CELERNUS MORTGAGE AND INCOME TRUST FUND
UNAUDITED FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2018

Notice of No Auditor Review of the Interim Financial Statements

Celernus Mortgage and Income Trust Fund (the "Fund") hereby gives notice that the Fund's auditor has not performed a review of these Interim Financial Statements in accordance with standards established by the Chartered Professional Accountants of Canada.

Celernus Mortgage and Income Trust Fund
Statement of Financial Position
(Unaudited)

As at	June 30 2018	December 31 2017
Assets		
Current assets		
Cash	**$ 1,277,877**	$ 2,572,814
Investments at fair value (Notes 4 and 5)	**51,769,927**	42,745,445
Interest receivable	**254,608**	402,540
Subscriptions receivable	**365,866**	50,167
Total assets	**53,668,278**	45,770,966
Liabilities		
Current liabilities		
Operating line of credit (Note 3)	**3,200,000**	-
Accounts payable and accrued liabilities	**580,174**	296,856
Deferred interest income	**23,889**	97,125
Redemptions payable	**15,000**	38,300
Total liabilities (excluding net assets attributable to holders of redeemable units)	**3,819,063**	432,281
Net assets attributable to holders of redeemable units	**$ 49,849,215**	$ 45,338,685

Net Assets Attributable to Holders of Redeemable Units per Class

	June 30 2018	December 31 2017
Class A	**$ 49,435,925**	$ 44,936,956
Class B	**413,290**	401,729
	$ 49,849,215	$ 45,338,685

Number of Redeemable Units Outstanding (Note 7)

	June 30 2018	December 31 2017
Class A	**4,907,266**	4,463,896
Class B	**41,224**	40,073

Net Assets Attributable to Holders of Redeemable Units Per Unit

	June 30 2018	December 31 2017
Class A	**$ 10.07**	$ 10.07
Class B	**10.02**	10.02

On behalf of the Fund, by the Manager,
Celernus Investment Partners Inc.

___________________________________ Director

Celernus Mortgage and Income Trust Fund
Statement of Comprehensive Income
(Unaudited)

For the six month period ended June 30		2018		2017
Income				
Mortgage interest	**$**	**1,500,860**	$	1,614,375
Lender fees		**683,041**		167,460
		2,183,901		1,781,835
Expenses				
Advisory fees		**82,342**		68,369
Bank charges		**1,790**		794
Fund administration		**60,724**		10,084
Management fees (Note 8)		**235,582**		195,682
Performance fees (Note 8)		**190,691**		153,988
		571,129		428,917
Increase in net assets attributable to holders of redeemable units	**$**	**1,612,772**	$	1,352,918
Increase in Net Assets Attributable to Holders of Redeemable Units per Class				
Class A	**$**	**1,601,211**	$	1,342,723
Class B		**11,561**		10,195
	$	**1,612,772**	$	1,352,918
Increase in Net Assets Attributable to Holders of Redeemable Units per Unit (Note 11**)**				
Class A	**$**	**0.33**		0.34
Class B		**0.29**		0.29

Celernus Mortgage and Income Trust Fund
Statement of Changes in Net Assets Attributable to Holders of Redeemable Units
(Unaudited)

For the six month period ended June 30	2018	2017
Net assets attributable to holders of redeemable units, beginning of period	**$ 45,338,685**	$ 39,170,787
Increase in net assets attributable to holders of redeemable units	**1,612,772**	1,352,918
Distributions to holders of redeemable units	**(1,572,905)**	(1,231,468)
Redeemable unit transactions		
Proceeds from issuance of redeemable units		
Class A	**7,796,391**	7,795,217
Amounts paid on redemption of redeemable units		
Class A	**(4,820,156)**	(7,925,622)
Reinvestments of distributions to holders of redeemable units		
Class A	**1,482,905**	1,167,143
Class B	**11,523**	9,066
	4,470,663	1,045,804
Net increase in net assets attributable to holders of redeemable units for the period	**4,510,530**	1,167,254
Net assets attributable to holders of redeemable units, end of period	**$ 49,849,215**	$ 40,338,041

Class A

Net assets attributable to holders of redeemable units, beginning of period	**$ 44,936,956**	$ 38,823,850
Increase in net assets attributable to holders of redeemable units	**1,601,211**	1,342,723
Distributions to holders of redeemable units	**(1,561,382)**	(1,222,402)
Redeemable unit transactions		
Proceeds from issuance of redeemable units	**7,796,391**	7,795,217
Amounts paid on redemption of redeemable units	**(4,820,156)**	(7,925,622)
Reinvestments of distributions to holders of redeemable units	**1,482,905**	1,167,143
	4,459,140	1,036,738
Net increase in net assets attributable to holders of redeemable units for the period	**4,498,969**	1,157,059
Net assets attributable to holders of redeemable units, end of period	**$ 49,435,925**	$ 39,980,909

Class B

Net assets attributable to holders of redeemable units, beginning of period	**$ 401,729**	$ 346,937
Increase in net assets attributable to holders of redeemable units	**11,561**	10,195
Distributions to holders of redeemable units	**(11,523)**	(9,066)
Redeemable unit transactions		
Reinvestments of distributions to holders of redeemable units	**11,523**	9,066
Net increase in net assets attributable to holders of redeemable units for the period	**11,561**	10,195
Net assets attributable to holders of redeemable units, end of period	**$ 413,290**	$ 357,132

The accompanying notes are an integral part of the interim financial statements

Celernus Mortgage and Income Trust Fund
Statement of Cash Flows
(Unaudited)

For the six month period ended June 30	2018	2017
Cash flows from operating activities		
Increase in net assets attributable to holders of redeemable units	**$ 1,612,772**	$ 1,352,918
Adjustments to reconcile to increase in net assets attributable to holders of redeemable units to cash from operating activities		
Purchase of investments	**(26,696,128)**	(9,603,669)
Proceeds on disposal of investments	**17,671,646**	10,047,904
Changes in operating assets and liabilities		
Interest receivable	**147,932**	(25,240)
Subscriptions receivable	**(315,699)**	(430,551)
Accounts payable and accrued liabilities	**283,318**	86,038
Deferred interest income	**(73,236)**	(228,085)
Redemptions payable	**(23,300)**	89,490
	(7,392,695)	1,288,805
Cash flows from financing activities		
Proceeds from issuances of redeemable units	**7,796,391**	7,795,217
Amounts paid on redemption of redeemable units	**(4,820,156)**	(7,925,622)
Distributions paid to holders of redeemable units net of reinvested distributions	**(78,477)**	(55,259)
Loans payable	**3,200,000**	-
	6,097,758	(185,664)
Increase (decrease) in cash during the period	**(1,294,937)**	1,103,141
Cash, beginning of period	**2,572,814**	1,009,158
Cash, end of period	**1,277,877**	2,112,299

The accompanying notes are an integral part of the interim financial statements

Celernus Mortgage and Income Trust Fund
Schedule of Investment Portfolio
(Unaudited)

June 30, 2018

			Avg.Cost ($)		Fair Value ($)
Fixed Income Assets - 0.02%					
Par Value	Name				
11,758	Sherritt International S1 C17 8% 15NV18	$	11,220	**$**	**11,572**
Mortgages - 103.83% (Notes 4 and 5)					
Residential		$	30,637,603	**$**	**30,637,603**
Land		$	6,100,000	**$**	**6,100,000**
Commercial			11,095,752		**11,095,752**
Industrial			3,925,000		**3,925,000**
			51,758,355		**51,758,355**
Total investments owned					**51,769,927**
Other net liabilities - (3.85%)					**(1,920,712)**
Net assets attributable to holders of redeemable units				**$**	**49,849,215**

Schedule of mortgages

Interest Rate (%)	Number of Mortgages		Original Principal		Fair Value
< 5.00	2		68,875		68,875
5.01 - 6.00	3		472,500		472,500
6.01 - 7.00	3		4,550,000		4,550,000
7.01 - 8.00	23		12,686,763		12,686,763
8.01 - 9.00	23		10,676,050		10,676,050
9.01 - 10.00	22		15,888,167		15,888,167
10.01 - 11.00	4		1,473,000		1,473,000
11.01 - 12.00	11		3,479,000		3,479,000
12.01 - 13.00	4		793,000		793,000
13.01 - 14.00	2		171,000		171,000
14.01 - 15.00	1		1,500,000		1,500,000
Total	**98**	**$**	**51,758,355**	**$**	**51,758,355**

All mortgages have maturities of two years or less and none of the mortgages are insured under the National Housing Act.

Schedule of maturity

Maturity	Number of Mortgages		Original Principal		Fair Value
2018	57	$	32,087,978	$	32,087,978
2019	41		19,670,377		19,670,377
	98	**$**	**51,758,355**	**$**	**51,758,355**

1. The Fund

Celernus Mortgage and Income Trust Fund (the "Fund") is a unit trust which was established on April 9, 2013 by a Supplemental Trust Indenture under the laws of the Province of Ontario. The principal address of the Fund is 1001 Champlain Avenue, Suite 302, Burlington, Ontario, L7L 5Z4. The Fund is offered pursuant to prospectus exemptions to qualified investors in Canada and offshore. In Canada, investors must be “accredited investors”, or purchase a sufficient amount of the Funds to qualify for a prospectus exemption. The minimum purchase amount for accredited investors or other exempt investors is $25,000.

The Fund aims to provide investors consistent monthly income while simultaneously protecting capital. The fund seeks to obtain this objective primarily through investments in mortgages with a loan to value measure that provides a desirable degree of security of capital. In addition to first and second mortgages, the Fund may also invest in other asset backed debt, government and corporate bonds and debentures, convertible debt, common equities, warrants, preferred shares, trusts units, real estate investment trusts, derivative instruments and other securities. The Fund may utilize leverage from time to time for the purposes of increasing returns or funding investor redemptions. The leverage will be variable not to exceed 140% net long.

Celernus Investment Partners Inc. (the “Manager”) is the manager, portfolio adviser and trustee of the Fund.

The Fund is not a reporting issuer under securities legislation and, therefore, is relying on Part 2.11 of National Instrument 81-106 (“NI 81-106”) for exemption from the requirement to file financial statements with the applicable securities regulatory authorities.

These unaudited financial statements for the six months ended June 30, 2018 were authorized for issue by the Manager on August 23, 2018.

2. Significant Accounting Policies

The principal accounting policies applied in the presentation of these interim financial statements are set out below:

Basis of Presentation

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). The Fund prepares these interim financial statements for the six-month period ended June 30, 2018 (and comparative results for the six-month period ended June 30, 2017) in accordance with International Accounting Standards (“IAS”) 34 – *Interim Financial Reporting.* These interim financial statements should be read in conjunction with the Fund’s annual financial statements.

Basis of Measurement

The interim financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities at fair value through profit or loss, and are presented in Canadian dollars, which is the Fund’s functional and presentation currency.

2. Significant Accounting Policies

Valuation of Mortgage Investments

Mortgage investments for which there is no active market are valued at fair value using valuation techniques which include net present value and discounted cash flow models and comparisons with similar instruments for which observable market price exists. Assumptions and inputs used in valuation techniques include risk-free interest rate, loan to value ratio, property charge and property type. The output of the valuation technique is an estimate or approximation of a value that cannot be determined with certainty, and valuation techniques employed may not fully reflect all factors relevant to the positions held by the Fund. Valuations are therefore adjusted where appropriate, to allow for additional factors including interest rate risk, liquidity risk and counterparty risk.

Adoption of IFRS 9 – Financial Instruments

The Fund has adopted IFRS 9 Financial Instruments issued in July 2014 (IFRS 9), with a date of initial application of January 1, 2018. IFRS 9 introduces new requirements for the classification and measurement of financial assets, amends the requirements related to hedge accounting, and introduces a forward-looking expected less impairment model. The adoption of this standard has not had a material impact on the Fund's interim financial statements.

IFRS 9 contains three classification categories for financial assets:

i) Fair value through profit or loss ("FVTPL");
ii) Amortized cost; and
iii) Fair value through other comprehensive income ("FVOCI")

The classification of financial assets under IFRS 9 is based on the business model in which a financial asset is managed and its contractual cash flow characteristics. The standard eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale. The requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9 and the adoption of IFRS 9 has not had an impact on the Fund's accounting policies for financial liabilities.

2. Significant Accounting Policies (Continued)

Adoption of IFRS 9 – Financial Instruments (continued)

The following table summarizes the classification and measurement for each class of the Fund's financial assets and financial liabilities upon adoption at January 1, 2018.

IAS 39			IFRS 9	
Financial Asset (Liability)	Category	Measurement	Category	Measurement
Investments	FVTPL	Fair value	FVTPL	Fair value
Interest receivable	Loans and receivables	Amortized cost	Assets at amortized cost	Amortized cost
Loans payable	Other financial liabilities	Amortized cost	Financial liabilities at amortized cost	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost	Financial liabilities at amortized cost	Amortized cost
Redemptions payable	Other financial liabilities	Amortized cost	Financial liabilities at amortized cost	Amortized cost

Adoption of IFRS 15 – Revenue from Contracts with Customers

Effective January 1, 2018, the Fund adopted IFRS 15, Revenue from Contracts with Customers ("IFRS 15"). IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The Fund elected to adopt IFRS 15 using the modified retrospective method, which did not involve restating comparative figures for 2017. There was no significant impact of adoption of IFRS 15, and no adjustment to equity at January 1, 2018 or revenues reported in the interim financial statements for the six months ended June 30, 2017.

2. Significant Accounting Policies (Continued)

Financial Instruments

Financial Assets
Financial assets are initially measured at fair value. On initial recognition, the Fund classifies its financial assets as subsequently measured at either amortized cost or fair value, depending on its business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Financial assets are not reclassified subsequent to their initial recognition, unless the Fund changes its business model for managing financial assets.

A financial asset is measured at amortized cost if it meets both of the following and is not designated as FVTPL:

(i) The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and

(ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Fund classifies interest receivable at amortized cost.

All other financial assets are subsequently measured at their fair values with changes in fair value, including any dividend income, recognized in the Statement of Comprehensive Income (Loss).

Financial Liabilities
Financial liabilities are classified into one of two categories:

(i) Fair value through profit or loss; and
(ii) Other financial liabilities

Loans payable, accounts payable and accrued liabilities and redemptions payable are initially recognized at fair value and subsequently carried at amortized cost using the effective interest method.

The Fund's obligation for net assets attributable to holders of redeemable units entitle unitholders the right to redeem their interest in the Fund for cash equal to their proportionate share of the net asset value of the Fund. The Fund's obligation for net assets attributable to unitholders is measured at FVTPL, with fair value being the redemption amount as of the reporting date.

2. Significant Accounting Policies (Continued)

Impairment
IFRS 9 replaces the "incurred loss" model in IAS 39 with an "expected credit loss" (ECL) model. The new impairment model applies to financial assets measured at amortized cost, contract assets and debt investments at FVOCI. Under IFRS 9, credit losses are recognized earlier than under IFRS 39.

The Fund's financial assets at amortized cost consist of interest receivable. Investments in mortgages are classified as FVTPL. As part of the assessment of fair value, the Manager routinely reviews each mortgage for changes in credit risk to determine whether or not the fair value of a mortgage should be adjusted for the change in credit risk; therefore IFRS 9 does not impact investments in mortgages as they are already assessed as at fair value.

Under IFRS 9, loss allowances are measured on either of the following bases:

- 12 month ECLs: these are ECLs that result from default events within the 12 months after the reporting date
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

The Fund has elected to measure loss allowances for interest receivable at an amount equal to lifetime ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Fund considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Fund's historical experience and informed assessment of forward looking information.

There was no impact on the assets of the Fund measured at amortized cost and no impairments were recorded.

Fair Value Measurements
IFRS 13 requires the Fund to classify fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurement. The fair value hierarchy has the following levels:

The hierarchy of inputs is summarized below:

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

The Fund's mortgage investments were classified as Level 3 at June 30, 2018 and December 31, 2017. The Fund's fixed income investment was classified as Level 2 at June 30, 2018 and December 31, 2017.

2. Significant Accounting Policies (Continued)

Investment Transactions and Income Recognition
Investment transactions are accounted for on the date that an order is executed. Income from mortgage investments is recognized on an accrual basis. Lender fees are recognized in income when received.

Valuation of Redeemable Units
Net asset value per unit for each class is calculated at 4:00 p.m. (Eastern time) each business week by dividing the net assets attributable to holders of redeemable units of each class by its outstanding units. The net assets of each class is computed by calculating the value of that class's proportionate share of the Fund's assets less that class's proportionate share of the Fund's common liabilities, and less class specific liabilities. Expenses directly attributable to a class are charged to that class while common fund expenses are allocated to each class in a reasonable manner as determined by the Manager. Mortgage interest and lender fees are allocated to each class of the Fund based on that class's pro rata share of total net assets value of the Fund.

Net Assets Attributable to Holders of Redeemable Units per Unit
The net assets attributable to holders of redeemable units per unit is calculated by dividing the net assets attributable to holders of redeemable units of a particular class of units by the total number of units of that particular class outstanding at the end of the periiod.

Increase in Net Assets Attributable to Holders of Redeemable Units Per Unit
Increase in net assets attributable to holders of redeemable units per unit is based on the increase in net assets attributable to holders of redeemable units attributed to each class of units, divided by the weighted average number of units outstanding of that class during the period.

Income Taxes
The Fund qualifies as a mutual fund trust under the Income Tax Act (Canada). All of the Fund's net income for tax purposes and sufficient capital gains realized in any period are required to be distributed to unitholders such that no tax is payable by the Fund. As a result, the Fund does not record income taxes. Since the Fund does not record income taxes, the tax benefit of capital and non-capital losses has not been reflected in the Statement of Financial Position as a deferred income tax asset.

Related Parties
For the purpose of these interim financial statements, a party is considered related to the Fund if such party or the Fund has the ability to, directly or indirectly, control or exercise significant influence over the other entity's financial and operating decisions, or if the Fund and such party are subject to common significant influence. Related parties may be individuals or other entities.

2. Significant Accounting Policies (Continued)

Critical Estimates and Judgements

In the application of the Fund’s accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily available from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from those estimates.

The most significant estimates that the Fund is required to make relate to the fair value of the mortgage investments. The estimates may include: assumptions regarding local real estate market conditions; interest rates and the availability of credit; cost and terms of financing; the impact of present or future legislation or regulation; prior encumbrances and other factors affecting the mortgage and underlying security of the mortgage investments.

These assumptions are limited by the availability of reliable comparable data, economic uncertainty, ongoing geopolitical concerns and the uncertainty of predictions concerning the future events. Credit markets, equity markets and consumer spending are factors in the uncertainty inherent in such estimates and assumptions. Accordingly, by their nature, estimates of fair value are subjective and do not necessarily result in precise determinations. Should the underlying assumptions change, the estimated fair value could change by a material amount.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects that period, or in the period of the revision and future periods if the revision affects both current and future periods.

3. Operating Line of Credit

The operating line of credit is secured by a general security agreement and assignment of mortgages, bears interest at a prime plus 1.25% per annum, due on demand and is guaranteed by the Manager. The unused portion of this bank facility is $6,800,000 as at June 30, 2018.

4. Reconciliation of Level 3 Fair Value Measurements of Financial Assets

	2018	2017
Mortgage investments, beginning of period	**$ 42,735,179**	$ 38,344,090
Additional mortgages funded	**13,991,075**	24,521,193
Discharge of mortgages	**(4,967,899)**	(20,130,104)
Mortgage investments, end of period	**$ 51,758,355**	$ 42,735,179

There were no transfers into or out of Level 3 for the period ended June 30, 2018 or December 31, 2017.

5. Investments

	2018		2017	
First mortgages and fixed income assets	**65%**	**$ 33,620,563**	74%	$ 31,765,791
Second mortgages and other loans	**35%**	**18,137,792**	26%	10,969,388
	100%	**$ 51,758,355**	100%	$ 42,735,179

The mortgage investments are secured by the real property to which they relate, bear interest at a weighted average interest rate of 9.12% (December 31, 2017 – 8.82%) and mature in 2018 and 2019. Provided that the loan is not in default and has not been in default throughout the term of the loan and at the sole discretion of the Fund, the Fund has the option to renew the mortgage loans for a further term not exceeding 12 months, as offered by the Fund. Upon renewal or extension of the mortgage term, the rate of interest charged may be changed or increased.

6. Related Party Transactions

As at December 31, 2017, 271,636 (December 31, 2017 – 333,237) units of the Fund were held by directors or immediate family members of the Manager. The market value of these units is approximately $2,736,316 (December 31, 2017 - $3,354,509).

7. Redeemable Units

The Fund may issue an unlimited number of Class A and B units. The Units of the Fund shall be issued without nominal or par value and shall be issued as fully paid and non-assessable and voting. Each Unit of the Fund shall represent an undivided beneficial interest in the assets of the Fund, are non-transferable, and shall not have any conversion, exchange or preemptive right. Each Unit shall entitle the holder thereof to participate equally with respect to all payments made to Unitholders of the Fund whether by way of interest, dividend or capital and, on liquidation, to participate equally in the net assets of the Fund remaining after satisfaction of all outstanding liabilities.

Each Unitholder of the Fund shall be entitled at any time and from time to time, to require the Fund to redeem all or any of his or her Units by giving written notice to the Manager. Such notice shall contain a clear request that a specified number or dollar amount of Units be redeemed, shall be irrevocable and the signature thereon shall be guaranteed by a Canadian chartered bank, a trust company or an investment dealer if required by the Manager. The redemption of Units in respect of which a duly completed redemption request has been received by the Manager at least five (5) days prior to a Valuation Day will be redeemed on such Valuation Day and, in all other cases, will be redeemed on the second Valuation Day following the day on which such redemption request was received by the Manager. The Manager may, in its sole discretion, waive the foregoing five (5) day notice requirement in respect of any redemption request.

The Manager has a general discretion to instruct the Trustee to suspend the right of Unitholders to require the Fund to redeem Units and the obligation of the Trustee to make payment therefore in any event where the Manager determines that processing such redemption(s) will have a material negative effect on the Fund. The Trustee shall, at the direction of the Manager, apply the suspension to all requests for redemption received prior to the suspension but as to which payment has not been made, as well as to all requests received while the suspension is in effect.

All Unitholders making such requests shall (unless the suspension lasts for less than 48 hours) be given notice by the Manager advising of the suspension, that redemptions will be effected on the basis of the Net Asset Value Per Unit determined on the first Valuation Day following the termination of the suspension and that they have the right to withdraw their requests for redemption prior to the termination of the suspension. Any declaration of suspension or termination of suspension made by the Manager shall be final and conclusive. Notwithstanding the foregoing, the suspension shall terminate in any event on the first Business Day after the circumstances which gave rise to the suspension cease to exist.

The Manager reserves the right to instruct the Trustee to withhold the amount of four per cent (4%) from redemption proceeds payable to a Unitholder in the event the redemption request is made during the first 12 months after acquisition of the Units being redeemed.

There are no differences between the NAV per unit of the Fund and Net Assets Attributable to Holders of Redeemable Units per Unit of the Fund.

7. Redeemable Units (Continued)

Unitholder transactions during the periods ended June 30, 2018 and 2017:

	Class A		Class B	
	2018	2017	**2018**	2017
Redeemable units outstanding, beginning of period	**4,463,896**	3,852,625	**40,073**	34,559
Redeemable units issued	**774,080**	772,109	**-**	-
Redeemable units redeemed	**(478,231)**	(785,523)	**-**	-
Redeemable units issued on reinvestment	**147,521**	115,906	**1,151**	904
Redeemable units outstanding, end of period	**4,463,896**	3,955,117	**41,224**	35,463

8. Management Fees and Expenses

The Fund pays the Manager an annual management fee of 0.85% of the NAV of the Fund, which is calculated and charged to the Fund monthly. The Fund is responsible for the payment of all fees and expenses relating to its operations, including record keeping, audit, accounting and administrative costs, legal fees, custody and safekeeping charges, bank charges and interest expense, brokerage commissions and other fees relating to the purchase and sale of assets of the Fund. Management fees were $235,582 (2017 - $195,682) during the period. Included in accounts payable and accrued liabilities is $39,292 (2017 - $31,632) relating to management fees.

The Manager is also entitled to receive a performance fee of 20% of the change in NAV of the Fund between a new high-water mark and the previous high-water mark for which a performance fee was earned by the Manager and charged to the Fund. A performance fee will only be earned at such time as the annual return of the Fund is greater than or equal to 4%. Performance fees of $190,691 (2017 - $153,988) were earned during the period. Included in accounts payable and accrued liabilities is $190,691 (2017 - $153,988) relating to performance fees.

9. Financial Instruments and Risk Management

Financial Risk Factors

The Fund's investments are exposed to various types or risk including credit risk, liquidity risk and interest rate risk. These risks and related risk management practices employed by the Fund are described below:

Credit Risk

Credit risk is the possibility that a borrower may be unable to honour its debt commitments as a result of a negative change in market conditions that could result in a loss to the Fund. The Fund mitigates this risk by the following:

(i) adhering to the investment restrictions and operating policies included in the asset allocation model (subject to certain duly approved exceptions);

(ii) ensuring a comprehensive due diligence process is conducted on each mortgage investment prior to funding. This generally included, but is not limited to engaging professional independent consultants, lawyers and appraisers and performing credit checks and financial statements reviews on prospective borrowers;

(iii) actively monitoring the mortgage investments and initiating recovery procedures, in a timely manner, where required.

The maximum exposure to credit risk at December 31, 2017 is the fair values of its interest receivable, subscriptions receivable and investments, which total $52,390,401 (December 31, 2017 - $43,198,152). The Fund has recourse under these investments in the event of a default by the borrower; in which case, the Fund would have a claim against the underlying property and security.

Mortgages past due but not impaired are as follows:

As at June 30, 2018	1 to 30 days	31 to 60 days	61 to 90 days	Over 90 days	Total
Residential	$ 202,500	$ 559,500	$ 161,250	$ 1,002,250	$ 1,925,500
Commercial	-	-	3,925,000	-	3,925,000
Land	-	-	4,590,000	-	4,590,000
	$ 202,500	$ 559,500	$ 8,676,250	$ 1,002,250	$ 10,440,500

9. Financial Instruments and Risk Management (Continued)

Credit Risk (continued)

As at December 31, 2017	1 to 30 days	31 to 60 days	61 to 90 days	Over 90 days	Total
Residential	$ 2,757,000	$ -	$ 197,000	$ 1,132,500	$ 4,086,500
Commercial	-	-	-	4,350,000	4,350,000
Land	-	-	-	217,770	217,770
	$ 2,757,000	$ -	$ 197,000	$ 5,700,270	$ 8,654,270

Liquidity Risk

Liquidity risk is the risk of the Fund not being able to meet its obligations with respect to unit redemptions on time or at a reasonable price. The Fund is exposed to weekly cash redemptions of the Units of the Fund as detailed in Note 6. The Fund retains sufficient cash to maintain liquidity. This risk has not changed from the previous period.

June 30, 2018 Financial liabilities	**On demand**	**< 3 months**	**Total**
Accounts payable and accrued liabilities	**$ -**	**$ 580,174**	**$ 580,174**
Redemptions payable	**15,000**	**-**	**15,000**
Redeemable units	**49,849,215**	**-**	**49,849,215**
	$ 49,864,215	**$ 580,174**	**$ 50,444,389**

December 31, 2017 Financial liabilities	On demand	< 3 months	Total
Accounts payable and accrued liabilities	$ -	$ 296,856	$ 296,856
Redemptions payable	38,300	-	38,300
Redeemable units	45,338,685	-	45,338,685
	$ 45,376,985	$ 296,856	$ 45,673,841

Interest Rate Risk

Interest rate risk arises from the possibility that changes in market interest rates will affect future cash flows or fair values of financial instruments. Mortgage interest rates are at fixed rates that are not directly impacted by changes in prevailing rates, thereby reducing the Fund's exposure to interest rate risk. Generally, the fair value of mortgages is impacted by changes in interest rates; however, given the short duration of the mortgages held by the Fund, their fair value approximates carrying values and any changes in prevailing interest rates would not have a significant impact on their fair value. This risk has not changed from the previous period.

10. Capital Management

The capital of the Fund is represented by issued redeemable units with no par value. The Unitholders are entitled to distributions, if any, and to payment of a proportionate unit of the Fund's net asset value per unit upon redemption. The relevant movements of Fund units are shown on the statement of changes in net assets attributable to holders of redeemable units. In accordance with its investment objectives and strategies, and the risk management practices outlined in Note 9, the Fund endeavours to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemptions, such liquidity being augmented by disposal of investments where necessary. There have been no changes in the way the Fund defines or manages its capital in the period.

11. Increase in Net Assets Attributable to Holders of Redeemable Units per Unit

The increase in net assets attributable to holders of redeemable units per unit for the six month periods ending June 30, 2018 and 2017 are calculated as follows:

	Class A		Class B	
	2018	2017	**2018**	2017
Increase in net assets attributable to holders of redeemable units	**$ 1,601,211**	$1,342,723	**$ 11,561**	$ 10,195
Weighted average number of redeemable units outstanding during the period	**4,820,505**	3,994,822	**40,541**	34,984
Increase in net assets attributable to holders of redeemable units per unit	**$ 0.33**	$ 0.34	**$ 0.29**	$ 0.29