

# CENTURION REAL ESTATE OPPORTUNITIES TRUST

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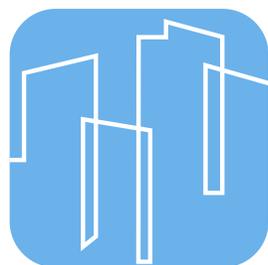
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Q3 2019 Report | Management's Discussion and Analysis

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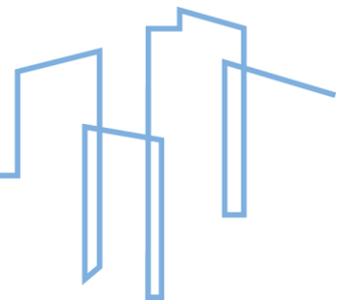
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For the quarter ended September 30, 2019



**CENTURION**  
REAL ESTATE OPPORTUNITIES TRUST

# PROFILE



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



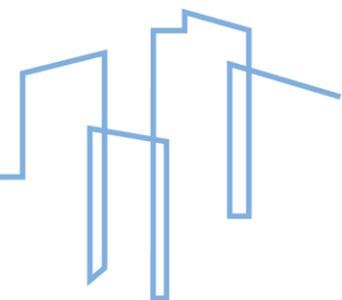
## Q3 2019 HIGHLIGHTS

- Total assets increased 35.9% from \$557.5 million to \$757.9 million
- Net interest income for the nine months ended September 30<sup>th</sup> increased 25.0% from \$26.1 million in 2018 to \$32.6 million in 2019
- Committed funds of \$789.1 million in 96 investments (93 funded)
- Investments include a diverse portfolio of first mortgages, second mortgages, joint ventures, and participating equity investments across six Canadian provinces and four U.S. states
- Class A 7.64% trailing 12-month compounded return
- Class F 8.58% trailing 12-month compounded return

## OBJECTIVES

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

# FINANCIAL HIGHLIGHTS

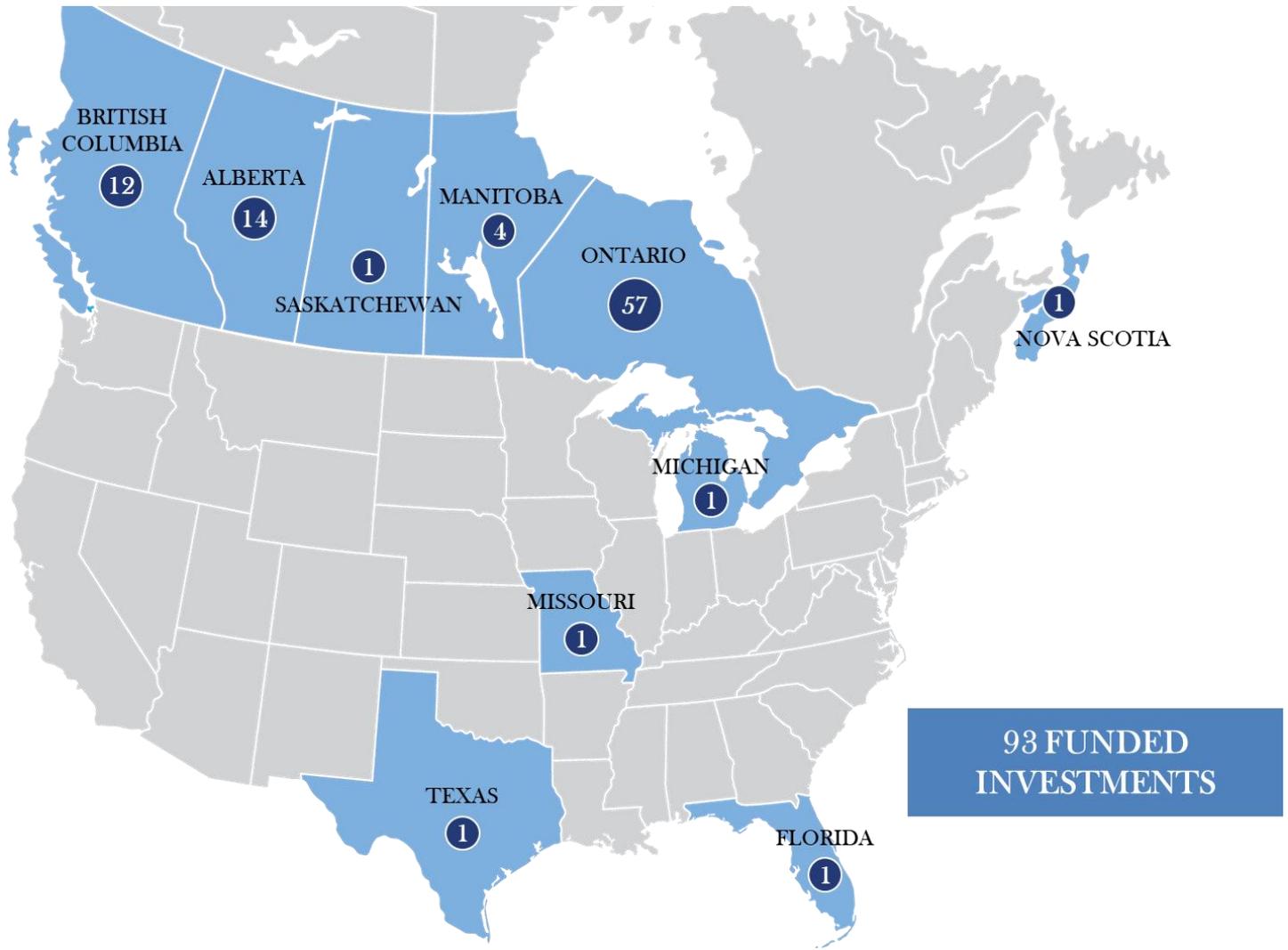


## PORTFOLIO PERFORMANCE

*(expressed in thousands of Canadian dollars)*

<b>As at</b>	<b>September 30, 2019</b>	<b>December 31, 2018</b>		
Total Assets	\$757,874	\$557,515		
Mortgage Investments	\$401,842	\$295,196		
Participating Loan Interests	\$107,193	\$111,803		
Equity Accounted Investments	\$100,696	\$106,005		
Total Committed Funds	\$789,082	\$685,118		
	<b>Three Months Ended Sept 30 2019</b>	<b>September 30, 2018</b>	<b>Nine Months Ended Sept 30 2019</b>	<b>September 30, 2018</b>
Net Interest Income	\$11,598	\$9,851	\$32,640	\$26,105
Income from Equity Accounted Investments	\$2,614	(\$316)	\$10,864	\$5,386
Fair Value Gain on Participating Loan Interests	\$2,500	\$2,430	\$3,717	\$2,896
EBITDA Ratio	93.21%	92.95%	91.56%	93.65%
Net Income and Comprehensive Income per Unit	\$0.24	\$0.25	\$0.74	\$0.79
FFO per Unit	\$0.25	\$0.27	\$0.76	\$0.86
NFFO per Unit	\$0.29	\$0.27	\$0.82	\$0.86
Weighted Average Number of Units	61,664,578	40,297,186	57,239,907	36,867,288
<b>Trailing 12-Month Returns</b>	<b>September 30, 2019</b>	<b>December 31, 2018</b>		
Class A	7.64%	9.95%		
Class F	8.58%	10.92%		
Class I	8.58%	10.92%		
Closing Price of Units	\$11.702	\$11.579		

# PORTFOLIO DIVERSIFICATION



BRITISH COLUMBIA | 24%

ALBERTA | 8%

SASKATCHEWAN | 1%

MANITOBA | 5%

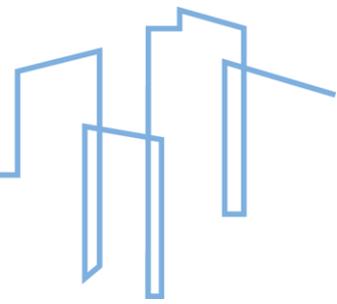
ONTARIO | 52%

NOVA SCOTIA | 1%

UNITED STATES | 9%

*Percentage based on dollar amounts as at September 30, 2019*

# LETTER FROM THE PRESIDENT



The Trust had a good third quarter. Assets increased 36% from \$558 million at December 31, 2018 to \$758 million. This increase was primarily due to the increase in funding new mortgage investments, which increased from \$295 million to \$402 million in the past nine months, which reflects the demand for funding in the marketplace. Net Interest Income increased 25% to \$33 million from \$26 million.

The portfolio continues to hold a diverse mix of first mortgages, second mortgages, equity investments, joint ventures, and participating debt. As at September 30, 2019, the Trust has 93 investments with mortgage investment commitments of \$187 million.

In July, the Trust completed the disposition of an equity accounted investment with Centurion Apartment REIT by selling a 50% interest in a 176-suite development located Winnipeg resulting in a significant gain. This is yet another example of a successful sale of an investment to Centurion Apartment REIT.

The Trust has one foreclosed property, which is currently under construction.

The portfolio performance remained strong during the quarter and we are pleased to report that there are only two investments that are considered to be in default, which represents less than 1% of total assets. We are very pleased with this result as it reinforces our strong due diligence process.

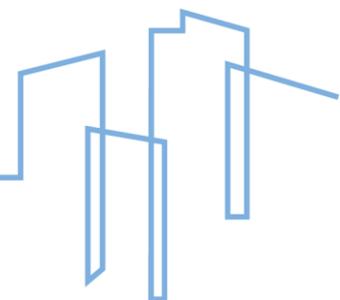
As at September 30, 2019, the Trust has a cash balance of approximately \$76 million. Due to this excess cash, the Trust has remained capped to new investor capital in the quarter. We envision the Trust will remain capped for the remainder of the year. This excess cash was a drag on performance during the quarter however the pipeline is relatively strong and we have current unfunded commitments totaling \$219 million. Due to the large cash balance, the Trust had no drawings on its operating facility at the quarter-end.

The Trust has made some changes to the Board of Trustees in a desire to increase the number of external trustees and bring additional talent to the Trust. Stephen Sender, Michael Lovett, and Chris Humeniuk have joined the Board of Trustees. Charles Dillingham who has served on the board since REOT was founded in 2014 has stepped down. In addition, Robert Orr, Centurion Chief Financial Officer and Chief Compliance Officer, has sat as one of the internal trustees for a number of years and has stepped down as a trustee but remains in his operating roles to make room for the new trustees. He will, in his roles as CFO and CCO, continue to attend meetings and to report to the board as before. We see these changes as significantly strengthening the board not only in terms of independence but also in the range of skills at the table. The Board of Trustee's biographies appear on our website.

We anticipate a bonus distribution in units will be paid at December 31, 2019, due to the successful performance of the Trust in the year.

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

# Q3 2019: MANAGEMENT'S DISCUSSION AND ANALYSIS

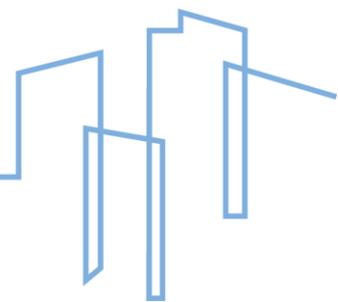


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# Forward-Looking Statements

## CAUTION REGARDING FORWARD-LOOKING STATEMENTS



The Management’s Discussion and Analysis (“MD&A”) of Centurion Real Estate Opportunities Trust (“Centurion” or “Centurion REOT” or “REOT” or the “Trust”) contains “forward-looking statements” within the meaning of applicable securities legislation. This document should be read in conjunction with the material contained in the Trust’s unaudited condensed consolidated interim financial statements (See Appendix C) for quarter ended September 30, 2019 along with Centurion REOT documents available on the Trust’s website. Forward-looking statements appear in this MD&A under the heading “Outlook” and generally include, but are not limited to, statements with respect to management’s beliefs, plans, estimates and intentions, and similar statements concerning anticipated future events, results circumstances, performance, or expectations, including but not limited to financial performance and equity or debt offerings, new markets for growth, financial position, and proposed acquisitions. Generally, these forward-looking statements can be identified by the use of forward-looking terminology such as “plans”, “expects” or “does not expect”, “is expected”, “budget”, “scheduled”, “estimates”, “forecasts”, “intends”, “anticipates” or “does not anticipate”, “believes”, or variations of such words and phrases or statements that certain actions, events or results “may”, “could”, “would”, “might” or “will be taken”, “occur”, or “be achieved”.

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

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

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

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

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

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

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



# CENTURION REAL ESTATE OPPORTUNITIES TRUST

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

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

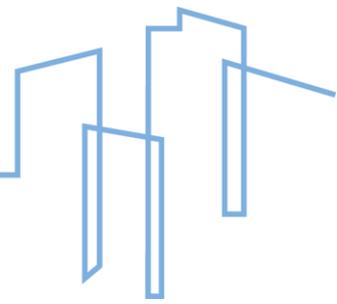
## DECLARATION OF TRUST

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

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

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

# ACCOUNTING POLICIES



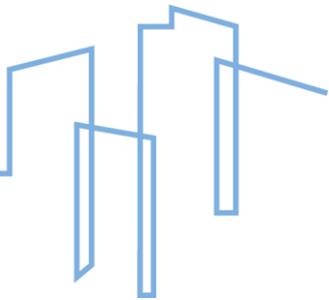
The Trust's significant accounting policies are described in Note 3 of the Centurion Real Estate Opportunities Trust Condensed Consolidated Interim Financial Statements (see Appendix C) for the quarter ended September 30, 2019. The unaudited condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to the preparation of consolidated financial statements.

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

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



# NON-IFRS MEASURES



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

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

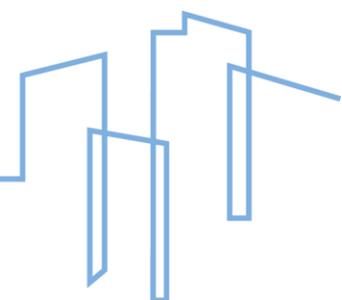
Funds from Operations (“FFO”) is a financial measure used to define their operating performance to provide an idea of the Trust’s cash performance, which is a better indicator of a Trust’s performance than earnings which includes large non-cash items. Management does not look at FFO to be a very useful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

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 consolidated financial statements of the Trust. In addition, these measures may be calculated differently by other similar organizations and may not be comparable.

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

# NON-IFRS MEASURES RECONCILIATION



## Reconciliation of IFRS to Management Reporting

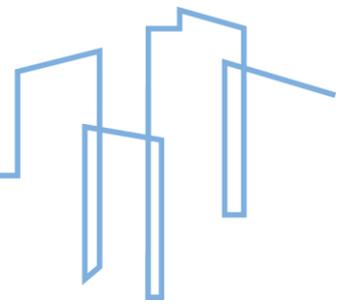
<b>Total Gross Mortgage Investments, per IFRS</b>	<b>\$401,842</b>
Add: Allowance for ECL	\$1,916
Add: Participating Loan Interests classified as Mortgage Investments, per Management	\$62,929
<b>Total Gross Mortgage Investments, per Management</b>	<b>\$466,687</b>
<b>Total Participating Loan Interests, per IFRS</b>	<b>\$107,193</b>
Less: Participating Loan Interests classified as Mortgage Investments, per Management	(\$62,929)
Add: Equity Accounted Investments classified as Participating Loan Interests, per Management	\$46,270
<b>Total Participating Loan Interests, per Management</b>	<b>\$90,534</b>
<b>Total Equity Accounted Investments, per FS</b>	<b>\$100,696</b>
Less: Equity Accounted Investments classified as Participating Loan Interests, per Management	(\$46,270)
<b>Equity Accounted Investments, per Management Reporting</b>	<b>\$54,426</b>

Management reporting of investments, as shown in Appendix A “Summary Information About The Investment Portfolio”, is an alternative reporting method used to present the composition of investments held by the Trust in alignment with the business.

Specifically, Management believes this method better reflects the underlying nature of the risk profile and expected returns of these investments when compared to the reporting requirements in accordance with IFRS, and consequently, this method provides Management with a platform to evaluate investments with similar characteristics and actively manage risk.

Management believes the Trust holds certain investments that include the characteristics of participating loan interests, which are classified as equity accounted investments in accordance with IFRS. Furthermore, Management believes the Trust holds certain investments that include the characteristics of mortgage investments, which are classified as participating loan interests in accordance with IFRS.

# OUTLOOK AND BUSINESS STRATEGY



Management is focused on several areas for 2019 that can be broken down as follows:

## **Growth Strategy**

The goals for 2019 continued to be profitable growth and risk mitigation. Demand for mortgage debt has continued to accelerate through the first three quarters of 2019. We anticipate that there will be many worthwhile investment opportunities for the Trust to explore in the final quarter of 2019, just like we saw at the end of 2018, with exceptionally robust growth in the portfolio.

At September 30, 2019, the weighted average mortgage investment yield declined to 9.43% not because of the market being exceptionally competitive but due to Management's deliberate strategy to move down the risk curve and do more first mortgage business. While absolute returns do matter, our primary concerns are to protect capital and earn the best risk-adjusted returns that we can. As such, we believe that the portfolio allocation decisions we have been making are improving the risk-adjusted returns of the portfolio while only moderately reducing total return.

Currently, approximately 1% of the portfolio is in default, which is well below what we anticipate is the normal workout rate. Management believes that at this point in the market cycle, this strategy is what makes the most sense.

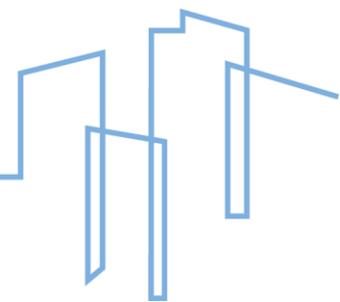
## **Evolving Market Risks**

The residential real estate market in Canada seems to have rebalanced and achieved the sought-after soft landing that policy makers were hoping for. The Canadian economy though remains vulnerable to a recession given how long the current expansion has lasted. Global economic growth also seems to be cooling quickly. Canadian household debt levels are too high and provincial and federal governments continue to run disturbingly high deficits, which will likely go higher as the economy slows. A minority government will likely increase spending, increase deficits, and reduce the ability of the government to respond to future slowdowns as they will already be running uncomfortable deficits. The Bank of Canada has remained one of the only central banks not to be cutting interest rates. They have made a policy mistake and are behind the curve but are likely concerned about households increasing leverage if they cut rates. They are probably right in that belief. We continue to believe that interest rate cuts from the Bank of Canada are likely on the table in the not too distant future.

Rental demand is exceptionally strong as supply constraints, strong inbound migration, and an increased propensity to rent due to purchase affordability concerns continue to drive rents up in most parts of the country, but most strongly in Ontario and British Columbia. Given the mix of products that the Trust has invested in, Management believes that this provides a strong cushion of value as the market rebalances. These conditions continue to keep the availability of credit to developers tight and deal flow robust.

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

# Q3 2019 OPERATING RESULTS



The third quarter of 2019 was another solid quarter for the Trust both operationally and performance wise.

Since its last fiscal year-end, assets of the Trust grew approximately 35.9% from \$557.5 million to \$757.9 million as at September 30, 2019. During the nine months ended September 30, interest income increased 25.0% from \$26.1 million in 2018 to \$32.6 million in 2019.

The portfolio continues to be well-diversified with 93 funded investments. Of these 93 investments, 11 are participating and 7 are equity. Participating means that the Trust has an equity-type risk position in these projects resulting in the potential for upside beyond the return from the mortgage investment side of the projects. This is in alignment with the strategic goals of the Trust. Since its last fiscal year-end, the Trust decreased its equity investments by 5.0% primarily due to the sale of two projects to Centurion Apartment REIT for total proceeds of \$26.3 million. Equity investments represent a total funded value of \$54.4 million as at September 30, 2019. Some of these equity investments will provide a pipeline of investment acquisition opportunities to Centurion Apartment REIT.

Of the investments categorized as mortgage investments (non-participating), the weighted average interest rate is 9.43%, with a term to maturity of 0.65 years and a weighted average loan to value of 68.83%. 89% of the investments are residential and 11% are commercial. This is further broken down into pre-development (34%), construction (53%), and term (13%). 91% of the investments are in a preferred position in terms of the capital stack.

The investments by rank include first positions (55%), second positions (36%) and equity positions (9%). The average investment size was \$7.0 million.

Portfolio turnover was strong with \$155.4 million in pay-downs against \$167.3 million in funding during the nine months ended September 30, 2019. The resulting large cash balance is expected to be fully redeployed next quarter against our current unfunded commitment balance of \$219 million.

A provision for expected credit losses of approximately \$0.8 million related to mortgage investments has been recorded as at September 30, 2019, which represents approximately 0.2% of the mortgage investment portfolio. This is an allowance against future potential credit related losses not identified and does not reflect an actual loss incurred.

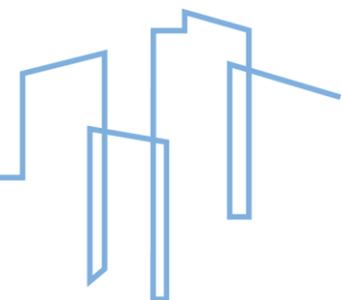
As at September 30, 2019, the Trust now has 4 investments in the United States totalling \$41.0 million USD located in Florida, Michigan, Missouri, and Texas. The Trust continues to seek new opportunities in the United States.

Please see Appendix A for details of the portfolio.

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

Since its last fiscal year-end, the Trust entered into one syndicated mortgage investment transaction. Under IFRS, syndicated mortgages are recorded as liabilities when in fact they are not liabilities to the Trust. We intend to increase our syndicated mortgage business in the near term by increasing the Trust's resources that will be focused on growing this business line.

# Q3 2019 OPERATING RESULTS



## NET INCOME AND COMPREHENSIVE INCOME

(expressed in thousands of Canadian dollars)

For the nine months ended September 30, 2019	2019	2018
Interest income on mortgage investments	\$32,640	\$26,105
Other income	\$197	\$228
Income from equity accounted investments	\$10,864	\$5,386
Fair value gains on participating loan interests	\$3,717	\$2,896
Recovery of (allowance for) expected credit losses	(\$758)	(\$2,341)
General and administrative expenses	(\$2,888)	(\$2,352)
Finance costs	(\$171)	(\$867)
Currency translation gains (losses)	(\$1,113)	\$154
<b>Net Income and Comprehensive Income</b>	<b>\$42,488</b>	<b>\$29,209</b>

General and administrative expenses incurred during the nine months ended September 30, 2019 were \$2.9 million which was made up of salaries, commissions, professional fees, and other expenses as noted in Note 12 of the Centurion Real Estate Opportunities Trust Condensed Consolidated Interim Financial Statements.

While it is always difficult to predict what opportunities will present themselves over the rest of the year, Management believes that based on the Trust's current deal flow and active deals under due diligence, that it will be able to successfully and accretively deploy capital throughout the remainder of 2019 and going into 2020.

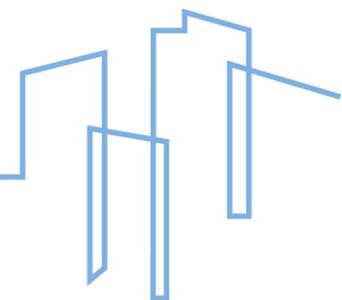
The expected returns for the portfolio based on current expectations are as follows:

## EXPECTED RETURNS

	Weight	Anticipated Returns
Non-participating investments	76.00%	9.43%
Participating investments	24.00%	21.70% <sup>1</sup>
Weighted anticipated investments	100.00%	12.38%

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

# Q3 2019 OPERATING RESULTS



See Appendix A – Summary Information About the Investment Portfolio

<b>KEY PORTFOLIO METRICS</b> <i>(expressed in thousands of Canadian dollars)</i>	<b>September 30, 2019</b>	<b>December 31, 2018</b>
Total investments committed	\$789,082	\$685,118
Total investments funded	\$569,696	\$504,340
Mortgage investments	\$466,687	\$334,701
Participating loan interests	\$61,706	\$85,840
Equity accounted investments	\$41,303	\$83,799
LTV on mortgage investments	68.83%	68.19%
<b>Investment Ranking</b>		
First position	55%	48%
Second position	36%	35%
Equity position	9%	17%
Weighted average term*	0.65 years	0.77 years
Weighted average interest rate*	9.43%	9.20%

\* Mortgage investments only

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

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

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

# “FFO” AND “NFFO”

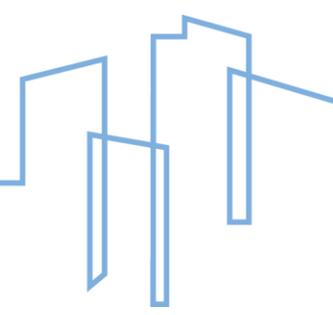
## Funds From Operations and Normalized Funds From Operations

<i>(expressed in thousands of Canadian dollars)</i>	Trailing 12-Months		Three Months Ended		Nine Months Ended	
	2019	2018	2019	2018	2019	2018
<b>FFO (Funds From Operations)</b>						
Net Income and Comprehensive Income	\$55,019	\$45,780	\$15,037	\$10,146	\$42,488	\$29,209
Plus: Allowance (recovery) for expected credit losses	(\$2,411)	\$2,512	\$518	\$874	\$758	\$2,341
Plus: Capital raising costs expensed through G&A	\$34	\$35	\$6	\$4	\$27	\$16
<b>FFO</b>	<b>\$52,642</b>	<b>\$48,327</b>	<b>\$15,561</b>	<b>\$11,024</b>	<b>\$43,273</b>	<b>\$31,566</b>
<b>NFFO (Normalized Funds From Operations)</b>						
FFO	\$52,642	\$48,327	\$15,561	\$11,024	\$43,273	\$31,566
Plus: Unlevered cash <sup>1</sup>	\$4,104	\$179	\$2,220	\$53	\$3,853	\$140
<b>NFFO</b>	<b>\$56,746</b>	<b>\$48,506</b>	<b>\$17,781</b>	<b>\$11,077</b>	<b>\$47,126</b>	<b>\$31,706</b>
Adjusted Number of Outstanding Units	53,925,787	35,055,853	61,664,578	40,297,186	57,239,907	36,867,288
<b>Per Unit Statistics (Per Adjusted Number of Outstanding Units)</b>						
Net Income and Comprehensive Income	\$1.02	\$1.31	\$0.24	\$0.25	\$0.74	\$0.79
FFO	\$0.98	\$1.38	\$0.25	\$0.27	\$0.76	\$0.86
NFFO	\$1.05	\$1.38	\$0.29	\$0.27	\$0.82	\$0.86

**Notes:**

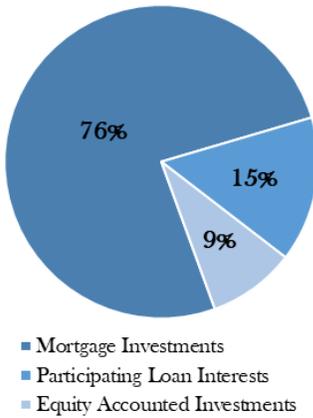
<sup>1</sup> Represents the average cash balance deployed at 10.0% net return

# PORTFOLIO SUMMARY

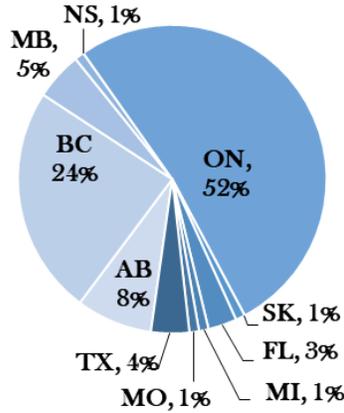


The following charts provide summary for the portfolio as at September 30, 2019.

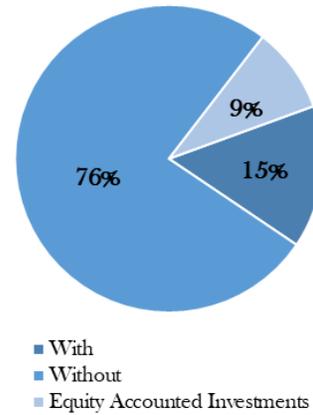
**BY PARTICIPATION**



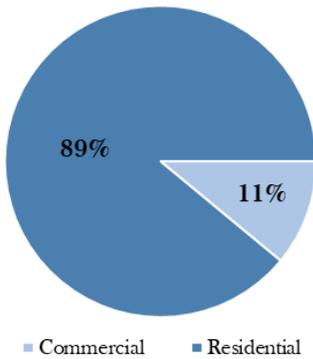
**BY PROVINCE/STATE**



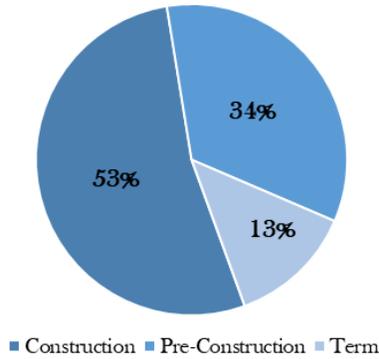
**BY PURCHASE OPTIONS**



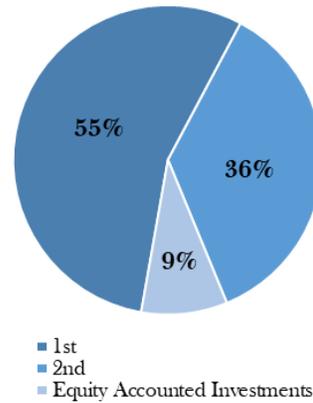
**BY LOAN TYPE**



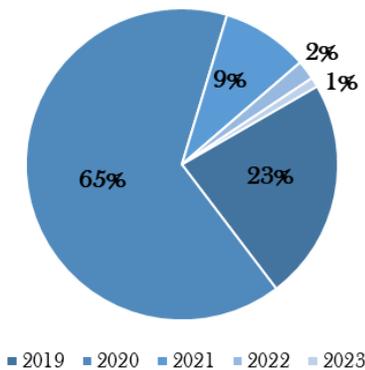
**BY DEVELOPMENT STAGE**



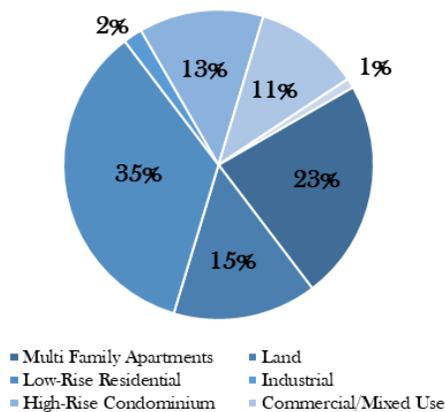
**BY RANK**



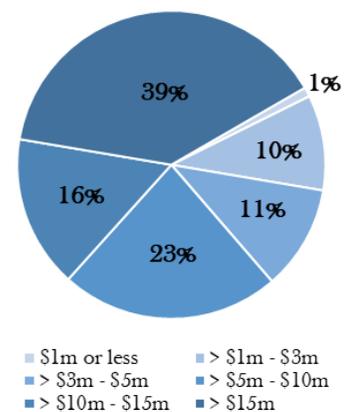
**BY MATURITY**



**BY UNDERLYING SECURITY**



**BY INVESTMENT SIZE**



# ISSUED AND OUTSTANDING NUMBER OF UNITS

The following table depicts the number of Issued and Outstanding Units as at September 30, 2019:

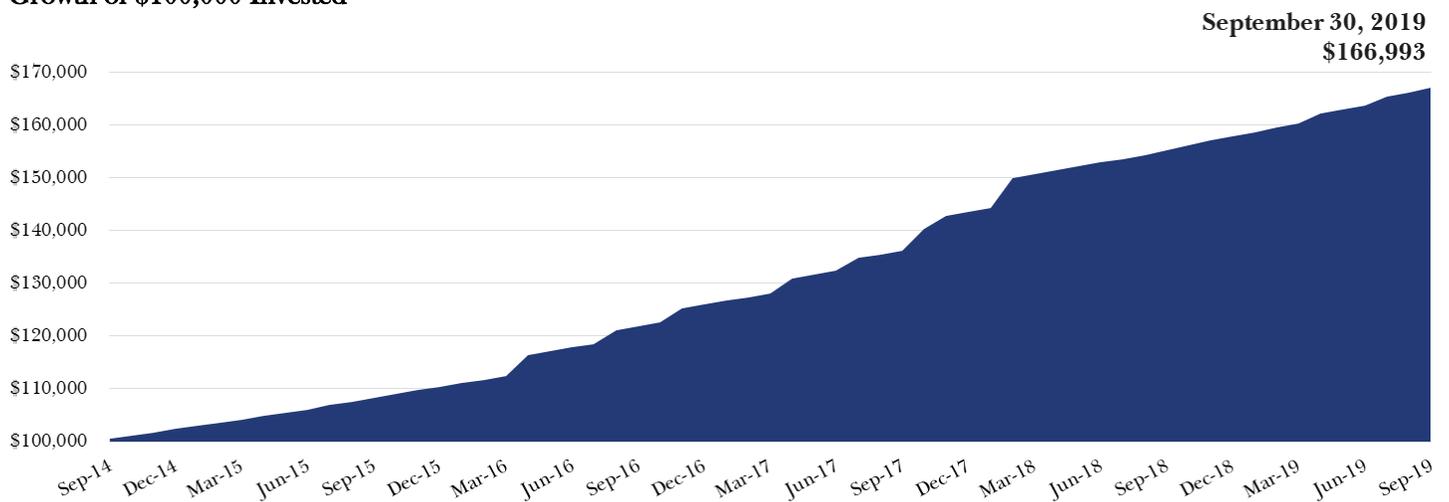
SUMMARY OF UNIT HOLDINGS		
	September 30, 2019	December 31, 2018
Class A	7,952,421	6,737,307
Class F	4,646,072	3,269,192
Class I	5,129,215	4,376,942
Class R	44,382,330	31,024,258
Class M	50,000	50,000
<b>Total</b>	<b>62,160,038</b>	<b>45,457,699</b>

As at September 30, 2019, Centurion Apartment REIT held 65.33% of the Trust.

## TOTAL RETURNS

Calendar Returns	2014	2015	2016	2017	2018	2019 YTD	Compound Returns	1-Year	2-Year	3-Year	4-Year	Since Inception
Centurion REOT	2.4%*	7.2%	14.1%	13.9%	10.0%	5.8%	Centurion REOT	7.6%	10.7%	11.1%	11.5%	10.4%

### Growth of \$100,000 Invested



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

# APPENDIX A

## Summary Information About The Investment Portfolio (September 30, 2019)

REOT								
Investments Segregation (excl. Foreclosed Properties)	Funded				Committed			
	\$	#	% (\$)	Wt.-Avg. Rate	\$	#	% (\$)	
<b>By Participation</b>								
Mortgage Investments	\$ 466,687	75	76%	9.43%	\$ 653,136	78	83%	
Participating Loan Interests	\$ 90,534	11	15%	9.49%	\$ 61,744	11	8%	
Equity Accounted Investments	\$ 54,426	7	9%	0.00%	\$ 74,203	7	9%	
<b>Total</b>	<b>\$ 611,646</b>	<b>93</b>	<b>100%</b>	<b>9.44%</b>	<b>\$ 789,082</b>	<b>96</b>	<b>100%</b>	
<b>By Rank</b>								
1st	\$ 334,905	42	55%	8.90%	\$ 457,980	43	58%	
2nd	\$ 222,316	44	36%	10.37%	\$ 256,899	46	33%	
Equity Accounted Investments	\$ 54,426	7	9%	0.00%	\$ 74,203	7	9%	
<b>Total</b>	<b>\$ 611,646</b>	<b>93</b>	<b>100%</b>	<b>9.44%</b>	<b>\$ 789,082</b>	<b>96</b>	<b>100%</b>	
<b>By Loan Type</b>								
Commercial	\$ 66,411	16	11%	9.19%	\$ 110,923	16	14%	
Residential	\$ 545,236	77	89%	9.47%	\$ 678,160	80	86%	
<b>Total</b>	<b>\$ 611,646</b>	<b>93</b>	<b>100%</b>	<b>9.44%</b>	<b>\$ 789,082</b>	<b>96</b>	<b>100%</b>	
<b>By Province/State</b>								
<b>Canada</b>								
AB	\$ 46,196	14	8%	11.06%	\$ 50,821	14	6%	
BC	\$ 146,843	12	24%	9.35%	\$ 152,187	12	19%	
MB	\$ 30,433	4	5%	8.91%	\$ 45,358	5	6%	
NS	\$ 4,235	1	1%	10.00%	\$ 4,235	1	1%	
ON	\$ 322,782	57	52%	9.25%	\$ 484,097	59	61%	
SK	\$ 6,885	1	1%	0.00%	\$ 4,106	1	1%	
<b>Subtotal (A)</b>	<b>\$ 557,374</b>	<b>89</b>	<b>91%</b>	<b>9.43%</b>	<b>\$ 740,808</b>	<b>92</b>	<b>94%</b>	
<b>United States</b>								
FL	\$ 16,397	1	3%	9.00%	\$ 13,155	1	2%	
MI	\$ 8,002	1	1%	10.00%	\$ 9,998	1	1%	
MO	\$ 4,453	1	1%	8.00%	\$ 3,747	1	0%	
TX	\$ 25,420	1	4%	10.00%	\$ 21,379	1	3%	
<b>Subtotal (B)</b>	<b>\$ 54,273</b>	<b>4</b>	<b>9%</b>	<b>9.55%</b>	<b>\$ 48,279</b>	<b>4</b>	<b>6%</b>	
<b>Grand Total (A + B)</b>	<b>\$ 611,646</b>	<b>93</b>	<b>100%</b>	<b>9.44%</b>	<b>\$ 789,082</b>	<b>96</b>	<b>100%</b>	

# APPENDIX A

## Summary Information About The Investment Portfolio (September 30, 2019)

Investments Segregation (excl. Foreclosed Properties)	REOT							
	Funded				Committed			
	\$	#	% (\$)	Wt-Avg. Rate	\$	#	% (\$)	
<b>By City</b>								
<b>Greater Toronto Area</b>								
Ajax	\$ 12,866	2	2.10%	9.62%	\$ 20,997	2	2.66%	
Burlington	\$ 610	1	0.10%	8.75%	\$ 12,000	1	1.52%	
Clarington	\$ 4,707	1	0.77%	10.00%	\$ 9,307	2	1.18%	
Markham	\$ 41,200	2	6.74%	9.64%	\$ 48,469	2	6.14%	
Mississauga	\$ 24,173	3	3.95%	8.77%	\$ 40,973	3	5.19%	
Newcastle	\$ 4,258	2	0.70%	14.46%	\$ 6,361	2	0.81%	
Oakville	\$ 14,567	2	2.38%	9.25%	\$ 14,702	2	1.86%	
Pickering	\$ 6,907	2	1.13%	8.06%	\$ 7,003	2	0.89%	
Richmond Hill	\$ 2,028	1	0.33%	16.75%	\$ 2,028	1	0.26%	
Scarborough	\$ 25,064	4	4.10%	8.75%	\$ 66,136	4	8.38%	
Toronto	\$ 56,858	11	9.30%	9.52%	\$ 72,893	12	9.24%	
Vaughan	\$ 20,144	1	3.29%	7.25%	\$ 20,144	1	2.55%	
<b>Subtotal (A)</b>	<b>\$ 213,382</b>	<b>32</b>	<b>34.89%</b>	<b>9.25%</b>	<b>\$ 321,018</b>	<b>34</b>	<b>40.68%</b>	
<b>Greater Vancouver Area</b>								
Delta	\$ 7,267	1	1.19%	12.95%	\$ 7,076	1	0.90%	
Langley	\$ 3,525	1	0.58%	8.50%	\$ 23,150	1	2.93%	
Port Moody	\$ 2,456	1	0.40%	8.50%	\$ 2,500	1	0.32%	
Surrey	\$ 51,341	2	8.39%	8.87%	\$ 51,719	2	6.55%	
<b>Subtotal (B)</b>	<b>\$ 64,588</b>	<b>5</b>	<b>10.56%</b>	<b>9.28%</b>	<b>\$ 84,445</b>	<b>5</b>	<b>10.70%</b>	
<b>Vancouver Island</b>								
Sooke	\$ 18,010	1	2.94%	9.50%	\$ 18,010	1	2.28%	
Victoria	\$ 41,089	5	6.72%	9.94%	\$ 40,326	5	5.11%	
<b>Subtotal (C)</b>	<b>\$ 59,098</b>	<b>6</b>	<b>9.66%</b>	<b>9.77%</b>	<b>\$ 58,336</b>	<b>6</b>	<b>7.39%</b>	
<b>Guelph-Waterloo Area</b>								
Guelph	\$ 12,159	5	1.99%	9.91%	\$ 12,159	5	1.54%	
Kitchener	\$ 5,033	1	0.82%	8.00%	\$ 5,033	1	0.64%	
Waterloo	\$ 33,059	5	5.40%	9.83%	\$ 29,436	5	3.73%	
<b>Subtotal (D)</b>	<b>\$ 50,251</b>	<b>11</b>	<b>8.22%</b>	<b>9.64%</b>	<b>\$ 46,628</b>	<b>11</b>	<b>5.91%</b>	

# APPENDIX A

## Summary Information About The Investment Portfolio (September 30, 2019)

Investments Segregation (excl. Foreclosed Properties)	REOT							
	Funded				Committed			
	\$	#	% (\$)	Wt.-Avg. Rate	\$	#	% (\$)	
<b>By City (cont'd)</b>								
<b>Other Canadian Cities</b>								
Abbotsford	\$ 22,675	1	3.71%	8.25%	\$ 28,549	1	3.62%	
Barrie	\$ 1,682	1	0.27%	9.50%	\$ 3,000	1	0.38%	
Brantford	\$ 8,536	1	1.40%	8.50%	\$ 8,536	1	1.08%	
Calgary	\$ 11,350	3	1.86%	10.00%	\$ 11,396	3	1.44%	
Cochrane	\$ 7,818	1	1.28%	0.00%	\$ 9,800	1	1.24%	
Dartmouth	\$ 4,235	1	0.69%	10.00%	\$ 4,235	1	0.54%	
Edmonton	\$ 23,053	7	3.77%	11.78%	\$ 25,567	7	3.24%	
Elk Point	\$ 857	1	0.14%	10.00%	\$ 857	1	0.11%	
Grimsby	\$ 1,302	1	0.21%	10.00%	\$ 2,000	1	0.25%	
Hamilton	\$ 29,790	3	4.87%	9.40%	\$ 53,821	3	6.82%	
Kingston	\$ 3,528	2	0.58%	5.57%	\$ 6,452	2	0.82%	
Minett	\$ 6,475	3	1.06%	8.50%	\$ 10,396	3	1.32%	
Orillia	\$ 2,496	1	0.41%	10.07%	\$ 7,287	1	0.92%	
Regina	\$ 6,885	1	1.13%	0.00%	\$ 4,106	1	0.52%	
Squamish	\$ 4,007	1	0.66%	11.00%	\$ 4,007	1	0.51%	
St. Albert	\$ 1,103	1	0.18%	9.00%	\$ 1,185	1	0.15%	
Stony Plain	\$ 2,016	1	0.33%	9.50%	\$ 2,016	1	0.26%	
Timmins	\$ 1,815	1	0.30%	10.00%	\$ 1,815	1	0.23%	
Winnipeg	\$ 30,433	4	4.98%	8.91%	\$ 45,358	5	5.75%	
<b>Subtotal (E)</b>	<b>\$ 170,054</b>	<b>35</b>	<b>27.80%</b>	<b>9.55%</b>	<b>\$ 230,381</b>	<b>36</b>	<b>29.20%</b>	
<b>United States</b>								
Detroit	\$ 8,002	1	1.31%	10.00%	\$ 9,998	1	1.27%	
Estero	\$ 16,397	1	2.68%	9.00%	\$ 13,155	1	1.67%	
Irving	\$ 25,420	1	4.16%	10.00%	\$ 21,379	1	2.71%	
Kansas City	\$ 4,453	1	0.73%	8.00%	\$ 3,747	1	0.47%	
<b>Subtotal (F)</b>	<b>\$ 54,273</b>	<b>4</b>	<b>8.87%</b>	<b>9.55%</b>	<b>\$ 48,279</b>	<b>4</b>	<b>6.12%</b>	
<b>Grand Total (SUM A to F)</b>	<b>\$ 611,646</b>	<b>93</b>	<b>100.00%</b>	<b>9.44%</b>	<b>\$ 789,082</b>	<b>96</b>	<b>100.00%</b>	

# APPENDIX A

## Summary Information About The Investment Portfolio (September 30, 2019)

Investments Segregation (excl. Foreclosed Properties)	REOT								
	Funded					Committed			
	\$	#	% (\$)	Wt.-Avg. Rate	\$	#	% (\$)		
<b>By Purchase Options</b>									
With	\$	90,078	10	15%	9.63%	\$	69,618	11	9%
Without	\$	467,143	76	76%	9.41%	\$	645,262	78	82%
Equity Accounted Investments	\$	54,426	7	9%	0.00%	\$	74,203	7	9%
<b>Total</b>	<b>\$</b>	<b>611,646</b>	<b>93</b>	<b>100%</b>	<b>9.44%</b>	<b>\$</b>	<b>789,082</b>	<b>96</b>	<b>100%</b>
<b>By Development Stage</b>									
Construction	\$	322,353	51	53%	9.80%	\$	443,576	53	56%
Pre-Construction	\$	208,241	23	34%	8.88%	\$	226,476	24	29%
Term	\$	81,052	19	13%	9.73%	\$	119,031	19	15%
<b>Total</b>	<b>\$</b>	<b>611,646</b>	<b>93</b>	<b>100%</b>	<b>9.44%</b>	<b>\$</b>	<b>789,082</b>	<b>96</b>	<b>100%</b>
<b>By Underlying Security</b>									
Multi Family Apartments	\$	143,561	20	23%	10.22%	\$	157,793	22	20%
Land	\$	90,777	7	15%	8.50%	\$	91,156	7	12%
Low-Rise Residential	\$	211,111	32	35%	9.46%	\$	296,842	33	37%
Industrial	\$	12,926	3	2%	12.27%	\$	24,125	3	3%
High-Rise Condominium	\$	80,122	14	13%	9.54%	\$	109,119	14	14%
Commercial/Mixed Use	\$	67,988	16	11%	8.71%	\$	104,887	16	13%
Multi Student Housing	\$	5,161	1	1%	10.00%	\$	5,161	1	1%
<b>Total</b>	<b>\$</b>	<b>611,646</b>	<b>93</b>	<b>100%</b>	<b>9.44%</b>	<b>\$</b>	<b>789,082</b>	<b>96</b>	<b>100%</b>
<b>By Investment Size</b>									
\$1m or less	\$	7,101	11	1%	9.83%	\$	89,415	14	11%
> \$1m - \$3m	\$	59,023	25	10%	10.07%	\$	79,407	25	10%
> \$3m - \$5m	\$	68,500	17	11%	9.67%	\$	111,918	17	14%
> \$5m - \$10m	\$	143,239	21	23%	9.81%	\$	152,523	21	19%
> \$10m - \$15m	\$	97,060	8	16%	9.19%	\$	82,035	8	10%
> \$15m	\$	236,722	11	39%	9.09%	\$	273,784	11	36%
<b>Total</b>	<b>\$</b>	<b>611,646</b>	<b>93</b>	<b>100%</b>	<b>9.44%</b>	<b>\$</b>	<b>789,082</b>	<b>96</b>	<b>100%</b>

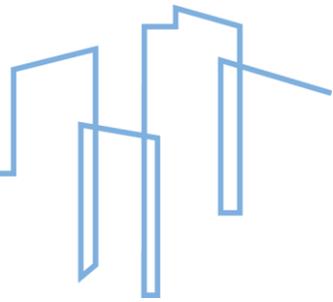
# APPENDIX A

## Summary Information About The Investment Portfolio (September 30, 2019)

REOT									
Investments Segregation (excl. Foreclosed Properties)	Funded				Committed				
	\$	#	% (\$)	Wt.-Avg. Rate	\$	#	% (\$)		
<b>By Maturity (excl. Equity &amp; FV Adj.)</b>									
2019	\$	121,648	21	23%	9.07%	\$	137,021	21	19%
2020	\$	340,463	50	65%	9.64%	\$	418,834	51	58%
2021	\$	48,815	11	9%	8.87%	\$	112,224	12	16%
2022	\$	11,709	2	2%	10.16%	\$	41,038	3	6%
2023	\$	5,758	2	1%	8.53%	\$	5,762	2	1%
<b>Total</b>	<b>\$</b>	<b>528,393</b>	<b>86</b>	<b>100%</b>	<b>9.44%</b>	<b>\$</b>	<b>714,879</b>	<b>89</b>	<b>100%</b>
<b>By Interest/Pref Rate (excl. Equity &amp; FV Adj.)</b>									
8% or less	\$	68,199	10	13%	7.62%	\$	68,204	10	10%
> 8.0% - 8.5%	\$	68,595	12	13%	8.35%	\$	115,519	12	16%
> 8.5% - 9.0%	\$	118,348	11	22%	8.93%	\$	169,733	12	24%
> 9.0% - 9.5%	\$	67,468	8	13%	9.35%	\$	92,577	8	13%
> 9.5% - 10.0%	\$	147,430	28	28%	10.00%	\$	173,334	29	24%
> 10.0% - 10.5%	\$	6,203	2	1%	10.33%	\$	27,187	2	4%
> 10.5% - 11.0%	\$	4,579	2	1%	11.00%	\$	6,682	2	1%
> 11.0% - 11.5%	\$	8,223	2	2%	11.32%	\$	21,466	3	3%
> 11.5% - 12.0%	\$	15,475	3	3%	11.90%	\$	15,483	3	2%
> 12.5% - 13.0%	\$	9,116	2	2%	12.96%	\$	9,116	2	1%
> 13.5% - 14.0%	\$	1,470	1	0%	13.60%	\$	1,470	1	0%
> 14.5% - 15.0%	\$	11,259	4	2%	15.00%	\$	12,082	4	2%
> 15.0%	\$	2,028	1	0%	16.75%	\$	2,028	1	0%
<b>Total</b>	<b>\$</b>	<b>528,393</b>	<b>86</b>	<b>100%</b>	<b>9.44%</b>	<b>\$</b>	<b>714,879</b>	<b>89</b>	<b>100%</b>
<b>By Committed LTV - Mortgage Investments</b>									
50% or less	\$	39,752	6	9%	8.29%	\$	39,931	6	6%
> 50% - 60%	\$	49,882	5	11%	9.40%	\$	67,146	5	10%
> 60% - 70%	\$	104,646	20	22%	9.47%	\$	181,862	21	28%
> 70% - 80%	\$	200,484	29	42%	9.24%	\$	277,150	30	43%
> 80% - 90%	\$	49,455	9	11%	9.76%	\$	64,266	10	10%
> 90%	\$	22,468	6	5%	12.28%	\$	22,781	6	3%
<b>Total</b>	<b>\$</b>	<b>466,687</b>	<b>75</b>	<b>100%</b>	<b>9.43%</b>	<b>\$</b>	<b>653,136</b>	<b>78</b>	<b>100%</b>
<b>By Payment Method - Mortgage Investments</b>									
Interest Accrue	\$	178,918	36	48%	9.84%	\$	285,140	39	44%
Interest Reserve Payment	\$	44,361	5	7%	9.50%	\$	44,736	5	7%
Periodic Cheques	\$	29,837	4	5%	8.68%	\$	31,940	4	5%
Pre Authorized Payment	\$	213,571	30	40%	9.18%	\$	291,320	30	44%
<b>Total</b>	<b>\$</b>	<b>466,687</b>	<b>75</b>	<b>100%</b>	<b>9.43%</b>	<b>\$</b>	<b>653,136</b>	<b>78</b>	<b>100%</b>
<b>Estimated Built Out Value of Purchase Options</b>									
					<b>Undiluted</b>				<b>Diluted</b>
Mortgage Investments	\$	61,390	2	7%		\$	57,509	2	10%
Participating Loan Interests	\$	496,636	8	54%		\$	322,874	8	58%
Equity Accounted Investments	\$	365,643	7	40%		\$	171,713	7	31%
<b>Total</b>	<b>\$</b>	<b>923,669</b>	<b>17</b>	<b>100%</b>		<b>\$</b>	<b>552,096</b>	<b>17</b>	<b>100%</b>

# APPENDIX B

## Risks and Uncertainties



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

### **DEVELOPMENT RISKS**

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

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

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

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

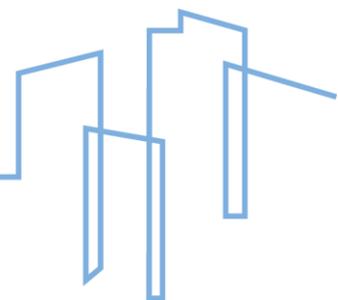
When a mortgage is extended past its maturity, the loan can either be held over on a month-to-month basis or renewed for an additional term at the time of its maturity. Notwithstanding any such extension or renewal, if the borrower subsequently defaults under any terms of the loan, the Mortgage Servicer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

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

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

# APPENDIX B

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

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

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

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

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

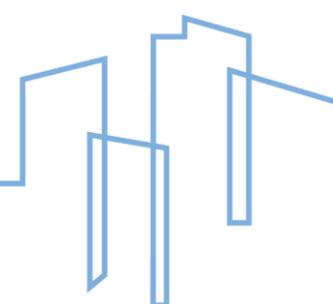
The Trust may sell properties to Centurion Apartment REIT which would be affected at a purchase price equal to Fair Market Value. The determination of Fair Market Value will be made in part by the Asset Manager and will be reviewed and approved by the Independent Trustees. Such determination will involve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

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

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

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### **MORTGAGE WAREHOUSE ARRANGEMENTS**

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

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

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

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

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

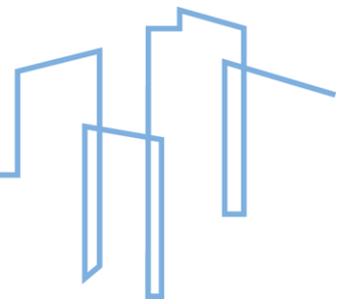
### **POTENTIAL CONFLICTS OF INTEREST**

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

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

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

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

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

### **ALLOCATION OF INVESTMENT OPPORTUNITIES**

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

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

### **INTEREST RATES**

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

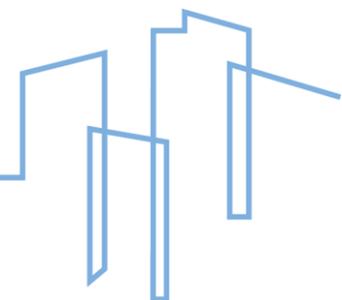
Additionally, an increase in interest rates increase may negatively affect the value of the Portfolio.

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

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

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## Risks and Uncertainties



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

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

### **REAL PROPERTY OWNERSHIP**

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

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

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

### **FUTURE PROPERTY ACQUISITIONS**

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

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

### **REVENUE PRODUCING PROPERTIES**

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

### **LITIGATION RISKS**

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

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

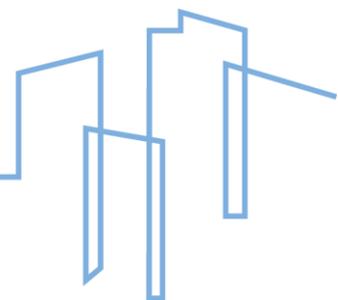
The Trust competes for suitable real property investments with individuals, corporations, and institutions (both Canadian and foreign) and other real estate investment trusts which are presently seeking, or which may seek in the future, real property investments similar to those desired by the Trust.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

### **COMPETITION FOR TENANTS**

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

# APPENDIX B

## Risks and Uncertainties



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

### **DEBT FINANCING**

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

### **GENERAL ECONOMIC CONDITIONS**

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

### **GENERAL UNINSURED LOSSES**

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

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

### **GOVERNMENT REGULATION**

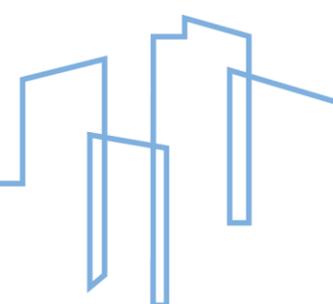
The Trust currently has interests in developments and development properties located in provinces across Canada. The nature of apartment development, construction and operation is such that the going concern is generally subject to rental legislation and other legislation relating to, among other things,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

#### **ALBERTA**

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

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

### **BRITISH COLUMBIA**

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

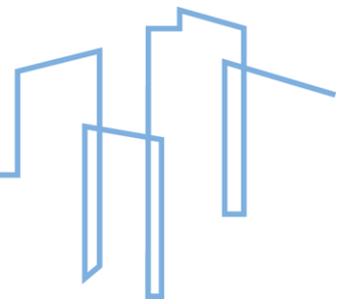
either the tenant’s written agreement or an RTB order. An order approving the increase might be issued where the landlord can demonstrate the rent for a rental unit is significantly lower than that of similar rental units in the area; completed significant repairs or renovations that could not reasonably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

### **MANITOBA**

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

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

### NOVA SCOTIA

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

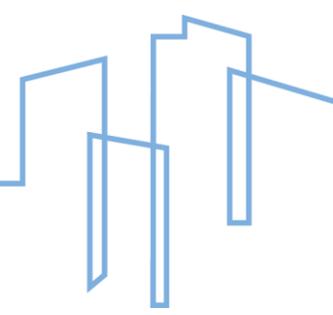
months to terminate a residential lease, even where the tenant’s rent is in arrears. The applicable legislation may be subject to further regulations or may be amended, repealed, or enforced, or new legislation may be enacted, in a manner which will materially adversely affect the ability of the Trust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

### ONTARIO

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

# APPENDIX B

## Risks and Uncertainties



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

### QUÉBEC

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

### SASKATCHEWAN

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

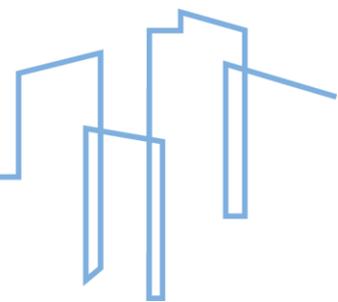
the changing needs of residential landlords and tenants in Saskatchewan. The legislation is meant to support a balance between the needs of tenants for safe, secure, and affordable living accommodations, and the legitimate need for landlords to earn reasonable profits from their rental properties. Amendments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

### ENVIRONMENTAL MATTERS

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

# APPENDIX B

## Risks and Uncertainties



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

### **DEPENDENCE ON KEY PERSONNEL**

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

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

### **TAX RELATED RISKS**

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

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

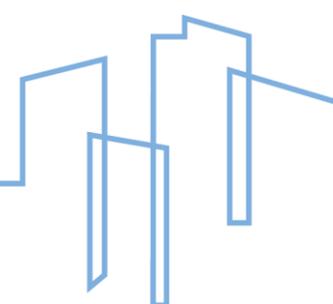
subject to provincial taxes, such as Ontario Land Transfer Tax, in respect of their Units.

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

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

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## Risks and Uncertainties



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

### **DILUTION**

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

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

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

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

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

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

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

### **LACK OF OPERATING HISTORY**

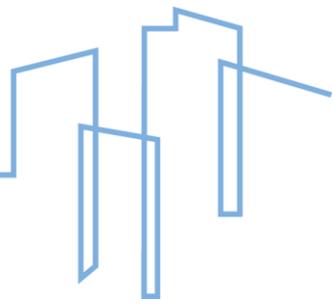
Although persons involved in the management and advising of the Trust and the service providers to the Trust, including the Asset Manager, have had long experience in their respective fields of specialization, the Trust has little operating or no performing history upon which prospective investors can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

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

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

# APPENDIX B

## Risks and Uncertainties



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

### **NATURE OF UNITS**

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

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

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

### **REAL ESTATE SECURITIES**

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

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

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

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

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

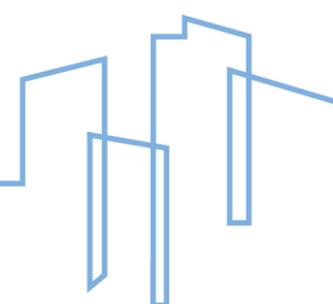
While independent appraisals may be obtained, from time to time, before the Trust makes any mortgage investments, the appraised values provided, even where reported on an “as is” basis, are not necessarily reflective of the market value of the underlying real property, which may fluctuate. In addition,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

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

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

# APPENDIX B

## Risks and Uncertainties



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

### **ASSET ALLOCATION RISK**

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

### **JOINT ARRANGEMENTS**

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

### **UNITHOLDER LIABILITY**

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

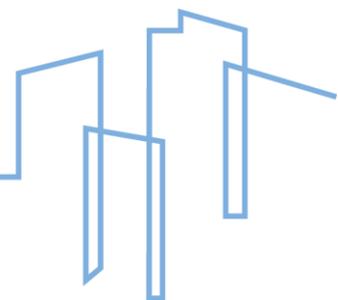
In December 2004, the Trust Beneficiaries' Liability Act (Ontario), was enacted to create a statutory limitation on the liability of Unitholders of trusts such as the Trust. The legislation provides that a unitholder of a trust, such as a Unitholder, will not, as a beneficiary, be liable for any act,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

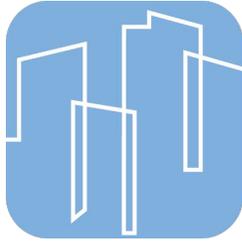
### **FAILURE OR UNAVAILABILITY OF COMPUTER & DATA PROCESSING SYSTEMS AND SOFTWARE**

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

# APPENDIX C

## Unaudited Condensed Consolidated Interim Financial Statements





# CENTURION

REAL ESTATE OPPORTUNITIES TRUST

**CENTURION REAL ESTATE OPPORTUNITIES TRUST**  
**Condensed Consolidated Interim Financial Statements (Unaudited)**  
**For the three and nine months ended September 30, 2019**

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

<b>As at</b>	<b>Note</b>	<b>September 30, 2019</b>	<b>December 31, 2018</b>
<b>Assets</b>			
Cash		\$ 76,118	\$ 23,729
Restricted cash	9	35	422
Receivables and other assets	8	53,307	3,360
Mortgage investments	4	401,842	295,196
Participating loan interests	5	107,193	111,803
Equity accounted investments	6	100,696	106,005
Foreclosed property	7	18,683	17,000
<b>Total Assets</b>		<b>\$ 757,874</b>	<b>\$ 557,515</b>
<b>Liabilities</b>			
Unit subscriptions in trust	9	\$ 35	\$ 422
Accounts payable and accrued liabilities	10	1,196	925
Credit facility	18	-	13,000
Syndicated mortgage investment liabilities	4	30,543	18,092
<b>Total Liabilities excluding net assets attributable to Unitholders</b>		<b>\$ 31,774</b>	<b>\$ 32,439</b>
<b>Net assets attributable to Unitholders</b>		<b>\$ 726,100</b>	<b>\$ 525,076</b>

Commitments and Contingencies (Notes 13, 14 and 18)  
Subsequent Events (Note 20)

See accompanying notes to these condensed consolidated interim financial statements.

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

	Note	THREE MONTHS ENDED SEPTEMBER 30		NINE MONTHS ENDED SEPTEMBER 30	
		2019	2018	2019	2018
Interest income	4 & 5	\$ 11,910	\$ 9,903	\$ 33,504	\$ 26,157
Interest on syndicated mortgages	4	(312)	(52)	(864)	(52)
<b>Net interest income</b>		<b>11,598</b>	9,851	<b>32,640</b>	26,105
Income from equity accounted investments	6	2,614	(316)	10,864	5,386
Fair value gains on participating loan interests	5	2,500	2,430	3,717	2,896
General and administrative expenses	12	(930)	(734)	(2,888)	(2,352)
Allowance for expected credit losses	4	(518)	(874)	(758)	(2,341)
Other income		42	184	197	228
<b>Income from operations</b>		<b>15,306</b>	10,541	<b>43,772</b>	29,922
Finance costs		(62)	(271)	(171)	(867)
Currency translation adjustment		(207)	(122)	(1,113)	154
<b>Net Income and Comprehensive Income</b>		<b>\$ 15,037</b>	\$ 10,148	<b>\$ 42,488</b>	\$ 29,209

See accompanying notes to these condensed consolidated interim financial statements.

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

<b>For the nine months ended</b>	<b>September 30, 2019</b>	
<b>Net assets attributable to Unitholders at the beginning of the period</b>	<b>\$</b>	<b>525,076</b>
<b>Net Income and Comprehensive Income</b>		<b>42,488</b>
Units issued (net of issuance costs)		167,823
Reinvestment of distributions by Unitholders		27,501
Redemptions of units		(2,419)
Distributions to Unitholders		(34,369)
<b>Net increase from unit transactions</b>		<b>158,536</b>
<b>Net assets attributable to Unitholders at end of the period</b>	<b>\$</b>	<b>726,100</b>

<b>For the nine months ended</b>	<b>September 30, 2018</b>	
<b>Net assets attributable to Unitholders at the beginning of the period</b>	<b>\$</b>	<b>346,226</b>
<b>Net Income and Comprehensive Income</b>		<b>29,209</b>
Units issued (net of issuance costs)		109,717
Reinvestment of distributions by Unitholders		20,681
Redemptions of units		(3,207)
Distributions to Unitholders		(21,694)
<b>Net increase from unit transactions</b>		<b>105,497</b>
<b>Net assets attributable to Unitholders at end of the period</b>	<b>\$</b>	<b>480,932</b>

See accompanying notes to the condensed consolidated interim financial statements.

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

		THREE MONTHS ENDED SEPTEMBER 30		NINE MONTHS ENDED SEPTEMBER 30	
	Note	2019	2018	2019	2018
<b>Operating activities</b>					
Net income		\$ 15,037	\$ 10,148	\$ 42,488	\$ 29,209
Interest income, net of syndications		(11,598)	(9,851)	(32,640)	(26,105)
Interest received on mortgage investments, net of syndications		10,129	5,419	29,673	13,717
Allowance for (recovery of) expected credit losses	4	518	874	758	2,341
Non-cash portion of income from equity accounted investments	6	(2,614)	316	(10,864)	(5,386)
Fair value gains on participating loan interests	5	(2,500)	(2,430)	(3,717)	(2,896)
Realized fair value gains on participating loan interests and equity accounted investments		3,299	-	20,065	-
Changes in non-cash operating account balances		3,481	4,488	339	6,059
Currency translation adjustment		207	122	1,113	(154)
Amortization of finance costs		-	-	-	26
<b>Net cash from operating activities</b>		<b>15,959</b>	<b>9,086</b>	<b>47,215</b>	<b>16,811</b>
<b>Financing activities</b>					
Proceeds from units issued	19	11,434	9,346	132,256	32,186
Unit issuance costs	19	(282)	(169)	(934)	(469)
Redemptions of units		(883)	(2,295)	(2,419)	(3,207)
Cash distributions to Unitholders		(2,412)	(1,882)	(6,868)	(5,435)
Credit facility advances (repayments)		-	(700)	(13,000)	7,050
<b>Net cash from financing activities</b>		<b>7,857</b>	<b>4,300</b>	<b>109,035</b>	<b>30,125</b>
<b>Investing activities</b>					
Mortgage investments principal repaid, net of syndications		58,763	11,382	80,268	45,652
Mortgage investments principal funded, net of syndications	19	(23,919)	(22,836)	(138,330)	(89,512)
Capital improvements on foreclosed properties	7	(720)	-	(1,683)	-
Participating loan interests repaid	5	11	5,790	12,673	5,790
Participating loan interests funded	5	(1,135)	(739)	(9,112)	(3,553)
Equity accounted investments dispositions	6	4,521	-	15,067	-
Equity accounted investments funded	19	(1,138)	(5,728)	(11,172)	(6,262)
Warehouse funding		(51,572)	-	(51,572)	-
<b>Net cash used in investing activities</b>		<b>(15,189)</b>	<b>(12,131)</b>	<b>(103,861)</b>	<b>(47,885)</b>
Net increase (decrease) in cash		8,627	1,255	52,389	(949)
Cash, beginning of the period		67,491	250	23,729	2,454
<b>Cash, end of the period</b>		<b>\$ 76,118</b>	<b>\$ 1,505</b>	<b>\$ 76,118</b>	<b>\$ 1,505</b>

See accompanying notes to the condensed consolidated interim financial statements.

**CENTURION REAL ESTATE OPPORTUNITIES TRUST**  
**Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)**  
**For the three and nine months ended September 30, 2019**  
**(Expressed in thousands of Canadian Dollars)**

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**1. Trust Information**

Centurion Real Estate Opportunities Trust (“REOT” or the “Trust”) is an unincorporated, open-ended private investment trust which was created pursuant to a Declaration of Trust dated August 13, 2014 (“Declaration of Trust”) and is governed by the laws of the Province of Ontario. The registered office of the Trust is located at 25 Sheppard Avenue West, Suite 1800, Toronto, Ontario, M2N 6S6.

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

**2. Basis of Presentation**

**a) Statement of Compliance**

These condensed consolidated interim financial statements for the three and nine months ended September 30, 2019, have been in accordance with IAS 34 – Interim Financial Reporting (“IAS 34”). Accordingly, certain information and footnote disclosure normally included in annual financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”), have been omitted or condensed.

The condensed consolidated interim financial statements have been approved for issue by the Board of Trustees on December 3, 2019.

**b) Basis of Measurement**

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

**c) Principles of Consolidation**

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

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

**CENTURION REAL ESTATE OPPORTUNITIES TRUST**  
**Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)**  
**For the three and nine months ended September 30, 2019**  
**(Expressed in thousands of Canadian Dollars)**

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**d) Functional and Presentation Currency**

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

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

The preparation of these condensed consolidated interim financial statements requires management to make estimates, assumptions, and judgments that affect accounting policies and the reported amounts of assets, liabilities at the date of these 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 in a manner consistent with prior year and there are no known trends, commitments, events or uncertainties that management believes will materially affect the methodology or assumptions utilized in making those estimates and judgments. While management makes its best estimates and assumptions, actual results could differ from these and other estimates.

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

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

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

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

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

**CENTURION REAL ESTATE OPPORTUNITIES TRUST**  
**Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)**  
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The calculation of expected credit losses requires significant judgment to determine the variables that are relevant for each mortgage investment and probability weights that should be applied. Management exercises expert credit judgment in determining the amount of ECLs at each reporting date by considering reasonable and supportable information that is not already incorporated in the quantitative modeling process. Changes in these inputs, assumptions, models and judgments directly impact the measurement of ECLs.

**Measurement of Fair Values**

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

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

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

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

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

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

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

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

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

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

The Trust derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. On derecognition of a financial asset, the difference between the carrying amount of the asset and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss. The Trust derecognizes a financial liability when the obligation under the liability is discharged, canceled or expires.

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

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

**CENTURION REAL ESTATE OPPORTUNITIES TRUST**  
**Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)**  
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**Allowance for ECL on Mortgage Investments**

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

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

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

**CENTURION REAL ESTATE OPPORTUNITIES TRUST**  
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**c) Joint Arrangements**

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

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

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

**d) Participating Loan Interests**

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

**CENTURION REAL ESTATE OPPORTUNITIES TRUST**  
**Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)**  
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**e) Foreclosed Properties**

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

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

**f) Foreign Currency Futures Contracts**

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

**CENTURION REAL ESTATE OPPORTUNITIES TRUST**  
**Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)**  
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**(Expressed in thousands of Canadian Dollars)**

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**g) Provisions**

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

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

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

**h) Distribution Reinvestment and Unit Purchase Plan ("DRIP")**

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

**i) Income Taxes**

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

**CENTURION REAL ESTATE OPPORTUNITIES TRUST**  
**Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)**  
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**j) Net Assets Attributable to Unitholders**

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

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

**k) Changes in accounting policies**

**Leases ("IFRS 16")**

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

**CENTURION REAL ESTATE OPPORTUNITIES TRUST**  
**Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)**  
**For the three and nine months ended September 30, 2019**  
**(Expressed in thousands of Canadian Dollars)**

**4. Mortgage Investments**

Mortgage investments represent amounts under loan arrangements. The weighted average effective interest rate on mortgage investments maturing between 2019 and 2024 is 9.22% (December 31, 2018: 9.20%). Interest income for the three and nine months ended September 30, 2019 was \$11,911 and \$33,506 (September 30, 2018: \$9,903 and \$26,157).

	Note	THREE MONTHS ENDED SEPTEMBER 30		NINE MONTHS ENDED SEPTEMBER 30	
		2019	2018	2019	2018
Interest income from mortgage investments		\$ 9,698	\$ 9,265	\$ 26,706	\$ 24,255
Interest income from participating loan interests	5	2,212	638	6,798	1,902
<b>Total interest income</b>		<b>\$ 11,910</b>	<b>\$ 9,903</b>	<b>\$ 33,504</b>	<b>\$ 26,157</b>

As at September 30, 2019, the Trust holds mortgage investments which contain participation agreements with third-party lenders, whereby the Trust retains residual interests subordinate to the interests syndicated to these third-party lenders. All interest and fee income earned by the Trust is included in the consolidated statement of net income and comprehensive income. Interest paid to syndicate participants for the three and nine months ended September 30, 2019 was \$312 and \$864 (September 30, 2018: \$52).

As at September 30, 2019, mortgage investments and syndicated mortgage investment liabilities are as follows:

<b>As at September 30, 2019</b>	<b>Gross Mortgage Investments</b>	<b>Syndicated Mortgage Investments</b>	<b>Net Mortgage Investments</b>
Non-current mortgage investments	\$ 93,839	\$ (12,448)	\$ 81,391
Current mortgage investments	309,919	(18,095)	291,823
	403,758	(30,543)	373,214
Allowance for ECL	(1,916)	-	(1,916)
<b>Total mortgage investments</b>	<b>\$ 401,842</b>	<b>\$ (30,543)</b>	<b>\$ 371,298</b>

<b>As at December 31, 2018</b>	<b>Gross Mortgage Investments</b>	<b>Syndicated Mortgage Investments</b>	<b>Net Mortgage Investments</b>
Non-current mortgage investments	\$ 82,274	\$ (6,027)	\$ 76,247
Current mortgage investments	214,080	(12,065)	202,015
	296,354	(18,092)	278,262
Allowance for ECL	(1,158)	-	(1,158)
<b>Total mortgage investments</b>	<b>\$ 295,196</b>	<b>\$ (18,092)</b>	<b>\$ 277,104</b>

**CENTURION REAL ESTATE OPPORTUNITIES TRUST**  
**Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)**  
**For the three and nine months ended September 30, 2019**  
**(Expressed in thousands of Canadian Dollars)**

As at September 30, 2019, mortgage investments, including the allowance for ECL, is allocated between the ECL stages as follows:

<b>For the nine months ended September 30, 2019</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
Gross mortgage investments, beginning of the period	\$ 259,494	\$ 33,280	\$ 3,580	\$ 296,354
Funding / remeasurement	196,652	1,364	(2,478)	195,538
Repayment	(79,778)	(6,278)	(2,078)	(88,134)
Transfers to (from)	(1,900)	(6,559)	8,459	-
<b>Gross mortgage investments, end of the period</b>	<b>\$ 374,468</b>	<b>\$ 21,807</b>	<b>\$ 7,483</b>	<b>\$ 403,758</b>
Allowance for ECL, beginning of the period	\$ 470	\$ 608	\$ 80	\$ 1,158
Funding / remeasurement	170	137	637	943
Repayment	(50)	(125)	(10)	(185)
Transfers to (from)	(10)	(142)	152	-
<b>Allowance for ECL, end of the period</b>	<b>\$ 580</b>	<b>\$ 478</b>	<b>\$ 859</b>	<b>\$ 1,916</b>
<b>Total mortgage investments</b>	<b>\$ 373,888</b>	<b>\$ 21,329</b>	<b>\$ 6,624</b>	<b>\$ 401,842</b>

As at September 30, 2018, mortgage investments, including the allowance for ECL, is allocated between the ECL stages as follows:

<b>For the nine months ended September 30, 2018</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
Gross mortgage investments, beginning of the period	\$ 287,337	\$ -	\$ -	\$ 287,337
Adjustment to IFRS 9	(129,809)	24,927	19,757	(85,125)
Funding / remeasurement	186,875	2,442	926	190,243
Repayment	(36,820)	(5,685)	-	(42,505)
Transfers to (from)	-	-	-	-
<b>Gross mortgage investments, end of the period</b>	<b>\$ 307,583</b>	<b>\$ 21,684</b>	<b>\$ 20,683</b>	<b>\$ 349,950</b>
Allowance for ECL, beginning of the period	\$ 1,985	\$ -	\$ -	\$ 1,985
Adjustment to IFRS 9	(162)	162	1,233	1,233
Funding / remeasurement	360	211	657	1,228
Repayment	(115)	(5)	-	(120)
Transfers to (from)	-	-	-	-
<b>Allowance for ECL, end of the period</b>	<b>\$ 2,068</b>	<b>\$ 368</b>	<b>\$ 1,890</b>	<b>\$ 4,326</b>
<b>Total mortgage investments</b>	<b>\$ 305,515</b>	<b>\$ 21,316</b>	<b>\$ 18,793</b>	<b>\$ 345,624</b>

**CENTURION REAL ESTATE OPPORTUNITIES TRUST**  
**Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)**  
**For the three and nine months ended September 30, 2019**  
**(Expressed in thousands of Canadian Dollars)**

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

<b>As at</b>	<b>September 30, 2019</b>	<b>December 31, 2018</b>
Within 1 year	\$ 309,919	\$ 214,081
1 to 2 years	80,114	70,618
2 to 3 years	3,707	1,148
3 to 4 years	8,002	7,652
4 to 5 years	2,016	2,855
Thereafter	-	-
<b>Total repayments</b>	<b>\$ 403,758</b>	<b>\$ 296,354</b>

The nature of the underlying assets for the Trust's mortgage investments as at September 30, 2019, is segregated as follows:

<b>As at</b>	<b>September 30, 2019</b>	<b>December 31, 2018</b>
Low-Rise Residential	43%	42%
Land	22%	13%
Commercial/Mixed Use	15%	19%
High-Rise Condominium	11%	19%
Multi Family Apartments	5%	6%
Industrial	3%	0%
Multi Student Housing	1%	1%
	<b>100%</b>	<b>100%</b>

As at September 30, 2019 the Trust's mortgage investments are comprised of an 83% interest (December 31, 2018: 70%) in first mortgages and a 17% interest (December 31, 2018: 30%) in second mortgages.

As at September 30, 2019, the Trust has additional mortgage investment commitments of \$170,973 (December 31, 2018: \$158,773).

**CENTURION REAL ESTATE OPPORTUNITIES TRUST**  
**Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)**  
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**5. Participating Loan Interests**

For the nine months ended September 30, 2019, interest income was \$6,798 (September 30, 2018: \$1,902) and fair value gains were \$3,717 (September 30, 2018: \$2,896). The fair value of the underlying real estate assets was determined using a detailed valuation framework, and the techniques considered in this framework are as follows:

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

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

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

<b>For the nine months ended</b>	Note	<b>September 30, 2019</b>	<b>September 30, 2018</b>
Balance, beginning of the period		\$ 111,803	\$ 21,748
Transfers from Mortgage Investments due to IFRS 9 Transition	3	-	23,233
Adjusted balance under IFRS 9, beginning of the period		<u>111,803</u>	<u>44,981</u>
Advances		9,112	3,554
Interest income		6,798	1,902
Fair value gains		3,717	2,896
Realized Fair Value Gain on Disposition		(8,879)	-
Repayments of principal		(12,673)	(5,203)
Repayments of interest		(2,685)	(587)
<b>Balance, end of the period</b>		<b>\$ 107,193</b>	<b>\$ 47,543</b>

As at September 30, 2019, the Trust has additional commitments for participating loan interests of \$15,475 (December 31, 2018: \$11,729).

During the nine months ended September 30, 2019, the Trust completed the disposition of a participating loan interest with the Centurion Apartment REIT. There were no dispositions during the nine months ended September 30, 2018.

<b>Disposition Date</b>	<b>% of Holding</b>	<b>Disposition Proceeds</b>	<b>Principal Advanced</b>	<b>Prior Years Cumulative Fair Value Gains</b>	<b>Gain Recognized in 2019</b>
May 31, 2019	50%	\$ 13,366	\$ 4,487	\$ 8,452	\$ 427

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**6. Equity Accounted Investments**

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

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

For the nine months ended September 30, 2019							
Entity	Ownership	December 31, 2018	Net Contributions/ (Distributions)	Income and Fair Value adjustments	Currency Translation Adjustment	Dispositions	September 30, 2019
The Residences of Seasons LP <sup>(1)</sup>	50%	\$ 19,553	\$ 351	\$ (1,471)	\$ -	\$ (18,433)	\$ -
ME Living Phase LP <sup>(2)</sup>	50%	15,744	-	1,328	-	-	17,072
Bridgewater Trails Apartments LP <sup>(1)</sup>	45%	8,154	-	(334)	-	(7,820)	-
No. 21 Apartments LP	50%	5,041	-	1,844	-	-	6,885
BW2 Apartments LP	45%	6,334	-	1,634	-	-	7,968
Trillium Mountain Ridge Inc.	50%	7,360	-	458	-	-	7,818
CCA Crossroads Kansas City	17%	-	3,776	759	(83)	-	4,452
Sage Apartments LP	40%	7,107	3,603	943	-	-	11,653
Acron CMCC Lake Carolyn Holding LLC	48%	23,656	-	2,454	(690)	-	25,420
9 Dawes LP	21%	2,778	-	-	-	-	2,778
Lee-Tamiami LLC	75%	10,278	3,192	3,246	(319)	-	16,397
Centurion Rise (520 Ellesmere) LP	75%	-	250	3	-	-	253
		<b>\$ 106,005</b>	<b>\$ 11,172</b>	<b>\$ 10,864</b>	<b>\$ (1,092)</b>	<b>\$ (26,252)</b>	<b>\$ 100,696</b>

(1) The Trust disposed of its equity position in "The Residences of Seasons LP" and "Bridgewater Trails Apartments LP" during 2019.

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

For the nine months ended September 30, 2018							
Entity	Ownership	December 31, 2017	Net Contributions/ (Distributions)	Income and Fair Value adjustments	Currency Translation Adjustment	Dispositions	September 30, 2018
The Residences of Seasons LP	50%	\$ 19,309	\$ -	\$ (274)	\$ -	\$ -	\$ 19,035
ME Living Phase LP <sup>(1)</sup>	50%	14,092	(91)	1,114	-	-	15,115
Bridgewater Trails Apartments LP	45%	5,704	505	1,754	-	-	7,963
No. 21 Apartments LP	50%	3,705	-	976	-	-	4,681
BW2 Apartments LP	50%	4,457	1	1,257	-	-	5,715
Trillium Mountain Ridge Inc	45%	8,750	(2,069)	558	-	-	7,239
DBS Funding LP	50%	-	238	-	-	-	238
Sage Apartments LP	40%	-	7,678	-	-	-	7,678
Acron CMCC Lake Carolyn Holding LLC	48%	-	20,924	(26)	-	-	20,898
		<b>\$ 56,017</b>	<b>\$ 27,186</b>	<b>\$ 5,359</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 88,562</b>

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

As at September 30, 2019, the Trust has additional commitments for contributions to equity accounted investments of \$32,900 (December 31, 2018: \$10,275).

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

For the nine months ended September 30, 2019	ME Living		Acron CMCC		Other	Total
	Phase LP <sup>(1)</sup>	Sage Apartments LP	Lake Carolyn Holding LLC	Lee-Tamiami LLC		
Non-current assets	\$ 74,211	\$ 29,132	\$ 53,517	\$ 21,863	\$ 32,735	\$ 211,458
Current assets	2,563	-	-	-	44,376	46,939
Total assets	76,774	29,132	53,517	21,863	77,111	258,397
Non-current liabilities	(42,787)	-	-	-	(38,390)	(81,177)
Current liabilities	(16,489)	-	-	-	(6,009)	(22,498)
Total liabilities	(59,276)	-	-	-	(44,399)	(103,675)
Total revenue	-	-	-	-	374	374
Total expenses	-	-	-	-	(314)	(314)
Total fair value gains	2,656	2,357	5,167	4,327	8,236	22,743
Net income	\$ 2,656	\$ 2,357	\$ 5,167	\$ 4,327	\$ 8,296	\$ 22,803

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

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

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

During the nine months ended September 30, 2019, the Trust completed the disposition of the following equity accounted investments with Centurion Apartment REIT. There were no dispositions for the nine months ended September 30, 2018.

Entity	Disposition Date	% of Holding	Disposition Proceeds	Net Contributions	Prior Years Cumulative Fair Value Gains	Loss Recognized in 2019
The Residences of Seasons LP	June 28, 2019	50%	\$ 18,433	\$ 10,546	\$ 9,358	\$ (1,471)
Bridgewater Trails Apartments LP	July 15, 2019	45%	\$ 7,820	\$ 4,521	\$ 3,633	\$ (334)

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**7. Foreclosed Property**

When the Trust receives title to real estate properties from foreclosure activities, management will engage resources for construction or redevelopment activity to support the best future disposition value. As at September 30, 2019, there is one foreclosed property (December 31, 2018: one foreclosed property), which is recorded at a fair value of \$18,683 (December 31, 2018: \$17,000). The fair value has been categorized as a level 3 fair value, primarily based on a direct comparison approach.

The changes in the foreclosed property during the nine months ended September 30, 2019 and September 30, 2018 are as follows:

<b>For the nine months ended</b>	<b>September 30, 2019</b>		<b>September 30, 2018</b>
Balance beginning of year	\$	<b>17,000</b>	\$ -
Capital improvements		<b>1,683</b>	-
<b>Balance, end of year</b>	<b>\$</b>	<b>18,683</b>	<b>\$ -</b>

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**8. Receivables and Other Assets**

As at	Note	September 30, 2019	December 31, 2018
Amounts due from mortgage servicer	15	\$ 362	\$ 987
Other receivables		268	698
Foreign currency forward contracts		1,105	1,675
Warehouse advances		51,572	-
		\$ 53,307	\$ 3,360

As at September 30, 2019, the Trust holds foreign currency forward contracts of \$1,105 (December 31, 2018: \$1,675) measured at fair value (based on level 2 inputs).

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

As at September 30, 2019, the restricted cash is \$35 (December 31, 2018: \$422). Restricted cash represents Unitholder subscriptions held in trust until the trade settlement date, and these amounts will be returned to investors if the proposed unitholder subscriptions do not successfully proceed.

**10. Accounts Payable and Accrued Liabilities**

As at	September 30, 2019	December 31, 2018
Accounts payable	\$ 664	\$ 35
Accrued expenses	532	890
	\$ 1,196	\$ 925

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## **11. Classification of Units**

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

### **Authorized**

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

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

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

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**Issued (in thousands of units)**

	<b>September 30, 2019</b>	December 31, 2018
<b>Class A Trust Units</b>		
Units as at January 1,	6,737	5,602
New units issued	1,232	955
Distribution reinvestment plan	177	305
Redemption of units	(194)	(125)
	<b>7,952</b>	<b>6,737</b>
<b>Class F Trust Units</b>		
Units as at January 1,	3,269	1,954
New units issued	1,314	1,365
Distribution reinvestment plan	104	126
Redemption of units	(41)	(176)
	<b>4,646</b>	<b>3,269</b>
<b>Class I Trust Units</b>		
Units as at January 1,	4,377	2,292
New units issued	659	2,371
Distribution reinvestment plan	113	74
Redemption of units	(20)	(360)
	<b>5,129</b>	<b>4,377</b>
<b>Class M Trust Units</b>		
	<b>50</b>	<b>50</b>
<b>Class R Trust Units</b>		
Units as at January 1,	31,024	20,621
New units issued	11,341	8,151
Distribution reinvestment plan	2,018	2,252
Redemption of units	-	-
	<b>44,383</b>	<b>31,024</b>

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**12. General and Administration**

	THREE MONTHS ENDED SEPTEMBER 30		NINE MONTHS ENDED SEPTEMBER 30	
	2019	2018	2019	2018
Salaries and wages	\$ 633	\$ 488	\$ 2,030	\$ 1,605
Fund administration costs	54	43	160	142
Advertising	47	16	131	53
Professional fees	79	51	216	159
Office expenses	117	136	351	393
	\$ 930	\$ 734	\$ 2,888	\$ 2,352

**13. Commitments**

The Trust has entered into a warehouse borrowing agreement with a related party, Centurion Apartment REIT (“REIT”), the warehouse lender, whereby REIT is given the opportunity to fund mortgage investments originated by the Trust. The Trust has the right during the term of the agreement to purchase the mortgage investments previously funded by the warehouse lender, subject to the provisions of the agreement. Subject to the provisions of the agreement, the Trust may also be obligated to repurchase mortgage investments funded by REIT under the warehouse agreement. The Trust has guaranteed any losses on the mortgage investments funded by REIT under the warehouse agreement. The total amount borrowed in the warehouse facility as at September 30, 2019, was \$430 (December 31, 2018: \$38,347).

The Trust has entered into warehouse lending agreements with related parties, Centurion Apartment REIT (“REIT”) and Centurion Financial Trust (“CFIT”), the warehouse borrowers, whereby REIT and CFIT have the right to borrow against mortgage investments and certain other investments. The trust is not responsible for any losses on investments funded under the warehouse agreement. The total amount lent in the warehouse facilities as at September 30, 2019, was \$52,001 (REIT \$50,000; CFIT \$2,001) (December 31, 2018: \$nil).

**14. Contingencies**

The Trust is engaged in legal matters arising out of the ordinary course of funding mortgage investments and investing in other real estate projects. The Trust has very limited exposure to any litigation or claims with merit regarding its operations. Management is not aware of any such matters that could have a material impact on these condensed consolidated interim financial statements.

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**15. Related Party Transactions**

A related party holds the 50 Class M Trust units. The distributions for these units for the nine months ended September 30, 2019, were \$448 (\$288 for the nine months ended September 30, 2018).

The mortgage servicer, which is a related party through common ownership of Class M Units, has an outstanding balance to the Trust as at September 30, 2019, of \$362 (December 31, 2018: \$987) primarily due to repayments of mortgage investments.

As at September 30, 2019, Centurion Apartment REIT holds 41,185 Class R Trust units of REOT. The distributions for the nine months ended September 30, 2019, for the Class R Trust units were \$23,005 settled with 2,018 Class R Trust units (nine months ended September 30, 2018: \$17,026 settled with 1,498 Class R Trust and which included a \$2,676 special distribution settled with 237 Class R Trust units).

As at September 30, 2019, Centurion Financial Investment Trust ("CFIT") holds 3,197 Class R Trust units of REOT. The distributions for the nine months ended September 30, 2019, for the Class R Trust units were \$1,958 settled with cash (nine months ended September 30, 2018: \$1,876 settled with \$1,610 cash and 24 Class R Trust and which included a \$266 special distribution settled with 24 Class R Trust units).

As at September 30, 2019, REOT has payables due to Centurion Asset Management GP Inc. ("CAMGPI") of \$664 (\$35 as at December 31, 2018) related to payroll and administrative expenses. For the nine months ended September 30, 2019, REOT incurred expenses payable to CAMGPI of \$2,381 (\$1,998 for the nine months ended September 30, 2018) related to payroll and administrative expenses.

For the nine months ended September 30, 2019, the Trust repaid \$37,917 to REIT by way of the warehouse agreement disclosed in Note 13. This included the issuance of \$36,500 of Class R units of REOT to REIT as repayment of the warehouse. During the three and nine months ended September 30, 2018, the Trust purchased \$78,000 of mortgage investments using proceeds from units issued to REIT.

For the nine months ended September 30, 2019, the Trust funded \$50,000 (\$nil for the nine months ended September 30, 2018) to REIT by way of the warehouse agreement disclosed in Note 13.

For the nine months ended September 30, 2019, the Trust funded \$2,001 (\$nil for the nine months ended September 30, 2018) to CFIT by way of the warehouse agreement disclosed in Note 13.

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**16. Fair Value Measurement**

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

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

- The carrying amounts of cash, restricted cash, unit subscriptions in trust, other receivables, amounts due from mortgage servicer, credit facility and accounts payable and accrued liabilities approximate their fair values based on the short-term maturities of these financial instruments.
- Management determines fair value based on its assessment of the current lending market for mortgage investment assets and syndicated mortgage investment liabilities of same or similar terms since there are no quoted prices in an active market for these investments. The fair value of mortgage investments and syndicated mortgage investments liabilities as at September 30, 2019, is \$401,842 (December 31, 2018: \$295,196) and \$30,543 (December 31, 2018: \$18,092), respectively, based on interest rates received on similar investments.
- Management determines the fair value of participating loan interests, as detailed in Note 7, using either the direct capitalization approach or the direct comparison approach.
- The fair value of the foreign currency futures contracts was determined using Level 2 inputs which include spot and futures foreign exchange rates.

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

<b>September 30, 2019</b>	<b>Note</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
<b>Assets</b>				
Participating loan interests	5	\$ -	\$ -	\$ 107,193
Foreclosed properties	7	-	-	18,683
Futures currency contracts	8	-	1,105	-
<b>Measured at fair value through profit and loss</b>		<b>\$ -</b>	<b>\$ 1,105</b>	<b>\$ 125,876</b>

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

## **17. Capital Management**

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

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

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

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**18. Financial Instruments**

**a) Risk Management**

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

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

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

**i) Liquidity Risk**

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

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

The success of new capital issuances is subject to the capital markets being receptive to a unit issue with financial terms favorable to the Trust. As at September 30, 2019, the Trust has \$76,118 (December 31, 2018: \$23,729) in unrestricted cash. In addition, the terms of the Trust's credit facility are as follows:

	<b>September 30, 2019</b>	December 31, 2018
Credit facility agreed	<b>\$ 30,000</b>	\$ 30,000
Available for use	<b>\$ 30,000</b>	\$ 30,000
Available as undrawn	<b>\$ 30,000</b>	\$ 17,000

The Trust has a revolving facility from a Schedule 1 Bank for \$30,000 at an interest rate of prime plus 1.50%. As at September 30, 2019, \$nil has been drawn on this facility (December 31, 2018: \$13,000). Under the terms of the credit facility, the Trust is required to maintain a minimum tangible net worth and interest coverage ratio.

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As at September 30, 2019, the Trust has contractual obligations totaling \$251,122 (December 31, 2018: \$213,216) due in less than one year, which include all liabilities excluding net liabilities attributable to unitholders, noted within the consolidated statement of financial position, additional mortgage investment commitments (Note 4), additional participating loan interest commitments (Note 5) and equity accounted investments (Note 6). For purposes of contractual obligations, no interest on the credit facility has been included as it is not practical to forecast the outstanding balance on the credit facility.

**ii) Interest Rate Risk**

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

As at September 30, 2019 the Trust has mortgage investments of \$194,086 (December 31, 2018: \$92,997) that bore interest at variables rates, which are outlined as follows:

	Carrying Amount	-1%		1%	
		Income	Equity	Income	Equity
<b>Financial assets</b>					
Variable rate mortgage investments	\$ 194,086	\$ (1,941)	\$ (1,941)	\$ 1,941	\$ 1,941

**iii) Credit Risk**

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

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

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**iv) Currency Risk**

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Trust is exposed to currency risk from a mortgage investment that is denominated in US Dollars (“USD”). The Trust uses foreign currency futures contracts to economically hedge the variability of future earnings and cash flows caused by movements in foreign exchange rates. Under the terms of the foreign currency futures contracts, the Trust buys or sells a currency against another currency at a set price on a future date.

As at September 30, 2019 the Trust has a portion of its assets denominated in USD and has entered into futures contracts to sell USD and reduce its exposure to foreign currency risk. As at September 30, 2019, the Trust has USD futures contracts with an aggregate notional value of \$29,026 USD (December 31, 2018: \$39,321 USD) at a futures contract rate of \$0.76 and a maturity of September 2019.

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

<b>For the year ended</b>	<b>September 30, 2019</b>	<b>December 31, 2018</b>
Cash	\$ 3,579	\$ 14,700
Mortgage investments	6,042	6,224
Equity accounted investments	34,940	24,874
Total assets held in USD	44,561	45,798
USD futures contracts (notional value)	(29,026)	(39,321)
<b>Net exposure</b>	<b>\$ 15,535</b>	<b>\$ 6,477</b>

**CENTURION REAL ESTATE OPPORTUNITIES TRUST**  
**Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)**  
**For the three and nine months ended September 30, 2019**  
**(Expressed in thousands of Canadian Dollars)**

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**19. Supplementary Information**

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

	Note	THREE MONTHS ENDED SEPTEMBER 30		NINE MONTHS ENDED SEPTEMBER 30	
		2019	2018	2019	2018
Cash proceeds received		\$ 11,434	\$ 9,346	\$ 132,257	\$ 32,186
Repayment of the warehouse facility in units	15	-	15,000	36,500	78,000
Unit issuance costs		(282)	(169)	(934)	(469)
<b>Total cash from units issued</b>		<b>\$ 11,152</b>	<b>\$ 24,177</b>	<b>\$ 167,823</b>	<b>\$ 109,717</b>
Mortgage investments funded in cash		\$ 23,919	\$ 22,836	\$ 138,330	\$ 89,512
Mortgage investments funded by the warehouse facility	15	-	19,965	-	90,071
Mortgage investments funded through syndication	4	12,421	-	12,421	-
<b>Total mortgage investments funded</b>		<b>\$ 36,340</b>	<b>\$ 42,801</b>	<b>\$ 150,751</b>	<b>\$ 179,583</b>
Equity accounted investments funded in cash	6	\$ 1,138	\$ 5,728	\$ 11,172	\$ 6,262
Equity accounted investments funded by the warehouse facility	15	-	20,924	-	20,924
<b>Total equity accounted investments funded</b>		<b>\$ 1,138</b>	<b>\$ 26,652</b>	<b>\$ 11,172</b>	<b>\$ 27,186</b>

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**20. Subsequent Events**

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

- a) Cash distributions declared and paid were \$3.89 million.
- b) Warehouse advances of \$50,000 repaid by REIT to the Trust.
- c) Warehouse advances of \$2,001 repaid by CFIT to the Trust.
- d) Mortgages investments totaling \$6,907 entered into default on November 29, 2019.



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REAL ESTATE OPPORTUNITIES TRUST

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For the quarter ended September 30, 2019