

CELERNUS Absolute Growth Fund

CAGF | FundSERV: CIP100A

September 30, 2020

Investment Objectives:

1. Construct a diversified portfolio of absolute-return investments, with a focus on private equity real estate.
2. Achieve high single-digit/low double-digit annual returns over a market cycle.
3. Generate uncorrelated returns to those of bond and equity markets.

***19.84**
1-Year Return

Re-valued development asset in February

Fund Details

Manager:

Celernus Investment Partners Inc.

Fund Status:

OM, Continuous Offering

Fund Structure:

Mutual Fund Trust

Inception Date: May 2012

AUM: \$21,400,000

Minimum Investment: \$25,000

Advisory fee: 0.85%

Performance fee: 20%

High water mark: Permanent

Subscriptions: Weekly

Redemptions: Weekly

Prime Broker:

National Bank Independent Network

Auditor: KPMG LLP

Administrator:

Convexus Managed Services Inc.

Legal Counsel: WeirFoulds LLP

Eligible Accounts:

RSP, RESP, RRIF, TFSA, Cash

Portfolio Manager:

Gord Martin, MBA
Managing Partner, Celernus

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01 How We've Performed

	1 Mth	3 Mth	6 Mth	1 Yr	3 Yr	5 Yr	Inception
	0.02%	0.07%	0.12%	19.84%	11.25%	5.69%	5.97%

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2020	0.10	16.02	0.05	0.03	0.00	0.02	0.02	0.03	0.02				16.33%
2019	1.52	0.03	0.14	0.11	0.08	0.07	0.18	0.12	0.08	0.04	0.09	2.89	5.37%
2018	2.73	2.30	1.50	0.33	0.39	1.09	0.67	0.05	1.05	1.51	2.05	4.99	7.59%
2017	1.46	0.53	4.72	0.70	1.61	0.08	0.80	0.06	0.45	1.58	2.06	0.63	2.62%
2016	8.08	1.06	5.43	0.22	0.24	0.94	1.67	1.36	0.31	1.80	0.27	2.28	-3.65%
2015	2.48	6.57	0.39	4.38	3.55	3.11	0.87	7.03	2.43	1.79	1.11	1.83	-2.37%
2014	2.54	3.31	1.39	1.81	1.06	0.92	1.69	3.46	2.08	1.56	2.95	0.61	5.81%
2013	3.17	0.02	3.52	1.24	3.42	0.40	3.50	3.50	4.57	1.84	1.97	1.91	21.04%
2012					0.22	0.32	0.46	0.27	0.48	0.33	0.11	1.00	-0.24%

02 Where We're Invested

Private Equity Real Estate	Mortgage-Backed Securities	
	Alternative Fixed Income	
	Private Credit	Cash
Fund Strategy	Weight	
Private Equity Real Estate	70%	
Alternative Fixed Income	13%	
Mortgage-Backed Securities	8%	
Private Credit	8%	
Cash	1%	

- All investments are in private-market assets. **There are currently no publicly-traded equities**
- Diversifying by strategy with significant focus on **private equity real estate**
- Combining both income-generating and development holdings
- Private equity real estate investments are actively-managed by Celernus and its partners



03 Sometimes the Best Offence is Being Nice

We now have five real estate projects within the Fund; two multi-residential projects in Toronto, a multi-residential project and a mixed-use project in Windsor, and a 31-unit multi-residential building in Blenheim, Ontario, just outside of Chatham. This quarter I wanted to highlight our investment in the Blenheim apartment building. Our investment philosophy of identifying properties where we can unlock hidden or unrealized value is well illustrated with the Blenheim building. The property was owned and managed for a long time by a family that maintained the building well but did not invest in upgrading the suites to truly maximize the income potential of the individual suites.

The building was purchased this spring for approximately \$90,000 a unit. Rational for the purchase was that the rents for the building were below market and could be raised as tenants turn over. We felt that with modest renovation, the rents could be increased even more substantially. Our hypothesis has been borne out by the results to date. We completed the first renovation of a two-bedroom suite this fall and were able to lease the unit within five days for an additional \$500 (a greater than 50% increase) per month over its lease price just prior to our purchase of the building. Additionally, we were able to build a significant waiting list of potential tenants to lease additional units as they are renovated.

Using a capitalization rate of 6% to value the building, an additional \$500 per month of rent adds \$100,000 of value to the building. Thus, renovating all 31 units and receiving similar rent increases would more than double the value of the building. The \$24,000 cost of the upgrade will be paid back from the rent increase in just 4 years' time. We are very encouraged by the initial returns and are working to renovate the two units that recently were vacated in time for the new year. Additionally, we are in the process of taking advantage of the current lower mortgage rates to refinance the property with a thirty year mortgage at a sub 2% interest rate.

Why Invest in CAGF?

Attractive Returns

- Private equity real estate allows investors to benefit from the purchase, development and sale of various types of real estate assets.
- Financially successful development projects typically generate double-digit annual returns.

Low Correlation to Public Market Index Returns

- Private equity real estate investing has low sensitivity-of-returns to both publicly-traded fixed income and equity markets.

Portfolio Advantages

- Incorporation of private equity real estate investing reduces reliance on the equity risk premium to drive portfolio returns. This serves to reduce the portion of portfolio volatility typically driven by equities
- Price volatility is also lower than that of publicly traded securities because private mortgage investments are priced at value rather than marked-to-public-market.

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

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

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

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

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