to appoint varies depending on the size of the board of trustees, but the prescribed number exceeds 20% of the number of trustees. In addition, the Asset Manager is the asset manager of, and adviser to, Centurion Apartment REIT, which may own Class R Units of the Trust as set out herein.

ALLOCATION OF INVESTMENT OPPORTUNITIES

There may be instances in which CFIT and Centurion Apartment REIT have an interest in the same investment opportunity. For example, Centurion Apartment REIT may invest in long term real-estate properties and the Trust may from time to time invest in Mortgage Assets. In the event that CFIT 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 CFIT and Centurion Apartment REIT. Additionally, there may be situations where an investment opportunity is allocated to Centurion Apartment REIT despite CFIT having an interest in such investment opportunity, and vice versa.

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 favourable terms or at all. In such circumstances, distributions may be reduced or suspended. Accordingly, cash distributions are not guaranteed and cannot be assured. Further, Distributable Income can exceed net income and have the result of an erosion of Adjusted 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 INABILITY TO FUND INVESTMENTS

The Trust is dependent on its ability to secure funding for its Investments and to fund its commitments. 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 investments and/or in reliance on its credit facilities, if any. In the event that such investments are not accepted under the Warehouse Agreement, 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.

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.

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 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 of 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.

BROAD INVESTMENT MANDATE

The Trust does not have any specific limits on making investments in any one industry or geographical jurisdiction. The Management may alter the target Investments of the Trust from time to time without the prior approval by Unitholders if the Management determines it advantageous for the Trust, provided such actions are consistent with the Investment Guidelines.

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 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 purpose 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 Tax Act contains loss restriction rules that could result in unintended tax consequences for Unitholders, including an unscheduled allocation of income or capital gains that must be included in a Unitholder's income for Canadian income tax purposes. If the Trust experiences a "loss restriction event", it will: (i) be deemed to have a year-end for Canadian tax purposes whether or not the Trust has losses (which would trigger an allocation of the Trust's net income and net realized capital gains to Unitholders to ensure that the Trust itself is not subject to tax on such amounts); and (ii) the Trust will become subject to the Canadian loss restriction rules that generally apply to corporations, including a deemed realization of any unrealized capital losses and disallowance of its ability to carry forward capital losses. Generally, the Trust will be subject to a loss restriction event if a person becomes a "majority-interest beneficiary", or a group of persons becomes a "majority-interest group of beneficiaries", of the Trust, as those terms are defined in the affiliated persons rules contained in the Tax Act, with certain modifications. Generally, a majority-interest beneficiary of a Trust is a beneficiary in the income or capital, as the case may be, of the Trust who,



together with the beneficial interests of persons and partnerships with whom the beneficiary is affiliated, has a fair market value that is greater than 50% of the fair market value of all the interests in the income or capital, as the case may be, of the Trust. A loss restriction event could occur because a particular Unitholder or an affiliate acquires Units of the Trust or because another person redeems Units of the Trust.

Pursuant to paragraph 251.2(3)(f) of the Tax Act, the Trust will not be subject to the loss restriction event rules where a person becomes a “majority-interest beneficiary” or group of persons becomes a “majority-interest group of beneficiaries” from the acquisition or disposition of units of the Trust at any time if (i) the Trust is an “investment fund” immediately before that time, and (ii) the acquisition or disposition, as the case may be, is not part of a series of transactions or events that includes the Trust ceasing to be an “investment fund”. An “investment fund” generally includes a trust that is (i) a “mutual fund trust” throughout the period that begins the later of March 21, 2013 and the end of the calendar in which the trust is created, and (ii) at all times throughout the period that begins at the later of March 21, 2013 and the time of its creation, the trust (A) is resident in Canada, (B), all the beneficiaries under the trust hold fixed interests described by reference to units of the trust, (C) follows a reasonable policy of investment diversification, (D) limits its undertaking to the investing of its funds in property, (E) does not alone, or as a member of a group of persons, control a corporation, and (F) does not hold certain property (as detailed in the Tax Act).

Under U.S. withholding tax and reporting requirements, commonly referred to as the Foreign Account Tax Compliance Act (“**FATCA**”), the Trust is required to collect information from all of its Unitholders and directly or indirectly provide that information to the U.S. Internal Revenue Service (the “**IRS**”) in order to avoid a 30% U.S. withholding tax on the receipt of certain payments of : (1) U.S. source income (such as interest, dividends and other passive income) and (2) gross proceeds from the sale or disposition of property that can produce U.S. source interest or dividends made to the Trust. To achieve the U.S. objectives of FATCA in a manner that is consistent with Canada’s privacy and other laws, Canada enacted Part XVIII (“**Part XVIII**”) of the Tax Act and signed an Intergovernmental Agreement with the

U.S. for the Enhanced Exchange of Tax Information under the Canada-U.S. Tax Convention (the “**Canada-U.S. IGA**”) and accordingly, the Trust is generally required to conduct due diligence regarding its Unitholders and (where applicable) their beneficial owners, and to annually report to the CRA certain information regarding their U.S. Unitholders, including information regarding their name, address, and Taxpayer Identification Number. The CRA has agreed to provide this information to the IRS.

In addition, Canada has signed the Organization for Economic Co-operation and Development (“**OECD**”) Multilateral Competent Authority Agreement and Common Reporting Standard (“**CRS**”). The CRS is a global model for the automatic exchange of information on certain financial accounts that is similar in many ways to FATCA. More than 95 countries, including Canada, have agreed to implement the CRS (referred to as “**CRS participating countries**”). Canada has enacted legislation under Part XIX (“**Part XIX**”) of the Tax Act, which requires the annual reporting of information to the CRA since May 2018. In addition, the CRA will then proceed to exchange information with those CRS participating countries with which Canada has a tax exchange agreement. Generally, the CRS will require the Trust to identify the tax residency status of, and other information relating to, their Unitholders who are resident for tax purposes in any country other than Canada or the U.S.

If a Unitholder does not provide the information required to comply with these obligations under Part XVIII and/or Part XIX, as the case may be, the Unitholder’s Units may be redeemed at the sole discretion of the Trust without prior notice to such Unitholder. Notwithstanding the foregoing, the Trust’s due diligence and reporting obligations under FATCA and CRS will not apply with respect to the following type of accounts, namely: registered retirement savings plans, registered retirement income funds, pooled registered pension plans, registered pension plans, tax-free savings accounts, and deferred profit-sharing plans.

If the Trust fails to meet its obligations under Part XVIII and/or Part XIX, as the case may be, it may be subject to the offences and punishment of the Tax Act. The administrative costs arising from compliance with FATCA and CRS

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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, Part XVIII, the Canada-U.S. IGA and CRS and Part XIX 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.

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, real estate investment trust securities, 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, 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

Some of the Trust's Investments 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 are generally required 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.

GENERAL ECONOMIC AND POLITICAL CONDITIONS

The success of the Trust's activities may be affected by general economic and market conditions, such as interest rates, availability of credit, inflation rates, economic uncertainty, changes in laws, and national and international political circumstances including wars, public health crises, such as epidemics and pandemics, natural disasters, terrorist acts or security operations. These factors may affect the level and volatility of securities prices and the liquidity of the Trust's investments. Unexpected volatility or illiquidity could impair the Trust's profitability or result in losses.

The macroeconomic environment is complex, stemming from the evolving COVID-19 pandemic, characterized with high headline inflation, supply chain pressures, social unrest and uncertainty over the pace and timing of future central bank rate hikes.

FOREIGN INVESTMENT AND CURRENCY EXPOSURE

As the Trust may hold assets not denominated in Canadian dollars, the fair market value 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 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.

EXCHANGE RATE FLUCTUATIONS

The functional currency of the Trust will be Canadian Dollars. The value of the investments made by the Trust may fluctuate as a result of the impact of economic and political changes on currency rates.

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 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 Investments and its ability to sell the Trust's interests in an Investment within a reasonable time frame.

INTEREST RATES

The Trust's income will consist primarily of interest and other payments on the Investments comprising the Portfolio. If there is a decline in interest rates, the Trust may find it difficult to fund Investments with yields sufficient to achieve the Trust's investment objectives. Additionally, an increase in interest rates increase may negatively affect the value of the Investments in the Portfolio.

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 counterparty in respect of an Investment, the Trust may not be receiving payments on the Investment that is the subject of litigation, thereby impacting the Trust's cash flows. The unfavourable resolution of any legal proceedings could have a material adverse effect on the Trust and its financial position and results of operations.

IMPAIRED LOANS AND NO INSURANCE

The Trust may from time to time have one or more impaired loans in its Portfolio. Loans are impaired where full recovery is considered in doubt based on a current evaluation of the security held (if any) and for which specific loss provisions have been established. Any Investments that are secured by buildings and/or land will not generally be insured by a mortgage insurer in whole or in part.

NO GUARANTEES OR INSURANCE ON INVESTMENTS

A 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. In the event that security is given by the borrower or a third party or that a private guarantor guarantees the 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.

UNITHOLDER LIABILITY

The Declaration of Trust provides that no Unitholder will be subject to any liability whatsoever to any person in connection with the holding of a Unit. In addition, legislation has been enacted in the Province of Ontario and certain other provinces and territories that is intended to provide Unitholders in those provinces and territories with limited liability. However, 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.

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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, Management, as well as the Asset Manager (and its affiliates) to manage the business and affairs of the Trust. The management of the Trust depends on the services of certain key personnel. The termination of employment of these key personnel could have a materially adverse effect on the Trust.

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

CYBER-SECURITY

The Trust maintains confidential information regarding its borrowers, business plans, strategy and potential origination opportunities in its computer systems. The Trust also maintains an Internet website. Despite the implementation of network security measures, this infrastructure may be subject to physical break-ins, computer viruses, malware, programming errors, cyber-attacks by third parties (such as ransomware) and similar disruptive problems. A security breach of computer systems could disrupt operations, damage reputation, result in legal or regulatory liability, and/or have a material adverse effect on the Trust. If the Trust's network security is penetrated or its sensitive data is misappropriated, the Trust could be subject to liability or its business could be interrupted, and any of these developments could have material adverse effect on the Trust's business, results of operations and financial condition. Since the start of the COVID-19 pandemic, the Trust's operations have largely been conducted which may impact the physical security of the Trust's devices, and create an increased risk of unauthorized access to, or disclosure of, confidential personal information. Cyber-security risk has increased since the onset of the COVID-19 pandemic through various forms of attacks, such as phishing emails. The Trust expects to continue with a hybrid work environment following the pandemic.

LACK OF REGULATION

Currently, there are no regulatory capital requirements on asset-based lenders that would impede their ability to extend credit, unlike the major commercial banks that are subject to the provisions of the *Bank Act* (Canada) and Basel III (the Third Basel Accord). Any changes to the regulation of the asset-based lending industry could have a material adverse effect on the Trust.

LIMITED NUMBER OF INVESTMENTS

The Trust may participate in a limited number of Investments. As such, the aggregate return of the Trust may be substantially adversely affected by the unfavourable performance of any single Investment.

FAILURE OR UNAVAILABILITY OF COMPUTER AND DATA PROCESSING SYSTEMS AND SOFTWARE

The Asset Manager and its affiliates are 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 and its affiliates' 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 and its affiliates to discharge their duties to the Trust and the impact on the Trust may be material and adverse.

APPENDIX B

Unaudited Condensed Consolidated Interim Financial Statements





CENTURION FINANCIAL TRUST

CENTURION FINANCIAL TRUST
Condensed Consolidated Interim Financial Statements (Unaudited)
For the three months ended March 31, 2023

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CENTURION FINANCIAL TRUST

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION (UNAUDITED) (EXPRESSED IN CANADIAN DOLLARS)

As at	Notes	March 31, 2023	December 31, 2022
Assets			
Debt investments	4	\$ 24,838,004	\$ 25,107,185
Participating loan interests	5	23,790,715	24,044,955
Other financial assets	6	3,737,285	3,737,959
Receivable and other assets		120,732	13,127
Restricted cash	9	—	50,000
Cash		528,437	775,003
Total Assets		\$ 53,015,173	\$ 53,728,229
Liabilities			
Accounts payable and other liabilities	7	\$ 131,565	\$ 313,925
Warehouse liabilities	11	14,388,177	13,086,736
Unit subscriptions in trust	9	—	50,000
Total Liabilities, excluding net assets attributable to Unitholders		14,519,742	13,450,661
Net assets attributable to Unitholders		\$ 38,495,433	\$ 40,277,568

Commitments and contingencies (Notes 4, 11 and 12)
Subsequent events (Note 17)

See accompanying notes to the condensed consolidated interim financial statements (Unaudited).

CENTURION FINANCIAL TRUST

CONDENSED CONSOLIDATED INTERIM STATEMENT OF NET INCOME AND COMPREHENSIVE INCOME (UNAUDITED) (EXPRESSED IN CANADIAN DOLLARS)

For the three months ended March 31,	Notes	2023	2022
Interest income	4	\$ 1,858,809	\$ 1,502,146
Net fair value gains (losses)	6	(783,447)	174,392
Interest expense	11	(334,819)	(370,164)
Net Investment Income		740,543	1,306,374
Other income and expenses		(26,720)	(39,000)
General and administrative expenses	8	(152,243)	(150,489)
Allowance for expected credit losses	4	24,085	(20,443)
Foreign exchange gains		70,073	195,783
Net Income and Comprehensive Income		\$ 655,738	\$ 1,292,225

See accompanying notes to the condensed consolidated interim financial statements (Unaudited).

CENTURION FINANCIAL TRUST

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS (UNAUDITED) (EXPRESSED IN CANADIAN DOLLARS)

For the three months ended March 31, 2023

Net assets attributable to Unitholders at the beginning of the year	\$	40,277,568
Net Income and Comprehensive Income		655,738
Proceeds from units issued (net of issuance costs)		192,500
Reinvestment of distributions by Unitholders		608,655
Redemptions of units		(2,313,041)
Distributions to Unitholders		(925,987)
Net decrease from Unitholder transactions		(2,437,873)
Net assets attributable to Unitholder at end of the year	\$	38,495,433

For the three months ended March 31, 2022

Net assets attributable to Unitholders at the beginning of the year	\$	52,101,338
Net Income and Comprehensive Income		1,292,225
Proceeds from units issued (net of issuance costs)		1,647,869
Reinvestment of distributions by Unitholders		663,790
Redemptions of units		(10,610,756)
Distributions to Unitholders		(1,056,734)
Net decrease from Unitholder transactions		(9,355,831)
Net assets attributable to Unitholders at end of the year	\$	44,037,732

See accompanying notes to the condensed consolidated interim financial statements (Unaudited).

CENTURION FINANCIAL TRUST

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS (UNAUDITED) (EXPRESSED IN CANADIAN DOLLARS)

For the three months ended March 31,	Notes	2023	2022
Operating activities			
Net Income		\$ 655,738	\$ 1,292,225
Adjustments for:			
Interest income on investments	4	(1,858,809)	(1,502,146)
Interest received on investments		1,377,172	1,291,293
Interest expense on warehouse liabilities		334,819	370,164
Interest paid on warehouse liabilities		(450,734)	(293,442)
Net fair value (gains) losses	6	783,447	(174,392)
Allowance (recovery) for expected credit losses	4	(24,085)	20,443
Unrealized foreign exchange gains		(70,073)	(195,783)
Non-cash working capital		(202,475)	(279,849)
Net cash from operating activities		545,000	528,513
Financing activities			
Proceeds from units issued (net of issuance costs)		192,500	1,647,869
Cash distributions to Unitholders		(317,332)	(392,944)
Redemptions of units		(2,313,041)	(9,678,871)
Warehouse with REIT repaid	11	(677,645)	(7,867,230)
Warehouse with REIT funded	11	2,095,000	5,400,000
Net cash used in financing activities		(1,020,518)	(10,891,176)
Investing activities			
Debt investments repaid	4	300,742	8,177,957
Debt investments funded	4	—	(1,423,267)
Participating loan interests repaid	5	—	2,598,972
Participating loan interests funded	5	(4,284)	—
Other financial assets repaid		—	480,066
Other financial assets funded		(67,506)	—
Net cash from (used in) investing activities		228,952	9,833,728
Net decrease in cash		(246,566)	(528,935)
Cash, beginning of the period		775,003	613,032
Cash, end of period		\$ 528,437	\$ 84,097

See accompanying notes to the condensed consolidated interim financial statements (Unaudited).

1. Trust Information

Centurion Financial Trust ("CFIT" or the "Trust") is an unincorporated, open-ended private investment trust, which was created pursuant to a second amended and restated Declaration of Trust dated January 12, 2022 ("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 1800, Toronto, Ontario, M2N 6S8.

The Trust invests in a diversified portfolio of debt investments that include but are not limited to mortgages, opportunistic participating interests in real estate developments, warrants, other financial assets, and corporate debt.

The Trust is a related party to Centurion Apartment Real Estate Investment Trust ("REIT") due to common management.

2. Basis of Presentation

a) Statement of Compliance

These unaudited condensed consolidated interim financial statements for the period ended March 31, 2023, have been prepared by management in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These unaudited condensed consolidated interim financial statements have been approved for issue by the Board of Trustees of the Trust on May 11, 2023.

b) Basis of Measurement

The unaudited condensed consolidated interim financial statements have been prepared on a historical cost basis except for warrants, participating loan interests, and other financial assets, which have been measured at fair value through profit and loss ("FVTPL") as determined at each reporting date.

c) Principles of Consolidation

The unaudited condensed consolidated interim financial statements reflect the operations of the Trust and its wholly-owned subsidiary Centurion Financial Trust LP. The financial statements of the subsidiary included in these unaudited condensed consolidated interim financial statements are from the date that control commences until the date that control ceases.

The accounting policies of the subsidiary 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 unaudited condensed consolidated interim financial statements are presented in Canadian Dollars unless otherwise stated, which is the functional currency.

e) Critical Accounting Estimates, Assumptions and Judgments

The preparation of these unaudited condensed consolidated interim financial statements requires management to make estimates, assumptions, and judgments that affect accounting policies and the reported amounts of assets and liabilities at the date of the unaudited condensed consolidated interim 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 consistently 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 may vary from these and other estimates.

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

Measurement of Expected Credit Loss (“ECL”)

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

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 which is not cured within a reasonable period
- Whether the security of the loan is significantly negatively impacted by recent events
- Financial difficulty experienced by a borrower
- Changes in assumptions about local economic and other 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 debt investment. 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 modelling process. Changes in these inputs, assumptions, models and judgments directly impact the measurement of ECLs.

CENTURION FINANCIAL TRUST
Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)
For the three months ended March 31, 2023

Measurement of Fair Value

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 their 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: Participating Loan Interests
- Note 14: 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. Initially, all financial instruments are recorded in the consolidated statement of net assets at fair value. After initial recognition, the effective interest related to financial instruments is measured at amortized cost and the gain or loss arising from the change in the fair value of the financial instruments is classified as FVTPL are included in the net income for the year in which they arise. The classification of financial instruments depends on the purpose for which the financial instruments were acquired or issued, their characteristics and the Trust's 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, cancelled or expires.

CENTURION FINANCIAL TRUST**Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)****For the three months ended March 31, 2023****b) Debt Investments**

Debt Investments are classified and measured at amortized cost using the effective interest method, less any impairment losses. Debt Investments are assessed at each reporting date to determine whether there is objective evidence of significant changes in credit risk. A debt 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 debt investment and the probability of default. These factors include the loan-to-value ratio, borrower's net worth and ability to service debt, project stage and location to which the debt relates, experience with the borrower and internal credit score. Significant changes in the internal credit risk rating would result in reclassifications of debt investments into Stage 2 and Stage 3.

Allowance for ECL on Investments

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

Stage 1	When debt 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 debt 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 debt investments have been reclassified from Stage 2.
Stage 2	When a debt investment has shown a significant increase in credit risk since origination, the Trust reclassifies the debt investment to Stage 2 and an allowance is recognized at an amount equal to ECL over the remaining life. Stage 2 debt investments also include investments where the credit risk has improved and the debt has been reclassified from Stage 3.
Stage 3	The Trust classifies debt 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. An ECL is calculated as the difference between the carrying amount of the debt 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 allowance for ECL. 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. 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.

c) Provisions

Provisions are recognized when the Trust has a present obligation (legal or constructive) as a result of a past event, an outflow of resources embodying economic benefits will probably 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 financing expense.

d) Distribution Reinvestment and Unit Purchase Plan ("DRIP")

The 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 through the DRIP. No commissions, service charges or brokerage fees are payable by participants in connection with the DRIP.

e) Participating Loan Interests

The Trust enters into debt investments that comprise a combination of contractual interest and equity-based 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/loss in the consolidated statement of net income and comprehensive income.

f) 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 a classification of equity; however, the Trust's units do not meet the exception requirements. Therefore, the Trust has no instrument qualifying for an equity classification on its Statement of Financial Position according 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 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 the end of 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.

CENTURION FINANCIAL TRUST
Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)
For the three months ended March 31, 2023

g) 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.

h) Changes in Accounting Policies

The accounting policies used in the preparation of these unaudited condensed consolidated interim financial statements are consistent with those of the prior period.

4. Debt Investments

Debt investments represent amounts of debt loan arrangements with third-party borrowers. As of March 31, 2023, the weighted-average effective interest rate is 12.65% (March 31, 2022: 9.91%) and the estimated weighted-average contractual term-to-maturity is 1.25 years (March 31, 2022: 1.57 years). Interest income and the associated allowance for ECL for the three months ended March 31, 2023, are as follows:

		2023		2022
Interest income from debt investments	\$	744,280	\$	1,069,379
Interest income from participating loan interests		1,110,274		432,767
Interest income from other financial assets		4,255		—
Total interest income		1,858,809		1,502,146
(Allowance) recovery for ECL		24,085		(20,443)

As at March 31, 2023, net debt investments are as follows:

As at		March 31, 2023		December 31, 2022
Current gross debt investments	\$	6,208,087	\$	6,491,335
Non-current gross debt investments		18,884,787		18,894,805
		25,092,874		25,386,140
Allowance for ECL		(254,870)		(278,955)
Net debt investments	\$	24,838,004	\$	25,107,185

The fair value of the debt investment portfolio approximates its carrying value as the majority of the loans are repayable in full at any time without significant penalty to the borrower. There is no quoted price in an active market for the Trust's debt investments. The Trust makes its determinations of fair value based on its assessment of the current lending market for debt investments of the same or similar terms. As a result, the fair value of debt investments is based on Level 3 of the fair value hierarchy.

CENTURION FINANCIAL TRUST**Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)****For the three months ended March 31, 2023**

As at March 31, 2023, net debt investments, including the allowance for ECL is allocated between the stages as follows:

For the three months ended March 31, 2023	Stage 1	Stage 2	Stage 3	Total
Gross debt investments, beginning of the year	\$ 25,386,140	\$ —	\$ —	\$ 25,386,140
Advances	—	—	—	—
Principal Repayment	(300,742)	—	—	(300,742)
Interest Repayment	(727,618)	—	—	(727,618)
Interest Accrued	744,280	—	—	744,280
Foreign exchange losses	(9,186)	—	—	(9,186)
Gross debt investments, end of the year	25,092,874	—	—	25,092,874
Allowance for ECL, beginning of the year	278,955	—	—	278,955
Advances	—	—	—	—
Repayment	(24,085)	—	—	(24,085)
(Transfers to) from	—	—	—	—
Allowance for ECL, end of the year	254,870	—	—	254,870
Net Debt Investments	\$ 24,838,004	\$ —	\$ —	\$ 24,838,004

As at March 31, 2022, debt investments, including the allowance for ECL is allocated between the internal credit risk stages as follows:

For the three months ended March 31, 2022	Stage 1	Stage 2	Stage 3	Total
Gross debt investments, beginning of the period	\$ 46,639,067	\$ —	\$ —	\$ 46,639,067
Advances	1,496,520	—	—	1,496,520
Principal Repayment	(8,177,957)	—	—	(8,177,957)
Interest Repayment	(1,075,190)	—	—	(1,075,190)
Interest Accrual	1,069,379	—	—	1,069,379
Foreign exchange losses	(142,143)	—	—	(142,143)
Gross debt investments, end of the period	39,809,676	—	—	39,809,676
Allowance for ECL, beginning of the period	215,298	—	—	215,298
Advances	210,822	—	—	210,822
Repayment	(61,335)	—	—	(61,335)
Allowance for ECL, end of the period	364,785	—	—	364,785
Net Debt Investments	\$ 39,444,891	\$ —	\$ —	\$ 39,444,891

Future repayments excluding allowance for credit loss are as follows:

Future repayments, excluding the allowance for ECL	March 31, 2023
Within 1 year	\$ 6,208,087
1 to 2 years	11,384,787
2 to 3 years	7,500,000
Total repayments	\$ 25,092,874

As at March 31, 2023, the Trust has additional debt investment commitments of \$nil. (March 31, 2022: \$777,015).

CENTURION FINANCIAL TRUST
Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)
For the three months ended March 31, 2023

5. Participating Loan Interests

	March 31, 2023	December 31, 2022
Balance, beginning of year	\$ 24,044,955	\$ 15,304,852
Advances	248,570	7,997,943
Repayment of principal	—	(2,803,661)
Repayment of interest	(893,838)	(1,994,465)
Interest income	1,110,274	2,935,061
Fair value losses	(711,630)	(2,069,480)
Transfers from debt investments	—	4,044,126
Foreign exchange gains (losses)	(7,615)	630,579
Balance, end of year	\$ 23,790,715	\$ 24,044,955

As at March 31, 2023, the Trust has no additional participating loan interest commitments (March 31, 2022: \$nil).

The Trust issued a Demand Letter and Notice of Intent to Enforce Security on a participating loan with a carrying value of \$6,411,657. The Trust is currently working with the borrower on a restructuring plan.

6. Investments in Other Financial Assets

As at March 31, 2023, the Trust has non-controlling interests of 9.85% and 14.9% in entities controlled by the REIT. These entities have positions in real estate development projects in Canada and the US. The Trust's participation allows it to receive in proportion to its percentage share, all income from or proceeds from the disposition of the investments. The Trust classifies and measures these assets at fair value through profit and loss.

As at	March 31, 2023	December 31, 2022
Equity instruments	\$ 3,726,575	\$ 3,733,733
Warrants	10,710	4,226
Total other financial assets	\$ 3,737,285	\$ 3,737,959

The Trust recognized the following fair value gains and losses for the three months ended March 31.

For the three months ended March 31,	2023	2022
Fair value losses on participating loan interests	\$ (711,630)	\$ (19,991)
Fair value gains (losses) on equity instruments	(72,715)	216,097
Fair value gains (losses) on warrants	898	(21,714)
Net fair value gains (losses)	\$ (783,447)	\$ 174,392

These financial assets are measured at FVTPL at each reporting date as outlined in the fair value measurement (Note 14).

CENTURION FINANCIAL TRUST**Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)****For the three months ended March 31, 2023****7. Accounts Payable and Accrued Liabilities**

As at	March 31, 2023	December 31, 2022
Accrued liabilities	\$ 103,245	\$ 186,646
Accounts payable	28,320	127,279
	\$ 131,565	\$ 313,925

8. General and Administrative Expenses

For the three months ended March 31,	2023	2022
Salaries and wages	\$ 94,903	\$ 85,564
Professional fees	12,393	21,453
Fund administration costs	30,316	31,985
Advertising	1,639	2,961
Office expenses	12,992	8,526
	\$ 152,243	\$ 150,489

At the discretion of Centurion Asset Management Inc. ("CAMI"), the Asset Manager, reimbursed the Trust for \$192,235 of general and administrative expenses for the three months ended March 31, 2023 (March 31, 2022: \$184,815) which have been presented net on the statement of income and comprehensive income.

9. Restricted cash/Unit subscriptions in trust

At March 31, 2023, the restricted cash is \$nil (December 31, 2022: \$50,000). 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. 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**a) Unlimited number of Class A Trust Units**

Class A Trust Units are participating, with one vote per unit, no par value.

b) Unlimited number of Class F Trust Units

Class F Trust Units are participating, with one vote per unit, no par value.

c) Unlimited number of Class I Trust Units

Class I Trust Units are participating, with one vote per unit, no par value.

d) 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 number of Class M Units will equal the number of investor units, subject to a high-water mark, divided by 0.95 less the number of Investor Trust Units and the cumulative amount of Class M Trust Units previously redeemed. Investor Trust Units are defined as the Class A Trust Units, the Class F Trust Units, the Class I Units and any new class of Trust Units. Apart from certain voting restrictions, the 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 Trust Units may convert into Class A Trust Units.

e) Unlimited number of Class R Trust Units

Class R Trust Units are participating with no par value and are 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.

CENTURION FINANCIAL TRUST**Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)****For the three months ended March 31, 2023****Issued**

	March 31, 2023	December 31, 2022
Class A Trust Units		
Units as at January 1,	2,466,826	3,081,480
New units issued	8,279	33,779
Distribution reinvestment plan	32,644	141,684
Redemption of units	(142,754)	(790,117)
	2,364,995	2,466,826
Class F Trust Units		
Units as at January 1,	2,146,939	2,042,290
New units issued	15,212	356,020
Distribution reinvestment plan	32,216	116,017
Redemption of units	(102,712)	(367,388)
	2,091,655	2,146,939
Class M Trust Units	50,000	50,000
Class R Trust Units		
Units as at January 1,	10,549	9,647
Distribution reinvestment plan	240	902
Redemption of units	—	—
	10,789	10,549
Class I Trust Units		
Units as at January 1,	—	578,867
New units issued	—	—
Distribution reinvestment plan	—	3,989
Redemption of units	—	(582,856)
	—	—

CENTURION FINANCIAL TRUST

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)

For the three months ended March 31, 2023

11. Commitments

The Trust has entered into a warehouse agreement ("the agreement") with the REIT, the warehouse lender, whereby the REIT, at its sole discretion, may fund investments originated by the Trust. As at March 31, 2023, the warehouse liabilities are \$14,388,177 (December 31, 2022: \$13,086,736). The warehouse agreement bears interest at rates ranging between 10.00% and 13.00% (December 31, 2022: 10.0% and 12.25%), with a weighted average interest rate of 10.70% (December 31, 2022: 10.26%). As at March 31, 2023, the Trust incurred \$334,819 of interest expense (March 31, 2022: \$370,164). As at March 31, 2023, the Trust has outstanding interest of \$nil to be paid to the REIT. The warehouse agreement is secured by the underlying investment assets with a carrying value of \$18,884,787 as at March 31, 2023 (March 31, 2022: \$16,521,306). All outstanding principal and interest under the warehouse loan shall be due and payable on maturity of the underlying loan.

12. Contingencies

The Trust is currently not engaged in any legal matters and management is not aware of any such matters that could have a material impact on these condensed consolidated interim financial statements.

13. Related Party Transactions

Except as disclosed elsewhere in these condensed consolidated interim financial statements, related party balances and transactions include the following:

As at March 31, 2023, a related party to the asset manager holds the 50,000 Class M Trust units of the Trust. The distribution for the three months ended March 31, 2023, for the Class M Trust units, was \$68,778 (March 31, 2022: \$68,284) in cash.

During the three months ended March 31, 2023, the Trust was allocated expenses from CAMGPI the gross amount of \$253,858 of payroll expenses before reimbursement from CAMI (March 31, 2022: \$244,468) and \$73,328 of administrative expenses (March 31, 2022: \$90,667). CAMGPI is owned 50% by the Trust and the remaining 50% by the REIT.

During the three months ended March 31, 2023, the Trust borrowed \$2,429,819 through the warehouse facility and repaid \$1,128,379 (December 31, 2022: borrowed \$5,770,164 and repaid \$8,160,672, respectively). See Note 11.

The Trust has \$28,293 payable to the REIT as at March 31, 2023 within Accounts Payable and Other Liabilities (December 31, 2022: \$86,755).

As at March 31, 2023, the Trust has co-invested with the REIT on \$1,137,999 of Debt Investments, \$2,537,464 of Participating Loan Interests, and \$3,726,575 of Other Financial Assets on a pari passu basis.

During the year ended March 31, 2023, a related party of the Asset Manager earned commitment fees of \$25,000 payable by the borrower on debt investments made by the Trust (March 31, 2022: \$26,768).

CENTURION FINANCIAL TRUST
Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)
For the three months ended March 31, 2023

14. 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, receivables and other assets, and accounts payable and accrued liabilities approximate their fair values based on the short-term maturities of these financial instruments
- Management determined fair value based on its assessment of the current lending market for debt investments and participating loan interests of the same or similar terms since there are no quoted prices in an active market for the Trust's debt investments
- Management determined the fair value of warrants using an option pricing model

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:

March 31, 2023	Note	Level 1	Level 2	Level 3	Total
Assets					
Participating loan interests	5	\$ —	\$ —	\$ 23,790,715	\$ 23,790,715
Other financial assets	6	—	—	3,737,285	3,737,285
Measured at fair value through profit and loss		\$ —	\$ —	\$ 27,528,000	\$ 27,528,000

December 31, 2022	Note	Level 1	Level 2	Level 3	Total
Assets					
Participating loan interests	5	\$ —	\$ —	\$ 24,044,955	\$ 24,044,955
Other financial assets	6	—	—	3,737,959	3,737,959
Measured at fair value through profit and loss		\$ —	\$ —	\$ 27,782,914	\$ 27,782,914

15. Capital Management

The Trust defines capital as net assets attributable to Unitholders. 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.

The carrying value of the units is impacted by net income 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, the DRIP participation ratio, and total distributions as a percent of distributable income and distributable income per unit.

CENTURION FINANCIAL TRUST
Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)
For the three months ended March 31, 2023

16. Financial Instruments

Risk management

The main risks that arise from the Trust's financial instruments are liquidity, interest, credit, and currency 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 several 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.

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

a) 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, repayment of obligations, planned funding of debt, participating and other financial assets 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, new capital issuances and projected repayments under the existing investment portfolio. In addition, the Trust may settle the warehouse liabilities through selling or syndicating investments, raising new capital or through transferring to the REIT the corresponding investment securing the warehouse liability. As at March 31, 2023, the Trust has contractual obligations totaling \$131,565 (December 31, 2022: \$5,044,253) due in less than one year, which include all liabilities excluding net liabilities attributable to Unitholders, noted within the consolidated statement of financial position and additional debt investment commitments (Note 4).

b) Interest rate risk

The Trust's objective in managing interest rate risk is to minimize the volatility of earnings. Management monitors the Trust's current lending rates on an ongoing basis and assesses the impact of any changes in these credit rates on earnings. As at March 31, 2023, the Trust has debt investments of \$13,708,087 (December 31, 2022: \$13,991,335) that bore interest at variable rates, which are outlined as follows:

	Carrying Amount	-1%		1%	
		Income	Equity	Income	Equity
Financial assets					
Variable rate debt investments	\$ 13,708,087	\$ (137,081)	\$ (137,081)	\$ 137,081	\$ 137,081
Financial liabilities					
Warehouse liabilities	\$ 18,884,787	\$ 188,848	\$ 188,848	\$ (188,848)	\$ (188,848)

CENTURION FINANCIAL TRUST**Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)****For the three months ended March 31, 2023****c) Credit risk**

Credit risk is the possibility that a borrower under one of the debt investments, may be unable to honour their debt commitment as a result of a negative change in the borrower's financial condition or market conditions that could result in a loss to the Trust. The Trust monitors its collection experience on a monthly basis ensuring any payment default is cured within a reasonable period and all past due amounts are factored into the allowance for ECL.

d) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial asset will fluctuate due to changes in foreign exchange rates. The Trust is exposed to currency risk from debt, participating loan interests, and other financial assets that are denominated in U.S. dollars ("USD"). As at March 31, 2023, the Trust has debt investments of USD \$8,412,219 (December 31, 2022: USD \$8,412,784), participating loan investments of USD \$7,361,966 (December 31, 2022: USD \$7,386,333) and other financial assets of USD \$1,109,883 (December 31, 2022: USD \$1,236,912).

	Carrying Amount (USD)	Carrying Amount (CAD)	-1% CAD Depreciation		+1% CAD Appreciation	
			Income	Equity	Income	Equity
Debt Investments	\$ 8,412,219	\$ 11,384,787	\$ 113,848	\$ 113,848	\$ (113,848)	\$ (113,848)
Participating loan Interest	7,361,966	9,963,413	99,634	99,634	(99,634)	(99,634)
Other financial assets	1,109,883	1,502,075	15,021	15,021	(15,021)	(15,021)
US dollar exposure	\$ 16,884,068	\$ 22,850,275	\$ 228,503	\$ 228,503	(228,503)	(228,503)

As at March 31, 2023, the Trust has a portion of its assets denominated in USD and has entered into currency derivatives to sell USD and reduce its exposure to foreign currency risk. As at March 31, 2023, the Trust has USD currency derivatives with an aggregate notional value of USD \$18,050,000 (December 31, 2022: USD \$18,050,000) at a rate of \$0.74 and a maturity date of June 14, 2023.

17. Subsequent Events

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

- The Trust had redemptions of \$66,697 and unit holder subscriptions of \$40,000.
- The Trust utilized \$170,000 of the warehouse and repaid \$2,600,000 to the warehouse.
- The Trust received \$2,897,899 for a discharge of a debt investment.
- The Trust received \$2,552,803 for a partial discharge of a participating loan interest.



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