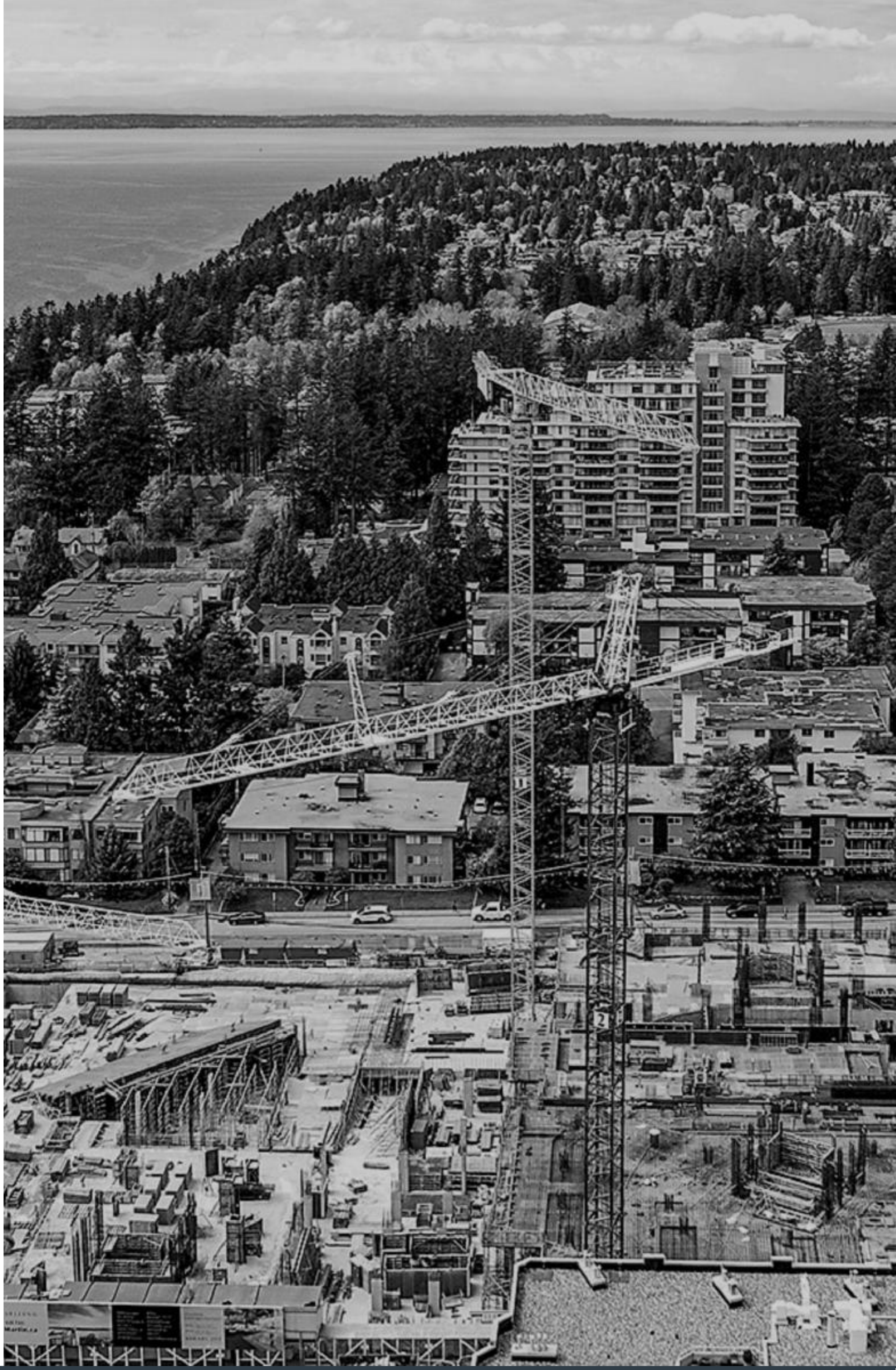
Romspen Mortgage Investment Fund

Q2 2020 Report



ROMSPEN

ROMSPEN

Romspen has a long-term track record of successful mortgage investing. With its origins in the mid-1960s, Romspen is one of the largest non-bank commercial/industrial mortgage lenders in Canada with a portfolio in excess of $3.3 billion. Our investors are high net worth individuals, foundations, endowments and pension plans.

The Fund's investment mandate is focused on capital preservation, strong absolute returns, and performance consistency.

We originate, own and service short-term first mortgages tailored to specific borrower requirements. Loans are conservatively underwritten and we keep to a limited, but diversified, pool of mortgages to maintain a "high-touch" approach to investing.

Romspen has had 25 consecutive years of positive net investor yields[1] (7.4% - 10.8%).

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[1]Yield is calculated based on net monthly compounded cash distributions to unitholders, based on a $10.00/unit price without any adjustment for unit gains/losses.

Trustees' Letter

Dear Fellow Investors:

Romspen's financial performance in the second quarter of 2020 was solid, despite the continuing impact of COVID-19 disruptions. On a year-to-date and trailing-twelve-month basis, the Fund has continued to strongly outperform most of the comparative benchmarks. The global COVID-19 pandemic and its economic impact is likely to present continued challenges to all aspects of health, finance and lifestyles through 2021.

Comparative Performance

The compounded net yield to unitholders for the six months of 2020 was 2.8% versus 3.7% a year ago. In comparison, T-bills, FTSE/TMX Short-Term Bond Index ("FTSE/TMX-STBI"), and the S&P/TSX yielded 0.4%, 4.0%, and -7.5% respectively on a year-to-date basis.

For the twelve-month period ended June 30, 2020 the Fund's compounded net yield to unitholders was 6.7%, whereas T-bills, FTSE/TMX-STBI, and S&P/TSX yielded 1.2%, 4.5%, and -2.2% respectively.

Financial Highlights

Net earnings for the second quarter of 2020 were $19.4 million or $0.06 per unit compared to $42.9 million or $0.16 per unit a year ago. Earnings were 55% lower than in 2019 due to the negative impact of COVID-19 on mortgage interest collection and an increase to the loss provision. Unitholder distributions were $0.12 per unit during the second quarter versus $0.18 a year ago. The Fund had $230.1 million of net debt (debt less cash) compared to no net debt a year ago.

At June 30, 2020 the net investment portfolio (164 mortgages and investments) was $3.2 billion, an increase of 22% compared to the second quarter of 2019. Investors held units totalling $3.1 billion compared to $2.7 billion last year. The Fund's mortgage portfolio and earnings remain well diversified by property type, geography, size and currency. Canadian mortgages comprised 53% of the Fund, same as last year, with the majority concentrated in Ontario (20%) and BC (20%). US mortgages comprised 47% of the Fund. There was a total of 82 US mortgages across 18 states with the largest concentrations in California (30%), Texas (15%) and Florida (14%).

The weighted average interest rate of the mortgage portfolio at June 30, 2020 was 10.4% compared to 10.3% a year ago. The total loss provision at quarter end increased to $97.6 million ($0.31 per unit) from $68.5 million a year ago to maintain a solid margin of safety given the uncertainty of COVID-19.

Net Asset Value ("NAV") at June 30, 2020 was lower at $9.88 per unit compared to $9.91 per unit last year. At quarter end, approximately 89% of the Fund's foreign exchange exposure was hedged.

Non-performing loans in the mortgage portfolio have spiked to 32%, reflecting the challenges borrowers are experiencing in this unprecedented environment. It will require patience during this challenging economic downturn to work these loans through to a successful conclusion versus taking short-term actions, which typically result in sub-optimal outcomes. Our extensive experience in managing these non-compliant loans has typically resulted in lower returns and extended repayment terms but only modest realized losses.

A number of loans have required forbearance terms, some projects have been delayed due to construction logistics, municipal approval delays and slow purchaser uptake, while loan repayments have slowed considerably as economic uncertainty has impacted borrowers' abilities to refinance and sell properties. The pronounced slowdown in business activity has impacted the normal lending-interest collection-repayment cycle and we are having to adapt our business model to this reality in the short term which has impacted our typical distribution and redemption pattern. This is an expected outcome under the current conditions and will in all likelihood slowly resume a more normal pattern as conditions eventually stabilize.

In accordance with the International Financial Reporting Standards, the financial statements of the Fund are unconsolidated, which provides limited insight into the true performance of the Fund. To provide useful and comparable information, a set of combined financial statements similar to previous reporting, has been included in the Management's Discussion and Analysis ("MD&A", pp. 7). It is encouraged that these financials in the MD&A be used as the primary reference point.

Outlook

The COVID-19 pandemic continues to affect confidence as the economy undergoes wide-spread adjustments. An extended period of difficulty continued physical distancing and uncertainty will continue to restrain economic activity. Despite some positive macroeconomic data and decisive government action, there is still considerable uncertainty regarding the future path of the economy.

Unlike past recessions, the current economic downturn was not caused by structural imbalances but rather by an exogenous health event and government responses to contain it. At the end of June, global equity markets staged a rally unprecedented in terms of speed and magnitude on the basis that greater capacity for a swift economic rebound exists. The cycle remains fragile and uncertain with multiple opportunities to disappoint. Market volatility will remain constant as the world negotiates a long, painful and delicate path out of the economic carnage wrecked by the pandemic.

In Canada, health and economic indicators have been moving in the right direction, but pre-pandemic, the economy faced a softened outlook due to the impact of dramatically lower oil prices. Unlike the US, COVID-19 cases are declining, and government policies appear to have blunted the economic impact as economic indicators are moving in the right direction. In July, the Bank of Canada left interest rates unchanged at 0.25% and for the first time in six months, issued an economic forecast which projected that, despite any short-term rally, GDP would inevitably shrink and both businesses and individuals "can expect to face an extended period of difficulty". In addition, as a result of injecting $250 billion into the economy to keep it afloat, Canada is facing a credit rating downgrade from AAA to AA+ from Fitch Ratings.

In March, as the pandemic unfolded in the US, one in four American workers filed for jobless benefits over a span of 10 weeks. Policy makers rapidly rose to the challenge with the Fed unleashing massive monetary stimulus and Congress passing a nearly $2 trillion stimulus package targeting individuals, businesses as well as state and local governments. The execution of the plan has been uneven, but there is growing evidence, that in the short term, it has been successful in supporting the economy and improving consumer confidence. The ongoing mismanagement of policies to contain the spread of the virus is a tremendous concern as the US now boasts the largest number of COVID-19 cases in the world and the number keeps climbing. The real impact of the pandemic has yet to be felt in a country where it is estimated that 41% of households struggle with an emergency expense of $400 or more.

The impact of COVID-19 on Commercial Real Estate ("CRE") is being felt unevenly across sectors with hospitality, retail, aviation related industries and personal services bearing the brunt of the dislocation. The industrial sector is experiencing the least impact as are single family homes, particularly in the US. Multi-family residential is generally holding up well with some variations across geographies and to date, the office sector has held up well.

The full impact of the pandemic on CRE prices will not be evident until sometime in 2021 as deferrals and forbearance burn off and the expectations of buyers and sellers are reset. In this environment, very limited transaction volumes, not to mention the inability to travel to inspect properties, make it impossible to ascribe meaningful valuations to properties. As one might expect, no one is selling at a loss in this environment, unless they are forced to, and as is typical in real estate, this process will move at a slow pace, in contrast to public markets.

At Romspen we are focusing our attention on the existing portfolio of mortgages and working with current borrowers rather than extending loans to new projects. As happened during the last financial crisis, we are starting to see better quality projects and transactions as financing becomes more difficult to come by and competitors, who rely on bank financing are withdrawing.

Many of our borrowers are challenged to make their monthly interest payments which has resulted in decreased distributions. We are also setting aside additional funds for the loan loss reserve as we anticipate that there will be more non-performing loans as a consequence of the recession, and this too leaves less income to fund distributions.

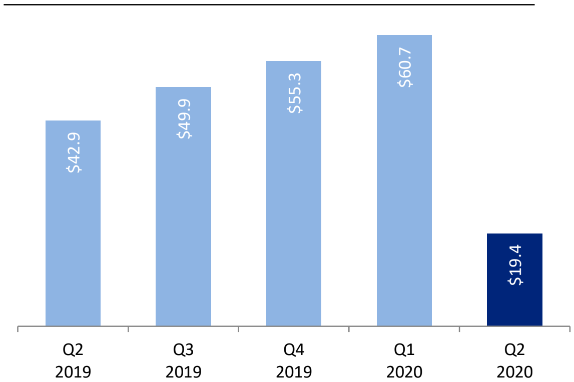
It is during times like this that we are grateful that we have stuck with our rigorous underwriting standards, even as many competitors were willing to lend funds at lower rates with fewer covenants making it difficult for our team to place capital. Having an unlevered, well diversified portfolio of first lien mortgages, underwritten at approximately a 65% LTV in an environment like this, provides a solid position from which to wait the current storm.

Sheldon	Mark	Arthur	Wesley
Esbin	Hilson	Resnick	Roitman

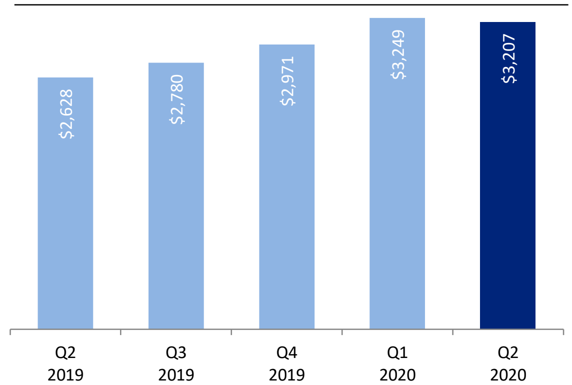
Trustees of the Fund, July 31, 2020

Key Metrics

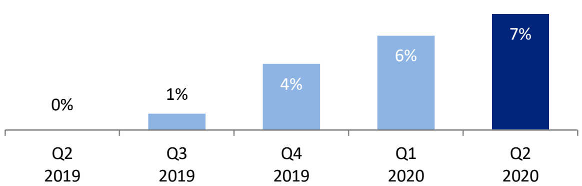
Net Earnings ($millions)



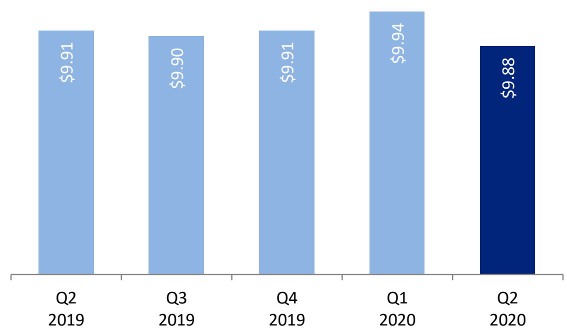
Net Investment Portfolio ($millions)



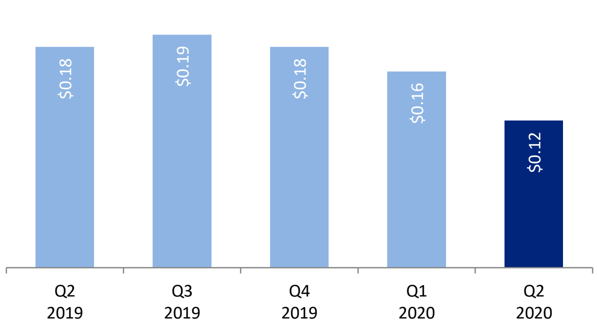
Net Leverage (% of net investment portfolio)



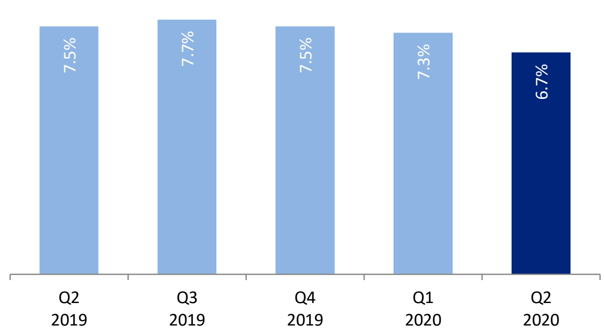
Net Asset Value ($/unit)



Unitholder Distributions ($/unit)



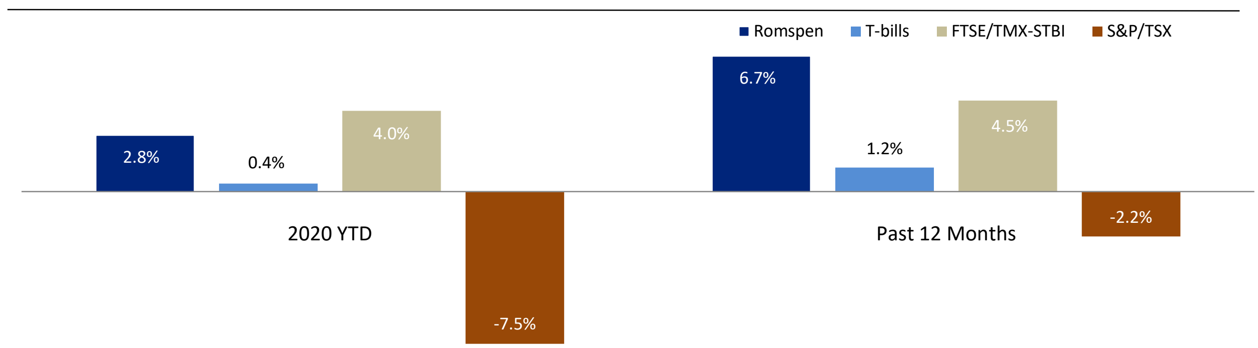
Trailing-12-Months Net Compounded Yield[1]



[1] Yield is calculated based on net monthly compounded cash distributions, based on a $10.00/unit price without any adjustment for unit gains/losses on sale/redemption

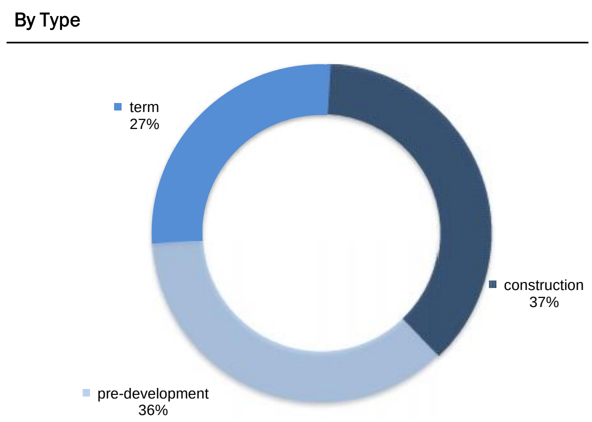
Comparative Performance

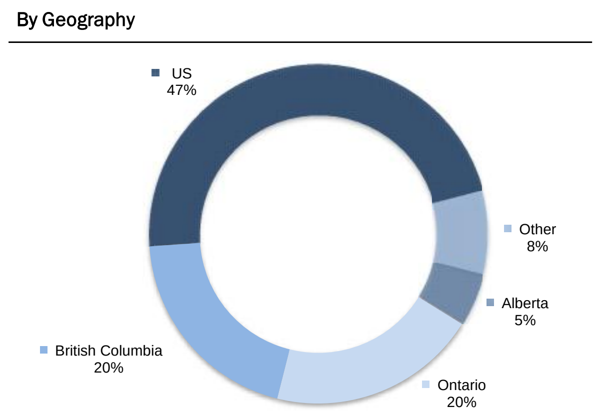
Net Compounded Yield - %[2]
As of June 30, 2020

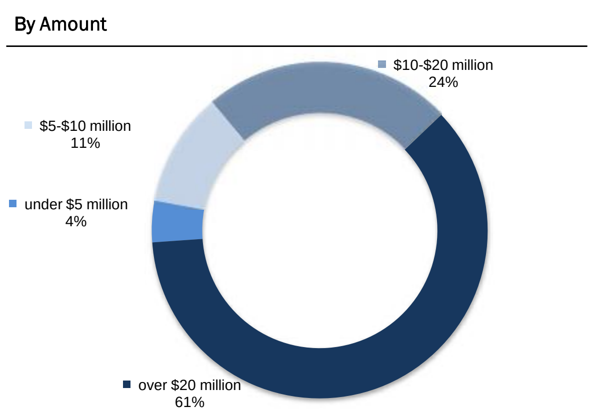


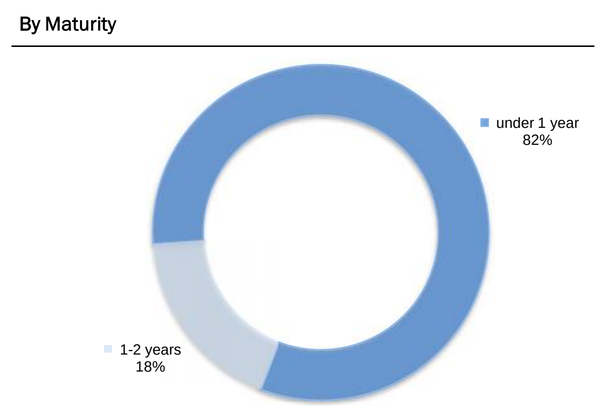
Investment Portfolio Profile

As of June 30, 2020









[2]Romspen yield is calculated based on net monthly compounded cash distributions, based on a $10.00/unit price without any adjustment for unit gains/losses. Comparative returns are gross figures.

MANAGEMENT'S DISCUSSION & ANALYSIS

Responsibility of Management

This Management's Discussion and Analysis ("MD&A") for Romspen Mortgage Investment Fund (the "Fund") should be read in conjunction with the financial statements and notes thereto for the quarter ended June 30, 2020 included herein and the audited financial statements and MD&A for the year ended December 31, 2019. Investment in the Fund is subject to certain risks and uncertainties described in the Fund's Offering Memorandum, which should be read in conjunction with this MD&A. These documents are available on our website at: www.romspen.com.

Management is responsible for the information disclosed in this MD&A. The Fund has in place appropriate procedures, systems and controls to ensure such information is materially complete and reliable. In addition, the Fund's trustees have reviewed and approved the MD&A and the financial statements for the quarter ended June 30, 2020.

This MD&A contains certain forward-looking statements and non-IFRS financial measures; see "Forward-Looking Statements" and "Non-IFRS Financial Measures".

Forward-Looking Statements

From time to time, the Fund makes written and verbal forward-looking statements. These are included in its quarterly and annual MD&A, Fund presentations and other Fund communications.

Forward-looking statements include, but are not limited to, business objectives and targets, strategies, operations, anticipated financial results, and the outlook for the Fund, its industry and the Canadian economy. These statements regarding future performance are "financial outlooks" within the meaning of National Instrument 52-102. Forward-looking statements are typically identified by words such as "believe", "expect", "anticipate", "estimate", "plan", "may", and "could" or other similar expressions. By their very nature, these statements require us to make assumptions and are subject to inherent risks and uncertainties, general and specific, which may cause actual results to differ materially from the expectations expressed in the forward-looking statements. These risks and uncertainties include, but are not limited to, global capital markets activity, changes in government monetary and economic policies, changes in interest rates, changes in foreign exchange rates, inflation levels and general economic conditions, legislative and regulatory developments, disruptions from the outbreak of viruses and pandemics, competition and technological change.

The preceding list of possible factors is not exhaustive. These and other factors should be considered carefully and readers are cautioned not to place undue reliance on these forward-looking statements. The Fund does not undertake to update any forward-looking statements, whether written or verbal, that may be made from time to time by it or on its behalf except as required by securities laws.

Non-IFRS Financial Measures

This MD&A contains certain non-IFRS financial measures. A non-IFRS financial measure is defined as a numerical measure of the Fund's historical or future financial performance, financial position, or cash flows that excludes amounts, or is subject to adjustments that have the effect of excluding amounts, that are included in the most directly comparable measure calculated and presented in accordance with IFRS in the financial statements or includes amounts, or is subject to adjustments that have the effect of including amounts, that are excluded from the most directly comparable measure so calculated and presented. Non-IFRS financial measures disclosed herein are meant to provide additional information and insight regarding the historical operating results and financial position of the Fund. These measures are not in accordance with, or a substitute for, IFRS and may be different from, or inconsistent with, non-IFRS financial measures used by others.

Introduction

The Fund is an unincorporated closed-end investment trust established under the laws of the Province of Ontario pursuant to a trust indenture dated as at May 20, 2005. The Fund is a non-bank lender providing and investing primarily in short and medium-term commercial mortgages. The Fund is the sole limited partner in Romspen Mortgage Limited Partnership (the "Partnership") and conducts its lending activities primarily through the Partnership. The objective of the Fund is to provide stable and secure cash distributions of income while preserving equity.

Romspen Investment Corporation ("Romspen") is the Fund Manager and acts as the primary loan originator, underwriter and syndicator for the Partnership. Romspen also acts as administrator of the Fund's affairs. Romspen and its principals, through predecessor companies, have been in the business of mortgage origination, servicing and syndication since 1966.

The Fund commenced operations on January 16, 2006, and raised $158.9 million pursuant to the Exchange Offering, whereby Romspen's investors exchanged their syndicated mortgage interests for units of the Fund, and $15.3 million pursuant to the Unit Offering described in its Offering Memorandum dated March 15, 2005.

On June 22, 2007, new federal legislation came into force that altered the taxation regime for specified investment flow-through trusts or partnerships ("SIFT") (the "SIFT Rules"). Under the SIFT Rules, certain distributions from a SIFT are no longer deductible in computing a SIFT's taxable income and a SIFT is subject to tax on such distributions at a rate that is substantially equivalent to the general corporate tax rate. Distributions paid by a SIFT as returns of capital are not subject to the tax. As its units are not listed on a stock exchange or other public market, the Fund is not subject to the SIFT tax regime.

The Offering Memorandum, financial statements and additional information on the Fund are available and updated regularly on the Fund's website at: www.romspen.com. Unitholders who would like further information may also contact the Investor Relations department of the Fund at: 416-966-1100.

Portfolio

As of June 30, 2020, the Fund's mortgage and investment portfolio (the "Portfolio"), net of fair value provisions, was $3.2 billion compared to $2.6 billion at June 30, 2019. This increase of $0.6 billion or 22% reflects the increased activity in mortgage markets supported by a solid inflow of investor capital. The Portfolio included 164 mortgages and investments versus 156 at the same time last year.

Approximately 97% of the Portfolio was invested in first mortgages at June 30, 2020 (June 30, 2019 — 99%). The weighted average interest rate of the Portfolio was 10.4%, versus 10.3% a year ago.

The Portfolio continues to consist mainly of short-term mortgages to third parties and mortgages to the Fund's subsidiaries. Approximately 82% of the Portfolio's investments mature within one year (June 30, 2019 — 86%) and 100% mature within two years (June 30, 2019 — 97%). In addition, all our mortgages are open for repayment prior to maturity. The short-term nature of the Fund's portfolio permits opportunities to continually and rapidly evolve in response to changes in the real estate and credit markets. The Fund Manager believes this flexibility is far more important in our market niche than securing long-term fixed interest rates.

As of June 30, 2020, approximately 20% of our investments were in Ontario, compared to 21% a year ago. Approximately 25% of the Portfolio was invested in Western Canada, 8% in other provinces and 47% in the US. The Fund Manager believes this broad level of North American diversification adds stability to the Fund's performance by reducing dependency on the economic activity and cycles in any given geographic region.

Total fair value provisions as of June 30, 2020 were $97.6 million, which represented 3% of the original cost of the Fund's investments or $0.31 per unit outstanding as at June 30, 2020. During the first six months of 2020, the Fund realized $2.4 million of losses in the Portfolio for which provisions had been made. The establishment of the fair value provision is based on facts and interpretation of circumstances relating to the Fund's portfolio. Thus, it is a complex and dynamic process influenced by many factors. The provision relies on the judgment and opinions of individuals on historical trends, prevailing legal, economic and regulatory trends, and expectations of future developments. The process of determining the provision necessarily involves risk that the actual outcome will deviate, perhaps substantially, from the best estimates made. The fair value provision will continue to be reviewed by the Fund Manager and the Fund's trustees on a regular basis and, if appropriate, will be adjusted.

Financial Presentation

In an effort to continue to provide valuable, transparent and comparable information, a set of non-IFRS combined financial statements are provided in the following pages, consistent with past reporting practices. It is highly recommended that the following unaudited financial statements in the MD&A continue to be used as the primary reference point.

Non-IFRS financial information

Combined Balance Sheet

June 30, 2020, with comparative information for 2019

Below is the combined balance sheet of the Fund and its wholly owned subsidiary, Romspen Mortgage Limited Partnership:

(In thousands of dollars, unless otherwise noted)	June 30, 2020	December 31, 2019	June 30, 2019
Assets			
Cash	$ 79,969	$ 12,848	$ 70,341
Accrued interest receivable	143,327	109,923	79,170
Mortgage investments	2,099,314	2,020,032	1,761,120
Investment in subsidiaries	524,029	496,357	470,884
Investment in TIG Romspen US Master Mortgage LP	598,759	470,017	398,554
Other assets	8,264	7,521	5,418
	$ 3,453,662	$ 3,116,698	$ 2,785,487
Liabilities and Unitholders' Equity			
Revolving loan facility	$ 310,033	$ 119,000	$ 39,261
Accounts payable and accrued liabilities	6,135	3,319	4,436
Foreign exchange forward contracts	12,916	(18,225)	(4,101)
Prepaid unit capital	-	4,522	11,000
Unitholders' distributions payable	12,621	18,129	16,461
	341,705	126,745	67,057
Units submitted for redemption	194,329	29,821	15,470
Unitholders' equity	2,917,628	2,960,132	2,702,960
	$ 3,453,662	$ 3,116,698	$ 2,785,487

Non-IFRS financial information

Combined Statement of Earnings

Six months ended June 30, 2020, with comparative information for 2019

Below is the combined statement of earnings of the Fund and its wholly owned subsidiary, Romspen Mortgage Limited Partnership:

(In thousands of dollars, except per unit amounts, unless otherwise noted)	**3 Months ended June 30, 2020**	3 months ended June 30, 2019	**6 Months ended June 30, 2020**	6 months ended June 30, 2019
Revenue				
Mortgage interest	**$ 46,654**	$ 53,048	**$ 102,670**	$ 102,896
Income from Investment in TIG Romspen US Master Mortgage LP	**7,959**	7,168	**16,568**	13,763
Other	**1,314**	1,003	**2,288**	2,538
Realized gain (loss) on foreign exchange	**(24,863)**	(1,984)	**(23,363)**	(5,124)
Unrealized gain (loss) on foreign exchange	**16,252**	(7,481)	**29,442**	(10,292)
	47,316	51,754	**127,605**	103,781
Expenses				
Management fees	**6,793**	5,802	**13,404**	11,499
Interest	**3,263**	872	**5,235**	3,121
Change in fair value of mortgage investments and investment in subsidiaries	**16,300**	(5,001)	**22,900**	(1,501)
Realized loss on mortgage investments	**392**	6,099	**2,412**	6,562
Other (gains) losses	**215**	(50)	**1,436**	(358)
Audit fees	**82**	64	**165**	137
Legal fees	**11**	15	**13**	36
Other	**862**	1,029	**1,908**	1,991
	27,918	8,830	**47,473**	21,487
Net earnings	**$ 19,398**	$ 42,924	**$ 80,132**	$ 82,294
Net earnings per unit	**$ 0.06**	$ 0.16	**$ 0.26**	$ 0.31
Weighted average number of units issued and outstanding	**313,987,676**	270,351,890	**311,688,689**	261,926,160

Non-IFRS financial information

Combined Statement of Changes in Unitholders' Equity

Six months ended June 30, 2020, with comparative information for 2019

Below is the combined statement of changes in unitholders' equity of the Fund and its wholly owned subsidiary, Romspen Mortgage Limited Partnership:

(In thousands of dollars, except per unit amounts, unless otherwise noted)	June 30, 2020	December 31, 2019	June 30, 2019
Unit capital			
Balance, beginning of year	$ 2,985,145	$ 2,445,464	$ 2,445,464
Issuance of units	188,099	694,637	341,102
Redemption of units	(59,158)	(139,728)	(59,746)
Decrease (increase) in units submitted for redemption	(164,508)	(15,228)	(877)
Balance, end of period	$ 2,949,578	$ 2,985,145	$ 2,725,943
Cumulative earnings			
Balance, beginning of year	$ 1,153,551	$ 966,055	$ 966,055
Net earnings	80,132	187,496	82,294
Balance, end of period	$ 1,233,683	$ 1,153,551	$ 1,048,349
Cumulative distributions to unitholders			
Balance, beginning of year	$ (1,178,564)	$ (977,092)	$ (977,092)
Distributions to unitholders	(87,069)	(201,472)	(94,240)
Balance, end of period	$ (1,265,633)	$ (1,178,564)	$ (1,071,332)
Unitholders' equity	$ 2,917,628	$ 2,960,132	$ 2,702,960
Units issued and outstanding, excluding units submitted for redemption	295,183,099	298,825,757	272,666,571

Non-IFRS financial information

Combined Statement of Cash Flows

Six months ended June 30, 2020, with comparative information for 2019

Below is the combined statement of cash flows of the Fund and its wholly owned subsidiary, Romspen Mortgage Limited Partnership:

(In thousands of dollars, unless otherwise noted)	3 Months ended June 30, 2020	3 months ended June 30, 2019	6 Months ended June 30, 2020	6 Months ended June 30, 2019
Cash provided by (used in):				
Operations				
Net earnings	$ 19,398	$ 42,924	$ 80,132	$ 82,294
Items not affecting cash:				
Amortization of revolving loan facility financing costs	124	93	248	186
Change in fair value of mortgage investments and investment in subsidiaries	16,300	(5,001)	22,900	(1,501)
Income from investment in TIG Romspen US Master Mortgage LP	(937)	(315)	70	(325)
Realized loss on mortgage investments	392	6,099	2,412	6,562
Unrealized (gain) loss on foreign exchange	(16,252)	36,875	(29,442)	10,292
Amortization of discount	-	(199)	-	(1,999)
Other (gains) losses	215	(50)	1,436	(358)
Change in non-cash operating items:				
Accrued interest receivable	(17,546)	3,040	(31,585)	3,184
Other assets	(683)	453	(1,551)	(172)
Accounts payable and accrued liabilities	1,531	350	2,649	1,066
	2,542	84,269	47,269	99,229
Financing				
Proceeds from issuance of units	8,146	168,216	142,635	292,739
Distributions paid to unitholders	(20,126)	(23,336)	(47,113)	(46,630)
Redemption of units	-	(31,966)	(59,158)	(59,746)
Prepaid unit capital	(3,075)	(33,850)	(4,522)	7,825
Change in revolving loan facility	55,000	(112,591)	192,055	(146,826)
	39,945	(33,527)	223,897	47,362
Investments				
Funding of mortgage investments	(53,999)	(232,848)	(151,653)	(379,964)
Discharge of mortgage investments	46,002	192,828	74,674	422,226
Net funding of investment in subsidiaries	(7,709)	(31,866)	(20,540)	(37,261)
Net funding of investment in TIG Romspen US Master Mortgage LP	(19,212)	(53,634)	(106,526)	(93,734)
	(34,918)	(125,520)	(204,045)	(88,733)
Increase (decrease) in cash	7,569	(74,778)	67,121	57,858
Cash, beginning of period	72,400	145,119	12,848	12,483
Cash, end of period	$ 79,969	$ 70,341	$ 79,969	$ 70,341

Investment in Subsidiaries

The controlled subsidiaries acquire control of properties in order to finish development and divest of the property with the goal of maximizing return to investors, which may involve, but not specifically require, the advancement of additional funds. These subsidiaries are not consolidated by the Fund and are summarized as follows:

(in thousands of dollars)

Name	Ownership	Description	Location	Jun 30, 2020
Guild	100%	Office complex	CA	$ 18,331
Camperdown	100%	Land for residential development	CA	1,246
Aspen Lakes	100%	Residential development	CA	13,833
Almonte	50%	Retail plaza	CA	5,763
Bear Mountain	100%	Office complex	CA	4,727
Liberty Ridge	100%	Residential subdivision	CA	57,163
Beach One	100%	Commercial development	CA	1,555
Planetwide	100%	Land for residential development	CA	4,808
Royal Oaks	100%	Residential subdivision	CA	11,860
Haldimand	100%	Landfill	CA	31,244
High Street	100%	Commercial/Residential	CA	24,257
Egreen	100%	Land for industrial development	CA	1,496
Carolina Golf	100%	Golf courses	US	53,751
LE Ranch	100%	Residential	US	21,690
Springville	100%	Land for commercial development	US	21,237
Big Nob	100%	Land for residential development	CA	13,341
RIC (Kash)	100%	Land for residential development	CA	2,111
Midland	100%	Land for residential development	CA	26,066
Kettle Creek	100%	Land for residential development	CA	60,108
Langford Lake	100%	Land for residential development	CA	31,484
Ponderosa	80%	Land for residential development	CA	41,704
Drought	100%	Land for residential development	CA	11,221
Northern Premier	100%	Land for industrial development	CA	10,463
Hampton Circle	100%	Residential construction	CA	5,201
Southpoint Landing	100%	Residential	CA	1,289
Cumberland Harbour	100%	Commercial	US	6,453
Robbinsville	100%	Commercial/Residential	US	5,632
RIC Hampton Inc.	100%	Commercial	CA	11,192
Environmaster	100%	Environment and recycling	CA	33,249
Kawartha Downs	100%	Leisure and entertainment	CA	16,478
Aura	100%	Residential development	US	15,495
Nisku	100%	Industrial predevelopment	CA	12,062
Napa Valley	100%	Residential development	US	6,374
				$ 582,884
		Fair Value Adjustment		(58,855)
				$ 524,029

Income Statement Highlights

Total revenues for the quarter ended June 30, 2020 were $47.3 million compared to $51.8 million in the previous year.

Net earnings for the quarter were $19.4 million compared to $42.9 million for the same period last year due to increase of the loss provision. The basic weighted average earnings per unit for the quarter were $0.06 per unit compared to $0.16 last year.

For the quarter ended June 30, 2020, the Fund distributed $37.7 million or $0.12 per unit versus $48.6 million or $0.18 per unit for the period ended June 30, 2019. The simple and compounded net yield to unitholders for the six-month period ended June 30, 2020 were 2.8% and 2.8% respectively.

Provision for losses on the Portfolio value reflected an increase of $16.3 million in the second quarter of 2020 while realized losses were $0.4 million compared to $6.1 million in the prior year. Management and other fees payable to the Fund Manager and other general and administrative expenses of the Fund were $7.7 million for the quarter ended June 30, 2020 compared to $6.9 million in the prior year. These expenses were marginally higher than the previous year and reflect the larger Portfolio value.

Balance Sheet Highlights

Total assets as of June 30, 2020 were $3.5 billion compared to $2.8 billion a year ago. Under IFRS, mortgages that are owed from subsidiary companies holding foreclosed properties have been reclassified from mortgage investments to investment in subsidiaries. Total assets are comprised primarily of mortgages recorded at fair market value, investment in subsidiaries, and accrued interest receivable. In addition, the Fund had $80.0 million of excess cash at the quarter end.

Total liabilities excluding units submitted for redemption as of June 30, 2020 were $341.7 million compared with $67.1 million a year earlier. Liabilities at the end of the second quarter were comprised mainly of a $310.0 million line of credit and $18.8 million in accounts payable and distributions payable to unitholders. Drawings under the revolving loan facility, together with net cash proceeds of the Unit Offering, are used to add to the Portfolio. The revolving loan facility bears interest not exceeding prime plus 1.0% and is secured by all assets of the Partnership and a pledge of all Partnership units held by the Fund. Net bank debt (debt less unrestricted cash) stood at $230.1 million (7% of the net Portfolio) at quarter end versus no net bank debt (0% of the net Portfolio) a year ago.

Unitholders' equity plus units submitted for redemption as of June 30, 2020 were $3.1 billion compared with $2.7 billion as of June 30, 2019. The increase is primarily from proceeds of issuances of $541.6 million in excess of redemptions of $139.1 million during the previous 12 months. There were a total of 314,844,060 units outstanding on June 30, 2020 compared to 274,227,119 on June 30, 2019. There are no options or other commitments to issue additional units.

Liquidity and Capital Resources

Pursuant to the trust indenture, 100% of the Fund's net taxable earnings are intended to be distributed to unitholders. This means that growth in the Portfolio can only be achieved through the raising of additional unitholder equity and utilizing available borrowing capacity. Pursuant to the Fund's investment policies, the Fund may borrow up to 35% of the book value of mortgages held by the Fund. As of June 30, 2020, borrowings totalled approximately 10% of the book value of investments held by the Fund compared to 1% as of June 30, 2019.

During the six months ended June 30, 2020, proceeds from the issuance of units net of redemptions and costs were $128.9 million compared to $281.4 million during the same period in 2019.

The Fund's mortgages are largely short-term in nature with the result that continual repayment by borrowers of existing mortgages creates liquidity for new mortgage investments.

Related Party Transactions

Romspen acts as the mortgage manager for the Partnership and administrator for the Fund. The trustees of the Fund are all principals of Romspen. In consideration for its mortgage origination and capital raising services, Romspen receives a fee equal to 1% per annum, calculated daily and paid monthly, of the total of all mortgage investments plus the fair value of any non-mortgage investments. Romspen also receives all lender, broker, origination, commitment, renewal, extension, discharge, participation, and other administrative fees charged to borrowers. In addition, the Partnership has granted to Romspen the option to purchase any mortgage investment held by the Partnership for a purchase price equal to the principal amount of such mortgage plus any accrued interest.

From time to time, the Partnership may invest in mortgage loans made to borrowers who are related to Romspen or the trustees of the Fund. The Partnership may also invest in mortgages which are syndicated among Romspen, the Fund's trustees, or related parties. These related party transactions are further discussed in the notes to the accompanying financial statements.

Risk Management

The Fund is exposed to various financial instrument risks in the normal course of business. The Fund Manager and trustees have put in place various procedures and safeguards to mitigate these risks in order to ensure the preservation of capital as well as the achievement of acceptable and consistent rates of return.

Outlook

The co-ordinated and abrupt stop of economic activity across the globe coupled with the strong monetary and fiscal policies that were suddenly enacted in an effort to mitigate the carnage, combined with the capricious nature of the virus, make it very difficult to know which of the global economies will be successful in restarting and when. Those that appeared to have "flattened" the curve early in the process by quickly putting in place strict restrictions on their citizens such as China and South Korea have experienced set backs with second waves while the "Swedish" model, which is a compromise between saving lives and attempting to save the economy, has not proven to be the winning solution either. The ongoing mismanagement by the US government to contain the virus within their country and the extent of the harm to both the citizens and the economy has yet to be fully realized. Something as basic as wearing a mask or practising social distancing has become a political statement in a country that is deeply polarized along party lines. There is no question, no country in the world will survive COVID-19 unscathed or even slightly harmed. The economic damage is certain, but at this point simply not measurable, and without a vaccine, the chaos and uncertainty will not abate.

The post-coronavirus world will be increasingly bifurcated between China and the U.S. at either end with other countries having to choose sides. Deglobalization will also accelerate in response to rising populism and protectionist trends which will disrupt global supply chains and efficiency. Onshoring will certainly become more entrenched but the benefits to domestic employment will be tempered by mechanization.

The fiscal and monetary policy that has been enacted globally to mitigate the economic carnage of the pandemic has been laudable and necessary and more will be required, however deficits have risen as a consequence and the resulting monetary expansion could result in rising inflation. Debt rollover will become more difficult when rates rise, and the solution will either be austerity, taxation, default or rising inflation, none of which will contribute to the type of economic expansion witnessed in the last decade.

Coming into 2020 the Commercial Real Estate ("CRE") market appeared to be healthy with moderate leverage, plentiful capital available and price growth leveling to a sustainable pace. Even as global growth was slowing, prospects for CRE continued to look promising as low interest rates, limited supply and economic growth resulted in greater employment. This changed in February with the emergence of COVID-19.

In March, CRE volumes, both mortgages and transactions fell off a cliff and have yet to recover in any meaningful way. Transactions that were priced for perfection or on the edge of default have, disappeared and evaluating the impact on land values is impossible given the dearth of transactions. As distressed assets are sold and capital currently sitting on the sidelines enters the market, we expect to see more movement and price discovery. We expect some impact to land prices, but they will be sector and region specific. The exogenous nature of this crisis means that unlike past recessions, there are no systemic failures to correct and while uncertainty and disruption will impact real estate values, there is still a significant volume of capital seeking to access CRE on a long term basis. Lower interest rates and increased market volatility have also made the asset class more attractive.

In the near term, hotel, leisure and retail will be adversely impacted, multi-family residential less so. The office sector is holding up and both industrial and single family are expected to weather the storm relatively well.

Going forward it is reasonable to expect heightened loan defaults concentrated in more exposed sectors like hotel and retail and to date, the pain felt in real estate debt markets has been primarily felt by participants who had significant exposure to short-term financing and who became forced sellers of assets in a dislocated market. Capital structure and strategy will be important in determining the winners and the losers on the other side of this disruption and Romspen is well positioned here with our relatively low LTV, focus on first lien mortgages and lack of leverage.

ROMSPEN MORTGAGE INVESTMENT FUND

Six months ended June 30, 2020 (Unaudited)

INTERIM UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION

(In thousands of dollars, except per unit amounts, unless otherwise noted)

June 30, 2020, with comparative information for 2019

	June 30, 2020 (unaudited)	December 31, 2019 (audited)
Assets		
Cash	$ 357	$ 4,591
Investment in Romspen Mortgage Limited Partnership, at fair value through profit or loss (note 3)	3,124,937	3,008,704
Other assets	13	1
	$ 3,125,307	$ 3,013,296
Liabilities and Unitholders' Equity		
Liabilities:		
Accounts payable and accrued liabilities	729	692
Prepaid unit capital	-	4,522
Unitholders' distributions payable	12,621	18,129
	13,350	23,343
Units submitted for redemption (note 4)	194,329	29,821
Unitholders' equity (note 4)	2,917,628	2,960,132
Commitments and contingent liabilities (note 9)	-	-
	$ 3,125,307	$ 3,013,296
Net asset value per unit (note 5)	$ 9.88	$ 9.91

See accompanying notes to financial statements.

INTERIM UNCONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(In thousands of dollars, except per unit amounts, unless otherwise noted)

Six months ended June 30, 2020, with comparative information for 2019

	3 Months ended June 30, 2020	3 Months ended June 30, 2019	6 Months ended June 30, 2020	6 Months ended June 30, 2019
Income from investment in Romspen Mortgage Limited Partnership:				
Distributions from Romspen Mortgage Limited Partnership	$ 20,244	$ 24,313	$ 41,605	$ 45,877
Unrealized appreciation in net assets of Romspen Mortgage Limited Partnership (note 3)	1,737	20,936	43,618	41,057
	21,981	45,249	85,223	86,934
Expenses:				
Management fees (note 8 (a))	2,241	1,915	4,423	3,795
Audit fees	82	64	165	137
Legal fees and other	260	346	503	708
	2,583	2,325	5,091	4,640
Net income and comprehensive income	$ 19,398	$ 42,924	$ 80,132	$ 82,294
Net income and comprehensive income per unit (note 5)	$ 0.06	$ 0.16	$ 0.26	$ 0.31
Weighted average number of units issued and outstanding (note 5)	313,987,676	270,351,890	311,688,689	261,926,160

See accompanying notes to financial statements.

INTERIM UNCONSOLIDATED STATEMENT OF CHANGES IN UNITHOLDERS' EQUITY

(In thousands of dollars, except per unit amounts, unless otherwise noted)

Six months ended June 30, 2020, with comparative information for 2019

	June 30, 2020 (unaudited)	June 30, 2019 (unaudited)
Unit capital:		
Balance, beginning of year	$ 2,985,145	$ 2,445,464
Issuance of units (note 4)	188,099	341,102
Redemption of units (note 4)	(59,158)	(59,746)
Decrease (increase) in units submitted for redemption	(164,508)	(877)
Balance, end of period	$ 2,949,578	$ 2,725,943
Cumulative earnings:		
Balance, beginning of year	$ 1,153,551	$ 966,055
Net income and comprehensive income	80,132	82,294
Balance, end of period	$ 1,233,683	$ 1,048,349
Cumulative distributions to unitholders:		
Balance, beginning of year	$ (1,178,564)	$ (977,092)
Distributions to unitholders (note 6)	(87,069)	(94,240)
Balance, end of period	$ (1,265,633)	$ (1,071,332)
Unitholders' equity	$ 2,917,628	$ 2,702,960
Units issued and outstanding, excluding units submitted for redemption	295,183,099	272,666,571

See accompanying notes to financial statements.

INTERIM UNCONSOLIDATED STATEMENT OF CASH FLOWS

(In thousands of dollars)

Six months ended June 30, 2020, with comparative information for 2019

	3 Months ended June 30, 2020 (unaudited)	3 Months ended June 30, 2019 (unaudited)	6 Months ended June 30, 2020 (unaudited)	6 Months ended June 30, 2019 (unaudited)
Cash provided by (used in):				
Operations:				
Net income and comprehensive income	$ 19,398	$ 42,924	$ 80,132	$ 82,294
Items not affecting cash:				
Unrealized appreciation in net assets of Romspen Mortgage Limited Partnership (note 3)	(1,737)	(20,936)	(43,618)	(41,057)
Change in non-cash operating items:				
Accounts payable and accrued liabilities and other assets	(255)	(318)	25	(1,118)
	17,406	21,670	36,539	40,119
Financing:				
Proceeds from issuance of units (note 4)	8,146	168,216	142,635	292,739
Distributions paid to unitholders (note 6)	(20,126)	(23,336)	(47,113)	(46,630)
Redemptions of units (note 4)	-	(31,966)	(59,158)	(59,746)
Prepaid unit capital	(3,075)	(33,850)	(4,522)	7,825
	(15,055)	79,064	31,842	194,188
Investments:				
Net funding of investment in Romspen Mortgage Limited Partnership (note 3)	(5,259)	(134,495)	(72,615)	(226,491)
	(5,259)	(134,495)	(72,615)	(226,491)
Increase (decrease) in cash	(2,908)	(33,761)	(4,234)	7,816
Cash, beginning of year	3,265	44,771	4,591	3,194
Cash, end of period	$ 357	$ 11,010	$ 357	$ 11,010

See accompanying notes to financial statements.

Romspen Mortgage Investment Fund (the "Fund") is an unincorporated closed-end investment trust established under the laws of the Province of Ontario, pursuant to a trust indenture dated as at May 20, 2005. The Fund is the sole limited partner in the Romspen Mortgage Limited Partnership (the "Partnership") and conducts its lending activities primarily through the Partnership. The Partnership's investments include mortgage investments, investment in subsidiaries and investment in TIG Romspen US Master Mortgage LP ("USMLP"). The objective of the Fund is to provide stable and secure cash distributions of income, while preserving unitholders' equity. The Fund's registered office is 162 Cumberland Street, Suite 300, Toronto, ON M5R 3N5.

During the period from August 1, 2017 to May 31, 2018, the Partnership held units in Romspen US Mortgage LP ("USLP") via Romspen Liberty LP ("Liberty LP"). On June 1, 2018, the assets were transferred from USLP to USMLP and as of September 30, 2019 a new pass-through entity, TIG Romspen US Intermediate Mortgage LP ("Intermediate LP") was introduced. The units of USMLP's partners were exchanged with units of Intermediate LP, converting USMLP to be a wholly owned subsidiary of Intermediate LP. As of June 30, 2020, the Partnership indirectly owns 76.99% (2019 – 86.46%) of USMLP.

Romspen Investment Corporation ("Romspen") is the Fund's mortgage manager and acts as the primary loan originator, underwriter and syndicator for the Partnership.

The Fund commenced operations on January 16, 2006. These financial statements and accompanying notes have been authorized for issue by the trustees of the Fund (the "Trustees") on July 31, 2020.

1. 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 financial statements are measured and presented in Canadian dollars; amounts are rounded to the nearest thousand, unless otherwise stated. The financial statements have been prepared on a historical cost basis, except for financial assets and financial liabilities at fair value through profit or loss ("FVTPL") which are presented at fair value.

The Fund accounts for its investment in the Partnership at FVTPL. The results of operations and the financial position of the Partnership are provided separately in note 3.

2. Significant accounting policies

A) Use of estimates

In preparing these financial statements management has made judgments, estimates, and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized prospectively.

Information about assumptions and estimation uncertainties at June 30, 2020 that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities in the next financial year, is included in note 3.

B) Judgment

Judgement has been made in applying accounting policy regarding accounting for Fund's investment in the Partnership. Although the Fund owns 99.99% of the Partnership, management has determined that the Fund has no control over the Partnership, as there is no strong linkage between the power that the Fund has over the Partnership and the Fund's variability in returns from the Partnership. The Fund accounts for its investment in Partnership at fair value.

C) Net income and comprehensive income per unit

Net income and comprehensive income per unit are computed by dividing net income and comprehensive income for the period by the weighted average number of units issued and outstanding during the period.

D) Prepaid unit capital

Prepaid unit capital consists of subscription amounts received in advance of the unit issuance date.

E) Financial assets and financial liabilities

Financial assets and financial liabilities at FVTPL are initially measured at fair value, with transaction costs recognized in profit or loss. Financial assets and financial liabilities not at FVTPL are initially measured at fair value plus transaction costs that are directly attributable to their acquisition or issue. Other financial assets and financial liabilities are recognized on the date on which they are originated.

Financial assets are derecognized when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership are transferred or in which the Partnership neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control of the financial asset. A liability is derecognized when its contractual obligations are discharged, cancelled, or expired.

(In thousands of dollars, except per unit amounts, unless otherwise noted)

Financial instruments are classified as follows: (i) amortized cost, (ii) fair value through profit and loss ("FVTPL"), and (iii) fair value through other comprehensive income ("FVTOCI"). The Fund has made the following classifications:

Financial assets and liabilities	IFRS 9 classification
Cash	Amortized cost
Investment in the Partnership	FVTPL
Accounts payable and accrued liabilities	Amortized cost
Prepaid unit capital	Amortized cost
Unitholders' distribution payable	Amortized cost

3. Supplemental information regarding Partnership at FVTPL

The Fund owns 99.99% of the Partnership's non-voting units and accounts for its investment in Partnership at fair value. The Partnership is not consolidated by the Fund.

Schedule of the Fund's investment in the Partnership:

	June 30, 2020 (unaudited)	June 30, 2019 (unaudited)
Investment balance, beginning of year	$ 3,008,704	$ 2,467,772
Funding of investment in Partnership	72,615	226,491
Unrealized appreciation in net assets of Partnership	43,618	41,057
Investment balance, end of period	$ 3,124,937	$ 2,735,320

The Partnership's statements of financial position and results of operations prepared on a fair value basis are provided below:

Statement of non-consolidated financial position on a fair value basis:

	Jun 30, 2020 (unaudited)	Dec 31, 2019 (audited)
Assets		
Cash	$ 79,612	$ 8,257
Accrued interest receivable	143,327	109,923
Mortgage investments (note 3(b))	2,099,314	2,020,032
Investment in subsidiaries (note 3(c))	524,029	496,357
Investment in USMLP (note 3(d))	598,759	470,017
Foreign exchange forward contracts (note 3(f))	-	18,225
Other assets	8,251	7,520
	$ 3,453,292	$ 3,130,331
Liabilities and Unitholders' Equity		
Liabilities:		
Revolving loan facility (note 3(e))	$ 310,033	$ 119,000
Accounts payable and accrued liabilities	5,406	2,627
Foreign exchange forward contracts (note 3(f))	12,916	-
	328,355	121,627
Fair Value of net assets attributable to unitholders of the Partnership	3,124,937	3,008,704
	$ 3,453,292	$ 3,130,331

Statement of non-consolidated comprehensive income on a fair value basis:

	6 Months ended Jun 30, 2020 (unaudited)	6 Months ended Jun 30, 2019 (unaudited)
Revenue		
Mortgage interest	$ 102,670	$ 102,896
Income from Investment in USMLP (note 3(d))	16,568	13,763
Other	2,288	2,538
Realized gain (loss) on foreign exchange	(23,363)	(5,124)
Unrealized gain (loss) on foreign exchange	29,442	(10,292)
	127,605	103,781
Expenses		
Management fees (note 8(b))	8,981	7,704
Interest	5,235	3,121
Change in fair value of mortgage investments and investment in subsidiaries	22,900	(1,501)
Realized loss on mortgage investments	2,412	6,562
Other losses (gains)	1,436	(358)
Legal fees and other	1,418	1,319
	42,382	16,847
Comprehensive income	$ 85,223	$ 86,934

A) Basis of presentation and measurement for the Partnership

i) Mortgage investments

All mortgages have been accounted at FVTPL. Mortgage investments are recorded at fair value reflected in the Partnership's statement of income.

In determining fair value of individual mortgages, management considers the length of time the mortgage has been in arrears, the overall financial strength of the borrowers and the residual value of the security pledged. Any unrealized changes in the fair value of mortgage investments are recorded in the Partnership's statement of comprehensive income as an unrealized fair value adjustment.

ii) Investment in subsidiaries

Entities are formed by the Partnership to obtain legal title of the foreclosed underlying security of defaulted mortgage investments. The assets, liabilities, revenues and expenses of these entities are not reflected in the non-consolidated financial statements of the partnership, but rather the Partnership chooses to account for such investments in subsidiaries at fair value. Upon foreclosure, the carrying value of the mortgage investment, which comprises principal, accrued interest, enforcement costs and a fair value adjustment that reflects the fair value of the underlying mortgage security, is derecognized from mortgage investments and an investment in subsidiary is recognized at fair value. At each reporting date, the Partnership uses management's best estimates to determine fair value of the subsidiaries (note 3(c)).

(In thousands of dollars, except per unit amounts, unless otherwise noted)

iii) Investment in USMLP

The Partnership indirectly owns 76.99% of USMLP as at June 30, 2020 (2019 – 86.46%). The Partnership does not consolidate USMLP, Liberty LP or Intermediate LP and accounts for its investment in USMLP at FVTPL. The fair value of the Partnership's investment in USMLP is the amount of net assets attributable to the unitholders of USMLP.

iv) Interest income

Interest income, funding and participation fees are recognized separately from the fair value changes.

v) Use of estimates

The mortgage investments are recorded in the Partnership's statement of financial position at fair value. 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. Actual results may differ from those estimates.

These assumptions are limited by the availability of reliable comparable data, economic uncertainty, ongoing geopolitical concerns and the uncertainty of predictions concerning 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.

vi) Foreign currency translation

Foreign exchange gains and losses on the receipts of payments on mortgage investments are included in realized gain/loss on foreign exchange on the statement of earnings. All unrealized foreign exchange gains and losses on each balance sheet item are included in unrealized foreign exchange gain/loss on the Partnership's statement of comprehensive income.

vii) Financial assets and financial liabilities

The Partnership's designations are as follows:

a) Mortgage investments and accrued interest receivable are designated as FVTPL, categorized into Level 3 of the fair value hierarchy.

b) Investment in subsidiaries and USMLP are designated as FVTPL and categorized into Level 3 of the fair value hierarchy.

c) Other assets, revolving loan facility, accounts payable and accrued liabilities, prepaid unit capital, unitholders' distributions payable and units submitted for redemption are classified and are measured at amortized cost.

Financial assets classified as FVTPL are carried at fair value on the financial statement of financial position. The net realized and unrealized gains and losses from fair value changes and foreign exchange differences, excluding interest, are recorded in the Partnership's statement of comprehensive income and statement of cash flows.

B) Mortgage investments (excluding investment in subsidiaries)

The following is a summary of the mortgages:

			Jun 30, 2020	Jun 30, 2019
	Number of mortgages	Original cost	Fair Value	Fair Value
First mortgages	95	$ 2,085,653	$ 2,046,919	$ 1,760,557
Second mortgages	1	52,395	52,395	563
		$ 2,138,048	$ 2,099,314	$ 1,761,120

A reconciliation of the mortgage investments is as follows:

	Jun 30, 2020	Jun 30, 2019
Investments balance, beginning of year	$ 2,020,032	$ 1,892,407
Funding of mortgage investments	151,653	379,964
Discharge of mortgage investments	(74,674)	(422,226)
Non-cash transfer to investment in subsidiaries	(4,677)	(54,113)
Unrealized gain (loss) in the value of investments	(25,355)	7,443
Realized gain (loss) on investments	(392)	(6,562)
Amortization of discount	-	1,999
Foreign currency adjustment on investments	32,727	(37,792)
Investments balance, end of period	$ 2,099,314	$ 1,761,120

Credit risk arises from the possibility that mortgagors may be unable to fulfill their obligations. In accordance with the Fund's policies, the Partnership mitigates this risk by ensuring that its mix of mortgages is diversified and by limited exposure to any one mortgagor or property.

As part of the assessment of fair value, management of the Fund routinely reviews each mortgage for impairment to determine whether or not a mortgage should be recorded at its estimated realizable value.

The mortgage investments portfolio bears interest at a weighted average rate of 11.27% (2019 – 11.23%).

Principal repayments based on contractual maturity dates are as follows:

Overhold	$ 670,167
2020	510,514
2021	732,270
2022	225,097
	$ 2,138,048

Included in the overhold category are loans which are past due or on a month-to-month arrangement. Borrowers have the option to repay principal at any time prior to the maturity date.

(In thousands of dollars, except per unit amounts, unless otherwise noted)

C) Investment in subsidiaries

	Jun 30, 2020	Jun 30, 2019
Investment in subsidiaries at cost	$ 582,884	$ 525,693
Fair value adjustment	(58,855)	(54,809)
	$ 524,029	$ 470,884

The Fund's investment in subsidiaries is measured at fair value using Level 3 unobservable inputs. As a result, the investment in subsidiaries has been classified in Level 3 of the valuation hierarchy.

A reconciliation of investment in subsidiaries is as follows:

	Jun 30, 2020	Jun 30, 2019
Investment balance, beginning of year	$ 496,357	$ 381,893
Funding of investment	22,459	75,168
Discharge of investment	(1,919)	(37,907)
Non-cash transfer from mortgage investments	4,677	54,113
Net unrealized loss in the fair value of investment	2,455	(5,942)
Realized gain (loss) on investment	(2,020)	-
Foreign currency adjustment on investment	2,020	3,559
Investment balance, end of period	$ 524,029	$ 470,884

The fair value of Partnership's investment in subsidiaries is generally determined using a variety of methodologies, including comparable market property values, market research data, third-party and in-house appraisals, and discounted cash flow analysis, which would include inputs related to discount rates, future cashflows, liquidity, etc.

D) Partnership's investments USMLP at FVTPL

USMLP was formed on December 22, 2017 to conduct lending activities in the United States with the sole objective to provide stable and secure cash distributions of income, while preserving partners' equity. USMLP is managed by Romspen US Master Mortgage GP LLC ("Master General Partner") and the Manager.

As at June 30, 2020, the Partnership indirectly owns 76.99% (2019 – 86.46%) of USMLP, through Liberty LP and the Intermediate LP.

Schedule of investment in USMLP:

	Jun 30, 2020	Jun 30, 2019
Investment, balance beginning of year	$ 470,017	$ 324,069
Funding of investment in USMLP	106,526	93,734
Partnership's share in USMLP net income	16,568	13,763
Dividend received from USMLP	(16,638)	(13,438)
Foreign currency adjustment on investment	22,286	(19,574)
Investment balance, end of period	$ 598,759	$ 398,554

USMLP is not consolidated by the Partnership and its statements of financial position and results of operations at 100% are provided below:

Statement of non-consolidated financial position:

	Jun 30, 2020 (unaudited)	Dec 31, 2019 (audited)
Assets		
Cash and restricted cash	$ 6,790	$ 9,686
Accrued interest	28,046	16,049
Mortgage investments, at fair value	711,316	568,757
Other assets	1,791	1,019
	$ 747,943	$ 595,511
Liabilities and Partners' Capital		
Liabilities:		
Mortgage investment syndication	$ 2,726	$ 2,598
Accounts payable and accrued liabilities	1,143	1,690
Due to the Partnership	112,567	74,680
Prepaid interest	-	1,035
Distributions payable	3,781	3,811
	120,217	83,814
Partners' capital	627,726	511,697
	$ 747,943	$ 595,511

Statement of non-consolidated comprehensive income:

	6 Months ended Jun 30, 2020 (unaudited)	6 Months ended Jun 30, 2019 (unaudited)
Investment Income:		
Mortgage interest	$ 36,100	$ 21,509
Other	-	110
	36,100	21,619
Expenses:		
Service fees	3,403	1,994
Interest	2,070	1,167
Change in fair value of mortgage investments	8,694	2,367
Accounting and legal fees	122	88
Other	283	192
	14,572	5,808
Net investment income	$ 21,528	$ 15,811

The Partnership provides temporary funding to assist in USMLP's ability to fund loans. These loans are in priority of equity and are usually arranged to be repaid by the next unit offering date of USMLP. These loans bear an interest rate of US prime plus 1.25% and are usually paid down within a year. As of June 30, 2020, a balance of $112,567 (2019 - $25,461), equivalent of $82,600 USD (2019 - $19,455), is outstanding and included in the investment balance.

The fair value of the mortgage investments portfolio is the amount of consideration that would be agreed upon in an arm's-length transaction between knowledgeable, willing parties under no compulsion to act. As there is no quoted price in an active market for these mortgages, Romspen makes its determination of fair value based on the assessment of the current lending market for investments of same or similar terms. Typically, the fair value of mortgages approximates their carrying values given the mortgage and loan investments consist of short-term loans that are repayable at the option of the borrower without yield maintenance or penalties. When collection of the principal amount of a mortgage or loan is no longer reasonably assured, the fair value of the investment is adjusted to the fair value of the underlying security.

(In thousands of dollars, except per unit amounts, unless otherwise noted)

The fair value of the Partnership's total investments are as follows:

	Jun 30, 2020	Dec 31, 2019
Mortgage investments and investment in subsidiaries, at cost	$ 2,720,932	2,591,078
Investment in USMLP	598,759	470,017
Unrealized fair value adjustment	(97,589)	(74,689)
	$ 3,222,102	$ 2,986,406

Mortgage investments	$ 2,099,314	$ 2,020,032
Investment in subsidiaries	524,029	496,357
Investment in USMLP	598,759	470,017
	$ 3,222,102	$ 2,986,406

The fair values of cash, accrued interest receivable, revolving loan facility and accounts payable and accrued liabilities approximate their carrying values due to their short-term maturities.

Romspen regularly reviews significant unobservable inputs and valuation adjustments and will use market observable data when available. When third-party appraisals are used to measure fair values of its investment in subsidiaries, the Fund will assess the evidence obtained to support valuations that meet the requirements of IFRS.

E) Revolving loan facility

The Partnership entered into a revolving loan facility on July 16, 2012 and it was amended on July 17, 2019 with an increased maximum amount of $400,000 (2019 – $298,000) including borrowings of equivalent amount denominated in US dollars. Approximately $89,967 (2019 – $258,739) is available and $310,033 has been drawn as at June 30, 2020 (2019 – $39,261). Interest on the loan is charged at a maximum of prime rate plus 1.0%. The minimum and maximum amounts drawn under the revolving loan facility during the period ended June 30, 2020 were $60,000 and $314,001 (2019 – Nil and $202,414), respectively. The loan is secured by all assets of the Partnership and a pledge of all Partnership units held by the Fund. The loan matures on July 16, 2021.

The costs associated with the establishment of the revolving loan facility are amortized over the two-year initial term of the facility and have been included in other assets for $492 (2019 – $28), net of accumulated amortization of $455 (2019 – $676).

F) Foreign exchange forward contracts

The foreign exchange forward contracts are used to hedge the Fund's exposure to loans denominated in US dollars. The following table sets out the fair values and the notional amount of foreign exchange forward contract derivative assets and liabilities held by the Partnership as at June 30, 2020 and 2019:

Foreign exchange gain (loss) on forward contracts as at June 30, 2020:

	Currency received to be delivered in USD (CAD)	Fair value at foreign exchange	Unrealized gain (loss)
Jun 30, 2020	$ 1,193,843	$ 1,206,759	$ (12,916)
Jun 30, 2019	987,065	982,964	4,101

The foreign exchange forward contracts are used to hedge the Fund's exposure to loans denominated in US dollars and are classified as FVTPL. Included in the Partnership's statement of comprehensive income are unrealized foreign exchange loss on forward contracts, which are economically offset by unrealized gains for a net gain of $29,442 (2019 - $10,292 net loss) on assets classified as FVTPL.

The realized foreign exchange loss in the Partnership's statement of comprehensive income includes realized foreign exchange loss of $25,180 (2019 – loss of $7,987) on forward contracts, which are offset by $1,817 net gains (2019 – $2,863 net gains) on assets classified as FVTPL and revolving credit facility.

4. Unitholders' equity

The beneficial interests in the Fund are represented by a single class of units, which are unlimited in number. Each unit carries a single vote at any meeting of unitholders and carries the right to participate pro-rata in any distributions. These units are classified as equity as they are puttable instruments that entitle the holder to a pro-rata share of the Fund's net assets in the event of the Fund's liquidation. They are in a class of instruments that are subordinate to all other classes of instruments and have identical features. Unitholders have a limited right to redeem their units, on a monthly basis, upon a minimum of 30 days' notice. Partial or complete redemption of units is limited on a monthly basis to 1% of the aggregate fair market value of units outstanding on the valuation date immediately preceding the said redemption date. Redemption notices on any given redemption date shall maintain their order of priority until the unit redemption price for such units has been paid in full. Additionally, the Trustees shall be entitled in their sole discretion to extend the time for payment of any unit redemption prices if, in the reasonable opinion of the Trustees, such payment would be materially prejudicial to the interests of the remaining unitholders in the Fund.

In the extraordinary circumstance where the number of units properly tendered for redemption ("Tendered Units") by unitholders ("Tendering Unitholders") on any given redemption date exceeds 3% of the total number of units outstanding on such redemption date, the Trustees are entitled in their sole discretion to modify or suspend unitholder redemption rights. Specifically, if the extraordinary circumstance referenced above occurs, the Trustees are entitled, in their sole discretion, to implement one of the following measures:

(In thousands of dollars, except per unit amounts, unless otherwise noted)

A) Discounted redemptions

The Trustees shall give notice to Tendering Unitholders that their Tendered Units shall be redeemed on the next redemption date at a redemption price discounted by a discount factor to be determined by the Trustees in their sole discretion, acting reasonably. In determining the discount factor, the Trustees may consider such factors as market prices for similar investments that are traded on a stock exchange in Canada, the variation inherent in any estimates used in the calculation of the fair market value of the Tendered Units to be redeemed, the liquidity reasonably available to the Fund and general economic conditions in Canada. Unitholders may choose to retract their redemption request upon receiving notice from the Trustees of a discounted redemption; however, unitholders who retract will be prohibited from redeeming the Tendered Units to which their retraction applies for a period of up to 12 months following the date the discounted redemptions are processed.

B) Temporary suspension of redemptions

The Trustees shall give notice to all unitholders that normal course redemption rights are suspended for a period of up to six months. Issuance of a suspension notice by Trustees will have the effect of cancelling all pending redemption requests. At the end of the suspension period, the Trustees may call a special meeting of unitholders to approve an extension of the suspension period, failing which normal course redemptions will resume.

Effective April 2020, the Fund has halted any requests for redemption due to the COVID-19 outbreak. Redemption requests of approximately 19,660,961 units as of June 30, 2020 have been placed in a queue which will be processed once the decision to resume redemptions is made (2019 – 1,560,548 units, of which the redemption was not suspended but was subject to the above restrictions). These units have been reclassed to liabilities from unitholders' equity in order to comply with applicable accounting rules. These units, however, continue to have the same rights and no priority over the remaining units. Units submitted for redemption are redeemed at the net asset value ("NAV").

i) The following units are issued and outstanding

	June 30, 2020		June 30, 2019	
	Units	Amount	Units	Amount
Balance, beginning of year	301,836,184	$ 3,014,761	245,910,544	$ 2,459,852
New units issued	14,394,145	142,635	29,463,239	292,739
New units issued under distribution reinvestment plan	4,584,955	45,464	4,866,710	48,363
Units redeemed	(5,971,224)	(59,158)	(6,013,374)	(59,746)
Proceeds from issuance of units, net of redemptions	13,007,876	128,941	28,316,575	281,356
Balance, end of period	314,844,060	$ 3,143,702	274,227,119	$ 2,741,208

During the normal course of business, the Fund receives unit issuance and redemption requests from the investors. In 2020, the Fund received requests for redemption of 22,621,758 units (2019 – 6,108,139) and redeemed 5,971,224 units (2019 – 6,013,374) for $59,158 (2019 – $59,746) in accordance with its policies.

The Fund continues to issue new units and receive redemption requests, which will be processed in accordance with the above-mentioned policies.

ii) Distribution reinvestment plan and direct unit purchase plan

The Fund has a distribution reinvestment plan and direct unit purchase plan for its unitholders, which allows participants to reinvest their monthly cash distributions in additional units at a unit price equivalent to NAV per unit.

5. NAV per unit and net income and comprehensive income per unit

NAV per unit is calculated as total assets less total liabilities, excluding units submitted for redemption, allocable to outstanding units, of 314,844,060 as at June 30, 2020 (2019 – 274,227,119).

Net income and comprehensive income per unit have been computed using the weighted average number of units issued and outstanding of 311,688,689 for the six months ended June 30, 2020 (2019 – 261,926,160).

6. Distributions

The Fund makes distributions to the unitholders monthly on or about the 15th day of each month. The Fund's trust indenture indicates that the Fund intends to distribute 100% of the net earnings of the Fund, determined in accordance with the Income Tax Act (Canada), to the unitholders. For the six months ended June 30, 2020, the Fund declared distributions of $0.28 (2019 – $0.36) per unit and a total of $87,069 (2019 – $94,240) was distributed to the unitholders.

7. Income taxes

The Fund is taxed as a mutual fund trust for income tax purposes. Pursuant to the trust indenture, the Fund intends to distribute 100% of its income for income tax purposes each year to such an extent that it will not be liable for income tax under the Income Tax Act (Canada). Therefore, no provision for income taxes is required on earnings of the Fund.

On June 22, 2007, new legislation relating to the federal income taxation of a specified investment flow-through trust or partnership ("SIFT") received royal assent (the "SIFT Rules").

Under the SIFT Rules, certain distributions from a SIFT will no longer be deductible in computing a SIFT's taxable income and a SIFT will be subject to income taxes on such distributions at a rate that is substantially equivalent to the general tax rate applicable to a Canadian corporation. Distributions paid by a SIFT as returns of capital will not be subject to income taxes.

The Fund is not subject to the SIFT tax regime as its units are not listed or traded on a stock exchange or other public market. Accordingly, the Fund has not recorded a provision for income taxes or future income tax assets or liabilities in respect of the SIFT Rules.

8. Related party transactions and balances

Transactions with related parties are in the normal course of business and are recorded at the exchange amount, which is the amount of consideration established and agreed to by the related parties and which represents fair market value.

Other than the transactions disclosed elsewhere in these financial statements, the Fund and the Partnership had the following significant related party transactions:

A) The majority of the Trustees of the Fund are owners of Romspen. Under the Mortgage Origination and Capital Raising Agreement, Romspen provides capital raising services to the Fund. Romspen receives fees totalling 0.33% per annum, calculated daily and payable monthly, of the principal balance of all mortgage investments and the fair market value of all other non-mortgage investments of the Partnership. For the six months ended June 30, 2020, the total amount was $4,423 (2019 – $3,795).

B) Under the Mortgage Origination and Capital Raising Agreement, Romspen provides mortgage origination services to the Partnership. Romspen receives fees totalling 0.67% per annum, calculated daily and payable monthly, of the principal balance of all mortgage investments and the fair market value of all other non-mortgage investments of the Partnership. For the six months ended June 30, 2020, this amount was $8,981 (2019 – $7,704).

C) Under the Mortgage Origination and Capital Raising Agreement, Romspen provides mortgage origination services to USMLP. Romspen receives fees totalling 1% per annum, calculated daily and payable monthly, of the principal balance of all mortgage investments and the fair market value of all other non-mortgage investments of USMLP. For the six months ended June 30, 2020, this amount was $3,403 (2019 – $1,994).

D) Romspen and related entities also receive certain fees directly from the borrower, generated from the Partnership's mortgage investments as follows: all lender, broker, origination, commitment, renewal, extension, discharge, participation, insufficient funds and administration fees generated on the mortgages. For the six months ended June 30, 2020, this amount was $16,304 (2019 – $19,445).

E) Several of the Partnership's mortgages are syndicated with other investors of Romspen, which may include Romspen, members of management of Romspen and officers or Trustees of the Fund. The Partnership ranks equally with, or in priority to, other members of the syndicate as to receipt of principal and income. Employees and directors of Romspen, along with related parties, are also permitted to invest in the Fund.

F) As at June 30, 2020, the Partnership had one (2019 – two) investment outstanding with an original cost of $39,027 (2019 – $30,835), including accrued interest of $382 (2019 – $382) and fair value of $26,030 (2019 – $19,562) due from mortgagors and investments in which members of management of Romspen own non-controlling equity interests.

G) Included in the Fund and the Partnership's accounts payable and accrued liabilities is an amount of $501 (2019 – $134) payable to Romspen.

9. Commitments and contingent liabilities

A) In the event that management agreements are terminated, the various management agreements between the Fund, the Partnership and Romspen contain provisions for the payment of termination fees of an amount equal to 2% of the fair market value of the Partnership's assets under administration on the date on which the termination notice is received, in addition to any other amounts owing by the Partnership. These amounts will be satisfied by the payment of cash, interests in mortgages or in such combination thereof as determined by the mortgage manager. These agreements continue in force until terminated in accordance with their provisions.

B) The Partnership has granted an irrevocable option to Romspen to purchase, at any time, any or all Partnership mortgages at a purchase price equal to the principal amount of such mortgage plus accrued interest.

C) In certain situations, subsidiaries utilize financing from external sources. In such cases the partnership will extend guarantees to the subsidiaries as support for these debts. As of June 30, 2020, there were $44,691 of guarantees outstanding (2019 – $46,707).

D) The Partnership has letters of guarantee outstanding at June 30, 2020 of $33,013 (2019 – $25,664).

10. Fair values of financial instruments

IFRS 13 establishes enhanced disclosure requirement for fair value measurements of financial instruments and liquidity risks. A three-level valuation hierarchy is used for disclosure of financial instruments measured at fair value based upon the degree to which the inputs used to value an asset or liability as of the measurement date are observable:

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

Fund

The Fund's investment in the Partnership has been classified in Level 2 of the hierarchy.

The fair value of the investment in the Partnership is the amount of net assets attributable to unitholders of the Partnership. The Fund routinely redeems and issues the redeemable Partnership units at the amount equal to the proportionate share of net assets of the Partnership at the time of redemption. Accordingly, the carrying amount of net assets attributable to unitholders of the Partnership approximates their fair value.

The fair values of cash, other assets, accounts payable and accrued liabilities, unitholders' distributions payable and prepaid unit capital approximate their carrying values due to their short-term maturities.

11. Financial instrument risk management

The Fund is exposed in varying degrees to a variety of risks from its use of financial instruments. The Trustees and Romspen discuss the principal risks of the business on a day-to-day basis. The Trustees set the policy framework for the implementation of systems to manage, monitor and mitigate identifiable risks. The Fund's risk management objective in relation to these instruments is to protect and minimize volatility to net assets and mitigate financial risks, including credit risk, liquidity risk, market risk (including interest rate risk and currency risk) and capital management risk.

Romspen seeks to minimize potential adverse effects of risk by retaining experienced analysts and advisors, monitoring the Partnership's positions, market events and entering into hedge contracts. The types of risks the Fund is exposed to, the source of risk exposure and how each is managed is outlined hereafter:

A) Credit risk

Credit risk is the risk of loss due to a counterparty to a financial instrument failing to discharge their obligations.

Fund

The Fund is exposed to credit risk through its investment in the Partnership.

Partnership

Credit risk arises from mortgage investments held, from investment in subsidiaries and also from foreign exchange forward contracts. The Partnership's sole activity is investing in mortgages (note 3) and, therefore, its assets are exposed to credit risk. Any instability in the real estate sector and adverse change in economic conditions in Canada and the US could result in declines in the value of real property securing its mortgage investments. Romspen manages credit risk by adhering to the investment and operating policies set out in its Offering Memorandum. This includes the following policies:

i) no more than 20% of the Fund's capital may be invested in subordinate mortgages; and
ii) no more than 10% of the Fund's capital may be invested in any single mortgage or to any single borrower.

The Partnership focuses its investments in the commercial mortgage market segments described in its Offering Memorandum, which includes development mortgages, construction mortgages, term financing mortgages and residential mortgages. These mortgages generally have the following characteristics:

i) initial terms of 12 to 24 months;
ii) loan to value ratios of approximately 65% at time of underwriting;
iii) significant at-risk capital and/or additional collateral of property owner; and
iv) full recourse to property owners supported by personal guarantees.

In addition, the Fund's Trustees meet regularly to review and approve each mortgage investments and to review the overall portfolio to ensure it is adequately diversified.

Romspen manages counterparty credit risk on foreign exchange forward contracts by dealing with counterparties with high credit ratings.

B) Liquidity risk

Liquidity risk is the risk that the Fund or the Partnership will not have sufficient cash to meet its obligations as they become due.

Fund

Unitholders in the Fund have the limited right to redeem their units in the Fund, as described in its Offering Memorandum and paragraph 5.25 of the Fund's

Declaration of Trust. The Trustees are entitled, in their sole discretion, to extend the time for payment of any unitholder redemption if, in their reasonable opinion, such payment would be materially prejudicial to the interests of the remaining unitholders.

The Fund is obliged to pay management fees to Romspen, which are funded out of interest income earned from the Partnership.

Partnership

The Partnership mitigates this risk by monitoring its scheduled mortgage repayments and ensuring that sufficient funds are available in the near term to satisfy all of its obligations. The Partnership's obligations are primarily those which arise under the revolving loan facility, the Mortgage Management Agreement and its Declaration of Trust. In the current economic climate and capital markets, the lenders may continue to tighten their lending standards, which could make it challenging for the Partnership to obtain financing on favourable terms, or to obtain financing at all.

The Partnership's revolving loan facility (note 3(e)) was renewed and matures on July 16, 2021. If it is not extended at maturity, repayments under the Partnership's portfolio would be utilized to repay the revolving loan facility. The Partnership's mortgages are predominantly short-term in nature, and as such, the continual repayment by borrowers of existing mortgage investments creates liquidity for ongoing mortgage investments and funding commitments.

If the Partnership is unable to continue to have access to its revolving loan facility, the size of the Partnership's portfolio will decrease, and the income historically generated through holding a larger portfolio by utilizing leverage will not be earned.

As at June 30, 2020, the Partnership had not utilized its full leverage availability, being a maximum of 35% of its qualified mortgage investments.

The Partnership is not obliged to invest in any mortgages originated by Romspen and, therefore, has no future funding obligations in respect of the Romspen's mortgage commitments. The Fund is obliged to pay management fees to Romspen, which are funded out of interest income earned from the Partnership.

C) Market risk

Market risk is the risk that changes in market prices – such as interest rates, foreign exchange rates, equity prices and credit spreads – will affect income or fair value of financial instruments.

Fund

The Fund is exposed to market risk through its investment in the Partnership.

Partnership

Market risk arises on the fair value of the collateral securing any of the Partnership's mortgage investments. Romspen ensures that it is aware of real estate market conditions in the regions in which it operates. Real estate market trends are monitored on an ongoing basis and Romspen's lending practices and policies are adjusted when necessary.

i) Interest rate risk: Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Fund manages this risk by investing primarily in short-term mortgages. The Partnership's investment objective is to obtain an acceptable and consistent absolute rate of return that is not related to any market-based interest rate benchmark.

As a result, the credit characteristics of the mortgages will evolve such that in periods of higher market interest rates, the mortgages will be those with narrower credit spreads, and vice versa in periods of lower market interest rates compared to other benchmark interest rates.

The majority of the Partnership's investments are in fixed rate, short-term mortgages. The Partnership generally holds all of its mortgages to maturity. There is no secondary market for the Partnership's mortgages and in syndication transactions; these mortgages are generally traded at face value without regard to changes in market interest rates.

The Partnership's debt under the revolving loan facility (note 3(e)) bears interest not exceeding the prime rate plus 1.0%.

As at June 30, 2020, if interest rates on the revolving loan facility had been 100 basis points lower or higher, with all other variables held constant, net earnings for the year would be affected with a total increase or decrease of $1,110 (2019 – $397). Romspen monitors the financial markets and can adjust the pricing of renewals and new loans when it deems it appropriate.

ii) Currency risk: Currency risk is the risk that the fair value or future cash flows of the Partnership's portfolio will fluctuate based on changes in foreign currency exchange rates. Approximately $1,467,538 (2019 – $1,157,127), 44% (2019 – 43%) of the total Partnership's investments at year end, are denominated in US dollars and secured primarily by charges on real estate located in United States; consequently, the Fund is subject to currency fluctuations that may impact its financial position and results. The Fund reduces currency risk on mortgages by having the Partnership enter into foreign exchange forward contracts; by including mortgage contract terms whereby the borrower is responsible for foreign exchange losses; and by funding part of the mortgages with a USD loan facility.

A weakening of the Canadian dollar against the US dollar by 5% would have resulted in an increase in NAV of $0.04 per unit (2019 – $0.04 per unit), assuming all other variables, including interest rates, remain constant. A strengthening would have resulted in an equal but opposite effect. The

Partnership uses foreign exchange forward contracts to manage its exposure to foreign currency risks.

D) Capital risk management

The Fund manages capital to attain its objective of providing stable and secure cash distributions of income while preserving unitholders' equity. The Fund defines capital as being capital raised by issuing Fund units. The Fund intends to distribute its taxable income to unitholders, with the result that growth in the portfolio can only be achieved through the raising of additional equity capital and by utilizing the Partnership's available borrowing capacity.

The Fund raises equity capital on a monthly basis during periods where Romspen projects a greater volume of investment opportunities than the Fund's near-term capital would be sufficient to fund. In the event the Fund may have surplus equity capital, the Trustees of the Fund have the right to redeem units held by unitholders or to declare a return of capital distribution.

The Partnership may borrow up to 35% of the book value of its mortgages. The primary purpose of the borrowing strategy is to ensure that the Fund's unitholders' capital is fully invested. The secondary purpose is to obtain a spread between the interest rates payable under its mortgage investments and its borrowings. As of June 30, 2020, the Partnership's borrowings totalled 10% (2019 – 1%) of the book value of its total investments and the Fund was in compliance with all covenants under its revolving loan facility.

12. Comparative figures

Certain comparative figures have been reclassified within the notes of the financial statements to conform to the presentation adopted for the current period.

13. Exemption from filing

The Fund is relying on the exemption obtained in National Instrument 81-106, Part 2.11 to not file their financial statements in SEDAR.

14. Subsequent event

On March 11, 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. The situation is dynamic and ongoing with various cities and countries around the world responding in different ways to address the outbreak. The Manager will continue to monitor the impact of COVID-19 on the Fund's investments. The extent of the effect of the COVID-19 pandemic on the Fund remains uncertain at this time.

TRUSTEES & MANAGEMENT

Romspen's team of investment professionals is led by eight Managing Partners who collectively have over 250 years of finance and real estate experience. The investment team is supported by more than 30 professionals dedicated to the financial control, underwriting, legal and reporting matters of our business. The trustees and the management team are collectively the largest non-institutional investor in the Fund. This alignment is essential to preserving capital and generating strong consistent returns for all investors.

Romspen Mortgage Investment Fund

Sheldon Esbin
Trustee

Mark Hilson
Trustee

Arthur Resnick
Trustee

Wesley Roitman
Trustee

Romspen Investment Corporation

Sheldon Esbin
Managing General Partner

Mark Hilson
Managing General Partner

Wesley Roitman
Managing General Partner

Blake Cassidy
Managing Partner

Richard Weldon
Managing Partner

Arthur Resnick
Managing Partner

Peter Oelbaum
Managing Partner

Mary Gianfriddo
Managing Partner

Derek Jenkin
Partner

Arnie Bose
Senior Vice President, Finance

Lisa Calandra
Senior Vice President, Investor Relations

Vitor Fonseca
Vice President and Treasurer

Joel Mickelson
Corporate Counsel

Dianna Price
Executive Vice President, Investor Relations

Romspen Investment Corporation FSCO licence #10172, 11600

UNITHOLDER INFORMATION

Units

The Fund units represent a beneficial ownership interest in the Romspen Mortgage Investment Fund. The Fund is an unincorporated closed-end investment trust and is the sole limited partner in the Romspen Mortgage Limited Partnership.

Distributions

Distributions on Fund units are payable on or about the 15th day of each month. The Fund intends to distribute its taxable earnings each year to the unitholders.

Distribution Reinvestment Plan

The distribution reinvestment plan provides unitholders a means to reinvest cash distributions in new units of the Fund. To participate, registered unitholders should contact Romspen or their investment dealer.

Investor Relations Contact

Requests for the Fund's annual report, quarterly reports, or other corporate communications should be directed to:
Investor Relations
Romspen Mortgage Investment Fund
Suite 300, 162 Cumberland Street
Toronto, Ontario M5R 3N5
416-966-1100

Duplicate Communication

Registered holders of Romspen units may receive more than one copy of shareholder mailings. Every effort is made to avoid duplication, but when units are registered under different names and/or addresses, multiple mailings result. Unitholders who receive, but do not require, more than one mailing for the same ownership are requested to contact Investor Relations and arrangements will be made to combine the accounts for mailing purposes.

Auditors

KPMG LLP Chartered Accountants

Legal Counsel

Gardiner Roberts LLP

Website

www.romspen.com