



Introduction to UMC Mutual Fund Trust

UMC FINANCIAL MANAGEMENT INC.

Financial Consultants
Suite 201 UMC Centre
14020 – 128 Avenue
Edmonton, Alberta
T5L 4M8

Telephone: (780) 421-4141
Fax: (780) 429-0046
Toll Free: 1-888-862-7200
Email: admin@umcfinancial.ca

TABLE OF CONTENTS

	PAGE
INTRODUCTION	1
Our Business Model	1
How UMC Mutual Fund Trust Works	1
Financial Statements	3
Common Questions	5
Details of Mortgage Investments	6
FIRM INFORMATION	8
Background	8
Portfolio Management Team	9
Compliance and Transparency	10
APENDICIES	11
Appendix I – Professionals Supporting UMC	11
Appendix II – Breakdown of UMC Mutual Fund Trust by Location	12
Appendix III – Breakdown of UMC Mutual Fund Trust by Borrower	13
Appendix IV – Breakdown of UMC Mutual Fund Trust by Property Type	14
Appendix V – Legal Structure	15

Introduction

Our Business Model

UMC Financial Management Inc. (“UMC”) is a financial services firm that specializes in commercial mortgage investing. At UMC, we act as both as a manager of investments and as a mortgage lender. With the funds received from our investors, we find quality commercial borrowers and loan these funds to build a variety of commercial projects, such as: apartment buildings, condominiums, hotels, office buildings, retail space, etc.

Our investors earn a return on their investment by receiving the net interest paid by the borrowers through their monthly mortgage payments. UMC funds its operations through fees paid directly by the borrower and also through administration fees for managing the mortgage investments.

Most of UMC’s investors invest in mortgages through holding units of UMC Mutual Fund Trust.

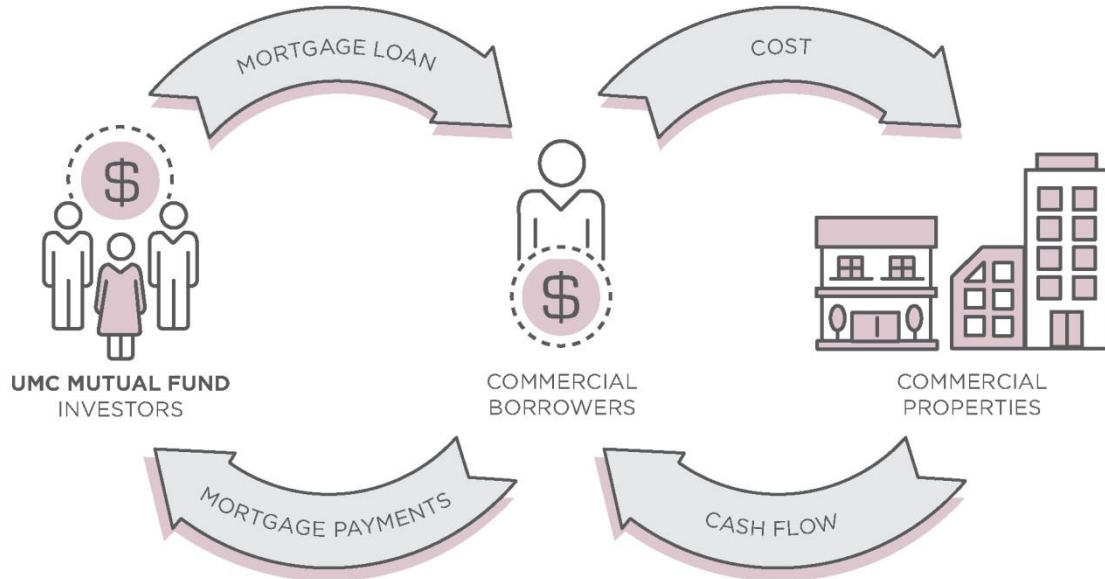
How UMC Mutual Fund Trust Works

UMC Mutual Fund Trust is a group of investors, or unitholders, that collectively own a large pool of commercial mortgage investments. This structure was created to allow individual investors to benefit from a larger, more diverse pool of mortgage assets than they could not otherwise own separately.

Those who invest in UMC Mutual Fund Trust hold units that represent partial ownership in the pool of assets held in UMC Mutual Fund Trust. For example, if all investors collectively held 150 million units and an individual investor held 1.5 million of those units, they would own 1.00% of UMC Mutual Fund Trust and would receive 1.00% of the net income earned from the mortgages owned by the Trust.

The graphic on the following page is a basic illustration of how investing in UMC Mutual Fund Trust operates:

Flow of Funds for UMC Mutual Fund Trust



1. UMC Mutual Fund Trust Investors pool their funds and make Mortgage Loans to commercial borrowers.

2. The Commercial Borrowers use the funds to construct or purchase commercial properties.

3. The Cash Flow from the properties and the borrowers' operations are used to make payments on the loans.

NOTE: The above representation is a simplified version of the UMC Mutual Fund Trust's structure. To view more detailed representation, please refer to Appendix V.

Financial Statements

UMC Mutual Fund Trust
 Consolidated Balance Sheet
 As at December 31, 2022
 (With Year to Date Figures)
 (With Comparison Figures As at December 31, 2021)

(Unaudited)

	2022		2021	
	For the Quarter	Year To Date	For the Quarter	Year To Date
ASSETS				
Cash in Bank	1,008,993.71	1,008,993.71	4,817,274.38	4,817,274.38
Accrued Interest Receivable	1,366,008.65	1,366,008.65	1,759,571.71	1,747,470.18
Accounts Receivable	5,285.13	5,285.13	0.00	0.00
Mortgages Receivable				
Mortgages Receivable	222,753,020.16	222,753,020.16	217,303,434.82	248,052,072.97
Discount on Mortgages Receivable	-248,059.51	-248,059.51	-248,059.51	-248,059.51
Allowance for IRFS	-228,023.37	-228,023.37	0.00	0.00
Allowance for Impaired Assets	-99,967.68	-99,967.68	-99,967.68	-99,697.68
Allowance for Bad Debts	-3,390,543.32	-3,390,543.32	-7,511,527.04	-7,511,527.04
	218,786,426.28	218,786,426.28	213,756,640.04	213,756,640.04
Properties Held For Resale	13,292,356.65	13,292,356.65	14,771,136.80	14,771,136.80
Investment in Real Estate	4,287,946.46	4,287,946.46	7,469,322.60	7,469,322.60
TOTAL ASSETS	238,747,016.88	238,747,016.88	242,573,945.53	242,573,945.53
LIABILITIES AND PARTNERS' EQUITY				
LIABILITIES				
Accounts Payable	57,817.92	57,817.92	42,475.25	42,475.25
Redemption Notes Payable	0.00	0.00	8,466,993.00	8,466,993.00
Partners' Equity				
Beginning Balance	244,203,813.74	234,064,477.28	234,345,278.24	231,632,026.67
Issuances	6,792,602.53	33,857,871.25	5,985,559.21	23,860,006.62
Withdrawals	-15,726,461.73	-41,537,651.90	-8,958,372.64	-32,286,056.36
Income for the Period	3,419,244.42	12,304,502.33	2,692,012.47	10,858,500.35
Ending Balance	238,689,198.96	238,689,198.96	234,064,477.28	234,064,477.28
TOTAL PARTNERS' EQUITY AND LIABILITIES	238,747,016.88	238,747,016.88	242,573,945.53	242,573,945.53

UMC Mutual Fund Trust
Consolidated Income Statement
For the Quarter Ended December 31, 2022
(With Year to Date Figures)
(With Comparison Figures for the Quarter Ended December 31, 2021)

(Unaudited)

	2022		2021	
	For the Quarter	Year To Date	For the Quarter	Year To Date
Investment Income	4,490,825.57	17,396,013.06	4,821,060.59	19,602,232.34
Expenses				
Provision for Bad Debts	500,000.00	2,650,000.00	1,500,000.00	5,860,451.63
Office	7,500.00	30,095.06	7,500.00	30,091.97
Registration Fees	754.95	8,179.71	974.85	12,627.33
Bank Charges	1,350.00	5,622.10	1,350.00	46,495.12
Interest	93.53	54,113.96	101,798.85	571,659.70
Annual General Meeting	0.00	2,491.73	0.00	0.00
Professional Fees	16,416.36	85,598.46	22,582.51	64,201.37
Joint Venture Expenses	157,235.53	708,331.74	93,536.14	472,053.08
Property Held for Resale Expenses	375.20	26,352.99	2,858.62	67,837.19
	683,725.57	3,570,785.78	1,730,600.97	7,125,417.39
Net income before administration fees and applicable GST	3,807,100.00	13,825,227.28	3,090,459.62	12,476,814.95
Administration Fees (including GST)	378,855.58	1,520,724.95	398,447.15	1,618,314.60
Net Income	3,419,244.42	12,304,502.33	2,692,012.47	10,858,500.35

Common Questions

- How is the income earned paid to investors?

Investors receive a portion of the Trust's net earnings based on the number of units that they hold. The net earnings are automatically reinvested into additional units.

- Does the value of my units change?

Since the inception of UMC Mutual Fund Trust, units have consistently been \$1.00 per unit. This is because the mortgages in the Trust are valued at cost and all earnings are reinvested in additional units at \$1.00 per unit.

- How do contributions and withdrawals work?

Investors can withdraw funds from the Trust by redeeming their units at fair market value. Conversely, investors can increase their stake in the Trust by purchasing additional units.

- What are the fees associated with the investing in UMC Mutual Fund Trust?

Investors of UMC Mutual Fund Trust do not directly pay administration fees on their individual units; however, UMC deducts an administration fee of 0.60% per year from the portfolio of assets held by the Trust. All income paid to unitholders is net of this fee.

- What rate of return can an investor in UMC Mutual Fund Trust expect to receive?

Like many investments, returns on UMC Mutual Fund Trust units are not guaranteed. The mortgages included in the Trust typically carry an interest rate between 7.00% and 9.75%; however, factors such as the proportion of cash in the portfolio and potential losses from defaults can influence the rate of return.

The projected return for the year ending December 31, 2023 is 6.50% before fees and 5.87% after fees¹.

- How frequently do investors in UMC Mutual Fund Trust receive reports, and what do they contain?

Investors in the Trust typically receive reports each quarter of the calendar year but can receive regular monthly reports upon request. The reports outline the performance of the Trust, comment on any problems with a particular mortgage in the Trust and outline the number of units outstanding with a summary of any contributions, withdrawals or reinvested income.

¹ Please note that this return is a projection and not a guarantee of future performance. Projected returns are calculated based on many factors, such as: estimated interest rates, average cash balances and projected bad debt expenses. Projected returns will usually vary from actual returns and investors should not rely on a projected return as a guaranteed source of income.

Details of Mortgage Investments

UMC Mutual Fund Trust invests exclusively in commercial mortgage investments. Invested funds are loaned to commercial borrowers who develop projects such as: office buildings, hotels, apartment buildings, condominiums, strip malls, etc. The mortgages earn interest income from the monthly payments received.

UMC arranges each mortgage investment and reviews all mortgage applications to ensure that they are suitable for investors. The following guidelines are used to determine which mortgages are selected for UMC Mutual Fund Trust:

- The mortgage must be the first financial charge;
- The loan to value at the time of the final advance is not to exceed 75.00% of the value of the security;
- The maximum to be invested in any new mortgage is not to exceed 10.00% of the total amount of the portfolio's gross assets being managed at the time of the advance;
- The maximum to be invested in mortgages to one borrower shall not exceed 20.00% of the total amount of the portfolio's gross assets being managed at the time of the advance;
- The portfolio shall not have more than 40.00% of the portfolio maturing in any particular year; and
- The portfolio is to be additionally diversified in terms of location and property type.

UMC obtains the personal guarantees of all owners of the borrowing company, including the corporate guarantees of all associated companies. Additional security is obtained in the form of:

- Minimum amounts that are to be maintained in the retained earnings or shareholder accounts in the borrowing company;
- Specific assignment of lease payments ;
- General assignment of lease payments;
- Specific charge on chattels owned by the borrower (i.e. vehicles);
- Charge on all future assets owned by the company; and
- Insurance coverage on the building being financed for a minimum amount of the loan amount.

Once a mortgage is funded, UMC ensures the security is always kept current, and that the borrowing company is a good financial risk. This is done by monitoring the following items:

- Confirmation of insurance coverage is received prior to the insurance renewal date, each year. This is reviewed to ensure that it complies with the coverage required in the mortgage commitment letter;
- Annual financial statements prepared on a review basis by a recognized firm of accountants. Once these are received, they are reviewed to ensure that all parameters outlined in the commitment letter to the borrower have been maintained;
- Proof that the annual property taxes, and any land lease payments have been made and are on a current basis;
- The mortgage payments, to ensure that they are received on a monthly basis as outlined in the commitment letter to the borrower.

The selection of mortgage and real estate investments is also based on an ethical policy that flows from our adherence to The Canadian Institute of Mortgage Brokers and Lenders Code of Ethics.

Specifically, investment choices are not to be used, either directly or indirectly, for any of the following or contain the following tenants, chattels or equipment:

- Illegal uses as defined by current Albertan and/or Canadian Laws;
- A facility that permits any type of gambling, (for example, but not limited to: VLT's, bingo halls, racetracks);
- A liquor store or recreational cannabis related businesses;
- Slum Housing (defined as a poor-quality residential development where the owners/landlords take advantage of the tenants);
- A "cash-stop" or similar operation.

Firm Information

Background

Founded in 1978, UMC Financial Management Inc. (“UMC”) is an Edmonton based independently owned and operated financial and investment consulting firm comprised of a group of individuals whose key focus is to help clients achieve financial success.

Since its inception, UMC has managed commercial and residential first mortgage investments for various non-profit groups, small businesses, universities and individuals across Canada. Having experienced considerable growth since 1978, UMC now manages over \$340,000,000 in client assets.

On March 31, 2011 UMC became registered as an Exempt Market Dealer and a Restricted Portfolio Manager in several jurisdictions across Canada. These registrations were required under new securities legislation for mortgage investment entities. To further adapt to these changes UMC began the creation of UMC Mutual Fund Trust to pool the assets of several of its individual mortgage portfolios into one large mortgage portfolio to operate alongside its original investment model. The Trust allows UMC to more effectively operate in the current regulatory environment in addition to helping clients to receive increased diversification and potentially greater returns.

On November 8, 2012 UMC gained additional registration as an Investment Fund Manager, and on January 1, 2013 the first units of UMC Mutual Fund Trust were issued. At December, 2022, the fund has grown to over 300 participants holding \$238,747,016.88 in assets under administration.

Portfolio Management Team

UMC's team consists of fifteen individuals who provide financial management services to our clients. Working as a team, these individuals use their expertise and experience to ensure proper service is provided. The key individuals of the portfolio management team are as follows:

CLÉMENT LAVOIE, CFA: Clément has the responsibility for the monitoring of all investment portfolios and the daily management of all of our real estate investments. He is also responsible for the day-to-day analysis of the portfolios and markets. Clément assumes responsibility of investor relations and analysis of potential real estate investments. Clément is also the firm's Chief Compliance Officer and is registered as an Advising Representative and a Dealing Representative in several jurisdictions across Canada. He has over 30 years of experience with UMC.

LISA PUECH: Lisa is responsible for the daily administration, investor reporting and the security administration for all the investments under our management. She has experience in the administration of all mortgage assets including the monitoring and verification of all investment security. She has over 35 years of experience with UMC.

DANEKA-LEE PUECH: Daneka is responsible for the accounting area as well as the compliance with both the Real Estate Council of Alberta and the Alberta Real Estate Association. She also manages the mortgage analysis personnel and performs the analysis of potential mortgage investments. She has over 41 years of experience with UMC.

KYLE PEDERSON, CFA: Kyle assists with the monitoring of all investment portfolios and the daily management of all our real estate investments as well as providing assistance in the planning of investor portfolios and preparation of investor reports. Kyle is also registered as an Advising Representative and a Dealing Representative in several jurisdictions across Canada. Kyle has over 11 years of experience with UMC.

Compliance and Transparency

UMC is licenced as an Exempt Market Dealer, Restricted Portfolio Manager in Alberta, British Columbia, Manitoba, Newfoundland and Labrador, Northwest Territories, Nunavut, Ontario, Quebec and Saskatchewan. UMC is also licenced as an Investment Fund Manager in Alberta, Quebec, and Newfoundland & Labrador. As a registered firm, UMC submits its corporate annual and quarterly financial statement information to the Alberta Securities Commission.

UMC recommends that all current and potential clients confirm the registration of the firm and its individual advising and dealing representatives at least once. The Canadian Securities Administrators has a website that allows investors to verify a firms' and individuals' registration in every jurisdiction in Canada. Verifying UMC's registration is a quick and simple process:

1. Go www.aretheyregistered.ca and click on "check now"
2. Select "firm" and click "next"
3. Type in UMC Financial Management Inc.

Individuals working at UMC can also be verified:

1. Go www.aretheyregistered.ca and click on "check now"
2. Select "individual" and click "next"
3. Type in "Clement Lavoie" or "Kyle Pederson"

UMC follows International Financial Reporting Standards (IFRS) and undergoes regular audits by an independent third party. Each audit is effective July 31 and encompasses UMC mortgage investments, trust accounts and UMC's corporate financials. Specifically, some of the items that are reviewed are:

- Funds are deposited in a timely manner into the correct accounts;
- Transactions are recorded both accurately and in a timely manner;
- There is no co-mingling (mixing of) funds between investor, borrower or corporate funds;
- Bank accounts are reconciled in a timely manner; and
- Bank accounts are approved on a monthly basis, by a partner in the firm.

Appendix I

Professionals Supporting UMC

Our Corporate Lawyer:

Bruce G. Neill Professional Corporation
103, 14020 – 128 Avenue, NW
Edmonton, AB

Mr. Bruce G. Neill (780) 488-4152

Our Corporate Auditor:

Kingston Ross Pazak LLP
Suite 1500, 9888 Jasper Avenue, NW
Edmonton, AB

Mr. Neil Cockburn, FCPA, FCA, CFP, TEP (780) 434-6161

Our Corporate Bank:

The Bank of Nova Scotia
10050 Jasper Avenue
Edmonton, AB

Mr. Michael Walker (780) 448-7671

Our Insurance Agent:

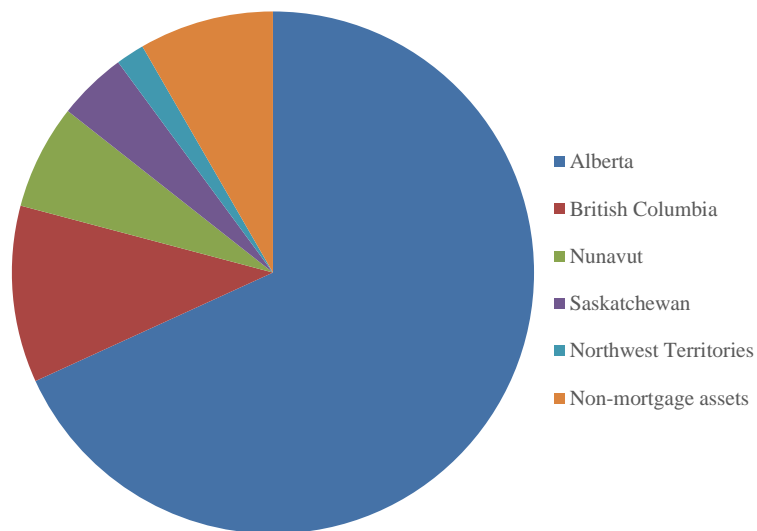
Robinson Dale Insurance Ltd.
#1180, 10040 – 104 Street
Edmonton, AB

Mr. Daniel Robinson (780) 424-7287

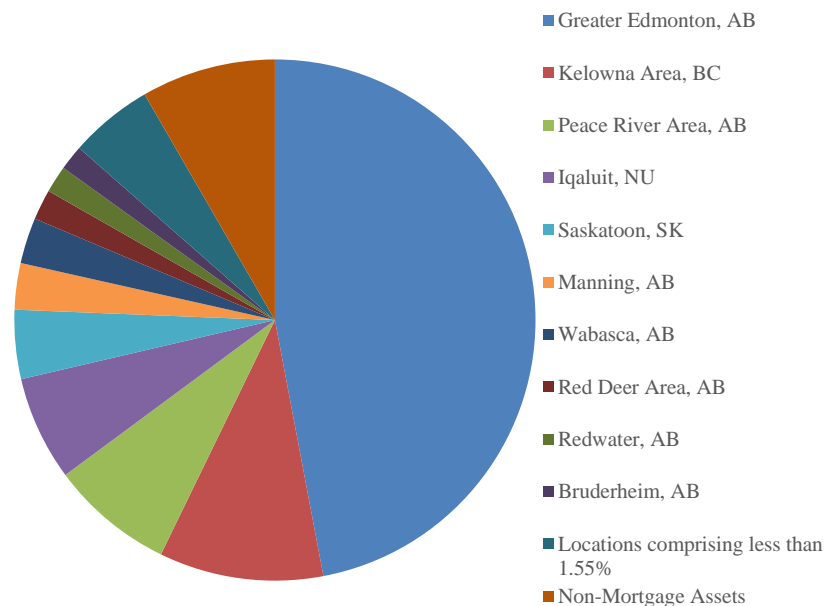
Appendix II

Breakdown of UMC Mutual Fund Trust by Location

Location by Province	% Total Assets
Alberta	68.18%
British Columbia	10.96%
Nunavut	6.49%
Saskatchewan	4.28%
Northwest Territories	1.76%
<i>Non-Mortgage Assets</i>	8.33%
Total	100.00%



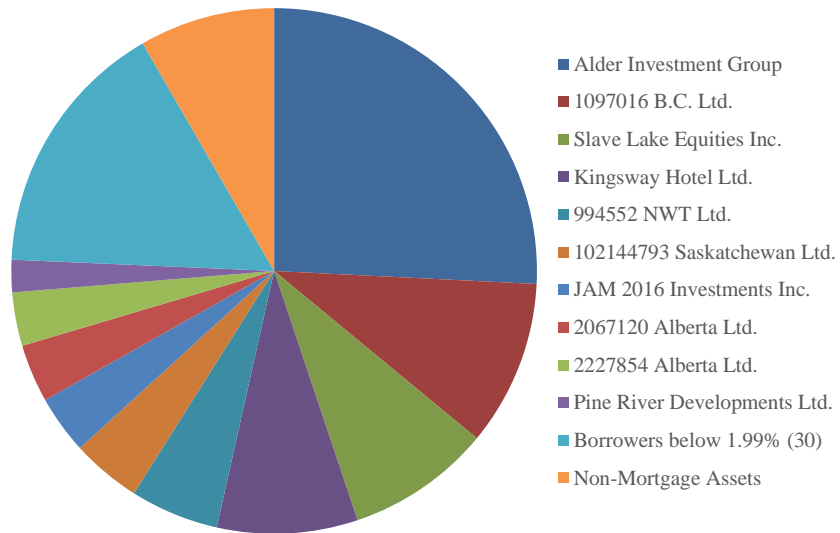
Location by Region	% Total Assets
Greater Edmonton, AB	47.02%
Kelowna Area, BC	10.19%
Peace River Area, AB	7.66%
Iqaluit, NU	6.49%
Saskatoon, SK	4.28%
Manning, AB	2.88%
Wabasca, AB	2.84%
Red Deer Area, AB	1.89%
Redwater, AB	1.68%
Bruderheim, AB	1.55%
Inuvik, NT	0.94%
Whitecourt, AB	0.89%
Yellowknife, NT	0.83%
Fernie, BC	0.62%
Parkland County, AB	0.56%
Jasper, AB	0.48%
Sylvan Lake, AB	0.34%
Fort McMurray, AB	0.22%
Hinton, AB	0.12%
Castlegar, BC	0.09%
Peachland, BC	0.05%
Edson Area, AB	0.04%
Camrose, AB	0.01%
<i>Non-Mortgage Assets</i>	8.33%
Total	100.00%



Appendix III

Breakdown of UMC Mutual Fund Trust by Borrower

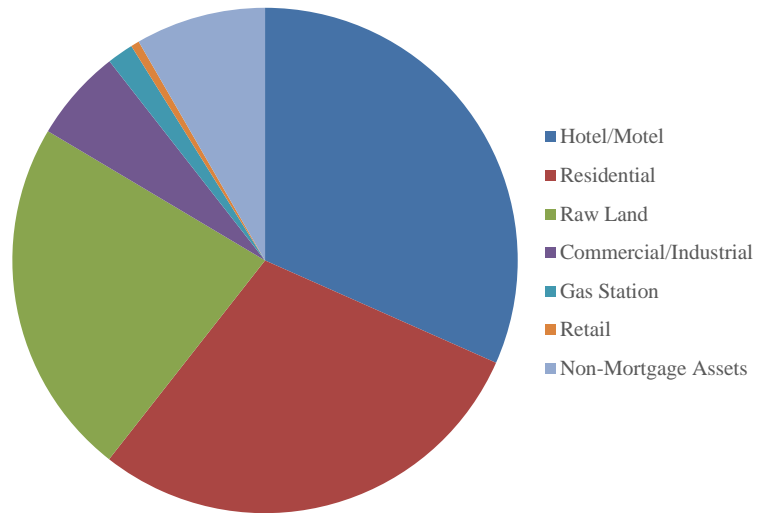
Borrower	% Total Assets
Alder Investment Group	25.79%
1097016 B.C. Ltd.	10.19%
Slave Lake Equities Inc.	8.88%
Kingsway Hotel Ltd.	8.65%
994552 NWT Ltd.	5.45%
102144793 Saskatchewan Ltd.	4.28%
JAM 2016 Investments Inc.	3.59%
2067120 Alberta Ltd.	3.58%
2227854 Alberta Ltd.	3.29%
Pine River Developments Ltd.	1.99%
Borrowers below 1.99% (30)	15.98%
<i>Non-Mortgage Assets</i>	8.33%
Total	100.00%



Appendix IV

Breakdown of UMC Mutual Fund Trust by Property Type

Project Type	% Total Assets
Hotel/Motel	31.64%
Residential	28.95%
Raw Land	22.96%
Commercial/Industrial	5.90%
Gas Station	1.68%
Retail	0.54%
<i>Non-Mortgage Assets</i>	8.33%
Total	100.00%



Appendix V

Legal Structure

UMC Mutual Fund Trust is an unincorporated open-ended trust and qualifies as a mutual fund trust under the *Income Tax Act*. UMC Mutual Fund Trust and UMC GP Inc. form a limited partnership, UMC LP, which jointly owns the pool of mortgage investments. Investors purchase units of UMC Mutual Fund Trust, representing their proportional ownership in the Trust and entitling them to that proportion of income received from UMC LP. The fund is designed to be a flow-through entity, whereby all net income earned is paid to the investors as taxable income and no taxes are paid directly by the fund.

The following diagram will help illustrate this structure:

