

# CELERNUS PIVOT Private Credit Fund

CPPCF | FundSERV: CIP600A

September 30, 2019

The **CELERNUS PIVOT Private Credit Fund** seeks to achieve consistent risk-adjusted returns, with low correlation to traditional asset classes, by providing working capital to growing small and medium-sized businesses

## Fund Details

### Manager:

Celernus Investment Partners Inc.

**Sub-Adviser:** Pivot Financial Services Inc.

**Fund Status:** OM, Continuous Offering

**Fund Structure:** Mutual Fund Trust

**Inception Date:** Oct 2018

**Minimum Investment:** \$25,000

**Advisory fee:** 2.0%

**Performance fee:** 20%

**High water mark:** Permanent

**Subscriptions:** Monthly

**Redemptions:** Quarterly (with 90 days notice)

**Auditor:** BDO Canada LLP

### Administrator:

Convexus Managed Services Inc.

**Legal Counsel:** WeirFoulds LLP

### Eligible Accounts:

RSP, RESP, RRIF, TFSA, Cash

### Investment Team:

**Christopher Grant, CFA**  
Senior Partner, Celernus

**Ken Thomson**  
CEO, Pivot

### Contact Us

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## Compound Returns (Class A)

1 Month	3 Months	6 Months	1 Year	3 Years	5 Years	Inception
0.84	3.11	4.75	6.68	N/A	N/A	N/A

## Monthly Returns

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2019	0.39	0.65	0.62	0.45	0.55	0.58	1.46	0.82	0.81				<b>6.50%</b>
2018											0.07	0.10	<b>0.17%</b>

## Top Portfolio Holdings (Sept 30, 2019)

GICS Sub-Industry	Facility Type	Description
Diversified Financial Services	Bridge	Providing working capital to real estate mortgage lender
Movies and Entertainment	Bridge	Providing tax-credit financing to media visual –effects company
Diversified Financial Services	Term	Providing working capital to finance I.T. infrastructure leases
Diversified Financial Services	Bridge	Providing working capital to private equity investment company
Movies and Entertainment	Bridge	Providing tax-credit financing to Hollywood film production
Diversified Financial Services	Term	Providing acquisition financing to investment advisory company
Household Products and Manufacturing	Term and A/R Factoring	Providing working capital to manufacturer of home care products

## What Happened In Q3 2019?

Q3 2019 was characterized by a weakening economy and tightening of institutional funding markets. The U.S. ISM Manufacturing PMI number dropped below 50 in late September – a level that is typically interpreted as consistent with economic contraction.

Bond yields and credit spreads moved in true roller coaster fashion, with significant excursions up and down, a few sick participants along the journey, but finishing up exactly where they started.

This quarter, CPPCF extended new borrowing facilities to a real estate mortgage lender as well as a Hollywood feature film production.

The fund also received repayment of a significant portion of an existing lending facility from a private equity investment company. Since inception, the fund has fully exited two positions while partially (but significantly) exiting this third facility.



## Why Invest in CPPCF?

### Strong Returns and Cash Flow

- Relative to other fixed income vehicles, secured private commercial lending is expected to generate superior returns that are closer to those provided by equity indices over a market cycle
- Downside risk is nearer that of fixed income indices

### Low Correlation to Equity and Bond Market Index Returns

- Secured private commercial lending arrangements in the SME market tend to have low interest rate sensitivity
- Returns are driven by the lending rates associated with portfolio deals while downside risk is managed by accurate assessment of collateral value

### Portfolio Advantages

- Incorporation of secured private commercial lending reduces reliance on the equity risk premium to drive portfolio returns
- Price volatility is lower than that of publicly traded fixed income securities because private lending arrangements are priced at value rather than marked-to-public-market

## Nature of Secured Lending Arrangements

### Accounts Receivable Financing (Factoring)

- Accounts receivable financing allows companies to improve their cash flow cycle through the sale of their accounts receivable

### Asset-Based Lending

- Lending secured by assets that act as collateral for a loan
- Security could come in the form of accounts receivable, inventory, property plant & equipment, real estate, guarantees, insurance

### Purchase Order Financing

- Funding of purchased or manufactured goods when a company is unable to meet the financial burden of pending orders

### Other Financing Arrangements

- Equipment leasing, specialty business loans, first and second lien loans, term mezzanine debt and bridge loans

### Collateralization Strategy

- Seek appropriate level of overcollateralization
- Combine hard and soft collateral assets to reduce risk

## About Celernus

Celernus Investment Partners manages investment funds for high-net-worth individuals and institutions with a focus on active management of private credit and real estate assets.

Our goal is to generate attractive returns, with low volatility, that exhibit minimal correlation to the returns of broad-based fixed income and equity indices.

Our funds include:

[Celernus Pivot Private Credit Fund](#) CPPCF | CIP600A

[Celernus Mortgage and Income Trust](#) CMIT | CIP200A/B

[Celernus Absolute Growth Fund](#) CAGF | CIP100A

[Celernus Credit Opportunities Fund](#) CCOF | CIP500A

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