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TORONTO

Romspen Mortgage Investment Fund

2013 Annual Report

Romspen Business & Principles

Investor Value

Our primary objective is to protect unitholder capital while providing a safe and consistent cash return that targets strong absolute returns.

Commitment

Managers should be owners. As such, we have committed a significant portion of our net worth to the Fund and as a management group, are the largest non-institutional investor in the Fund.

Partnership

We work collaboratively with our borrowers and syndication partners to ensure mutual success, even through difficult and unforeseen circumstances.

Long-term Perspective

While we don't choose to own property, we make lending decisions on the assumption we would be comfortable owning a property for the value of the mortgage. Our intention is to achieve consistent long-term returns through mortgage lending by applying proven strategies for financial and real estate management.

Risk Management

As managers, it is our responsibility to identify and manage the risk inherent with the mortgage portfolio. Rigorous property and borrower due diligence is fundamental to our lending decisions. Diversification by borrower, geography, property type and size is a deliberate strategy to smooth the effect of the business cycle over the long term.

Responsibility

It is our responsibility to provide forthright reporting to our unitholders at all times. We will communicate fully and promptly about problems and opportunities facing the Fund.

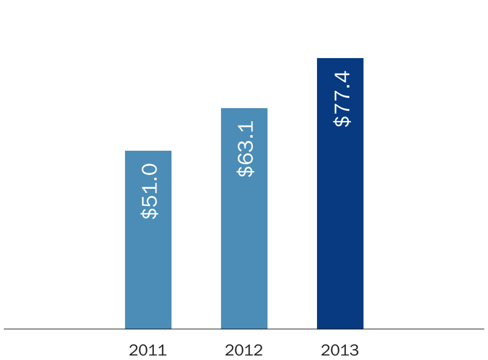
Romspen has a long-term track record of successful mortgage investing. With its origins in the mid-60's, Romspen is one of the largest non-bank commercial/industrial mortgage lenders in Canada. Our investors are high net worth individuals, foundations, endowments and pension plans.

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

Romspen Mortgage Investment Fund - 2013 Highlights

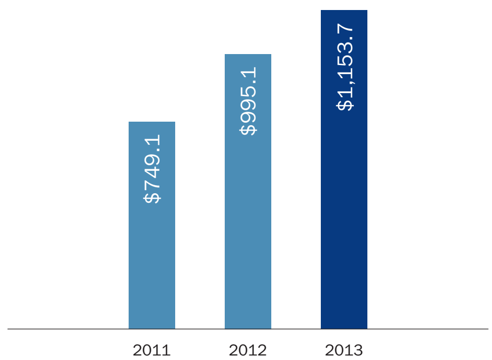
Key Metrics

Net Earnings ($ millions)



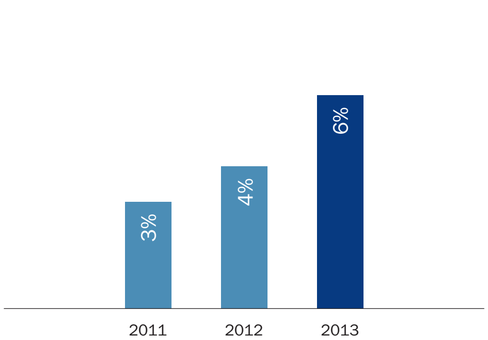
Strong net earnings

Mortgage Portfolio ($ millions)



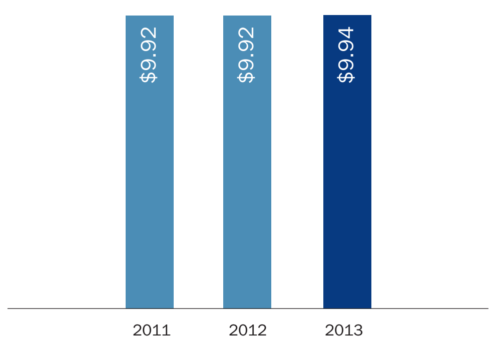
Strong portfolio growth

Net Leverage (% mortgage portfolio)



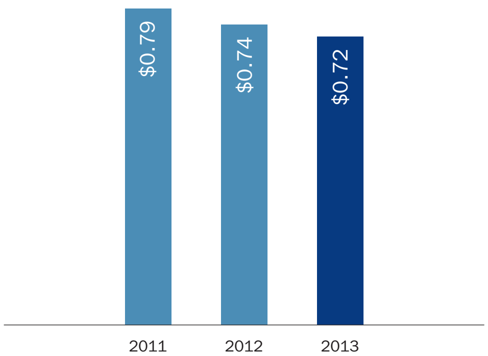
Low financial leverage

Unitholder Value ($/unit)



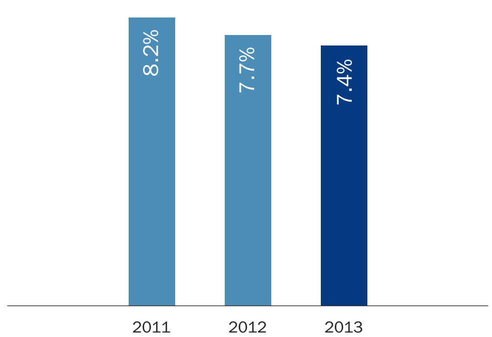
Modestly higher unit value

Unitholder Distributions ($/unit)



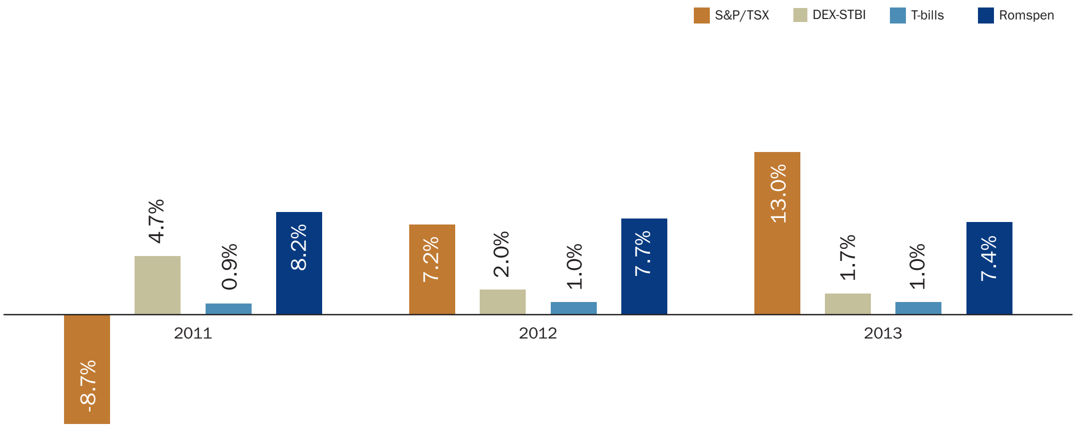
Modestly lower, but solid distributions

Unitholder Returns (net annual compounded %)



Strong returns

Comparative Performance
Annual % Return



3 Year Accumulated Compounded Returns[1]

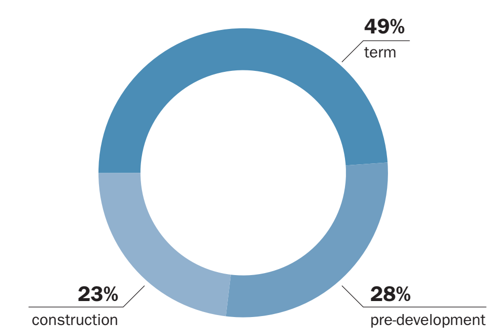
Romspen	25%
S&P/TSX	11%
DEX-STBI	9%
T-bills	3%

Continued strong results in 2013

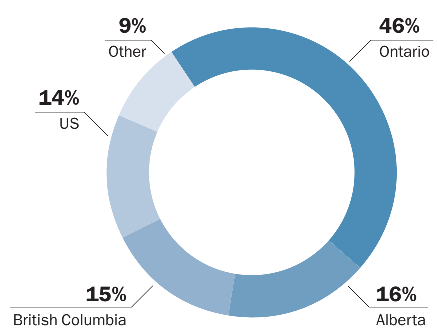
[1]Romspen returns are net; comparative benchmarks are gross returns | Source: Bank of Canada, RMIF Annual Reports

Mortgage Portfolio Profile
As of December 31, 2013

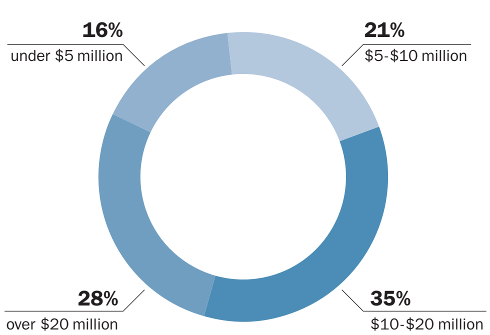
By Type



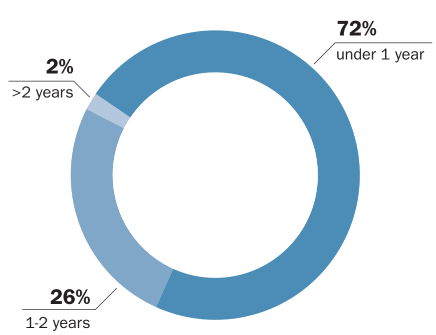
By Geography



By Amount



By Maturity



Well diversified portfolio

Trustees' Letter

Dear Fellow Investors:

We are pleased to report that Romspen Mortgage Investment Fund ("Romspen" or "the Fund") performed relatively well during 2013 and posted solid results. Our 2013 net return of 7.4% reflected strong absolute returns as well as outperformance against the major fixed income benchmarks. While at the low end of our historical range, and slightly below last year, it was achieved in a year marked by slowly improving, but still challenging economic conditions and a backdrop of historically low interest rates.

Measured over the medium and longer term, we have also demonstrated strong absolute returns and comparative outperformance. Romspen's five and ten year cumulative net returns have been 48% and 139% respectively, strongly ahead of the major fixed income benchmarks.

Financial Highlights

For the year ending December 31, 2013, the Fund earned net income of $77.4 million or $0.73 per unit compared to $63.1 million or $0.71 per unit in 2012. Investor distributions were $0.72 per unit for 2013 compared to $0.74 per unit for 2012. The compounded monthly net return to investors based on distributions was 7.4% compared to 7.7% last year. The slightly decreased return in 2013 primarily relates to lower portfolio interest rates and increased provisions to the loss reserve. The loss reserve was increased from $12.0 million to $16.1 million in the year to maintain a comfortable margin of safety with a larger mortgage portfolio. Actual losses of $1.3 million were realized during the year and charged against the provision previously established to deal with these properties.

At December 31, 2013, the net mortgage portfolio was $1.15 billion, an increase of 16% compared to 2012. Investors held units totalling $1.1 billion compared to $997.2 million last year. Net debt (debt less cash) was $71.1 million compared to last year's net debt of $39.1 million. The weighted average interest rate of the mortgage portfolio decreased marginally from 10.6% in 2012 to 10.5% in 2013.

The net asset value ("NAV") was $9.94 per unit compared to $9.92 per unit a year ago reflecting unrealized foreign exchange currency gains which are not distributed until they are realized. NAV fluctuations arise as taxable income differs from GAAP income due to differences in the treatment of loss reserves, non-accrued interest and foreign currency fluctuations. The Fund distributes 100% of its taxable income annually. Increases in loss reserves and non-accrued interest modestly reduce NAV and are reversed as problem mortgages are worked out.

Economy, Markets & Portfolio

In general, the North American economy was stable and continued its modest recovery throughout 2013, although the prevalent economic challenges remain – subdued growth, unemployment and under-employment, low investment returns and excess leverage. The gradual improvement during 2013 is certainly a positive sign, although abnormally low interest rates and the continuation of highly accommodative monetary policies have been the impetus. How robust the economy would really be, absent these measures, and given the numerous underlying economic headwinds, remains a central question to most investors. Our short-term lending horizon remains a clear strength in this environment.

Canadian mortgages represented 86% of the mortgage portfolio, with the majority (46%) concentrated in Ontario. During the year, the Canadian property market remained quite active with good liquidity, strong transaction volumes and continued appreciation. Some markets, such as Toronto and Vancouver, have continued to see strong property price increases across all real estate classes, although at present, these markets appear reasonably balanced. The continuing price escalation does raise strong cautionary signs for our lending and emphasizes the importance of careful scrutiny and selection among both projects and borrowers in the underwriting process.

US mortgages represented $165.7 million or 14% of the portfolio in 2013 compared to $119.2 million, or 12% last year. The US portfolio includes 26 loans that are well diversified across several states. US real estate values continued to strengthen during 2013, yet remain attractive compared with Canada due to the considerable dislocation remaining within the lending community following the credit crisis and subsequent revamping of regulatory and compliance oversight. Lenders in most US markets have allocated less capital for mortgage lending and as a result there remains an imbalance between credit supply and credit demand in the segment of the market we serve. This void creates attractive rates, terms and valuation metrics for lending, particularly when coupled with the continued economic recovery.

At present, we continue to believe the US market opportunities generally reflect a more attractive risk/return profile than similar properties in Canada and hence our US loan exposure is increasing. Having more options available in similar markets, gives us the ability to over-weight markets with attractive fundamentals and under-weight those with less attractive fundamentals allowing for greater portfolio diversification and improved stability in our returns. Approximately 96% of the Fund's foreign exchange exposure is hedged either by the borrowers directly or through forward contracts.

We continue to work through certain portfolio loans that are not performing to their terms. Non-compliant loans totalled 18% of the portfolio. This is within the typical range and a normal part of the lending activity in our segment of the mortgage industry. Non-compliant loans should not be equated with losses. More typically, they result in extended terms, foregone interest and increased administration and resources to achieve successful outcomes, but rarely result in losses of principal. Specifically, over the past eight years since the Fund's inception, loan losses have amounted to only $10.5 million on over $2.5 billion of invested capital, or about 0.4%. Effectively managing these more challenging loans is an important aspect in preserving capital and generating strong returns over the long run.

Strategy & Investment Approach

The Fund follows a focused business model concentratedon first mortgage lending to commercial and industrial properties in North America. Since inception, our mandate has remained unchanged and focused on: capital preservation, strong absolute returns and consistent performance. Our objective is to make money for our investors on a constant basis, regardless of prevailing market conditions. Effective execution of this mandate has produced strong investment returns over all periods and is particularly evident in the fact that Romspen, and its predecessor syndicated mortgage business, has not had a negative monthly return on its portfolio of mortgages since February 1995, almost 20 years ago.

In the following section of this report we highlight a range of recent mortgage investments from the portfolio. In doing so, we are attempting to provide a more granular insight into how exactly we translate investment objectives and strategy into actual transactions that create value for our investors. While each of the examples differs in terms of property type, location and borrower circumstances, they all typically include common threads in our strategy – speed in responding to opportunities; committed capital for certainty of execution; insightful ideas on structuring, risk management and problem solving; and close collaboration with borrowers and other crucial project partners and sponsors.

Strong Investment Track Record Continues

During 2013, Romspen's 7.4% net return significantly outperformed T-bills (1.0%) and DEX Short-term Bond Index ("DEX-STBI") (1.7%), but trailed the resurgent S&P/TSX (13.0%).

Examining our performance over the past ten years to December 31, 2013, which includes eight years as a Fund and two years as a syndicated mortgage business, Romspen meaningfully outperformed these benchmarks with accumulated net returns of 139%; compared to 21% for T-bills; 49% for DEX-STBI and 115% for the S&P/TSX. Looked at another way, a $10.00 investment in January 2004 would have returned $13.90 to an investor in Romspen compared to only $2.10 in T-bills; $4.90 in DEX-STBI and $11.50 in the stock market. As well, Romspen has shown positive returns each month over the past ten years, underscoring its conservative investing strategy.

These results have been achieved in a consistent manner in contrast to other investment alternatives that have typically shown considerable volatility. We have delivered these results without significant use of leverage; aggressive lending practices; mezzanine positions; or derivative instruments. Instead we have followed our traditional disciplined lending practices that reflect our conservative investment strategy. As always, while yearly performance matters, we principally concentrate on making the correct decisions to ensure the best outcome over the long term, which is what matters most to our investors.

Outlook

While 2013 showed continued improvement, albeit at subdued growth rates, the world economy remains challenged on many fronts. The economic factors we have discussed over the past several years remain intact: over-indebtedness; low growth rates; volatility and many world economies gripped with significant structural shifts and facing difficult macro-economic/social issues. We believe these issues will not resolve easily or soon. As a result, economic momentum will be somewhat capped by the long credit deleveraging cycle that will persist.

While we expect some upward movement in interest rates that began in the second half of 2013, it is likely they will continue to remain quite low by historic standards. Both the US Federal Reserve and the Bank of Canada continue to signal that their administered rates will be kept low with accommodative monetary policies. These actions have created artificially low interest rates and we are mindful that these policies can amplify asset values and contribute to the mispricing of risk.

We expect the Canadian real estate market to remain largely in balance through 2014 with some moderation in the most robust markets. In the US, we expect continued strengthening from 2013 levels and a broadening of this trend into secondary markets. As stressed previously, we will not "reach for yield" but instead remain committed to prudent risk management and focused on safety of principal. As such, we expect Fund returns for 2014 to be largely in-line with last year.

We are particularly proud of our long established track record of consistently delivering steady and predictable returns while always ensuring investor capital is well protected. With our strong track record, depth of management and broad relationship network, the Fund is strongly positioned to perform well in the years ahead. On behalf of the Romspen team, we thank you for your on-going support.

Respectfully submitted,

Sheldon Esbin **Mark Hilson** **Arthur Resnick** **Wesley Roitman**

Trustees of the Fund
April 3, 2014

Portfolio Highlights

Speed.
Collaboration.
Capital.
Ideas.
Commitment.

Our focused business model, North American footprint and culture of teamwork-oriented professionals, puts us in a strong position to meet our borrowers' needs and generate attractive returns for our investors.

In a challenging and rapidly changing environment, Romspen continues to help borrowers grow, seize opportunities, solve problems and manage risk. Our firm is able to evaluate the merits of a real estate project quickly, offer tailored solutions and provide funding certainty with committed capital. This has enabled us to capitalize on opportunities and capture value for our borrowers and investors.

Architectural Detail
Paper Factory Hostel
Brooklyn, New York

Right on-trend in New York City.

Paper Factory Hostel
Brooklyn, New York

An experienced New York-based developer identified a nascent, but pervasive, trend in hostels as an inexpensive alternative for budget-minded consumers in major metropolitan areas. Having first gained experience in this segment on a smaller scale, the Paper Factory became his most ambitious project. This 80,200 square-foot, century-old textile/paper manufacturing facility was derelict and had been closed for years. Romspen's underwriting confirmed the market opportunity and profitability of the segment and backed this entrepreneurial developer with a US$17 million acquisition and construction facility to complete the conversion to a 127 room hostel with full amenities. The loan was repaid ahead of term and today the Paper Factory offers sophistication, style and great value to its customers.


KOTT
LAFERTE
Shield

Doing well by doing good in Montreal.

Social Housing Project
Montreal, Quebec

As a successful City of Montreal-sponsored social housing project moved into advanced phases, Romspen was presented with an opportunity to work with a growing entrepreneurial developer to complete it. Our support, with a $30 million construction loan, helped complete the project which encompasses 8 buildings, 128 units and 176,783 square-feet. The development is strongly supported by the City of Montreal and provides low-cost, well located, soundly built and aesthetically attractive housing within the city.

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BURNABY
DENVER
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TORONTO


We put the life back in life insurance.
COMPUTATION
NOW PLAYING

Parcels of Toronto land create a valuable package.

Jane/Bloor Retail Redevelopment
Toronto, Ontario

Patiently, and over many years, a long-time entrepreneurial client assembled this 37,338 square-foot, prime retail site with 260 frontage feet on Bloor Street in Toronto's affluent Bloor West Village. Romspen provided a $35 million mortgage loan to consolidate financing on the various parcels and provide capital for preliminary site redevelopment initiatives. Since then, the westerly end of the project became solidly anchored by two large luxury condominium developments with over 408 units (shown in the background under construction) which has made the site all the more valuable for redevelopment.

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A BC development gets rehabbed.

Fortius Sport & Health Facility
Burnaby, British Columbia

This visionary project, spearheaded by a recognized Canadian entrepreneur, is an athletic development centre focused on both rehabilitation and performance optimization. Funded by major corporate sponsors, private sector foundations and philanthropists, the 152,000 square-foot, $60 million state of the art facility features leading edge architectural aesthetics and user functionality. Stalled in 2010 by the credit crisis, Romspen stepped in to support the project sponsors with a $20 million mortgage facility that helped complete the project which is open and flourishing today.

NEW YORK
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TORONTO

Seeing value in Michigan.

Royal Park Hotel
Rochester, Michigan

Newly built in 2003 for over US$30 million, this 143 room luxurious boutique hotel quickly succumbed to a combination of the impact of the prolonged economic downturn and disruptive highway construction. These dynamics created a financial opportunity for the owner to acquire the existing mortgage from a prominent US bank at a meaningful discount. Convinced of its viability and that factors affecting the hotel's performance were short term and not structural, Romspen provided a US$13 million refinancing mortgage. Our analysis was borne out as the hotel's performance quickly rebounded and the loan was repaid well ahead of schedule.

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Speed captures value in Toronto.

Bayer Industrial/Commercial Complex
Toronto, Ontario

A long-time Romspen client was suddenly presented with a highly attractive acquisition opportunity in a segment where he and Romspen had collaborated many times over the past few years. This massive 22 acre multi-use campus, in north Toronto, with five interconnected structures totaling 370,000 square-feet was being divested by a large foreign multinational where circumstances rewarded speed, an all-cash deal and structuring simplicity. Romspen quickly sized-up the situation and mobilized its resources in 24/7 mode and closed the transaction within two weeks with a $16.7 million mortgage acquisition facility.

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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 fourth quarter ended December 31, 2013 included herein and the audited financial statements and MD&A for the year ended December 31, 2012. 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 years ended December 31, 2012 and December 31, 2013.

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

Forward-Looking Statements

From time-to-time, the Fund makes written and verbal forward looking statements. These are included in its quarterly Management's Discussion and Analysis ("MD&A"), Fund presentations and other Fund communications.

Forward-looking statements include, but are not limited to, business objectives and targets, Fund 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 market activity; changes in government monetary and economic policies; changes in interest rates; inflation levels and general economic conditions; legislative and regulatory developments; competition and technological change. 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-GAAP Financial Measures

This MD&A contains certain non-GAAP financial measures. A non-GAAP 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 GAAP 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-GAAP 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, GAAP and may be different from or inconsistent with non-GAAP 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-term and medium-term commercial mortgages. 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 objective of the Fund is to provide stable and secure cash distributions of income while preserving unitholder capital.

Romspen Investment Corporation ("Romspen") is the Fund Manager and acts as the primary loan originator, underwriter, administrator 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 during the first quarter of 2006, 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 September 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 will no longer be deductible in computing a SIFT's taxable income and a SIFT will be 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 will not be 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.

Mortgage Portfolio

On December 31, 2013, the Fund's mortgage portfolio (the "Portfolio"), net of the loan loss provision, was $1.15 billion compared with $995.1 million at December 31, 2012. This represents an increase of 16% or $158.6 million. The Portfolio held 148 mortgages compared to 132 at the same time last year.

Approximately 95% of the Portfolio was invested in first mortgages at December 31, 2013, the same as a year ago. The weighted average interest rate of the Portfolio decreased to 10.5% at the end of the fourth quarter versus 10.6% as of December 31, 2012. Portfolio interest rates have remained relatively flat reflecting the prevailing interest rate environment.

Approximately 72% of the Portfolio's mortgage investments mature within one year (December 31, 2012 - 73%) and 98% mature within two years (December 31, 2012 - 97%). In addition, all of our mortgages are open for repayment prior to maturity. The short-term nature of the Portfolio provides us with continual opportunity to assess and evolve the Portfolio in response to changes in real estate and credit market conditions. We view this flexibility to be of far greater importance in our market segment than securing long-term fixed interest rates.

As of December 31, 2013, approximately 46% of our mortgage investments were in Ontario compared to 44% a year ago. Approximately 31% of the Portfolio was invested in Western Canada and 9% in other Canadian locations, while US locations accounted for 14%. This diversification adds stability to the Fund's performance by reducing dependency on the economic activity and business cycles in any given geographic region or sector of the economy.

Total fair value provisions as of December 31, 2013 were $16.1 million, which represented 1.4% of the original cost of the Fund's portfolio or $0.14 per unit outstanding as at December 31, 2013. During 2013, the Fund realized $1.3 million of losses in the Portfolio that were fully reserved for in previous years. 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 historic trends, prevailing legal, economic, and regulatory trends and on 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.

Income Statement Highlights

Total revenues for the year ended December 31, 2013 were $97.3 million compared to $76.8 million in the previous year, representing a 27% increase. This strong growth reflects the increase in the volume of loans underwritten in the year, in addition to foreign exchange gains created by the appreciation of the US dollar relative to the Canadian dollar.

Similarly, net earnings for the year ended December 31, 2013 grew 23% to $77.4 million compared to $63.1 million in the prior year. This increase reflects the portfolio growth and foreign exchange gains noted above, principally offset by the increase in reserve expense compared to 2012. Basic weighted average earnings per unit for the year ended December 31, 2013 were $0.73 compared to $0.71 for 2012.

For the year ended December 31, 2013, the Fund distributed $76.6 million or $0.72 per unit versus $65.5 million or $0.74 per unit for the period ended December 31, 2012. The simple and compounded net yield to unitholders for the twelve-month period ended December 31, 2013 was 7.2%[1] and 7.4%[1], respectively.

Provisions for losses on the Portfolio value reflected an increase of $4.1 million in 2013 while realized losses were $1.3 million in 2013 compared to $1.1 million in the prior year. Management and other fees payable to the Fund Manager and other general and administrative expenses of the Fund were $13.7 million for the year ended December 31, 2013 compared to $9.2 million in the prior year reflecting the increased size of the Portfolio.

Total revenues for the quarter ended December 31, 2013 were $26.5 million compared with $22.3 million for the comparative year ago period and are attributable to a larger portfolio and unrealized foreign exchange gains in the last quarter of 2013.

Net earnings after all expenses for the fourth quarter were $19.3 million compared to $17.3 million for the quarter ended December 31, 2012. Basic weighted average earnings per unit for the three months ended December 31, 2013 of $0.17, equal to the prior year.

For the three-month period ended December 31, 2013, the Fund distributed $20.0 million or $0.18 per unit, versus $17.8 million, or $0.18 per unit for the three months ended December 31, 2012.

[1] These are non-GAAP financial measures (see "Non-GAAP Financial Measures").

Detailed financial information by quarter for 2013 is outlined in the chart below:

Quarterly Financial Information 2013

$ in millions, except per unit amounts

	Dec. 31	Sept. 30	Jun. 30	Mar. 31
Total revenue excluding unrealized foreign exchange gain (loss)	$ 24.5	$ 23.5	$ 23.6	$ 21.9
Unrealized foreign exchange gain (loss)	2.0	(3.2)	5.0	—
Interest expense and deferred financing costs	0.5	0.2	0.7	0.7
Net interest income	26.0	20.1	27.9	21.2
Management fees and other expenses	5.0	2.9	3.0	2.8
Fair value provision on mortgage portfolio and losses	1.7	1.2	1.0	0.3
Net earnings	19.3	16.0	23.9	18.1
Per unit - net earnings	$ 0.17	$ 0.15	$ 0.23	$ 0.18
- distributions	0.18	0.18	0.18	0.18
Trailing 12 month compounded return	7.4%	7.4%	7.4%	7.5%
Revolving loan net of cash as a percentage of net mortgages[2]	6%	1%	2%	3%

Balance Sheet Highlights

Total assets as of December 31, 2013 were $1.2 billion compared to $1.1 billion a year ago. Total assets are comprised primarily of mortgages recorded at fair market value, accrued interest receivable on those mortgages and income producing property. In addition, the Fund had $27 million of excess cash at year end.

Total liabilities, excluding units submitted for redemption, as of December 31, 2013 were $123.6 million compared with $54.2 million a year earlier. Liabilities at year end were comprised primarily of $99.3 million of revolving debt, $8.4 million in accounts payable and distributions payable to unitholders, and $14.3 million of prepaid unitholder capital. Net debt (debt-less cash) stood at $72.3 million (6% of the Portfolio) at year end versus net debt of $39.1 million (4% of the Portfolio) last year. The revolving loan facility bears interest of a maximum of prime rate plus 1.625% and is secured by all assets of the Partnership and a pledge of all Partnership units held by the Fund.

Unitholders' equity, including units submitted for redemption, as of December 31, 2013 was $1.1 billion compared with $997.2 million as of December 31, 2012. The $108.8 million increase reflects the net excess of unit issuance over redemptions during the year. There were a total of 111,310,601 units outstanding on December 31, 2013 compared to 100,559,826 on December 31, 2012. There are no options or other commitments to issue additional units.

The net asset value ("NAV") of the Fund increased from $9.92 a year ago to $9.94 per unit as of December 31, 2013 due mainly to unrealized foreign exchange gains which are not distributed until they are realized upon discharge of loans. NAV fluctuates based on the difference between GAAP net income from the financial statements and taxable income upon which distributions are made to investors. Going forward, we expect NAV to continue to fluctuate since unrealized gains and losses are dependent on continuous changes in the Canada/US exchange rate.

Liquidity and Capital Resources

Pursuant to the Fund's trust indenture, the Fund's taxable earnings are usually distributed annually to unitholders. As such, growth in the Portfolio can only be achieved through increases in 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 December 31, 2013 borrowings net of cash totalled approximately 6%[3] of the book value of mortgages held by the Fund compared to 4%[3] net borrowings as of December 31, 2012.

During the year ended December 31, 2013, proceeds from the issuance of units, net of redemptions and costs, were $108.0 million compared to $247.6 million during the same period in 2012.

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. We expect next year's growth in the Portfolio to outstrip our funding capability based on current resources. As such, we expect to raise additional equity in future periods and syndicate a portion of new loans to third parties.

Related Party Transactions

Romspen acts as mortgage manager for the Partnership and administrator for the Fund. The trustees of the Fund are all principals of Romspen. In consideration for its services, Romspen receives a fee equal to 1% per annum, calculated

[2,3] These are non-GAAP financial measures (see "Non-GAAP Financial Measures").

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. The Partnership's interests in such syndications rank either pari passu with, or in priority to, the related party investors.

These related party transactions are discussed further in the notes to the accompanying audited consolidated 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. For details on financial instrument risks and management's response to these risks, see note 15 of the Financial Statements.

Outlook

The Canadian economy showed continued improvement in 2013 but still faces many challenges. Globally, markets continue to exhibit symptoms of a sluggish economy with low growth rates; over-indebtedness; volatility and major budgetary challenges. In our opinion, many of these issues are structural in nature and will not resolve easily or soon. As a result, economic momentum will be somewhat capped by the long credit deleveraging cycle that will persist.

Both the Bank of Canada and the US Federal Reserve continue to signal that their administered rates will be kept low with accommodative monetary policies. While we expect some slight upward movement in interest rates, it is likely they will continue to remain in a "contained" low range by historic standards. With artificially low interest rates, we are mindful that these policies can amplify asset values beyond intrinsic fundamentals and contribute to the mispricing of risk. As stated previously, we remain committed to prudent risk management and focused on safety of principal as opposed to "reaching for yield" in this environment.

We expect the Canadian real estate market to remain largely in equilibrium through 2014 with some rebalancing in certain over-heated markets. In the US, we expect continued improvement from monetary policy initiatives, stronger household balance sheets and growing economic momentum.

Given our view of the macro-economic factors and trends discussed, we presently expect 2014 returns for the Fund to be similar to that of 2013. This reflects the current economy and the pervasive forces affecting investment returns in Canada and globally. In this context, we view our return expectations for 2014 as both realistic and attractive, given the relatively low risk nature of the commercial first mortgages comprising the Portfolio.

Consolidated Financial Statements

Romspen Mortgage Investment Fund

Year ended December 31, 2013

Independent Auditors' Report

To the Unitholders of Romspen Mortgage Investment Fund

We have audited the accompanying consolidated financial statements of Romspen Mortgage Investment Fund, which comprise the consolidated balance sheet as at December 31, 2013, the consolidated statements of earnings, unitholders' equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Romspen Mortgage Investment Fund as at December 31, 2013, and its consolidated results of operations and its consolidated cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

March 28, 2014
Toronto, Canada

KPMG LLP is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. KPMG Canada provides services to KPMG LLP.

Consolidated Balance Sheet

December 31, 2013, with comparative information for 2012

In thousands of dollars, except per unit amounts, unless otherwise noted	2013	2012
Assets		
Cash	$ 27,027	$ 5,746
Restricted cash (note 5)	1,183	1,183
Accrued interest receivable	42,391	44,635
Mortgage investments (note 4)	1,153,683	995,082
Other assets	5,227	4,690
	$ 1,229,511	$ 1,051,336
Liabilities and Unitholders' Equity		
Liabilities:		
Revolving loan facility (note 6)	$ 99,353	$ 46,000
Accounts payable and accrued liabilities (note 12(f))	1,700	1,570
Unrealized loss on foreign exchange forward contracts	1,376	—
Deferred revenue	167	175
Prepaid unit capital	14,325	400
Unitholders' distributions payable	6,679	6,033
	123,600	54,178
Units submitted for redemption (note 8)	3,972	4,978
Unitholders' equity (note 8)	1,101,939	992,180
Commitments and contingent liabilities (note 13)		
	$ 1,229,511	$ 1,051,336
Net asset value per unit (note 9)	$ 9.94	$ 9.92

See accompanying notes to consolidated financial statements.

Approved by the Trustees:

"Mark Hilson" Trustee

"Wesley Roitman" Trustee

Consolidated Statement of Earnings

Year ended December 31, 2013, with comparative information for 2012

In thousands of dollars, except per unit amounts, unless otherwise noted	2013	2012
Revenue		
Mortgage interest	$ 91,409	$ 72,527
Other	1,149	4,246
Realized gain on foreign exchange	955	—
Unrealized gain on foreign exchange	3,823	—
	97,336	76,773
Expenses		
Management fees (note 12(a))	10,711	8,611
Interest	2,142	627
Unrealized loss in value of mortgage investments	4,124	2,483
Realized loss on mortgage investments	1,318	1,067
Audit fees	194	124
Legal fees	165	71
Other	1,326	683
	19,980	13,666
Net earnings	$ 77,356	$ 63,107
Net earnings per unit (note 9)	$ 0.73	$ 0.71
Weighted average number of units issued and outstanding (note 9)	106,524,115	88,673,380

See accompanying notes to consolidated financial statements.

Consolidated Statement of Unitholders' Equity

Year ended December 31, 2013, with comparative information for 2012

In thousands of dollars, except per unit amounts, unless otherwise noted	2013	2012
Unit capital		
Balance, beginning of year	$ 1,001,371	$ 755,591
Proceeds from issuance of units, net of redemptions (note 8)	107,978	247,627
Penalties on redemptions	—	9
Reduction (increase) in units submitted for redemption (note 8)	1,006	(1,856)
Balance, end of year	$ 1,110,355	$ 1,001,371
Cumulative earnings		
Balance, beginning of year	$ 276,301	$ 213,194
Net earnings	77,356	63,107
Balance, end of year	$ 353,657	$ 276,301
Cumulative distributions to unitholders		
Balance, beginning of year	$ (285,492)	$ (220,030)
Distributions to unitholders (note 10)	(76,581)	(65,462)
Balance, end of year	$ (362,073)	$ (285,492)
Unitholders' equity	$ 1,101,939	$ 992,180
Units issued and outstanding, excluding units submitted for redemption (note 9)	110,910,245	100,057,857

See accompanying notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Year ended December 31, 2013, with comparative information for 2012

In thousands of dollars, except per unit amounts, unless otherwise noted	2013	2012
Cash provided by (used in)		
Operations:		
Net earnings	$ 77,356	$ 63,107
Items not affecting cash:		
Amortization of revolving loan facility financing costs	137	196
Unrealized loss in value of mortgage investments	4,124	2,483
Realized loss on mortgage investments	1,318	1,067
Unrealized gain on foreign exchange	(3,823)	—
Amortization of discount	(1,479)	(3,289)
Change in non-cash operating items:		
Accrued interest receivable	2,244	(14,584)
Other assets	(400)	(3,826)
Accounts payable and accrued liabilities and unitholders' distributions payable	776	(2,758)
Deferred revenue	(8)	(360)
	80,245	42,036
Financing		
Proceeds from issuance of units, net of redemptions	107,978	247,627
Penalties on redemptions	—	9
Prepaid unit capital	13,925	(824)
Change in revolving loan facility	53,353	22,070
Distributions to unitholders	(76,581)	(65,462)
	98,675	203,420
Investments		
Funding of mortgage investments	(623,556)	(525,737)
Discharge of mortgage investments	465,917	279,453
	(157,639)	(246,284)
Increase (decrease) in cash and restricted cash	21,281	(828)
Cash and restricted cash, beginning of year	6,929	7,757
Cash and restricted cash, end of year	$ 28,210	$ 6,929
Supplemental cash flow information: Interest paid	$ 2,143	$ 627

See accompanying notes to consolidated 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 objective of the Fund is to provide stable and secure cash distributions of income, while preserving unitholders' equity.

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

The Fund commenced operations on January 16, 2006. Under an exchange offering completed in January 2006, mortgages in the aggregate principal amount of $158,855 were exchanged for 15,885,461 units of the Fund.

1. Basis of presentation

These consolidated financial statements have been prepared in accordance with Part V of Canadian generally accepted accounting principles. The consolidated financial statements include the accounts of the Fund and the Partnership.

2. Significant accounting policies

A) Mortgage investments In accordance with Accounting Guideline 18, Investment Companies, the Fund's investments are recorded at fair value, as defined by the Chartered Professional Accountants of Canada ("CPA Canada") Handbook Section 3855, Financial Instruments - Recognition and Measurement ("Section 3855"). The unitholders' equity of the Fund for financial reporting purposes is calculated in accordance with Section 3855.

Certain of the Fund's mortgages are in arrears and realization by the Fund may result in a shortfall. 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 consolidated statement of earnings as an unrealized fair value adjustment. A realized change in the fair value of a mortgage as a result of a disposition or repayment is recorded as a realized fair value adjustment.

B) Revenue recognition

i) Interest income Interest income is accounted for on the accrual basis. Funding and participation fees received are amortized over the expected term of the mortgage.

ii) Discount income The Fund may acquire mortgage portfolios from third parties at fair market value. A mortgage discount will exist to the extent that the fair market value of a mortgage is less than its par value. The discount is allocated between a valuation reserve component and an accretion component. The valuation reserve component represents the risk of credit loss, while the accretion component represents the part of the discount to be recognized to income over time, thereby adjusting the yield on the mortgage from its face rate to an effective yield. The accretion component is amortized to income over the term of the related mortgage through the application of the effective interest rate method. The valuation reserve component is only recognized into income upon payout, less any realized credit loss.

C) Use of estimates The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the year. The most significant estimates that the Fund is required to make relate to the fair value of the mortgage investments in (a) above. 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.

D) Foreign currency translation Investment transactions and income and expenses in foreign currencies have been translated into Canadian dollars at the rates of exchange prevailing at the time of the transactions. The fair value of mortgages, loans, cash and other financial assets and liabilities denominated in foreign currencies has been translated into Canadian dollars at the rates of exchange prevailing at year end with the resulting gains or losses included in unrealized gain (loss) on foreign exchange in the consolidated statement of earnings. Foreign exchange gains and losses on the receipts of payments on mortgage investments are included in realized gains/loss on foreign exchange in the consolidated statement of earnings.

E) Foreign exchange forward contracts The Fund holds derivative financial instruments to hedge its foreign currency risk exposure on mortgage investments denominated in a foreign currency. Derivatives are recognized initially at fair value, with transaction costs recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value at the end of each reporting period. Any resulting gain or loss is recognized in profit or loss.

The Fund determines fair value on its foreign exchange forward contracts based on the difference between the contract forward rate and the forward bid rate.

F) Net earnings per unit Net earnings per unit are computed by dividing net earnings for the year by the weighted average number of units issued and outstanding during the year.

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

H) Financial instruments - recognition and measurement Section 3855 establishes standards for recognizing and measuring financial assets and financial liabilities, including non-financial derivatives. In accordance with this standard, the Fund has classified its financial assets as one of the following: held-to-maturity; loans and receivables; held-for-trading or available-for-sale. All financial liabilities must be classified as: held-for-trading or other financial liabilities. The Fund's designations are as follows:

i) Mortgage investments and foreign exchange forward contracts are classified as held for-trading and are measured at fair value.

ii) Cash, restricted cash, accrued interest receivable and other assets are classified as loans and receivables and are measured at amortized cost.

iii) The revolving loan facility, accounts payable and accrued liabilities, prepaid unit capital, unitholders' distributions payable and units submitted for redemption are classified as other financial liabilities and are measured at amortized cost using the effective interest rate method.

3. Future accounting standards issued and not yet adopted

On February 13, 2008, the Canadian Accounting Standards Board ("AcSB") confirmed that publicly accountable enterprises would be required to adopt International Financial Reporting Standards ("IFRS"), as published by the International Accounting Standards Board ("IASB") on January 1, 2011. However, the AcSB deferred the mandatory IFRS changeover date for Canadian investment funds to January 1, 2014. Consequently, the Fund will publish its first annual audited financial statements in accordance with IFRS for the year ending December 31, 2014, with comparatives for the year ended December 31, 2013, and prepare an opening IFRS statement of net assets as at January 1, 2013. The Fund will also be publishing unaudited interim financial statements in accordance with IFRS for the three-month period ending March 31, 2014.

The Fund has not identified any changes that will impact net asset value ("NAV") per unit as a result of the changeover to IFRS. However, this determination is subject to change as the Fund finalizes its assessment of the impact of IFRS, and the impact of new standards issued by the IASB prior to the Fund's adoption of IFRS (see commentary below). This criteria contained within International Accounting Standard ("IAS") 32, Financial Instruments - Presentation ("IAS 32") may require unitholders' equity to be classified as a liability within the Fund's balance sheet, unless certain conditions are met. The Fund is currently assessing its unitholder structure to confirm the appropriate classification in accordance with IFRS.

Upon adoption of IFRS, the Fund will apply IFRS 13, Fair Value Measurement ("IFRS 13"). IFRS 13 defines fair value, sets out a single IFRS framework for measuring fair value and requires disclosure about fair value measurements. It applies when other IFRSs require or permit fair value measurement. If an asset or a liability measured at fair value has a bid price and an ask price, it requires valuation to be based on a price with the bid-ask spread that is most representative of fair value. It allows the use of mid-market pricing or other pricing conventions that are used by market participants as a practical expedient for fair value measurements within a bid-ask spread. This may result in eliminating the difference between the NAV per unit and net assets per unit under current Canadian generally accepted accounting principles.

In October 31, 2012, the IASB published Investment Entities (Amendment to IFRS 10, IFRS 12 and IAS 27), which provides an exemption from consolidation of subsidiaries under IFRS 10, Consolidated Financial Statements, for entities which meet the definition of an "investment entity". A qualifying investment entity is required to account for investments in controlled entities, as well as investments in associates and joint ventures, at fair value through profit or loss; the only exception would be subsidiaries that are considered an extension of the investment entity's investing activities. The consolidation exception is mandatory, not optional. The Fund is currently evaluating the potential impact of this change on mortgage investments for which the Fund has acquired control of the underlying properties (note 4).

4. Mortgage investments

The following is a summary of the mortgages:

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

	Number of mortgages making up balance	Original cost (2013)	Fair value (2013)	Fair value (2012)
First mortgages	138	$1,105,861	$1,094,585	$949,516
Second mortgages	9	52,292	47,441	34,117
Third mortgages	1	11,657	11,657	11,449
		$1,169,810	$1,153,683	$995,082

The following is a summary of the original cost of mortgages segmented by interest rate at December 31, 2013:

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

Interest rates	2013	2012
Less than 10.00%	$ 411,817	$ 326,655
10.01% - 11.00%	407,523	262,745
11.01% - 12.00%	259,563	291,406
12.01% - 20.00%	84,909	122,804
Over 20.00%	5,998	3,474
	$ 1,169,810	$ 1,007,084

The following is a summary of the original cost of the mortgages segmented by type of project as at December 31, 2013:

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

	2013	2012
Pre-development	$ 329,339	$ 253,417
Construction	264,706	219,229
Term	575,765	534,438
	$ 1,169,810	$ 1,007,084

The following is a summary of the original cost of the mortgages segmented by geography as at December 31, 2013:

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

	2013	2012
Ontario	$ 541,742	$ 440,706
Alberta	185,542	235,732
British Columbia	176,470	156,923
Other provinces	100,370	54,550
United States	165,686	119,173
	$ 1,169,810	$1,007,084

CPA Canada Handbook Section 3862, Financial Instruments - Disclosures ("Section 3862"), establishes enhanced disclosure requirements for fair value measurements of financial instruments and liquidity risks. Section 3862 establishes a three level valuation hierarchy 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).

Foreign exchange forward contracts have been classified in Level 2 of the hierarchy.

The Fund's mortgage investments are measured at fair value using unobservable inputs. As a result, all mortgage investments have been classified in Level 3 of the valuation hierarchy.

A reconciliation of Level 3 assets for the year ended December 31 is as follows:

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

	2013	2012
Mortgage investment balance, beginning of year	$ 995,082	$ 749,059
Funding of mortgage investments	623,556	525,737
Discharge of mortgage investments	(465,917)	(279,453)
Unrealized loss in the value of mortgage investments	(4,124)	(2,483)
Realized loss on mortgage investments	(1,318)	(1,067)
Amortization of discount	1,479	3,289
Foreign currency adjustment on mortgage investments	4,925	—
Mortgage investment balance, end of year	$ 1,153,683	$ 995,082

The mortgages are secured by real property and other security and bear interest at a weighted average rate of 10.5% at December 31, 2013 (2012 - 10.6%).

Credit risk arises from the possibility that mortgagors may be unable to fulfill their obligations. In accordance with the Fund's policies, the Fund 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.

Principal repayments based on contractual maturity dates are as follows:

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

2013 and earlier	**$ 345,989**
2014	**501,426**
2015	**304,749**
2016	**13,708**
2017 and after	**3,938**
	$1,169,810

Included in 2013 and earlier 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. The properties described below are included in the principal repayments chart above under the 2013 and earlier or 2014 contractual maturity categories.

The Partnership has acquired control of the following properties in order to finish development and divest of the property with the goal of maximizing the return to investors.

In 2009, the Partnership subscribed for a portion of the shares of 1460518 Alberta Ltd. ("Albertaco"), a newly incorporated company. Subsequently, Albertaco acquired the 51st Avenue Business Centre in Edmonton, Alberta, which was nearing the completion of its construction. Albertaco has continued to develop the property with the investment of additional funds, net of repayments of $9,933 (2012 - $8,253), which has been advanced from the Fund. As at December 31, 2013, a mortgage to Albertaco for $17,104 (2012 - $15,424) is included in the mortgage investments and nil (2012 - nil) is included in accrued interest receivable.

In 2010, the Partnership subscribed for a portion of the ownership of 2220740 Ontario Inc. ("Lakeshoreco"), a newly incorporated company. Subsequently, Lakeshoreco acquired land in Collingwood, Ontario. Lakeshoreco has invested additional funds of $156 (2012 - $156), which has been advanced from the Fund. As at December 31, 2013, a mortgage to Lakeshoreco for $781 (2012 - $781) is included in the mortgage investments and $119 (2012 - $102) is included in accrued interest receivable.

In 2010, the Partnership subscribed for a portion of the ownership of 3231451 Nova Scotia Ltd. ("Novaco"), a newly incorporated company. Subsequently, Novaco acquired the 24 Harbourside Drive building in Wolfville, Nova Scotia, which was recently completed. Novaco has continued to develop the property with additional investments to date, net of repayments of $937 (2012 - $959). As at December 31, 2013, a mortgage to Novaco for $5,404 (2012 - $5,426) is included in the mortgage investments and $90 (2012 - $280) is included in accrued interest receivable.

In 2010, the Partnership subscribed for all of the shares of Aspen Lakes Communities Ltd. ("Aspenco"), a newly incorporated company. Subsequently, Aspenco acquired residential development lots in Blackfalds, Alberta. Aspenco has continued to operate the property and has received back proceeds. Aspenco has continued to develop the property and has received to date proceeds in excess of additional investments of $3,670 (2012 - $584), which has been returned to the Fund. As at December 31, 2013, a mortgage to Aspenco for $10,052 (2012 - $13,138) is included in the mortgage investments and nil (2012 - nil) is included in accrued interest receivable.

In 2010, the Partnership subscribed for all of the shares of 2241497 Ontario Ltd. ("Almonteco"), a newly incorporated company. Subsequently, Almonteco acquired the 430 Ottawa Street building in Almonte, Ontario, which has ongoing construction and improvements. Almonteco has continued to develop the property with the investment of additional funds of $1,006 (2012 - $751), which has been advanced from the Fund. As at December 31, 2013, a mortgage to Almonteco for $5,555 (2012 - $5,300) is included in the mortgage investments and nil (2012 - nil) is included in accrued interest receivable.

In 2010, the Partnership subscribed for all of the shares of Big Mac Athletic Corp. ("BCco"), a newly incorporated company. Subsequently, BCco acquired an office complex in Langford, British Columbia. BCco has continued to develop the property with the investment of additional funds, net of repayments of $335 (2012 - $325), which has been advanced from the Fund. As at December 31, 2013, a mortgage to BCco for $7,570 (2012 - $7,560) is included in the mortgage investments and $478 (2012 - $678) is included in accrued interest receivable.

In 2010, the Partnership subscribed for all of the shares of Romspen FC Homes Inc. ("FCco"), a newly incorporated company. Subsequently, FCco acquired some residential lots in Abbotsford, British Columbia. FCco is developing residential properties on these lots with the additional fund of $1,809 (2012 - $3,435), which has been advanced from the Fund. As at December 31, 2013, a mortgage to FCco for $4,804 (2012 - $6,430) is included in the mortgage investments and nil (2012 - nil) is included in accrued interest receivable.

In 2010, the Partnership acquired waterfront property near Wasaga Beach, Ontario containing a motel held in trust by RIC Management Inc. RIC Management Inc. is finishing the development of this property with the investment of additional funds of $14 (2012 - $10), which has been advanced from the Fund. As at December 31, 2013, a mortgage to RIC Management Inc. for $965 (2012 - $961) is included in the mortgage investments and $190 (2012 - $190) is included in accrued interest receivable.

In 2011, the Partnership subscribed for all of the shares of 1604954 Alberta Ltd. ("Vistaco"), a newly incorporated company. Subsequently, Vistaco acquired an office complex in Calgary, Alberta. Vistaco has sold this property with proceeds in excess of additional investments of $34,652 (2012 - ($9,913)), which has been returned to the Fund. As at December 31, 2013, a mortgage to Vistaco for $257 (2012 - $44,822) is included in the mortgage investments and nil (2012 - $5,659) is included in accrued interest receivable.

In 2011, the Partnership subscribed for all of the shares of 1411786 Alberta Ltd. ("Balzacco"). Subsequently, Balzacco acquired land in Rocky View, Alberta near Calgary. Balzacco is preparing the property for future development with the investment of additional funds of $77 (2012 - $77), which has been advanced from the Fund. As at December 31, 2013, a mortgage to Balzacco for $2,777 (2012 - $2,777) is included in the mortgage investments and $603 (2012 - $603) is included in accrued interest receivable.

In 2012, the Partnership subscribed for all of the shares of 2270386 Ontario Limited ("Haldimandco"). Subsequently, Haldimandco acquired a landfill in Cayuga, Ontario. Haldimandco is running the landfill with the investment of additional funds, net of repayments of $9,238 (2012 - $4,730), which has been advanced from the Fund. As at December 31, 2013, a mortgage to Haldimandco for $18,374 (2012 - $13,866) is included in the mortgage investments and $2,048 (2012 - $2,048) is included in accrued interest receivable.

In 2012, the Partnership subscribed for all of the shares of 1593785 Alberta Ltd. ("Greenco"). Subsequently, Greenco acquired industrial land in Langdon, Alberta. Greenco is preparing the property for future development with the investment of additional funds, net of repayments of $25 (2012 - $58), which has been advanced from the Fund. As at December 31, 2013, a mortgage to Greenco for $1,100 (2012 - $1,133) is included in the mortgage investments and $307 (2012 - $307) is included in accrued interest receivable.

In 2012, the Partnership subscribed for all of the shares of Royal Oaks Home Ltd. ("Royalco"). Subsequently, Royalco acquired some land in Moncton, New Brunswick. Royalco is preparing the property for development with the investment of additional funds, net of repayments of $4,400 (2012 - $2,116), which has been advanced from the Fund. As at December 31, 2013, a mortgage to Royalco for $10,752 (2012 - $8,468) is included in the mortgage investments and nil (2012 - nil) is included in accrued interest receivable.

In 2012, the Partnership subscribed for all of the shares of Romspen South Street, LLC ("Southco"). Subsequently, Southco acquired an apartment building in Concord, New Hampshire. Southco is preparing the property for future rental with the investment of additional funds of $395 (2012 - $20), which has been advanced from the Fund. As at December 31, 2013, a mortgage to Southco for $863 (2012 - $488) is included in the mortgage investments and nil (2012 - $4) is included in accrued interest receivable.

In 2013, the Partnership subscribed for all of the shares of 2204604 Ontario Inc. ("Highco"). Subsequently, Highco acquired land in Collingwood, Ontario. Highco is preparing to develop the commercial property. As at December 31, 2013, a mortgage to Highco for $14,107 is included in the mortgage investments and nil is included in accrued interest receivable.

5. Restricted cash

Restricted cash represents irrevocable standby letters of credit issued by the Fund.

6. Revolving loan facility

The Partnership entered into a revolving loan facility on July 16, 2012, which was most recently amended on May 3, 2013. The maximum amount of the revolving credit facility is $150,000 (2012 - $100,000), of which approximately $53,000 (2012 - $54,000) is available and $97,000 has been drawn as at December 31, 2013 (2012 - $46,000). Interest on the loan is charged at a maximum of prime rate plus 1.625%. The minimum and maximum amounts drawn under the revolving loan facility during the year ended December 31, 2013 were nil and $107,000 (2012 - nil and $46,000), respectively. The loan is secured by all assets of the Partnership and a pledge of all Partnership units held by the Fund. The loan was amended on February 3, 2014 to increase the maximum amount to $180,000, including borrowings of up to $70,000 in U.S. dollars and it matures on July 18, 2014.

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

	2013	2012
Carrying value of revolving loan facility	**$ 99,353**	$ 46,000

The costs associated with the establishment and subsequent amendment and extension of the revolving loan facility are amortized over the initial or extension term, respectively, of the facility and have been included in other assets for $123 (2012 - $430), net of accumulated amortization of $137 (2012 - $196).

7. Foreign exchange forward contracts

The following table sets out the fair values and the notional amount of foreign exchange forward contract derivative assets and liabilities held by the Fund as at December 31, 2013:

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

Expiration date	Currency to be received - Canadian	Currency to be delivered	Fair value	Unrealized value
February 3, 2014	$ 16,663	U.S. Dollars	$ 17,549	$ (886)
December 19, 2014	7,560	U.S. Dollars	7,977	(417)
February 8, 2015	2,054	U.S. Dollars	2,127	(73)
Total foreign exchange forward contracts	$ 26,277		$ 27,653	$ (1,376)

The foreign exchange forward contracts are used to hedge the Fund’s exposure to loans denominated in U.S. dollars. Included in the consolidated statement of earnings are unrealized losses on foreign exchange forward contracts of $1,376 and unrealized foreign exchange gains on mortgage investments for corresponding mortgage investments of $3,823.

The unrealized loss on foreign exchange forward contracts is offset by unrealized gains on mortgage investments in the consolidated statement of earnings.

8. 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. 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:

i) 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.

ii) 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

As at December 31, 2013, unitholders representing approximately 400,356 (2012 - 501,969) units have requested redemption of their units, the redemption of which is 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.

A) The following units are issued and outstanding (see chart, page 39)
During the normal course of business, the Fund receives unit issuance and redemption requests from the investors. In 2013, the Fund received requests for redemption of 6,948,080 units (2012 - 2,575,594) and redeemed 7,049,693 units (2012 - 2,388,472) for $70,027 (2012 - $23,681) 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.

B) 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 $10.00 per unit.

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

	2013		2012	
	Units	**Amount**	Units	Amount
Balance, beginning of year	**100,559,826**	**$ 1,006,212**	75,817,488	$ 758,585
New units issued	**14,284,512**	**142,845**	24,392,764	243,928
New units issued under distribution reinvestment plan	**3,515,956**	**35,160**	2,738,046	27,380
Units redeemed	**(7,049,693)**	**(70,027)**	(2,388,472)	(23,681)
Proceeds from issuance of units, net of redemptions	**10,750,775**	**107,978**	24,742,338	247,627
Balance, end of year	**111,310,601**	**$ 1,114,190**	100,559,826	$1,006,212

9. Net asset value per unit and net earnings per unit

Net asset value per unit is calculated as total assets less total liabilities allocable to outstanding units, excluding units submitted for redemption, of 110,910,245 as at December 31, 2013 (2012 - 100,057,857).

Net earnings per unit has been computed using the weighted average number of units issued and outstanding of 106,524,115 for the year ended December 31, 2013 (2012 - 88,673,380).

10. Distributions

The Fund makes distributions to the unitholders monthly on or about the 15th day of each month. At the discretion of the trustees, the Fund will usually distribute 100% of the net earnings of the Fund, determined in accordance with the Income Tax Act (Canada), to the unitholders.

For the year ended December 31, 2013, the Fund declared distributions of $0.72 (2012 - $0.74) per unit and a total of $76,581 (2012 - $65,462) was distributed to the unitholders.

11. Income taxes

The Fund is taxed as a mutual fund trust for income tax purposes. Pursuant to the trust indenture, the Fund is required to distribute 100% of its income for income tax purposes each year to such an extent that it will not be liable for income taxes 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.

12. 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 consolidated financial statements, the Fund had the following significant related party transactions:

A) All the trustees of the Fund are owners of Romspen. Under various agreements, Romspen manages all the day-to-day affairs of the Fund and the Partnership. 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. For the year ended December 31, 2013, the amount was $10,711 (2012 - $8,611).

B) Romspen also receives certain fees directly from the borrower generated from Fund mortgage investments as follows: all lender, broker, origination, commitment, renewal, extension, discharge, participation, insufficient funds and administration fees generated on the mortgages. For the year ended December 31, 2013, this amount was $15,939 (2012 - $12,042).

C) Romspen charges the Fund for brokering and originating the acquisition of a portfolio of existing loans, calculated as 2% of the loan portfolio. For the year ended December 31, 2013, the amount was nil (2012 - $98).

D) Several of the Fund'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 Fund ranks equally with, or in priority to, other members of the syndicate as to receipt of principal and income.

E) For the year ended December 31, 2013, the Fund had three (2012 - five) mortgages outstanding with an original cost of $26,059 (2012 - $45,789), including accrued interest of $2,402 (2012 - $3,621) and fair value of $26,725 (2012 - $40,171) due from mortgagors in which members of management of Romspen own non-controlling equity interests.

F) Included in accounts payable and accrued liabilities is an amount of $10 (2012 - nil) payable to Romspen.

G) At the discretion of Romspen, the Fund participated at least 50% of the funding fees received by Romspen on certain mortgage advances. Amounts received during the year amounted to nil (2012 - nil) and $117 (2012 - $470) was recognized in other revenue.

13. 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) The Partnership in certain situations provides guarantees for its subsidiaries. As of December 31, 2013, there were $11,000 of guarantees outstanding (2012 - $16,000).

D) The Fund has letters of guarantee outstanding at December 31, 2013 of $6,973 (2012 - $6,821).

14. Fair values of financial instruments

Fair value of mortgage investments 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 mortgage and loan investments, the Fund manager makes its determination of fair value based on the assessment of the current lending market for mortgage and loan investments of same or similar terms. Typically, these mortgage and loan investment approximate 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 mortgage or loan is adjusted to the fair value of the underlying security.

The fair values of cash, restricted cash, accrued interest receivable, revolving loan facility, accounts payable and accrued liabilities, unitholders' distributions payable and prepaid unit capital approximate their carrying values due to their short-term maturities.

15. Financial instrument risk management

A) 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 Fund'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 Fund's mortgages will evolve such that in periods of higher market interest rates, the Fund's 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 Fund's investments are in fixed rate, short-term mortgages. The Fund generally holds all of its mortgages to maturity. There is no secondary market for the Fund's mortgages and in syndication transactions, these mortgages are generally traded at face value without regard to changes in market interest rates.

The Fund's debt under the revolving loan facility (note 6) bears interest based on the prime rate plus 2%.

As at December 31, 2013, 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 $415 (2012 - $105). The Fund monitors the financial markets and can adjust the pricing of renewals and new loans when it deems it appropriate.

B) Credit risk Credit risk is the risk of loss due to a counterparty to a financial instrument failing to discharge their obligations. It arises from mortgage investments held, and also from foreign exchange forward contracts. The Fund's sole activity is investing in mortgages (note 4) and, therefore, its assets are exposed to credit risk. Any instability in the real estate sector and adverse change in economic conditions in Canada could result in declines in the value of real property securing the Fund's mortgage investments. The Fund manages credit risk by adhering to the investment and operating policies, as 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 Fund 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 investment and to review the overall portfolio to ensure it is adequately diversified.

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

As at December 31, 2013, the Fund has $16,031 (2012 - $14,388) of accrued interest past due on $515,360 (2012 - $513,096) of mortgages which the Fund does not consider impaired. The Fund has reviewed these loans and does not require fair value adjustments given the value of underlying collateral.

C) Liquidity risk Liquidity risk is the risk that the Fund will not have sufficient cash to meet its obligations as they become due. The Fund 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 Fund'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 Fund to obtain financing on favourable terms, or to obtain financing at all.

The Fund's revolving loan facility (note 6) was amended on May 3, 2013 and matures on July 18, 2014. If it is not extended at maturity, repayments under the Fund's mortgage portfolio would be utilized to repay the revolving loan facility. The Fund'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 Fund is unable to continue to have access to its revolving loan facility, the size of the Fund's mortgage portfolio will decrease and the income historically generated through holding a larger portfolio by utilizing leverage will not be earned.

As at December 31, 2013, the Fund had not utilized its full leverage availability, being a maximum of 35% of its qualified mortgage investments.

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

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.

D) Market risk Market risk is the risk that the fair value of the collateral securing any of the Fund's mortgage investments falls to a level approaching the loan amount. The Fund manager 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 the Fund manager's lending practices and policies are adjusted when necessary.

E) Currency risk Currency risk is the risk that the fair value or future cash flows of the Fund's foreign currency denominated mortgages and other financial assets and liabilities will fluctuate based on changes in foreign currency exchange rates. Approximately $151,524 (2012 - $113,103), 13% of the total Fund's mortgages at year end, cash of $2,157 (2012 - $402), and revolving loan facility of $39,353 (2012 - nil) are denominated in United States 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 manages currency risk on mortgages by entering into foreign exchange forward contracts.

A weakening of the Canadian dollar against the U.S. dollar by 5% would have resulted in an increase in NAV of $0.03, assuming all other variables, including interest rates, remain constant. A strengthening would have resulted in an equal but opposite effect. The Fund uses foreign exchange forward contracts to manage its exposure to foreign currency risks.

F) 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. It is the Fund's policy to distribute 100% of its taxable income to unitholders, with the result that growth in the mortgage portfolio can only be achieved through the raising of additional equity capital and by utilizing available borrowing capacity.

The Fund raises equity capital on a monthly basis during periods where the Fund manager projects a greater volume of mortgage 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.

Pursuant to the Fund's investment policies, the Fund may borrow up to 35% of the book value of its mortgages. The primary purpose of the Fund's borrowing strategy is to ensure that 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 December 31, 2013, the Fund's borrowings totalled 9% (2012 - 5%) of the book value of its mortgages and the Fund was in compliance with all covenants under its revolving loan facility.

16. Exemption from filing

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

Trustees & Management

Romspen's team of investment professionals is led by six Managing Partners who collectively have over 180 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 management team are the largest non-institutional investor in the Fund. This alignment is elemental to preserving capital and generating strong consistent returns for all investors.

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 generally distributes its net 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.

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

Annual General Meeting of Unitholders
Romspen Mortgage Investment Fund's Annual General Meeting of unitholders will be held on Friday, June 6, 2014 at 10 a.m. in the Willard Room (mezzanine level) of the InterContinental Toronto Yorkville Hotel at 220 Bloor Street West, Toronto, Ontario.

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

ROMSPEN