



Romspen Mortgage Investment Fund



Q1
2021
Report



Cover photos, left to right:

Retail Buildout – Lakeland, Tennessee

Talara Apartments – Toronto, Ontario

Compass Logistics – Woodland, California

St. Laurent Apartments – Montreal, Quebec

Phoenix/Scottsdale Portfolio – Arizona

Landmark – White Rock, British Columbia

ROMSPEN

Romspen has a long-term track record of successful mortgage investing. With its origins in the mid-1960s, Romspen is one of the largest non-bank commercial/industrial mortgage lenders in North America with a portfolio in excess of \$2.8 billion. Our investors are high net worth individuals, foundations, endowments and pension plans.

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

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

Romspen has had 25 consecutive years of net investor yields¹ ranging from 5.8% - 10.8%, with positive performance every month.

Contents

1	Trustees' Letter
3	Financial Highlights
5	Management's Discussion & Analysis
13	Fund Financial Statements
28	Trustees & Management and Unitholder Information

¹Yield is calculated based on a cash-on-cash basis, net of fees, and assumes a monthly reinvestment of distribution. It does not take into account income taxes, changes in unit values, third-party expenses or redemption charges.

Trustees' Letter

Dear Fellow Investors:

Romspen's financial performance for the first quarter of 2021 was in-line with expectations, as the Fund continues to strongly outperform the comparative fixed income benchmarks. While our absolute performance was lower than our historical average this was to be expected given the continuing disruptions associated with COVID-19 and subsequent impact on Fund operations. Nonetheless, we are confident that the worst is now behind us and that performance will continue to gradually improve as the year progresses.

Comparative Performance

The compounded net yield to unitholders for the first quarter of 2021 was 1.8% versus 1.6% a year ago. In comparison, T-bills, FTSE/TMX Short-term Bond Index ("FTSE/TMX-STBI"), and the S&P/TSX yielded 0.0%, - 0.6%, and 8.1% respectively on a year-to-date basis.

For the twelve-month period ended March 31, 2021 the Fund's compounded net yield to unitholders was 6.0%, whereas T-bills, FTSE/TMX-STBI, and S&P/TSX yielded 0.2%, 2.8%, and 44.3% respectively.

Financial Highlights

For the first quarter of 2021, the Fund earned net income of \$40.1 million or \$0.13 per unit compared to \$60.7 million or \$0.20 per unit a year ago. Earnings were 34% lower than in 2020 due to the negative impact of COVID-19 on mortgage interest collection. Distributions were \$0.17 per unit and the net yield to investors was 1.8% in the first quarter, compared to \$0.16 per unit and 1.6% a year ago, with positive performance in all months. The Fund had \$3.3 million of net debt (debt less cash) compared to \$186.5 million of net debt a year ago.

At March 31, 2021, the net portfolio (142 mortgages and investments) was \$2.8 billion, a decrease of 14% compared to the first quarter of 2020. Investors' unit capital totalled \$3.1 billion the same as last year. The Fund's portfolio and earnings remain well diversified by property type, geography, size and currency. Canadian mortgages comprised 53% of the Fund, up from 52% last year, with the majority concentrated in Ontario (22%) and BC (20%). US mortgages comprised 47% of the Fund. There was a total of 69 US mortgages across 17 states with the largest concentrations in California (30%), Texas (18%) and Florida (11%).

The weighted average interest rate of the portfolio at March 31, 2021 was 10.2% compared to 10.4% a year ago. The total loss provision at quarter end further increased to \$143.7 million (\$0.45 per unit) from \$81.3 million a year ago to maintain a greater margin of safety given the uncertainty of COVID-19.

Net Asset Value ("NAV") at March 31, 2021 was \$9.73 per unit compared to \$9.94 per unit last year. At quarter end, approximately 95% of the Fund's foreign exchange exposure is hedged by the borrowers directly, US line of credit, or through forward contracts.

Non-performing loans in the mortgage portfolio are 27%, reflecting the challenges borrowers are experiencing in this unprecedented environment. It will require patience as the economy recovers to work these loans through to a successful conclusion versus taking short-term actions, which typically result in sub-optimal outcomes. Our extensive experience in managing these non-compliant loans normally results in lower returns and extended repayment terms, but typically does not result in losses beyond those provided for, given our first lien, unlevered security position.

Numerous loans have required forbearance terms, as borrowers navigate the current COVID-19 economic realities of slowed construction logistics, municipal approval delays and slower purchaser uptake. Loan repayments have been slower as economic uncertainty has delayed project timetables, project refinancing and end-user decision making, although there is a noticeable improvement in these trends compared to last year. The unprecedented slowdown in business activity has impacted the normal lending-interest-collection-repayment cycle and we have adapted our business model to this reality in the short term which has impacted our typical distribution and redemption pattern. This is entirely expected under the current conditions and is slowly resuming a more normal pattern as the economy continues to improve.

In accordance with the International Financial Reporting Standards, the financial statements of the Fund are unconsolidated, which provides limited insight into the true performance of the Fund. To provide useful and comparable information, a set of combined financial statements similar to previous reporting, has been included in the Management's Discussion and Analysis ("MD&A", pp. 5). It is encouraged that these financials in the MD&A be used as the primary reference point.

Outlook

Even with recent positive vaccine developments, recovery of the markets and global economy will be slow and uneven across regions and industries. However, we are seeing positive and encouraging developments that make us optimistic about future opportunities.

All sectors of the real estate market have been impacted in different ways over the past year creating a somewhat bifurcated market impact. Housing and industrial demand are growing strongly while retail, hospitality and entertainment venues have seen closures and face an uncertain future, with office properties falling on both sides of this and in between, depending on location and format. All sectors will go through some form of adaptation in the years ahead whether it be home office options in housing design, more industrial warehousing for on-line shopping or the repurposing of certain retail and office space into new uses.

The Canadian and US economies have also been impacted by central bank monetary intervention, resulting in record low interest rates and unprecedented government fiscal stimulus that have led to record amounts of public and private debt. We continue to expect interest rates to remain low

compared to historical averages for some time. Within our lending segment, we are presently seeing excessive rate pressure in Canada, with credit being extended too loosely and inconsistent with our risk parameters. In contrast, the US market currently offers better rate premiums supported by strong, well-located property opportunities. As such, we expect the portfolio composition to be more heavily weighted to US opportunities over the next while.

Even under the extreme economic stresses that have occurred through the worst of COVID-19, our investment strategy demonstrated solid absolute and comparative outperformance relative to most all fixed income alternatives. Exceptionally low rates, unprecedented fiscal stimulus, significant pent-up demand and soaring consumer confidence will drive a strong economic upturn through 2022 and provide a solid economic basis for the real estate values providing the collateral backing to our mortgages. However, we are ever mindful, and have been for some time, that the current high levels of debt and bloated asset prices throughout the economy can easily lay the foundation for a future credit crisis and accordingly continue to take a highly conservative lending approach through this period.

Respectfully submitted,

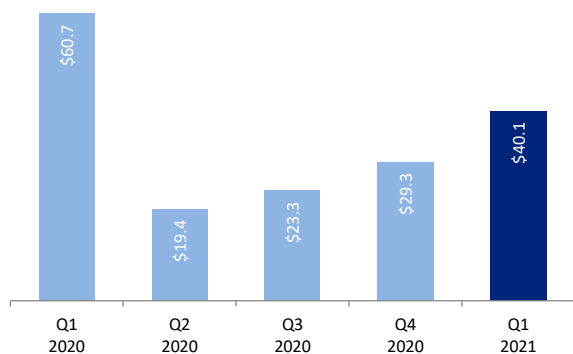
Sheldon	Mark	Arthur	Wesley
Esbin	Hilson	Resnick	Roitman

Trustees of the Fund, May 12, 2021

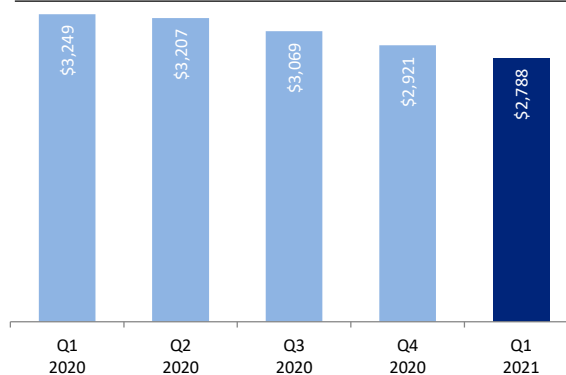
ROMSPEN MORTGAGE INVESTMENT FUND - 2021 Q1 HIGHLIGHTS

Key Metrics

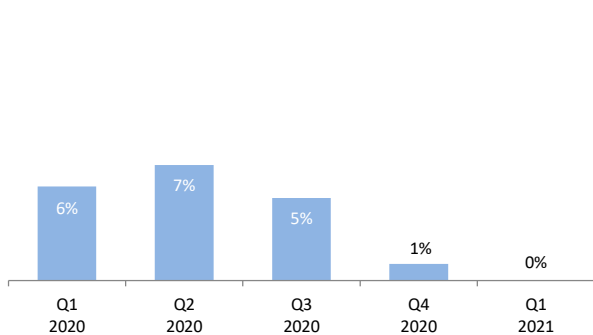
Net Earnings (\$millions)



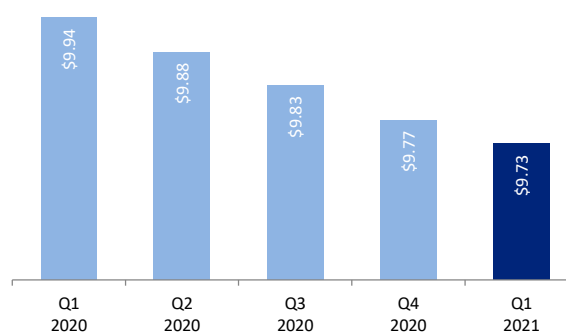
Net Investment Portfolio (\$millions)



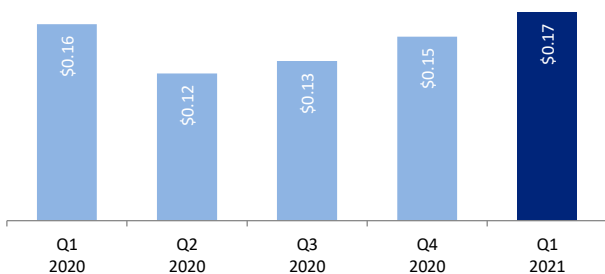
Net Leverage (% of net investment portfolio)



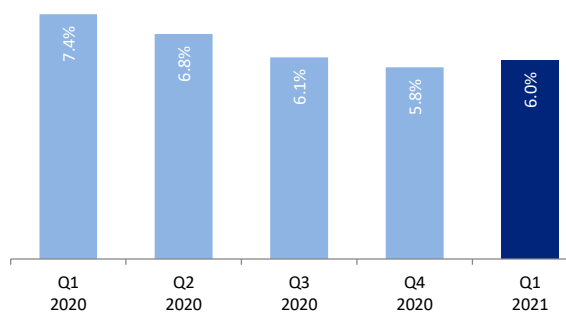
Net Asset Value (\$/unit)



Unitholder Distributions (\$/unit)



Trailing-12-Month Net Compounded Yield¹

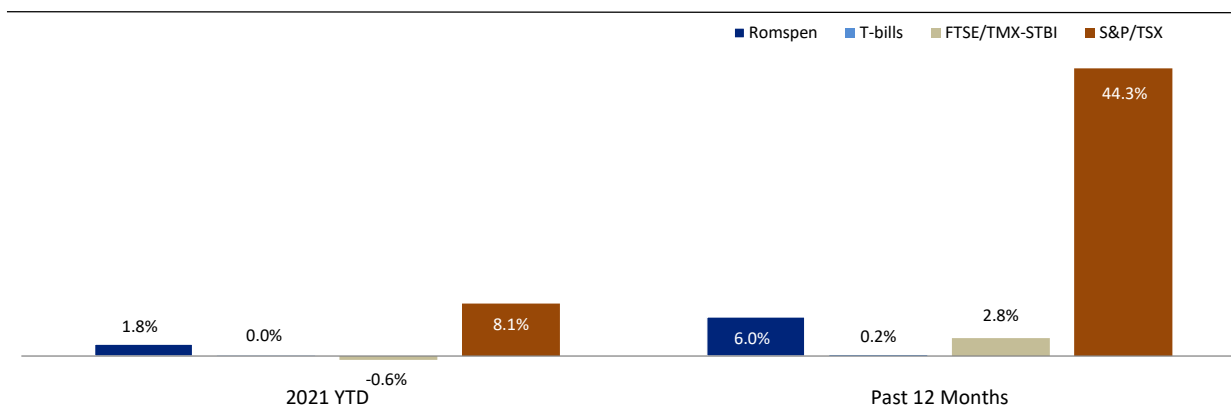


¹Yield is calculated based on a cash-on-cash basis, net of fees, and assumes a monthly reinvestment of distribution. It does not take into account income taxes, changes in unit values, third-party expenses or redemption charges.

Comparative Performance

Romspen yields are net; comparative benchmarks are gross returns².

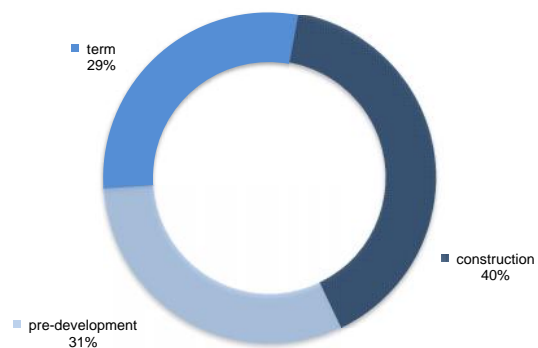
As of March 31, 2021



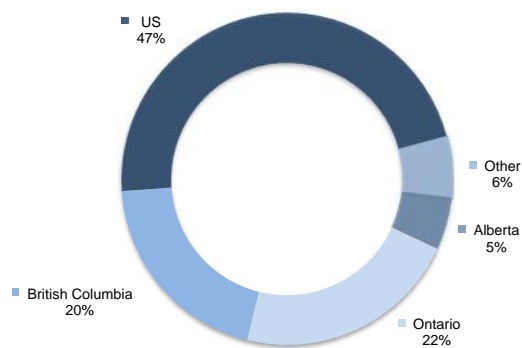
Investment Portfolio Profile

As of March 31, 2021

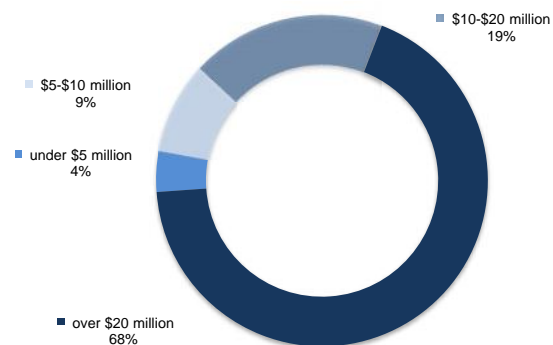
By Type



By Geography



By Amount



By Maturity



²Yield is calculated based on a cash-on-cash basis, net of fees, and assumes a monthly reinvestment of distribution. It does not take into account income taxes, changes in unit values, third-party expenses or redemption charges.

MANAGEMENT'S DISCUSSION & ANALYSIS

Responsibility of Management

This Management's Discussion and Analysis ("MD&A") for Romspen Mortgage Investment Fund (the "Fund") should be read in conjunction with the financial statements and notes thereto for the quarter ended March 31, 2021 included herein and the audited financial statements and MD&A for the year ended December 31, 2020. Investment in the Fund is subject to certain risks and uncertainties described in the Fund's Offering Memorandum, which should be read in conjunction with this MD&A. These documents are available on our website at: www.romspen.com.

Management is responsible for the information disclosed in this MD&A. The Fund has in place appropriate procedures, systems and controls to ensure such information is materially complete and reliable. In addition, the Fund's trustees have reviewed and approved the MD&A and the financial statements for the quarter ended March 31, 2021.

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

Forward-Looking Statements

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

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

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

Non-IFRS Financial Measures

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

Introduction

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

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

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

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

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

Portfolio

As of March 31, 2021, the Fund's mortgage and investment portfolio (the "Portfolio"), net of fair value provisions, was \$2.8 billion compared to \$3.2 billion at March 31, 2020. This decrease of \$0.4 billion or 14% reflects the increase in provision as well as a higher volume of loan repayments. The Portfolio included 142 mortgages and investments versus 167 at the same time last year.

Approximately 94% of the Portfolio was invested in first mortgages at March 31, 2021 (March 31, 2020 — 97%). The weighted average interest rate of the Portfolio was 10.2%, compared to 10.4% a year ago.

The Portfolio continues to consist mainly of short-term mortgages to third parties and mortgages to the Fund's subsidiaries. Approximately 93% of the Portfolio's investments mature within one year (March 31, 2020 — 82%) and 100% mature within two years (March 31, 2020 — 94%). In addition, all our mortgages are open for repayment prior to maturity. The short-term nature of the Fund's portfolio permits opportunities to continually and rapidly evolve in response to changes in the real estate and credit markets. The Fund Manager believes this flexibility is far more important in our market niche than securing long-term fixed interest rates.

As of March 31, 2021, approximately 22% of our investments were in Ontario, compared to 20% a year ago. Approximately 25% of the Portfolio was invested in Western Canada, 6% in other provinces and 47% in the US. The Fund Manager believes this broad level of North American diversification adds stability to the Fund's performance by reducing dependency on the economic activity and cycles in any given geographic region.

Total fair value provisions as of March 31, 2021 were \$143.7 million, which represented 5% of the original cost of the Fund's investments or \$0.45 per unit outstanding as at March 31, 2021. The establishment of the fair value provision is based on facts and interpretation of circumstances relating to the Fund's portfolio. Thus, it is a complex and dynamic process influenced by many factors. The provision relies on the judgment and opinions of individuals on historical trends, prevailing legal, economic and regulatory trends, and expectations of future developments. The process of determining the provision necessarily involves risk that the actual outcome will deviate, perhaps substantially, from the best estimates made. The fair value provision will continue to be reviewed by the Fund Manager and the Fund's trustees on a regular basis and, if appropriate, will be adjusted.

Financial Presentation

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

Non-IFRS financial information

Combined Balance Sheet

March 31, 2021, with comparative information for 2020

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

(In thousands of dollars, unless otherwise noted)			
	March 31, 2021	December 31, 2020	March 31, 2020
Assets			
Cash	\$ 96,675	\$ 85,051	\$ 72,400
Accrued interest receivable	189,896	168,050	127,340
Mortgage investments	1,856,970	1,909,989	2,140,056
Investment in subsidiaries	460,192	481,131	521,164
Investment in TIG Romspen US Master Mortgage LP	548,652	559,754	602,259
Foreign exchange forward contracts	48,311	48,009	-
Other assets	9,361	8,997	7,791
	\$ 3,210,057	\$ 3,260,981	\$ 3,471,010
Liabilities and Unitholders' Equity			
Revolving loan facility	\$ 100,000	\$ 128,196	\$ 258,890
Accounts payable and accrued liabilities	5,904	4,910	4,603
Foreign exchange forward contracts	-	-	87,282
Prepaid unit capital	2,250	-	3,075
Unitholders' distributions payable	19,018	15,991	12,503
	127,172	149,097	366,353
Units submitted for redemption	91,815	39,700	135,787
Unitholders' equity	2,991,070	3,072,184	2,968,870
	\$ 3,210,057	\$ 3,260,981	\$ 3,471,010

Non-IFRS financial information

Combined Statement of Earnings

Three months ended March 31, 2021, with comparative information for 2020

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

(In thousands of dollars, except per unit amounts, unless otherwise noted)		3 months ended March 31, 2021	3 months ended March 31, 2020
Revenue			
Mortgage interest	\$	45,320	\$ 56,016
Income from Investment in TIG Romspen US Master Mortgage LP		9,973	8,609
Other		1,430	974
Realized gain (loss) on foreign exchange		12,296	1,500
Unrealized gain (loss) on foreign exchange		(13,272)	13,190
		55,747	80,289
Expenses			
Management fees		6,122	6,611
Interest		965	1,972
Change in fair value of mortgage investments and investment in subsidiaries		7,159	6,600
Realized loss on mortgage investments		-	2,020
Other (gains) losses		335	1,221
Audit fees		86	83
Legal fees		1	2
Other		1,016	1,046
		15,684	19,555
Net earnings	\$	40,063	\$ 60,734
Net earnings per unit	\$	0.13	\$ 0.20
Weighted average number of units issued and outstanding		318,746,640	309,389,702

Non-IFRS financial information

Combined Statement of Changes in Unitholders' Equity

Three months ended March 31, 2021, with comparative information for 2020

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

(In thousands of dollars, except per unit amounts, unless otherwise noted)	March 31, 2021	December 31, 2020	March 31, 2020
Unit capital			
Balance, beginning of year	\$ 3,140,282	\$ 2,985,145	\$ 2,985,145
Issuance of units	37,451	224,174	162,484
Redemption of units	(52,442)	(59,158)	(59,158)
Decrease (increase) in units submitted for redemption	(52,115)	(9,879)	(105,966)
Balance, end of period	\$ 3,073,176	\$ 3,140,282	\$ 2,982,505
Cumulative earnings			
Balance, beginning of year	\$ 1,286,290	\$ 1,153,551	\$ 1,153,551
Net earnings	40,063	132,739	60,734
Balance, end of period	\$ 1,326,353	\$ 1,286,290	\$ 1,214,285
Cumulative distributions to unitholders			
Balance, beginning of year	\$ (1,354,388)	\$ (1,178,564)	\$ (1,178,564)
Distributions to unitholders	(54,071)	(175,824)	(49,356)
Balance, end of period	\$ (1,408,459)	\$ (1,354,388)	\$ (1,227,920)
Unitholders' equity	\$ 2,991,070	\$ 3,072,184	\$ 2,968,870
Units issued and outstanding, excluding units submitted for redemption	307,532,383	314,450,684	298,607,394

Non-IFRS financial information

Combined Statement of Cash Flows

Three months ended March 31, 2021, with comparative information for 2020

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

(In thousands of dollars, unless otherwise noted)	3 months ended March 31, 2021	3 months ended March 31, 2020
Cash provided by (used in):		
Operations		
Net earnings	\$ 40,063	\$ 60,734
Items not affecting cash:		
Amortization of revolving loan facility financing costs	124	124
Change in fair value of mortgage investments and investment in subsidiaries	7,159	6,600
Income from investment in TIG Romspen US Master Mortgage LP	4,340	1,007
Realized loss on mortgage investments	-	2,020
Unrealized (gain) loss on foreign exchange	13,272	(13,190)
Amortization of discount	-	-
Other (gains) losses	335	1,221
Change in non-cash operating items:		
Accrued interest receivable	(22,041)	(14,039)
Other assets	(883)	(868)
Accounts payable and accrued liabilities and unitholders' distribution payable	995	1,118
	43,364	44,727
Financing		
Proceeds from issuance of units	17,583	134,489
Distributions paid to unitholders	(31,176)	(26,987)
Redemption of units	(52,442)	(59,158)
Prepaid unit capital	2,250	(1,447)
Change in revolving loan facility	(31,331)	137,055
	(95,116)	183,952
Investments		
Funding of mortgage investments	(79,374)	(97,654)
Discharge of mortgage investments	116,792	28,672
Net funding of investment in subsidiaries	20,939	(12,831)
Net funding of investment in TIG Romspen US Master Mortgage LP	5,019	(87,314)
	63,376	(169,127)
Increase (decrease) in cash	11,624	59,552
Cash, beginning of year	85,051	12,848
Cash, end of period	\$ 96,675	\$ 72,400

Investment in Subsidiaries

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

(in thousands of dollars)

Name	Ownership	Description	Location	Mar 31, 2021
Guild	100%	Office complex	CA	\$ 19,031
Camperdown	100%	Land for residential development	CA	1,346
Aspen Lakes	100%	Residential development	CA	12,866
Almonte	50%	Retail plaza	CA	5,716
Bear Mountain	100%	Office complex	CA	4,727
Liberty Ridge	100%	Residential subdivision	CA	61,663
Beach One	100%	Commercial development	CA	35
Planetwide	100%	Land for residential development	CA	4,808
Royal Oaks	100%	Residential subdivision	CA	12,160
Haldimand	100%	Landfill	CA	31,928
High Street	100%	Commercial/Residential	CA	24,307
Egreen	100%	Land for industrial development	CA	1,496
Carolina Golf	100%	Golf courses	US	53,199
LE Ranch	100%	Residential	US	20,930
Springville	100%	Land for commercial development	US	21,404
Big Nob	100%	Land for residential development	CA	13,541
RIC (Kash)	100%	Land for residential development	CA	211
Midland	100%	Land for residential development	CA	26,379
Kettle Creek	100%	Land for residential development	CA	43,653
Langford Lake	100%	Land for residential development	CA	32,937
Ponderosa	80%	Land for residential development	CA	44,314
Drought	100%	Land for residential development	CA	11,321
Northern Premier	100%	Land for industrial development	CA	10,448
Hampton Circle	100%	Residential construction	CA	4,961
Southpoint Landing	100%	Residential	CA	1,289
RIC Hampton Inc.	100%	Commercial	CA	5,192
Environmaster	100%	Environment and recycling	CA	34,440
Kawartha Downs	100%	Leisure and entertainment	CA	16,478
Nisku	100%	Industrial predevelopment	CA	12,280
				\$ 533,060
Fair Value Adjustment				(72,868)
				\$ 460,192

Income Statement Highlights

Total revenues for the quarter ended March 31, 2021 were \$55.7 million compared to \$80.3 million in the previous year.

Net earnings for the quarter were \$40.1 million compared to \$60.7 million for the same period last year. The basic weighted average earnings per unit for the quarter were \$0.13 per unit compared to \$0.20 last year.

For the quarter ended March 31, 2021, the Fund distributed \$54.1 million or \$0.17 per unit versus \$49.4 million or \$0.16 per unit for the period ended

March 31, 2020. The simple and compounded net yield to unitholders for the three-month period ended March 31, 2021 were 1.7% and 1.8% respectively.

Provision for losses on the Portfolio value reflected an increase of \$7.2 million in the first quarter of 2021. Management and other fees payable to the Fund Manager and other general and administrative expenses of the Fund were \$7.2 million for the quarter ended March 31, 2021 compared to \$7.7 million in the prior year. These expenses were marginally lower than the previous year and reflect the slightly smaller Portfolio value.

Balance Sheet Highlights

Total assets as of March 31, 2021 were \$3.2 billion compared to \$3.5 billion a year ago. Under IFRS, mortgages that are owed from subsidiary companies holding foreclosed properties have been reclassified from mortgage investments to investment in subsidiaries. Total assets are comprised primarily of mortgages recorded at fair market value, investment in subsidiaries, and accrued interest receivable. In addition, the Fund had \$96.7 million of excess cash at the quarter end.

Total liabilities excluding units submitted for redemption as of March 31, 2021 were \$127.2 million compared with \$366.4 million a year earlier. Liabilities at the end of the quarter were comprised mainly of a \$100.0 million line of credit and \$24.9 million in accounts payable and distributions payable to unitholders. Drawings under the revolving loan facility, together with net cash proceeds of the Unit Offering, are used to add to the Portfolio. The revolving loan facility bears interest not exceeding prime plus 1.0% and is secured by all assets of the Partnership and a pledge of all Partnership units held by the Fund. Net bank debt (debt less unrestricted cash) stood at \$3.3 million (0% of the net Portfolio) at quarter end versus \$186.5 million net bank debt (6% of the net Portfolio) a year ago.

Unitholders' equity plus units submitted for redemption as of March 31, 2021 were \$3.1 billion, same as on March 31, 2020. There was a total of 316,972,545 units outstanding on March 31, 2021 compared to 312,265,281 on March 31, 2020. There are no options or other commitments to issue additional units.

Liquidity and Capital Resources

Pursuant to the trust indenture, 100% of the Fund's net taxable earnings are intended to be distributed to unitholders. This means that growth in the Portfolio can only be achieved through the raising of additional unitholder equity and utilizing available borrowing capacity. Pursuant to the Fund's investment policies, the Fund may borrow up to 35% of the book value of mortgages held by the Fund. As of March 31, 2021, borrowings totalled approximately 3% of the book value of investments held by the Fund compared to 8% as of March 31, 2020.

During three months ended March 31, 2021, there were \$15.0 million of net redemptions compared to \$103.3 million proceeds from issuance of units net of redemptions and costs during the same period in 2020.

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

Related Party Transactions

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

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

Risk Management

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

Outlook

Canadian and US markets continue to stabilize as COVID-19 vaccination efforts have reduced infection rates. With increased stability, companies both north and south of the border have steadily ramped up business operations, and as a result, unemployment rates have been on the decline and equity

markets on the rise. Although it will take several years for economies to fully recover from the spending required to endure this difficult period, we are optimistic that the commercial and industrial real estate markets Romspen lends to will continue to be resilient.

Real estate is always evolving, and COVID-19 will accelerate change. More and more companies are looking to partial work from home models for their workforce and this opens up the market to a number of changes over time. Single family homes that were deemed a little too far out of the city for a daily commute can once again be considered if the daily commute is two or three days a week rather than five. Office buildings will be under some pressure to reduce rates to keep tenants or attract new ones as demand may soften. Subsequently, some office and retail space is likely to see changes as landlords and developers look to maximize the value of properties through the repurposing of existing buildings.

The current low-rate environment that we are experiencing presents both opportunities and challenges for Romspen. On one side, the lower rate environment becomes the catalyst to move development projects forward as lower rates keep costs attractively low and buoys underlying property values. On the other side, with bank rates near zero it becomes increasingly more difficult to lend at our historical rates of 10 to 12% as capital desperately seeks higher yields. Rate compression is always a challenge when rates decline, and compression can differ from province to province, state to state and between Canada and the US. Since the beginning of the year, rate compression has been more noticeable in Canada than the US. We anticipate that as Canada's economy accelerates to be more in-line with the US, Canadian demand for financing will strengthen and that rate compression will ease. In the meantime, our lending bias will be more weighted to the US market.

We anticipate a strong economic recovery over the next two years as the worst of the pandemic ebbs and a powerful combination of low interest rates, unprecedented fiscal stimulus, pent-up demand and consumer confidence takes hold. In this environment, we are optimistic non-performing loans will decline, that the demand for lending will increase and that overall performance will normalize within the typical historical range.

Financial Statements

ROMSPEN MORTGAGE INVESTMENT FUND

Three months ended March 31, 2021 (Unaudited)

INTERIM UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

March 31, 2021, with comparative information for 2020

	March 31, 2021 (unaudited)	December 31, 2020 (audited)
Assets		
Cash	\$ 2,314	\$ 152
Investment in Romspen Mortgage Limited Partnership, at fair value through profit or loss (note 3)	3,102,603	3,128,570
Other assets	3	2
	\$ 3,104,920	\$ 3,128,724
Liabilities and Unitholders' Equity		
Liabilities:		
Accounts payable and accrued liabilities	767	849
Prepaid unit capital	2,250	-
Unitholders' distributions payable	19,018	15,991
	22,035	16,840
Units submitted for redemption (note 4)	91,815	39,700
Unitholders' equity (note 4)	2,991,070	3,072,184
Commitments and contingent liabilities (note 9)	-	-
	\$ 3,104,920	\$ 3,128,724
Net asset value per unit (note 5)	\$ 9.73	\$ 9.77

See accompanying notes to financial statements.

INTERIM UNCONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

Three months ended March 31, 2021, with comparative information for 2020

	3 months ended March 31, 2021	3 months ended March 31, 2020
Income from investment in Romspen Mortgage Limited Partnership:		
Distributions from Romspen Mortgage Limited Partnership	\$ 34,203	\$ 21,361
Unrealized appreciation in net assets of Romspen Mortgage Limited Partnership (note 3)	8,351	41,881
	42,554	63,242
Expenses:		
Management fees (note 8 (a))	2,020	2,182
Audit fees	86	83
Legal fees and other	385	243
	2,491	2,508
Net income and comprehensive income	\$ 40,063	\$ 60,734
Net income and comprehensive income per unit (note 5)	\$ 0.13	\$ 0.20
Weighted average number of units issued and outstanding (note 5)	318,746,640	309,389,702

See accompanying notes to financial statements.

INTERIM UNCONSOLIDATED STATEMENT OF CHANGES IN UNITHOLDERS' EQUITY

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

Three months ended March 31, 2021, with comparative information for 2020

	March 31, 2021 (unaudited)	March 31, 2020 (unaudited)
Unit capital:		
Balance, beginning of year	\$ 3,140,282	\$ 2,985,145
Issuance of units (note 4)	37,451	162,484
Redemption of units (note 4)	(52,442)	(59,158)
Decrease (increase) in units submitted for redemption	(52,115)	(105,966)
Balance, end of period	\$ 3,073,176	\$ 2,982,505
Cumulative earnings:		
Balance, beginning of year	\$ 1,286,290	\$ 1,153,551
Net income and comprehensive income	40,063	60,734
Balance, end of period	\$ 1,326,353	\$ 1,214,285
Cumulative distributions to unitholders:		
Balance, beginning of year	\$ (1,354,388)	\$ (1,178,564)
Distributions to unitholders (note 6)	(54,071)	(49,356)
Balance, end of period	\$ (1,408,459)	\$ (1,227,920)
Unitholders' equity	\$ 2,991,070	\$ 2,968,870
Units issued and outstanding, excluding units submitted for redemption	307,532,383	298,607,394

See accompanying notes to financial statements.

INTERIM UNCONSOLIDATED STATEMENT OF CASH FLOWS

(In thousands of dollars)

Three months ended March 31, 2021, with comparative information for 2020

	3 months ended March 31, 2021 (unaudited)	3 months ended March 31, 2020 (unaudited)
Cash provided by (used in):		
Operations:		
Net income and comprehensive income	\$ 40,063	\$ 60,734
Items not affecting cash:		
Unrealized appreciation in net assets of Romspen Mortgage Limited Partnership (note 3)	(8,351)	(41,881)
Change in non-cash operating items:		
Accounts payable and accrued liabilities, unitholders' distribution payable and other assets	(83)	280
	31,629	19,133
Financing:		
Proceeds from issuance of units (note 4)	17,583	134,489
Distributions paid to unitholders (note 6)	(31,176)	(26,987)
Redemptions of units (note 4)	(52,442)	(59,158)
Prepaid unit capital	2,250	(1,447)
	(63,785)	46,897
Investments:		
Net redemption/(funding) of investment in Romspen Mortgage Limited Partnership (note 3)	34,318	(67,356)
	34,318	(67,356)
Increase (decrease) in cash	2,162	(1,326)
Cash, beginning of year	152	4,591
Cash, end of period	\$ 2,314	\$ 3,265

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

(In thousands of dollars, except per unit amounts, unless otherwise noted)
Year ended December 31, 2020

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

As of March 31, 2021, the Partnership indirectly owns 80.16% (2020 – 77.12%) of USMLP. Romspen Investment Corporation (“Romspen”) is the Fund’s mortgage manager and acts as the primary loan originator, underwriter and syndicator for the Partnership.

The Fund commenced operations on January 16, 2006. These financial statements and accompanying notes have been authorized for issue by the trustees of the Fund (the “Trustees”) on April 30, 2021.

1. Basis of presentation

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

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

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

2. Significant accounting policies

A) Use of estimates

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

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

Information about assumptions and estimation uncertainties at March 31, 2021 that have a significant risk of resulting in a material

adjustment to the carrying amount of assets and liabilities in the next financial year, is included in note 3.

B) Judgment

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

C) Net income and comprehensive income per unit

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

D) Prepaid unit capital

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

E) Financial assets and financial liabilities

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

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

Financial assets and liabilities	Classification
Cash	Amortized cost
Investment in the Partnership	FVTPL
Accounts payable and accrued liabilities	Amortized cost
Prepaid unit capital	Amortized cost
Unitholders’ distribution payable	Amortized cost

NOTES TO FINANCIAL STATEMENTS

(In thousands of dollars, except per unit amounts, unless otherwise noted)
Year ended December 31, 2020

3. Supplemental information regarding Partnership at FVTPL

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

Schedule of the Fund's investment in the Partnership:

	March 31, 2021 (unaudited)	March 31, 2020 (unaudited)
Investment balance, beginning of year	\$ 3,128,570	\$ 3,008,704
Funding/(redemption) of investment in the Partnership	(34,318)	67,356
Unrealized appreciation in net assets of the Partnership	8,351	41,881
Investment balance, end of period	\$ 3,102,603	\$ 3,117,941

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

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

	March 31, 2021 (unaudited)	December 31, 2020 (audited)
Assets		
Cash	\$ 94,361	\$ 84,899
Accrued interest receivable	189,896	168,050
Mortgage investments (note 3(b))	1,856,970	1,909,989
Investment in subsidiaries (note 3(c))	460,192	481,131
Investment in USMLP (note 3(d))	548,652	559,754
Foreign exchange forward contracts (note 3(f))	48,311	48,009
Other assets	9,358	8,995
	\$ 3,207,740	\$ 3,260,827
Liabilities and Unitholders' Equity		
Liabilities:		
Revolving loan facility (note 3(e))	\$ 100,000	\$ 128,196
Accounts payable and accrued liabilities	5,137	4,061
	105,137	132,257
Fair Value of net assets attributable to unitholders of the Partnership	3,102,603	3,128,570
	\$ 3,207,740	\$ 3,260,827

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

	3 months ended March 31, 2021 (unaudited)	3 months ended March 31, 2020 (unaudited)
Revenue		
Mortgage interest	\$ 45,320	\$ 56,016
Income from Investment in USMLP (note 3(d))	9,973	8,609
Other	1,430	974
Realized loss on foreign exchange (note 3(f))	12,296	1,500
Unrealized loss on foreign exchange (note 3(f))	(13,272)	13,190
	55,747	80,289
Expenses		
Management fees (note 8(b))	4,102	4,429
Interest	965	1,972
Change in fair value of mortgage investments and investment in subsidiaries	7,159	6,600
Realized loss on mortgage investments	-	2,020
Other losses (gains)	335	1,221
Legal fees and other	632	805
	13,193	17,047
Comprehensive Income	\$ 42,554	\$ 63,242

A) Basis of presentation and measurement for the Partnership

i) Mortgage investments

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

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

ii) Investment in subsidiaries

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

NOTES TO FINANCIAL STATEMENTS

(In thousands of dollars, except per unit amounts, unless otherwise noted)
Year ended December 31, 2020

iii) Investment in USMLP

The Partnership indirectly owns 80.16% of USMLP as at March 31, 2021 (March 31, 2020 – 77.12%). The Partnership does not consolidate USMLP, Liberty LP or Intermediate LP and accounts for its investment in USMLP at FVTPL. The fair value of the Partnership's investment in USMLP is the amount of net assets attributable to the unitholders of USMLP.

iv) Interest income

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

v) Use of estimates

The mortgage investments are recorded in the Partnership's statement of financial position at fair value. The estimates may include: assumptions regarding local real estate market conditions; interest rates and the availability of credit; cost and terms of financing; the impact of present or future legislation or regulation; prior encumbrances and other factors affecting the mortgage and underlying security of the mortgage investments. Actual results may differ from those estimates.

These assumptions are limited by the availability of reliable comparable data, economic uncertainty, ongoing geopolitical concerns and the uncertainty of predictions concerning future events. Credit markets, equity markets and consumer spending are factors in the uncertainty inherent in such estimates and assumptions. Accordingly, by their nature, estimates of fair value are subjective and do not necessarily result in precise determinations. Should the underlying assumptions change, the estimated fair value could change by a material amount.

vi) Foreign currency translation

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

vii) Financial assets and financial liabilities

The Partnership's designations are as follows:

- a) Mortgage investments and accrued interest receivable are designated as FVTPL, categorized into Level 3 of the fair value hierarchy.
- b) Investment in subsidiaries and USMLP are designated as FVTPL and categorized into Level 3 of the fair value hierarchy.
- c) Other assets, revolving loan facility, accounts payable and accrued liabilities, prepaid unit capital, unitholders' distributions payable and units submitted for redemption are classified and are measured at amortized cost.

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

B) Mortgage investments (excluding investment in subsidiaries)

The following is a summary of the mortgages:

		Mar 31, 2021		Mar 31, 2020
	Number of mortgages	Original cost	Fair Value	Fair Value
First mortgages	78	\$ 1,771,219	\$ 1,700,338	\$ 2,087,661
Second mortgages	3	156,632	156,632	52,395
		\$ 1,927,851	\$ 1,856,970	\$ 2,140,056

A reconciliation of the mortgage investments is as follows:

	Mar 31, 2021	Mar 31, 2020
Investments balance, beginning of year	\$ 1,909,989	\$ 2,020,032
Funding of mortgage investments	79,374	97,654
Discharge of mortgage investments	(116,792)	(28,672)
Non-cash transfer to investment in subsidiaries	-	(4,677)
Unrealized gain (loss) in the value of investments	(7,159)	(12,600)
Realized loss on investments	-	-
Amortization of discount	-	-
Foreign currency adjustment on investments	(8,442)	68,319
Investments balance, end of period	\$ 1,856,970	\$ 2,140,056

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

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

The mortgage investments portfolio bears interest at a weighted average rate of 11.01% (March 31, 2020 – 11.29%).

Principal repayments based on contractual maturity dates are as follows:

Overhold	\$ 765,032
2021	918,787
2022	244,032
	\$ 1,927,851

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

NOTES TO FINANCIAL STATEMENTS

(In thousands of dollars, except per unit amounts, unless otherwise noted)
Year ended December 31, 2020

C) Investment in subsidiaries

	Mar 31, 2021	Mar 31, 2020
Investment in subsidiaries at cost	\$ 533,060	\$ 576,474
Fair value adjustment	(72,868)	(55,310)
	\$ 460,192	\$ 521,164

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

A reconciliation of investment in subsidiaries is as follows:

	Mar 31, 2021	Mar 31, 2020
Investments balance, beginning of year	\$ 481,131	\$ 496,357
Funding in investments	1,548	14,750
Sale of investments ¹	(22,487)	(1,919)
Non-cash transfer from mortgage investments	-	4,677
Net unrealized loss in the fair value of investments	-	6,000
Realized gain (loss) on investments	-	(2,020)
Foreign currency adjustment on investments	-	3,319
Investments balance, end of period	\$ 460,192	\$ 521,164

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

D) Partnership's investments USMLP at FVTPL

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

As at March 31, 2021, the Partnership indirectly owns 80.16% (2020 - 77.12%) of USMLP, through Liberty LP and the Intermediate LP.

Schedule of investment in USMLP:

	Mar 31, 2021	Mar 31, 2020
Investment balance, beginning of year	\$ 559,754	\$ 470,017
Funding of investment in USMLP	(5,019)	87,314
Partnership's share in USMLP net income	9,973	8,609
Dividend received from USMLP	(14,314)	(9,616)
Foreign currency adjustment on investment	(1,743)	45,935
Investment balance, end of period	\$ 548,652	\$ 602,259

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

Statement of non-consolidated financial position:

	Mar 31, 2021 (unaudited)	Dec 31, 2020 (audited)
Assets		
Cash and restricted cash	\$ 69,797	\$ 19,148
Accrued interest	24,309	46,765
Mortgage investments, at fair value	566,958	640,729
Other assets	2,830	2,158
	\$ 663,894	\$ 708,800
Liabilities and Partners' Capital		
Liabilities:		
Mortgage investment syndication	\$ 1,258	\$ 1,274
Accounts payable and accrued liabilities	2,786	3,262
Due to the Partnership	99,343	100,583
Prepaid interest	-	-
Distributions payable	4,185	10,057
	107,572	115,176
Partners' capital	556,322	593,624
	\$ 663,894	\$ 708,800

Statement of non-consolidated comprehensive income:

	3 months ended Mar 31, 2021 (unaudited)	3 months ended Mar 31, 2020 (unaudited)
Investment Income:		
Mortgage interest	\$ 15,471	\$ 17,147
Other	52	-
	15,523	17,147
Expenses:		
Service fees	1,506	1,579
Interest	1,110	851
Change in fair value of mortgage investments	-	3,340
Accounting and legal fees	85	48
Other	127	136
	2,828	5,954
Net investment income	\$ 12,695	\$ 11,193

The Partnership provides temporary funding to assist in USMLP's ability to fund loans. These loans are in priority of equity and are usually arranged to be repaid by the next unit offering date of USMLP. These loans bear an interest rate of US prime plus 1.25% and are usually paid down within a year. As of March 31, 2021, a balance of \$99,343 (2020 - \$97,181) (equivalent of \$79,000 USD (2019 - \$68,500)) is outstanding and included in the investment balance.

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

NOTES TO FINANCIAL STATEMENTS

(In thousands of dollars, except per unit amounts, unless otherwise noted)
Year ended December 31, 2020

fair value of the investment is adjusted to the fair value of the underlying security.

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

	Mar 31, 2021	Dec 31, 2020
Mortgage investments and investment in subsidiaries, at cost	\$ 2,460,911	\$ 2,527,710
Investment in USMLP	548,652	559,754
Unrealized fair value adjustment	(143,749)	(136,590)
	\$ 2,865,814	\$ 2,950,874
Mortgage investments	\$ 1,856,970	\$ 1,909,989
Investment in subsidiaries	460,192	481,131
Investment in USMLP	548,652	559,754
	\$ 2,865,814	\$ 2,950,874

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

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

E) Revolving loan facility

The Partnership entered into a revolving loan facility on July 16, 2012 and it was amended on July 17, 2019 with an increased maximum amount of \$400,000 (2020 - \$400,000) including borrowings of equivalent amount denominated in US dollars. Approximately \$300,000 (2020 - \$141,110) is available and \$100,000 has been drawn as at March 31, 2021 (2020 - \$258,890). Interest on the loan is charged at a maximum of prime rate plus 1.0%. The minimum and maximum amounts drawn under the revolving loan facility for the period ended March 31, 2021 were \$60,000 and \$128,364 (2020 - \$60,000 and \$260,988), respectively. The loan is secured by all assets of the Partnership and a pledge of all Partnership units held by the Fund. The loan matures on July 16, 2021.

The costs associated with the establishment of the revolving loan facility are amortized over the two-year initial term of the facility and have been included in other assets for \$165 (2020 - \$616), net of accumulated amortization of \$782 (2020 - \$331).

F) Foreign exchange forward contracts

The foreign exchange forward contracts are used to hedge the Fund's exposure to loans denominated in US dollars. The following table sets out the fair values and the notional amount of foreign exchange forward contract

derivative assets and liabilities held by the Partnership as at March 31, 2021 and 2020:

Foreign exchange gain (loss) on forward contracts as at December 31, 2020:

	Currency received to be delivered in USD (CAD)	Fair value at foreign exchange	Unrealized gain (loss)
Mar 31, 2021	\$ 1,373,087	\$ 1,324,776	\$ 48,311
Mar 31, 2020	1,167,700	1,254,982	(87,282)

The foreign exchange forward contracts are used to hedge the Fund's exposure to loans denominated in US dollars and are classified as FVTPL. The unrealized foreign exchange gains on forward contracts are economically offset by unrealized losses on assets classified as FVTPL, which are included in the Partnership's unrealized foreign exchange loss of \$13,272 (2020 - \$13,190 net gain).

The realized foreign exchange gain of \$12,296 (2020 - \$1,500) in the Partnership's statement of comprehensive income includes realized foreign exchange gain of \$15,868 (2020 - loss of \$489) on forward contracts, which are offset by losses in assets classified as FVTPL and revolving credit facility.

4. Unitholders' equity

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

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

NOTES TO FINANCIAL STATEMENTS

(In thousands of dollars, except per unit amounts, unless otherwise noted)
Year ended December 31, 2020

A) Discounted redemptions

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

i) The following units are issued and outstanding

	March 31, 2021		March 31, 2020	
	Units	Amount	Units	Amount
Balance, beginning of year	318,514,154	\$ 3,179,777	301,836,184	\$ 3,014,761
New units issued	1,805,372	17,583	13,574,771	134,489
New units issued under distribution reinvestment plan	2,037,418	19,868	2,825,550	27,995
Units redeemed	(5,384,399)	(52,442)	(5,971,224)	(59,158)
Proceeds from issuance of units, net of redemptions	(1,541,609)	(14,991)	10,429,097	103,326
Balance, end of period	316,972,545	\$ 3,164,786	312,265,281	\$ 3,118,087

During the normal course of business, the Fund receives unit issuance and redemption requests from the investors. In 2021, the Fund received requests for redemption of 14,824,560 units (2020 – 16,618,684) and redeemed 5,384,399 units (2020 – 5,971,224) for \$52,442 (2020 – \$59,158) in accordance with its policies.

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

ii) Distribution reinvestment plan and direct unit purchase plan

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

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

NAV per unit is calculated as total assets less total liabilities, excluding units submitted for redemption, allocable to outstanding units, of 316,972,545 as at March 31, 2021 (2020 – 312,265,281).

B) Temporary suspension of redemptions

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

As at March 31, 2021, unitholders representing approximately 9,440,162 (2020 – 13,657,887) units have requested redemptions of their units, the redemption of which is subject to the above restrictions. These units have been reclassified to liabilities from unitholders' equity in order to comply with applicable accounting rules. These units, however, continue to have the same rights and no priority over the remaining units. Units submitted for redemption are redeemed at the net asset value ("NAV").

Net income and comprehensive income per unit have been computed using the weighted average number of units issued and outstanding of 318,746,640 for the three months ended March 31, 2021 (2020 – 309,389,702).

6. Distributions

The Fund makes distributions to the unitholders monthly on or about the 15th day of each month. The Fund's trust indenture indicates that the Fund intends to distribute 100% of the net earnings of the Fund, determined in accordance with the Income Tax Act (Canada), to the unitholders. For the three months ended March 31, 2021, the Fund declared distributions of \$0.17 (2020 – \$0.16) per unit and a total of \$54,071 (2020 – \$49,356) was distributed to the unitholders.

7. Income taxes

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

NOTES TO FINANCIAL STATEMENTS

(In thousands of dollars, except per unit amounts, unless otherwise noted)
Year ended December 31, 2020

income tax under the Income Tax Act (Canada). Therefore, no provision for income taxes is required on earnings of the Fund.

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

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

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

8. Related party transactions and balances

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

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

A) The majority of the Trustees of the Fund are owners of Romspen. Under the Mortgage Origination and Capital Raising Agreement, Romspen provides capital raising services to the Fund. Romspen receives fees totalling 0.33% per annum, calculated daily and payable monthly, of the principal balance of all mortgage investments and the fair market value of all other non-mortgage investments of the Partnership. For the three months ended March 31, 2021, the total amount was \$2,020 (2020 - \$2,182).

B) Under the Mortgage Origination and Capital Raising Agreement, Romspen provides mortgage origination services to the Partnership. Romspen receives fees totalling 0.67% per annum, calculated daily and payable monthly, of the principal balance of all mortgage investments and the fair market value of all other non-mortgage investments of the Partnership. For the three months ended March 31, 2021, this amount was \$4,102 (2020 - \$4,429).

C) Under the Mortgage Origination and Capital Raising Agreement, Romspen provides mortgage origination services to USMLP. Romspen receives fees totalling 1% per annum, calculated daily and payable monthly, of the principal balance of all mortgage investments and the fair market value of all other non-mortgage investments of USMLP. For the three months ended March 31, 2021, this amount was \$1,506 (2020 - \$1,590).

D) Romspen and related entities also receive certain fees directly from the borrower, generated from the Partnership's mortgage investments as follows: all lender, broker, origination, commitment, renewal, extension, discharge, participation, insufficient funds and administration fees generated on the mortgages. For the three months ended March 31, 2021, this amount was \$5,881 (2020 - \$9,848).

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

F) As at March 31, 2021, the Partnership had one (2020 - one) investment outstanding with an original cost of \$42,754 (2020 - \$37,245), including accrued interest of \$382 (2020 - \$382) and fair value of \$26,913 (2020 - \$24,248) due from mortgagors and investments in which members of management of Romspen own non-controlling equity interests.

G) Included in the Fund and the Partnership's accounts payable and accrued liabilities is an amount of \$293 (2020 - \$507) payable to Romspen.

H) As at March 31, 2021, the Partnership has six (2020 - nil) mortgage investments with entities that are owned by a subsidiary of Romspen ("Romspen Subsidiary") following the completion of the enforcement foreclosure on behalf of the Partnership.

As at March 31, 2021, the cost of the mortgage investments with Romspen Subsidiary is \$175,613 (2020 - nil), and the fair value is \$175,613 (2020 - nil). For the three months ended March 31, 2021 the Partnership recognized interest income of nil (2020 - nil) from these investments.

9. Commitments and contingent liabilities

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

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

NOTES TO FINANCIAL STATEMENTS

(In thousands of dollars, except per unit amounts, unless otherwise noted)
Year ended December 31, 2020

C) In certain situations, subsidiaries utilize financing from external sources. In such cases the partnership will extend guarantees to the subsidiaries as support for these debts. As of March 31, 2021, there were \$83,700 of guarantees outstanding (2020 – \$44,691).

D) The Partnership has letters of guarantee outstanding at March 31, 2021 of \$50,729 (2020 – \$34,661).

10. Fair values of financial instruments

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

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

Fund

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

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

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

11. Financial instrument risk management

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

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

A) Credit risk

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

Fund

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

Partnership

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

(In thousands of dollars, except per unit amounts, unless otherwise noted)
Year ended December 31, 2020

B) Liquidity risk

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

Fund

Unitholders in the Fund have the limited right to redeem their units in the Fund, as described in its Offering Memorandum and paragraph 5.25 of the Fund's Declaration of Trust. The Trustees are entitled, in their sole discretion, to extend the time for payment of any unitholder redemption if, in their reasonable opinion, such payment would be materially prejudicial to the interests of the remaining unitholders.

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

Partnership

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

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

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

As at March 31, 2021, the Partnership had not utilized its full leverage availability, being a maximum of 35% of its qualified mortgage investments.

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

C) Market risk

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

Fund

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

Partnership

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

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

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

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

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

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

As at March 31, 2021, 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 \$296 (2020 – \$344). Romspen monitors the financial markets and can adjust the pricing of renewals and new loans when it deems it appropriate.

ii) Currency risk: Currency risk is the risk that the fair value or future cash flows of the Partnership's portfolio will fluctuate based on changes in foreign currency exchange rates. Approximately \$1,299,185 (2020 – \$1,493,136), 44% (2020 – 45%) of the total Partnership's investments at March 31, 2021, are denominated in US dollars and secured primarily by charges on real estate located in United States; consequently, the Fund is subject to currency

NOTES TO FINANCIAL STATEMENTS

(In thousands of dollars, except per unit amounts, unless otherwise noted)
Year ended December 31, 2020

fluctuations that may impact its financial position and results. The Fund reduces currency risk on mortgages by having the Partnership enter into foreign exchange forward contracts; by including mortgage contract terms whereby the borrower is responsible for foreign exchange losses; and by funding part of the mortgages with a USD loan facility.

A weakening of the Canadian dollar against the US dollar by 5% would have resulted in an increase in NAV of \$0.03 per unit (2020 – \$0.04 per unit), assuming all other variables, including interest rates, remain constant. A strengthening would have resulted in an equal but opposite effect. The Partnership uses foreign exchange forward contracts to manage its exposure to foreign currency risks.

D) Capital risk management

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

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

The Partnership may borrow up to 35% of the book value of its mortgages. The primary purpose of the borrowing strategy is to ensure that the Fund's unitholders' capital is fully invested. The secondary purpose is to obtain a spread between the interest rates payable under its mortgage investments and its borrowings. As of March 31, 2021, the Partnership's borrowings totalled 3% (2020 – 8%) of the book value of its total investments and the Fund was in compliance with all covenants under its revolving loan facility.

E) COVID-19 risks

On March 11, 2020, the World Health Organization declared COVID-19 outbreak a pandemic, requiring important protective measures to be implemented to prevent its spread. The governments have likewise declared that the COVID-19 outbreak in their jurisdictions constitutes an emergency and enacted measures to contain the spread of the virus. Reactions to the spread of COVID-19 have led to, among other things, significant restrictions on travel, temporary business closures, quarantines, a general reduction in commercial activity due to reduced consumer spending related to job loss and other adverse economic effects attributable to COVID-19.

Given the unprecedented and pervasive impact of changing circumstances surrounding COVID-19, there is inherently greater uncertainty related to the

Fund's future operating assumptions as compared to the prior periods. Given this, it is not possible to forecast with certainty the duration and scope of the economic impact of COVID-19 and the impact it will have on the Fund's investments measured at fair value through profit or loss, both in the short term and in the long term. The duration of the business disruption due to government lockdown orders and their related financial impact cannot be reasonably estimated at this time and may be instituted, terminated and re-instituted from time to time due as the COVID-19 outbreak worsens or waves of COVID outbreaks may occur. The volatility and disruption related to the COVID-19 outbreak and the reactions to it may result in a disruption or deferral in borrower payments, a decline in the appraised value or salability of properties, a decline of interest rates, a deterioration of the credit worthiness of the borrowers, an inability for the borrowers to obtain additional financing, should the need arise, and/or the need to extend the maturity date of the mortgage. At this point, the extent to which COVID-19 may impact the Fund is uncertain.

12. Comparative figures

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

13. Exemption from filing

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

14. Subsequent event

On January 1, 2021, the Fund implemented a Run-off Pool ("ROP") redemption mechanism allowing unitholder with redemptions in queue to redeem their units in-kind by way of issuance of an equivalent number of special class ROP unit. If the unitholder retracts the redemption request, they will not be to redeem such retracted units for 12 months.

The assets and liabilities are allocated to the ROP based on the percentage of redemption units in the queue at January 1, 2021 and apply to the Fund's NAV calculated at December 31, 2020. ROP unitholders have a beneficial interest conferred by the ROP units only in the ROP. The ROP units will be redeemed quarterly on a pro rata basis at the ROP NAV as the net assets in the ROP are converted in cash as defined in the amended Declaration of the Trust pursuant to the trustee information circular and special meeting of unitholders held on December 3, 2020.

Additionally, assets in the ROP may periodically be purchased from the ROP for the benefit of the Fund at fair market value to the extent that the Fund has surplus capital available. These purchases would be at the option of the Fund and result in the acceleration of the redemption of ROP units.

NOTES TO FINANCIAL STATEMENTS

(In thousands of dollars, except per unit amounts, unless otherwise noted)
Year ended December 31, 2020

The Trustees have the right, in their sole discretion, but not the obligation, to redeem all, but not less than all, of the remaining ROP units at a discount of up to 12% of ROP NAV, if at any time, the ROP NAV is less than \$100 million.

TRUSTEES & MANAGEMENT

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

Romspen Mortgage Investment Fund

Sheldon Esbin

Trustee

Mark Hilson

Trustee

Arthur Resnick

Trustee

Wesley Roitman

Trustee

Romspen Investment Corporation

Sheldon Esbin

Managing General Partner

Mark Hilson

Managing General Partner

Wesley Roitman

Managing General Partner

Blake Cassidy

Managing Partner

Richard Weldon

Managing Partner

Arthur Resnick

Managing Partner

Peter Oelbaum

Managing Partner

Mary Gianfriddo

Managing Partner

Derek Jenkin

Partner

Arnie Bose

Senior Vice President, Finance

Vitor Fonseca

Vice President and Treasurer

Joel Mickelson

Corporate Counsel

UNITHOLDER INFORMATION

Units

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

Distributions

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

Distribution Reinvestment Plan

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

Investor Relations Contact

Requests for the Fund's annual report, quarterly reports, or other corporate communications should be directed to:

Investor Relations

Romspen Mortgage Investment Fund

Suite 300, 162 Cumberland Street

Toronto, Ontario M5R 3N5

416-966-1100

Duplicate Communication

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

Auditors

KPMG LLP Chartered Accountants

Legal Counsel

Gardiner Roberts LLP

Website

www.romspen.com

R O M S P E N

162 Cumberland Street, Suite 300, Toronto, Ontario M5R 3N5 • 416-966-1100 • www.romspen.com