

CELERNUS Mortgage and Income Trust

CMIT | FundSERV: CIP200A

September 30, 2020

Investment Objectives:

1. Construct a diversified portfolio of short-term, privately-funded mortgages.
2. Achieve mid-to-high single-digit returns. Consistently.
3. Make variability of returns low. Lower than bonds. Way lower than equities.
4. Generate uncorrelated returns to those of bond and equity markets.

***6.81%**
1-Year Return

Maintaining attractive 1-year return with low volatility

Fund Details

Manager:

Celernus Investment Partners Inc.

Fund Status:

OM, Continuous Offering

Fund Structure:

Mutual Fund Trust

Inception Date: May 2013

AUM: \$61,800,000

Minimum Investment: \$25,000

Advisory fee: 0.85%

Performance fee:

20% above 4% hurdle

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

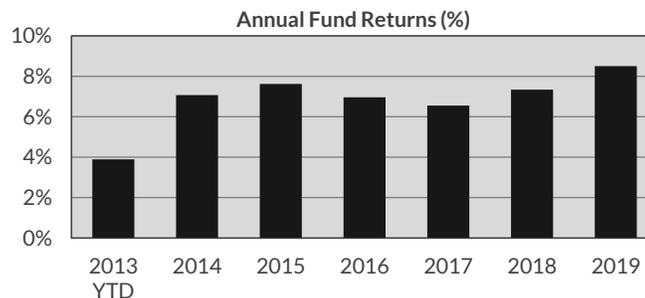
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01 How We've Performed

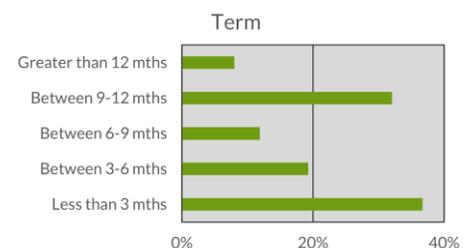
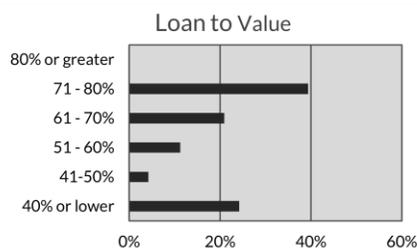
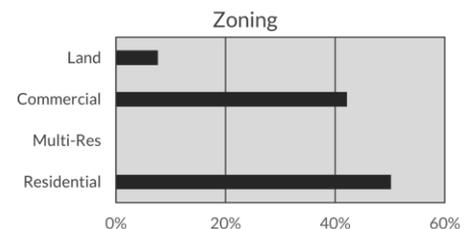
| 1 Mth | 3 Mth | 6 Mth | 1 Yr | 3 Yr | 5 Yr | Inception |
|-------|-------|-------|-------|-------|-------|-----------|
| 0.28% | 1.14% | 2.36% | 6.81% | 7.17% | 6.98% | 6.98% |

| | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | YTD |
|------|------|------|------|------|------|------|------|------|------|------|------|------|-------|
| 2020 | 0.48 | 0.52 | 0.59 | 0.43 | 0.38 | 0.39 | 0.41 | 0.44 | 0.28 | | | | 4.00% |
| 2019 | 0.57 | 0.54 | 0.58 | 0.72 | 0.58 | 0.51 | 0.89 | 0.60 | 0.53 | 0.68 | 0.70 | 1.31 | 8.51% |
| 2018 | 0.41 | 0.39 | 0.55 | 0.51 | 0.68 | 0.75 | 0.52 | 0.58 | 0.45 | 0.53 | 0.56 | 1.19 | 7.34% |
| 2017 | 0.46 | 0.52 | 0.64 | 0.43 | 0.51 | 0.77 | 0.47 | 0.46 | 0.48 | 0.56 | 0.47 | 0.57 | 6.55% |
| 2016 | 0.59 | 0.48 | 0.50 | 0.53 | 0.49 | 0.68 | 0.51 | 0.51 | 0.63 | 0.64 | 0.55 | 0.63 | 6.96% |
| 2015 | 0.63 | 0.72 | 0.85 | 0.87 | 0.72 | 0.61 | 0.62 | 0.44 | 0.45 | 0.48 | 0.38 | 0.62 | 7.63% |
| 2014 | 0.71 | 0.52 | 0.54 | 0.52 | 0.86 | 0.32 | 0.56 | 0.64 | 0.57 | 0.49 | 0.59 | 0.53 | 7.07% |
| 2013 | | | | | 0.27 | 0.87 | 0.42 | 0.55 | 0.43 | 0.47 | 0.34 | 0.49 | 3.90% |



Number of Mortgages: **124**
Average Mortgage Size: **\$481,717**
Weighted Average Loan-to-Value: **57.40%**
Weighted Average Term-to-Maturity: **164 Days**

02 What's Happening in the Fund?





03 Sometimes the Best Offence is Defence

COVID fatigue and cooler weather have caused new coronavirus cases in developed nations around the world to spike. The charts and graphs have a familiar shape no matter where you look. The magnitude may differ, but the trend is the same; more cases, surging hospitalizations, and a rising death toll. Amidst this pandemic backdrop, the economy and markets have soldiered on. Buoyed by the increasing promise of a vaccine and a U.S. election that promises more stable leadership in the White House but a Republican Senate majority (assuming the Georgia runoffs lean right) to check the leftist agenda of the Democratic party, the U.S. stock markets have risen to take back the pre-election losses initiated by the failure of Congress to reach an agreement on a relief package. What impact does all this have on the Celernus Mortgage and Income Trust? Good question. Let's start with the housing market. It has been remarkably resilient. In fact, housing prices have risen strongly over the past few months. In fact, according to the Canadian Realtors Association (CREA), the average residential home price "set another record in September 2020, topping the \$600,000 mark for the first time ever at more than \$604,000. This was up 17.5% from the same month last year". The surge in prices is being caused by the continued low supply of homes for sale combined with near record demand that is causing fierce competition between buyers in many markets. The result is that the loan-to-value (LTV) of our mortgage portfolio remains strong in the low 60s and provides a high margin of safety for our investments.

We have had substantial levels of cash over the past months that have caused a drag on our returns. The flow of mortgages for us to invest in has been lower than usual, there are significant pools of private capital putting downward pressure on rates, and the overall quality of potential mortgage investments was lower than usual over the quarter. Because we are unwilling to lower our standards for quality or return, we have invested in fewer mortgages over the past quarter, and cash remains at above normal levels. Over the past couple of weeks, the quantity and quality of deal flow have improved. I am optimistic that this trend will continue throughout the quarter and into the new year.

The environment over the past six months has been challenging; however, we are optimistic that the promise of a vaccine for COVID-19 portends a return to normalcy that will be realized over the course of the first half of 2021. Thank you to all our clients, and please remain safe over the coming months as we head into the holidays.

DISCLAIMER

*Information about the Celernus Mortgage and Income Trust (the "Fund") is not to be construed as a public offering of securities in any jurisdiction of Canada. This Fund presentation is for information purposes only and does not constitute an offer to sell or a solicitation to buy any securities referred to herein. The offering of units of the Fund is made pursuant to an Offering Memorandum and only to those investors in jurisdictions of Canada who meet certain eligibility or minimum purchase requirements. Important information about the Fund, including a statement of the Fund's fundamental investment objectives and risks, is contained in the Offering Memorandum, a copy of which may be obtained from Celernus Investment Partners Inc. or by contacting your advisor. Please read the Offering Memorandum carefully before investing. Unit values and investment returns will fluctuate. You are encouraged to speak with a tax advisor as any distributions paid as a result of capital gains realized by the Fund and income and dividends earned by the Fund are taxable in the year they are paid to you. The Funds are not guaranteed, their values change frequently and past performance may not be repeated. Past performance, or absence of historical performance in the case of a new fund, does not guarantee future results. Unit value and investment returns will fluctuate and there is no assurance that a fund can maintain a specific net asset value. All amounts herein are in Canadian dollars unless otherwise noted.

Why Invest in CMIT?

Strong Returns and Cash Flow

- Relative to other fixed income vehicles, private mortgage investing is expected to generate superior returns over a market cycle
- Downside risk is nearer that of fixed income indices

Low Correlation to Bond Market Index Returns

- Private mortgage investing has low interest rate sensitivity whereas public fixed income market returns are principally driven by interest rate dynamics.

Portfolio Advantages

- Incorporation of private mortgage 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](#)