

An aerial photograph of a city landscape. In the foreground, a large multi-story building is under construction, with its steel framework visible. To the left of the building, a tall construction crane stands. In the background, a golf course with several green fairways and palm trees is visible. Further back, a dense urban area with various high-rise buildings and apartment complexes stretches towards the horizon under a clear sky.

Q2 2022 Report

Romspen Mortgage Investment Fund

Romspen

The Romspen Mortgage Investment Fund has a long-term track record of mortgage investing. With its origins in the mid-1960s, it is one of the largest non-bank commercial mortgage lenders in Canada with a portfolio in excess of \$2.6 billion. Investors include 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.

The Fund provides short-term first mortgages tailored to specific borrower requirements. Loans are conservatively underwritten, and it keeps to a limited, but diversified, pool of mortgages to maintain a "high-touch" approach to investing.

The Fund's manager has had more than 25 consecutive years of positive net investor returns ranging from 3.7% - 11.1%¹, with positive performance every month.

¹The indicated rates of return are historical annual compounded returns, after deducting management fees and expenses payable by the Fund, and include changes in unit value and assume the reinvestment of all distributions. They do not take into account any applicable sales, redemption, or distribution charges, or income taxes payable by any unitholder, that would have reduced returns. The calculation assumes a fixed historical monthly starting and ending date at the Unit value at such date, and that Unit values are capped at \$10.00. For that reason, they may not reflect an individual investor's actual return for purchases prior to 2018. Romspen returns prior to January 16, 2006 reflect the aggregated pool of individually syndicated mortgages.





Contents

| | |
|-----------|------------------------------------|
| 4 | Trustees' Letter |
| 7 | Financial Highlights |
| 10 | Management's Discussion & Analysis |
| 22 | Fund Financial Statements |
| 47 | Trustees & Management |
| 48 | Unitholder Information |



Trustees' Letter

Dear Fellow Investors:

The Fund's financial performance for the second quarter of 2022 met expectations, with healthy loan origination activity and steady unitholder distributions reflecting the continuing strength of most real estate markets as pandemic-induced disruptions abated.

Comparative Performance

The compounded net return based on unit value for the six months of 2022 was 4.0% versus 3.2% a year ago. For the twelve-month period ended June 30, 2022, the Fund's compounded net return to unitholders was 8.2%.

Financial Highlights

For the second quarter of 2022, the Fund earned net income of \$62.6 million or \$0.22 per unit compared to \$57.0 million or \$0.18 per unit a year ago. Earnings were 10% higher than in 2021. Distributions were \$51.2 million (\$0.18 per unit) and the net return to investors was 2.3% in the second quarter, compared to \$56.7 million (\$0.18 per unit) and 1.9% a year ago, with positive performance in all months. The Fund had net debt (debt less cash) of \$69.7 million compared to nil a year ago.

At June 30, 2022, the net portfolio (134 mortgages and investments) was \$2.5 billion, an increase of 2% compared to the second quarter of 2021, and reflective of increased mortgage activity and the higher exchange rate. Investors' unit capital totalled \$2.8 billion, compared to \$3.1 billion

last year. The Fund's portfolio and earnings remain well diversified by property type, geography, size and currency. Canadian mortgages comprised 49% of the Fund, down from 51% last year, with the majority concentrated in Ontario (22%) and British Columbia (14%).

US mortgages represented 51% of the Fund, comprised of 80 US mortgages across 20 states with the largest concentrations in California (33%), Texas (18%) and Florida (16%).

The weighted average interest rate of the portfolio at June 30, 2022 was 9.3% compared to 10.0% a year ago. The total loss provision at quarter end decreased to \$115.8 million (\$0.41 per unit) from \$137.3 million a year ago but continues to provide a solid margin of safety.

Net Asset Value ("NAV") at June 30, 2022 was \$9.75 per unit compared to \$9.73 per unit last year. At quarter end, approximately 86% 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 28%, reflecting a continued overhang from COVID-19 induced challenges. While somewhat higher than the Fund's typical historic range of 20-25%, we are seeing a trending reduction in absolute dollar terms. As we emphasize, non-performing loans do not indicate a loss of principal and tend to have more of an impact of monthly distributions than on NAV. Nevertheless, reducing the size of the non-performing loans remains a key priority.



Trustees' Letter

Financial Presentation

Effective January 1, 2016, an amendment was made to the International Financial Reporting Standards, which results in an unconsolidated financial presentation of the Fund that provides limited insight into the true performance of the mortgage loan portfolio. To provide useful, transparent and comparable information, a set of combined financial statements, similar to previous Fund reporting, have been included in the Management's Discussion and Analysis ("MD&A", pp. 10-21).

We encourage you to use these financials in the MD&A as the primary reference point. We have established an indirect US subsidiary, TIG Romspen US Master Mortgage LP, to hold most new US mortgages going forward. This is now shown as a separate line item on the balance sheet.

Outlook

We are pleased with the Fund's year-to-date and trailing 12-month performance, both on an absolute basis and relative to other major asset classes.

Second quarter results were positive, but as we enter the third quarter of 2022, inflation, rising interest rates, the specter of recession and continued geopolitical instability remain front and centre.

Canada's economic picture is mixed. Second-quarter economic growth exceeded most expectations, but results for May and June were tepid. While commodity prices remain high and

unemployment is low, recession concerns are rising, though few anticipate a sustained downturn. The Bank of Canada is expected to keep raising rates to temper continued decades-high inflation. Real estate activity began to slow in the second quarter of 2022, as cap rates rose in nearly all sectors and markets, and the expectation is for them to continue their upward trend over the near term, and overall transactions may remain muted through the balance of the year. Sentiment among homebuilders, both single- and multi-family, is less optimistic in the face of rising rates and costs as we head into the third quarter. While committed projects are proceeding, new developments are on pause for the most part. We are seeing similar hesitancy in the industrial and warehouse sector, which had been, until recently, an oasis of relative strength.

In the US, while demand in the overall economy remains strong, high inflation is buffeting consumers and is forcing the Federal Reserve to continue hiking rates. The commercial real estate market presents a distinctly different picture than even six months ago. While fundamentals remain strong in many sectors, stubborn inflation and rising interest rates are causing economic uncertainty and higher financing costs, which will test underlying valuations and may moderate transaction and loan activity. New single-family home construction could be coming under pressure in many markets as higher mortgage rates dampen demand, but building permit rates are still strong and builder backlogs are elevated. The multi-family construction market is stronger, driven by low rental vacancy rates and high rents.



Trustees' Letter

As we head into the latter half of 2022, we expect that the dispersion of potential market dislocations by country, region and asset class will remain wide, which means that selectivity and diversification, a hallmark of the Fund's approach throughout its history, will be the order of the day. The Fund's avoidance of structural leverage, along with its careful selection of sponsors and borrowers with strong balance sheets and significant "skin in the game", is designed to be a bulwark in these uncertain economic times.

We thank you for your continued support.

Respectfully submitted,

| | | | |
|---------|--------|---------|---------|
| Sheldon | Mark | Arthur | Wesley |
| Esbin | Hilson | Resnick | Roitman |

Trustees of the Fund, August 31, 2022



Romspen Mortgage Investment Fund

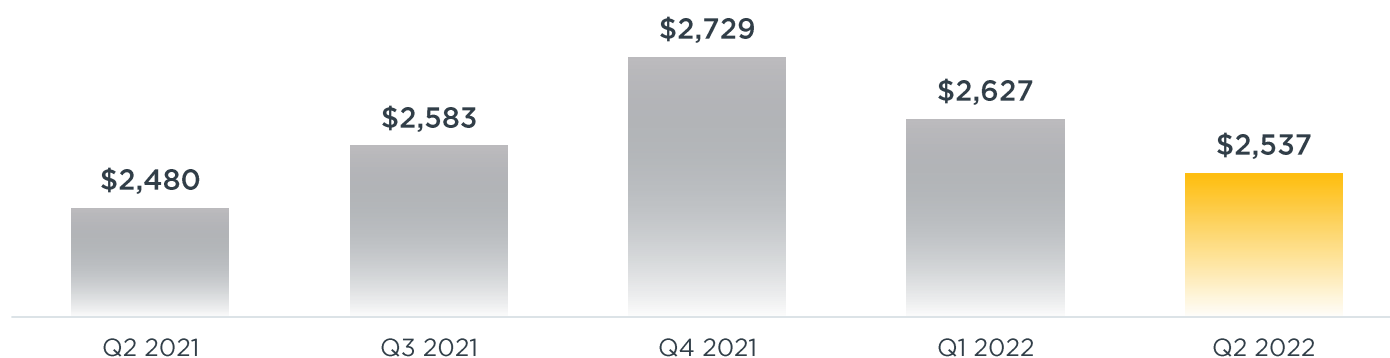
2022 Q2 Highlights

Key Metrics

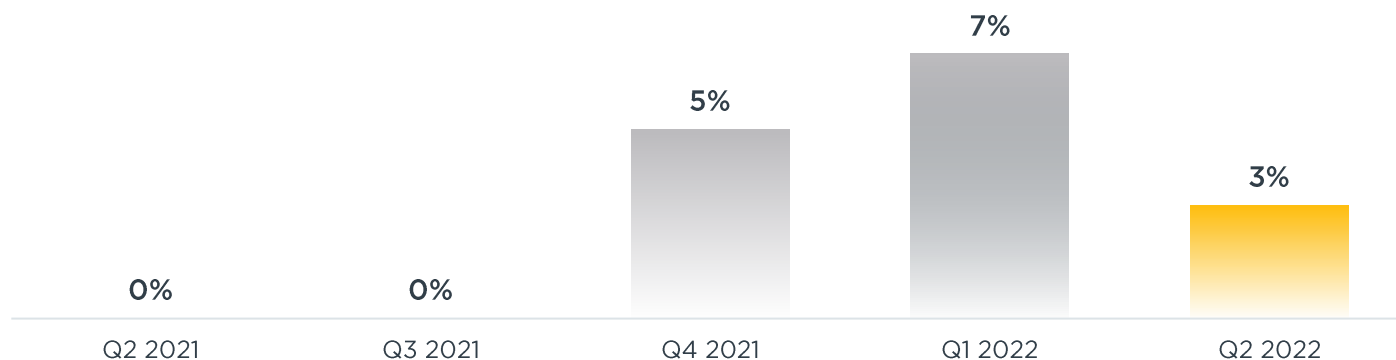
Net Earnings (\$ millions)



Net Investment Portfolio (\$ millions)



Net Leverage (% of net investment portfolio)



Romspen Mortgage Investment Fund 2022 Q2 Highlights

Key Metrics

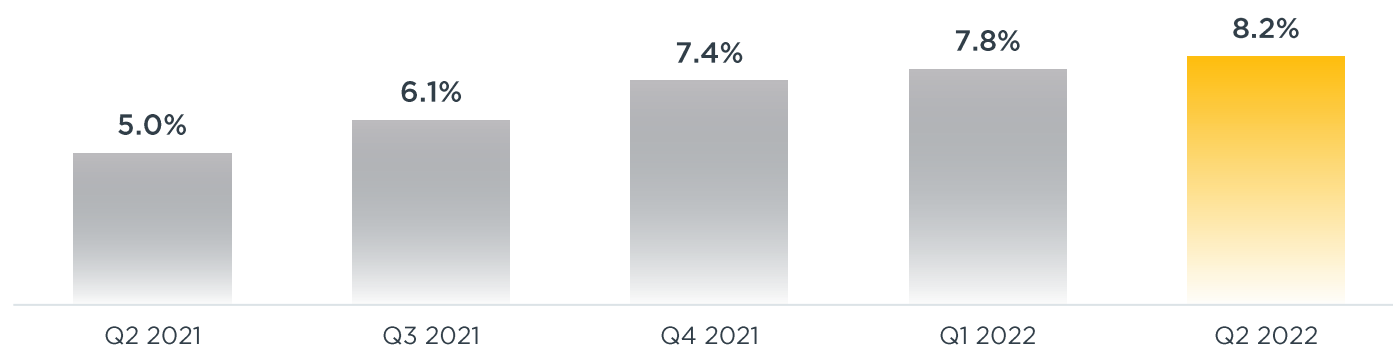
Net Asset Value (\$/unit)



Unitholder Distributions (\$/unit)



Unitholder Return²



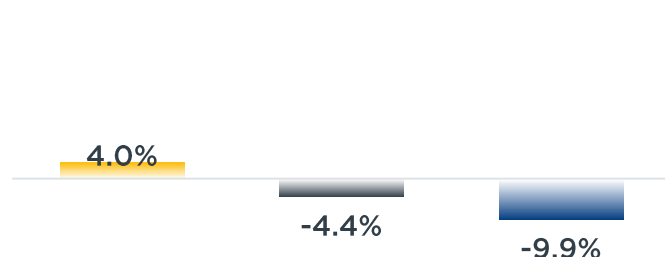
² The indicated rates of return are historical annual compounded returns, after deducting management fees and expenses payable by the Fund, and include changes in unit value and assume the reinvestment of all distributions. They do not take into account any applicable sales, redemption, or distribution charges, or income taxes payable by any unitholder, that would have reduced returns. The calculation assumes a fixed historical monthly starting and ending date at the Unit value at such date, and that Unit values are capped at \$10.00. For that reason, they may not reflect an individual investor's actual return for purchases prior to 2018.



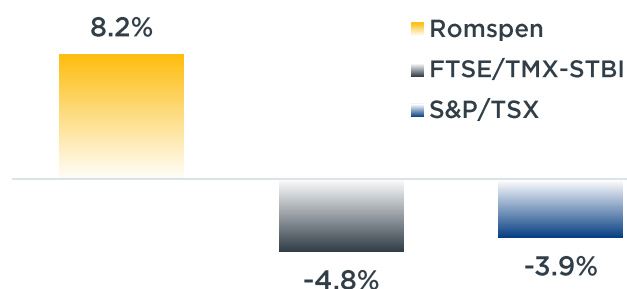
Comparative Performance

Romspen returns are net³; comparative benchmarks are gross returns.
As of June 30, 2022

2022 YTD



Trailing 12 Months

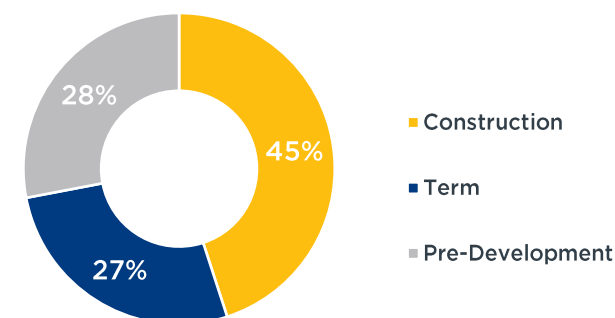


³The indicated rates of return are historical annual compounded returns, after deducting management fees and expenses payable by the Fund, and include changes in unit value and assume the reinvestment of all distributions. They do not take into account any applicable sales, redemption, or distribution charges, or income taxes payable by any unitholder, that would have reduced returns. The calculation assumes a fixed historical monthly starting and ending date at the Unit value at such date, and that Unit values are capped at \$10.00. For that reason, they may not reflect an individual investor's actual return for purchases prior to 2018.

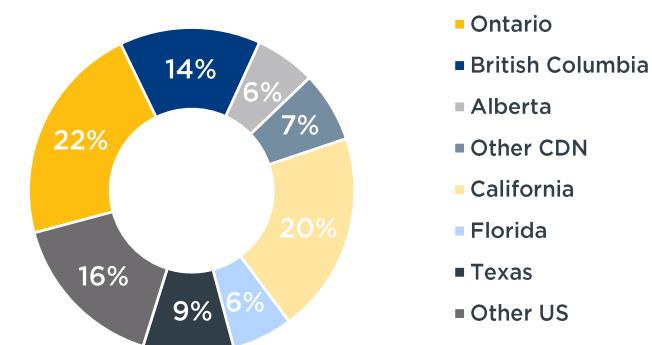
Investment Portfolio Profile

As of June 30, 2022

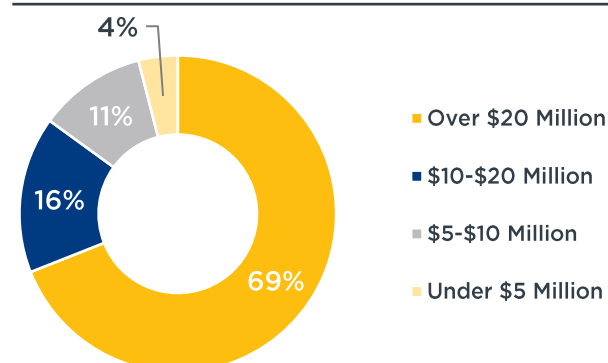
By Type



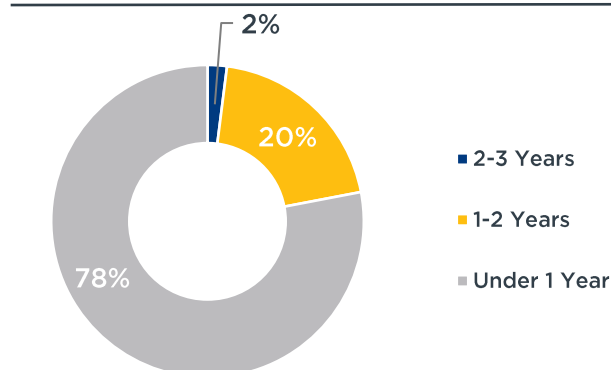
By Geography



By Amount



By Maturity



Management's Discussion & Analysis

Responsibility of Management

This Management's Discussion and Analysis ("MD&A") for Romspen Mortgage Investment Fund (the "Fund") should be read in conjunction with the financial statements and notes thereto for the quarter ended June 30, 2022 included herein and the audited financial statements and MD&A for the year ended December 31, 2021. 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 the Fund's website at: www.romspen.com.

Management is responsible for the information disclosed in this MD&A. The Fund has in place appropriate procedures, systems and controls to ensure such information is materially complete and reliable. In addition, the Fund's trustees have reviewed and approved the MD&A and the financial statements for the quarter ended June 30, 2022.

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 requires management 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 resulting from the outbreak of 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 May 20, 2005. The Fund is a non-bank lender providing and investing primarily in short-term and medium-term commercial mortgages. The Fund is the sole limited partner in 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, federal legislation came into force that altered the tax 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.

Management's Discussion & Analysis

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 at: 416-966-1100.

Portfolio

As of June 30, 2022, the Fund's mortgage and investment portfolio (the "Portfolio"), net of fair value provisions, was \$2.5 billion, same as a year ago. The Portfolio included 134 mortgages and investments compared to 143 at the same time last year.

Approximately 95% of the Portfolio consisted of first mortgages at June 30, 2022 (June 30, 2021 — 96%). The weighted average interest rate of the Portfolio was 9.3% compared to 10.0% a year ago.

The Portfolio continues to consist mainly of short-term mortgages to third parties and mortgages to the Fund's subsidiaries. Approximately 78% of the Portfolio's investments mature within one year (June 30, 2021 — 97%) and 98% mature within two years (June 30, 2021 — 100%). 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.



\$2.5B

Fair value,
net of provisions



134

Mortgages &
investments



95%

First mortgages



9.3%

Weighted average
interest rate



78%

Mature within one year



Management's Discussion & Analysis

As of June 30, 2022, approximately 22% of the Fund's investments were in Ontario, same as the previous year. Approximately 20% of the Portfolio was invested in Western Canada, 5% in Quebec, 2% in other provinces and 51% in the US. The Fund Manager believes this broad level of North American diversification adds stability to the Fund's performance by reducing dependency on the economic activity and cycles in any given geographic region.

Total fair value provisions as of June 30, 2022, were \$115.8 million, which represented 4.2% of the original cost of the Fund's investments or \$0.41 per unit outstanding as at June 30, 2022. 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 regarding historical trends, prevailing legal, economic and regulatory trends, and expectations of future developments. The process of determining the provision involves a 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 is 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.

Combined Balance Sheet

June 30, 2022, with comparative information for 2021

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

| (In thousands of dollars, unless otherwise noted) | June 30, 2022 | December 31, 2021 | June 30, 2021 |
|---|---------------------|---------------------|---------------------|
| Assets | | | |
| Cash | \$ 90,291 | \$ 44,338 | \$ 292,452 |
| Accrued interest receivable | 205,931 | 193,181 | 183,941 |
| Mortgage investments | 1,673,141 | 1,689,135 | 1,561,740 |
| Investment in subsidiaries | 407,295 | 407,620 | 450,939 |
| Investment in TIG Romspen US Master Mortgage LP | 577,269 | 682,245 | 540,582 |
| Foreign exchange forward contracts | - | - | 45,492 |
| Other assets | 20,766 | 15,247 | 11,461 |
| | \$ 2,974,693 | \$ 3,031,766 | \$ 3,086,607 |
| Liabilities and Unitholders' Equity | | | |
| Revolving loan facility | \$ 160,000 | \$ 175,356 | \$ - |
| Accounts payable and accrued liabilities | 7,460 | 7,775 | 6,145 |
| Foreign exchange forward contracts | 24,774 | 7,852 | - |
| Prepaid unit capital | 8,150 | 2,868 | 3,855 |
| Unitholders' distributions payable | 16,997 | 17,469 | 18,912 |
| | 217,381 | 211,320 | 28,912 |
| Units submitted for redemption | 264,823 | 202,113 | 179,879 |
| Unitholders' equity | 2,492,489 | 2,618,333 | 2,877,816 |
| | \$ 2,974,693 | \$ 3,031,766 | \$ 3,086,607 |

Combined Statement of Earnings

Six months ended June 30, 2022, with comparative information for 2021

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

| (In thousands of dollars, except per unit amounts, unless otherwise noted) | 3 months ended June 30, 2022 | 3 months ended June 30, 2021 | 6 months ended June 30, 2022 | 6 months ended June 30, 2021 |
|--|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
| Revenue | | | | |
| Mortgage interest | \$ 55,100 | \$ 44,221 | \$ 95,682 | \$ 89,541 |
| Income from investment in TIG Romspen US Master Mortgage LP | 13,914 | 9,421 | 27,305 | 19,394 |
| Other | 1,005 | 4,244 | 2,293 | 5,674 |
| Gain (loss) on foreign exchange | 8,585 | (257) | 5,434 | (1,233) |
| | 78,604 | 57,629 | 130,714 | 113,376 |
| Expenses | | | | |
| Management fees | 5,562 | 5,809 | 11,047 | 11,931 |
| Interest | 2,311 | 592 | 4,505 | 1,557 |
| Change in fair value of mortgage investments & investments in subsidiaries | 1,208 | (6,499) | (2,118) | 660 |
| Realized loss on mortgage investments | 5,570 | 101 | 6,222 | 101 |
| Other (gains) losses | 419 | (656) | 412 | (321) |
| Audit fees | 117 | 88 | 233 | 174 |
| Legal fees | 57 | 6 | 57 | 7 |
| Other | 765 | 1,184 | 1,438 | 2,200 |
| | 16,009 | 625 | 21,796 | 16,309 |
| Net earnings | \$ 62,595 | \$ 57,004 | \$ 108,918 | \$ 97,067 |
| Net earnings per unit | \$ 0.22 | \$ 0.18 | \$ 0.38 | \$ 0.31 |
| Weighted average number of units issued and outstanding | 284,350,658 | 316,273,334 | 286,009,187 | 317,503,155 |

Combined Statement of Changes in Unitholders' Equity

Six months ended June 30, 2022, with comparative information for 2021

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

| (In thousands of dollars, except per unit amounts, unless otherwise noted) | June 30, 2022 | December 31, 2021 | June 30, 2021 |
|--|----------------|-------------------|----------------|
| Unit capital | | | |
| Balance, beginning of year | \$ 2,707,995 | \$ 3,140,282 | \$ 3,140,282 |
| Issuance of units | 100,824 | 213,087 | 104,653 |
| Redemption of units | (169,910) | (482,961) | (145,136) |
| Increase in units submitted for redemption | (62,710) | (162,413) | (140,179) |
| Balance, end of period | \$ 2,576,199 | \$ 2,707,995 | \$ 2,959,620 |
| Cumulative earnings | | | |
| Balance, beginning of year | \$ 1,490,744 | \$ 1,286,290 | \$ 1,286,290 |
| Net earnings | 108,918 | 204,454 | 97,067 |
| Balance, end of period | \$ 1,599,662 | \$ 1,490,744 | \$ 1,383,357 |
| Cumulative distributions to unitholders | | | |
| Balance, beginning of year | \$ (1,580,406) | \$ (1,354,388) | \$ (1,354,388) |
| Distributions to unitholders | (102,966) | (226,018) | (110,773) |
| Balance, end of period | \$ (1,683,372) | \$ (1,580,406) | \$ (1,465,161) |
| Unitholders' equity | \$ 2,492,489 | \$ 2,618,333 | \$ 2,877,816 |
| Units issued and outstanding, excluding units submitted for redemption | 255,770,966 | 269,265,075 | 295,857,153 |

Combined Statement of Cash Flows

Six months ended June 30, 2022, with comparative information for 2021

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

| (In thousands of dollars, unless otherwise noted) | 3 months ended June 30, 2022 | 3 months ended June 30, 2021 | 6 months ended June 30, 2022 | 6 months ended June 30, 2021 |
|---|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
| Cash provided by (used in): | | | | |
| Operations | | | | |
| Net earnings | \$ 62,595 | \$ 57,004 | \$ 108,918 | \$ 97,067 |
| Items not affecting cash: | | | | |
| Amortization of revolving loan facility financing costs | 100 | 124 | 195 | 248 |
| Change in fair value of mortgage investments and investment in subsidiaries | 1,208 | (6,499) | (2,118) | 660 |
| Income from investment in TIG Romspen US Master Mortgage LP | (511) | 266 | (393) | 4,606 |
| Realized loss on mortgage investments | 5,570 | 101 | 6,222 | 101 |
| Unrealized loss on foreign exchange | (12,014) | 8,258 | (5,643) | 21,530 |
| Other (gains) losses | 419 | (656) | 412 | (321) |
| Change in non-cash operating items: | | | | |
| Accrued interest receivable | 2,291 | 5,659 | (12,266) | (16,382) |
| Other assets | 1,317 | (1,630) | (6,054) | (2,513) |
| Accounts payable and accrued liabilities and unitholders' distributions payable | (547) | 230 | (310) | 1,225 |
| | 60,428 | 62,587 | 88,963 | 106,221 |
| Financing | | | | |
| Proceeds from issuance of units | 24,284 | 45,019 | 58,649 | 62,602 |
| Distributions paid to unitholders | (30,224) | (34,625) | (61,263) | (65,801) |
| Redemption of units | (82,058) | (92,694) | (169,910) | (145,136) |
| Prepaid unit capital | 5,826 | 1,605 | 5,282 | 3,855 |
| Change in revolving loan facility | (83,632) | (100,000) | (15,631) | (131,331) |
| | (165,804) | (180,695) | (182,873) | (275,811) |
| Investments | | | | |
| Funding of mortgage investments | (96,117) | (214,966) | (220,905) | (294,340) |
| Discharge of mortgage investments | 135,731 | 515,140 | 244,099 | 631,932 |
| Net discharge (funding) of investment in subsidiaries | 2,513 | 8,831 | 1,655 | 29,770 |
| Net redemption of investment in TIG Romspen US Master Mortgage LP | 115,014 | 4,610 | 115,014 | 9,629 |
| | 157,141 | 313,615 | 139,863 | 376,991 |
| | | | | |
| Increase (decrease) in cash | 51,765 | 195,777 | 45,953 | 207,401 |
| Cash, beginning of year | 38,526 | 96,675 | 44,338 | 85,051 |
| Cash, end of period | \$ 90,291 | \$ 292,452 | \$ 90,291 | \$ 292,452 |

Management's Discussion & Analysis

Investment in Subsidiaries

The controlled subsidiaries acquire control of properties in order to complete 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 | June 30, 2022 |
|-----------------------|-----------|----------------------------------|----------|---------------|
| Guild | 100% | Office complex | CA | \$ 21,256 |
| Aspen Lakes | 100% | Residential development | CA | 6,366 |
| Almonte | 50% | Retail plaza | CA | 5,736 |
| Bear Mountain | 100% | Office complex | CA | 377 |
| Liberty Ridge | 100% | Residential subdivision | CA | 64,863 |
| Planetwide | 100% | Land for residential development | CA | 4,808 |
| Royal Oaks | 100% | Residential subdivision | CA | 11,858 |
| Haldimand | 100% | Landfill | CA | 31,228 |
| High Street | 100% | Commercial/Residential | CA | 24,707 |
| Egreen | 100% | Land for industrial development | CA | 1,566 |
| Carolina Golf | 100% | Golf courses | US | 13,865 |
| LE Ranch | 100% | Residential | US | 17,760 |
| Springville | 100% | Land for commercial development | US | 21,857 |
| Big Nob | 100% | Land for residential development | CA | 4,552 |
| Midland | 100% | Land for residential development | CA | 4,652 |
| Kettle Creek | 100% | Land for residential development | CA | 49,191 |
| Langford Lake | 100% | Land for residential development | CA | 38,491 |
| Ponderosa | 100% | Land for residential development | CA | 31,814 |
| Drought | 100% | Land for residential development | CA | 11,371 |
| Northern Premier | 100% | Land for industrial development | CA | 10,448 |
| Hampton Circle | 100% | Residential construction | CA | 4,541 |
| Southpoint Landing | 100% | Residential | CA | 1,289 |
| RIC Hampton Inc. | 100% | Commercial | CA | 6,742 |
| Environmaster | 100% | Environment and recycling | CA | 33,076 |
| Kawartha Downs | 100% | Leisure and entertainment | CA | 20,342 |
| Nisku | 100% | Industrial predevelopment | CA | 15,210 |
| | | | | \$ 457,966 |
| Fair value adjustment | | | | (50,671) |
| | | | | \$ 407,295 |



Management's Discussion & Analysis

Income Statement Highlights

Total revenues for the quarter ended June 30, 2022 were \$78.6 million compared to \$57.6 million in the previous year.

Net earnings for the quarter were \$62.6 million compared to \$57.0 million for the same period last year. The basic weighted average earnings per unit for the quarter were \$0.22 per unit compared to \$0.18 last year.

For the quarter ended June 30, 2022, the Fund distributed \$51.2 million or \$0.18 per unit compared to \$56.7 million or \$0.18 per unit for the quarter ended June 30, 2021. The simple and compounded net returns to unitholders for the three-month period ended June 30, 2022 were 2.3% and 2.3% respectively.

Provision for losses on the Portfolio value reflected an increase of \$1.2 million in the second quarter of 2022. During the same period, the Fund realized losses of \$5.6 million on three loans. Management and other fees payable to the Fund Manager and other general and administrative expenses of the Fund were \$6.5 million for the quarter ended June 30, 2022 compared to \$7.1 million in the prior year. These expenses were marginally lower than the previous year and reflect the smaller Portfolio value.

Balance Sheet Highlights

Total assets as of June 30, 2022 were \$3.0 billion compared to \$3.1 billion a year ago. Under IFRS, mortgages that are provided to 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 \$90.3 million of excess cash at quarter end.

Total liabilities excluding units submitted for redemption as of June 30, 2022 were \$217.4 million compared to \$28.9 million a year earlier. Liabilities at the end of the quarter were comprised mainly of \$160.0 million drawn against the revolving loan facility. 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. At June 30, 2022, the net bank debt (debt less unrestricted cash) was \$69.7 million (2.7% of the net portfolio) compared to nil (0% of the net Portfolio) a year ago.

Unitholders' equity plus units submitted for redemption as of June 30, 2022 were \$2.8 billion, as compared to \$3.1 billion a year ago. There was a total of 282,946,254 units outstanding on June 30, 2022 compared to 314,349,935 on June 30, 2021. There are no options or other commitments to issue additional units.



Management's Discussion & Analysis

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 by raising additional unitholder equity and utilizing available borrowing capacity. Pursuant to the Fund's investment policies, the Fund may borrow up to 35% of the book value of mortgages held by the Fund. As of June 30, 2022, borrowings totalled approximately 6% of the book value of investments held by the Fund compared to 0% as at June 30, 2021.

During the six months ended June 30, 2022, there were \$69.1 million of net redemptions compared to \$40.5 million during the same period in 2021.

The Fund's mortgages are largely short-term in nature allowing the continual repayment by borrowers of existing mortgages to create 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 return 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 that 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 risks related to its financial instruments 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.



Management's Discussion & Analysis

Outlook

Rising costs and interest rates, and the greater likelihood of a recession, have the potential to challenge the viability of some projects under consideration, and may lead sponsors to increasingly take a wait-and-see approach. Escalating cap rates may portend a potentially less active real estate market in many sectors and submarkets, especially as institutional lenders boost rates. New residential and industrial projects in many markets will pause, adding to the COVID-induced dislocations still being felt in the retail and office sectors.

As we mentioned in the last quarterly report, the Fund, over its history, has exhibited performance resilience to negative macroeconomic forces and circumstances. If indeed we are in for a recession or continued inflation, or even stagflation, Romspen intends to adhere to the mortgage investment philosophy and strategies that have enabled it to previously weather such environments -- detailed risk analysis and mitigation, a focus on loans with a solid margin of safety and a clear path to exit, diversification, and an emphasis on hardy sub-markets, resilient asset classes and capable sponsors. The near-term path for the real estate sector could be challenging, and will require patience while we roll up our sleeves to manage potential issues to successful outcomes.

As we also noted in our last report, the reduction of the backlog in redemption requests remains a top priority. We do appreciate that waiting for a redemption request to be completed is frustrating, and we thank our investors for their continued patience and understanding as the Fund continues to manage its way back to a liquidity profile in line with historical levels, while at the same time employing investors' capital to act on portfolio-enhancing loan opportunities.



An aerial photograph of a city, likely Vancouver, showing a river, a bridge, and mountains in the background. The image is in black and white with a blue tint. The text "Financial Statements" is overlaid in the top left corner.

Financial Statements

Romspen Mortgage Investment Fund

Six months ended June 30, 2022 (Unaudited)

Interim Unconsolidated Statement of Financial Position

June 30, 2022, with comparative information for 2021

| (In thousands of dollars, except per unit amounts, unless otherwise noted) | | June 30, 2022 (unaudited) | December 31, 2021 (audited) |
|--|----|------------------------------|--------------------------------|
| Assets | | | |
| Cash | \$ | 8,641 | \$ 3,011 |
| Investment in Romspen Mortgage Limited Partnership, at fair value through profit or loss (note 3) | | 2,774,364 | 2,838,495 |
| Other assets | | 9 | - |
| | \$ | 2,783,014 | \$ 2,841,506 |
| Liabilities and Unitholders' Equity | | | |
| Liabilities: | | | |
| Accounts payable and accrued liabilities | | 555 | 723 |
| Prepaid unit capital | | 8,150 | 2,868 |
| Unitholders' distributions payable | | 16,997 | 17,469 |
| | | 25,702 | 21,060 |
| Units submitted for redemption (note 4) | | 264,823 | 202,113 |
| Unitholders' equity (note 4) | | 2,492,489 | 2,618,333 |
| Commitments and contingent liabilities (note 9) | | - | - |
| | \$ | 2,783,014 | \$ 2,841,506 |
| Net asset value per unit (note 5) | \$ | 9.75 | \$ 9.72 |

See accompanying notes to financial statements.



Interim Unconsolidated Statement of Comprehensive Income

Six months ended June 30, 2022, with comparative information for 2021

| (In thousands of dollars, except per unit amounts, unless otherwise noted) | 3 Months ended June 30, 2022 (unaudited) | 3 Months ended June 30, 2021 (unaudited) | 6 Months ended June 30, 2022 (unaudited) | 6 Months ended June 30, 2021 (unaudited) |
|--|--|--|--|--|
| Income from investment in Romspen Mortgage Limited Partnership: | | | | |
| Distributions from Romspen Mortgage Limited Partnership | \$ 30,006 | \$ 34,519 | \$ 60,791 | \$ 68,722 |
| Unrealized appreciation in net assets of Romspen Mortgage Limited Partnership (note 3) | 34,917 | 24,893 | 52,702 | 33,244 |
| | 64,923 | 59,412 | 113,493 | 101,966 |
| Expenses: | | | | |
| Management fees (note 8 (a)) | 1,836 | 1,917 | 3,646 | 3,937 |
| Audit fees | 106 | 88 | 222 | 174 |
| Legal fees and other | 386 | 403 | 707 | 788 |
| | 2,328 | 2,408 | 4,575 | 4,899 |
| Net income and comprehensive income | \$ 62,595 | \$ 57,004 | \$ 108,918 | \$ 97,067 |
| Net income and comprehensive income per unit (note 5) | \$ 0.22 | \$ 0.18 | \$ 0.38 | \$ 0.31 |
| Weighted average number of units issued and outstanding (note 5) | 284,350,658 | 316,273,334 | 286,009,187 | 317,503,155 |

See accompanying notes to financial statements.



Interim Unconsolidated Statement of Changes in Unitholders' Equity

Six months ended June 30, 2022, with comparative information for 2021

| (In thousands of dollars, except per unit amounts, unless otherwise noted) | | June 30, 2022 (unaudited) | June 30, 2021 (unaudited) |
|--|----|------------------------------|------------------------------|
| Unit Capital: | | | |
| Balance, beginning of year | \$ | 2,707,995 | \$ 3,140,282 |
| Issuance of units (note 4) | | 100,824 | 104,653 |
| Redemption of units (note 4) | | (169,910) | (145,136) |
| Increase in units submitted for redemption | | (62,710) | (140,179) |
| Balance, end of period | \$ | 2,576,199 | \$ 2,959,620 |
| Cumulative earnings: | | | |
| Balance, beginning of year | \$ | 1,490,744 | \$ 1,286,290 |
| Net income and comprehensive income | | 108,918 | 97,067 |
| Balance, end of period | \$ | 1,599,662 | \$ 1,383,357 |
| Cumulative distributions to unitholders: | | | |
| Balance, beginning of year | \$ | (1,580,406) | \$ (1,354,388) |
| Distributions to unitholders (note 6) | | (102,966) | (110,773) |
| Balance, end of period | \$ | (1,683,372) | \$ (1,465,161) |
| Unitholders' equity | \$ | 2,492,489 | \$ 2,877,816 |
| Units issued and outstanding, excluding units submitted for redemption | | 255,770,966 | 295,857,153 |

See accompanying notes to financial statements.



Interim Unconsolidated Statement of Cash Flows

Six months ended June 30, 2022, with comparative information for 2021

| (In thousands of dollars) | 3 Months ended June 30, 2022 (unaudited) | 3 Months ended June 30, 2021 (unaudited) | 6 Months ended June 30, 2022 (unaudited) | 6 Months ended June 30, 2021 (unaudited) |
|--|--|--|--|--|
| Cash provided by (used in): | | | | |
| Operations: | | | | |
| Net income and comprehensive income | \$ 62,595 | \$ 57,004 | \$ 108,918 | \$ 97,067 |
| Items not affecting cash: | | | | |
| Unrealized appreciation in net assets of Romspen Mortgage Limited Partnership (note 3) | (34,917) | (24,893) | (52,702) | (33,244) |
| Change in non-cash operating items: | | | | |
| Accounts payable and accrued liabilities and other assets | (221) | (255) | (117) | (338) |
| | 27,457 | 31,856 | 56,039 | 63,485 |
| Financing: | | | | |
| Proceeds from issuance of units (note 4) | 24,284 | 45,019 | 58,649 | 62,602 |
| Distributions paid to unitholders (note 6) | (30,224) | (34,625) | (61,263) | (65,801) |
| Redemptions of units (note 4) | (82,058) | (92,694) | (169,910) | (145,136) |
| Changes in prepaid unit capital | 5,826 | 1,605 | 5,282 | 3,855 |
| | (82,172) | (80,695) | (167,242) | (144,480) |
| Investments: | | | | |
| Net redemption of investment in Romspen Mortgage Limited Partnership (note 3) | 60,764 | 50,229 | 116,833 | 84,547 |
| | 60,764 | 50,229 | 116,833 | 84,547 |
| Increase in cash | 6,049 | 1,390 | 5,630 | 3,552 |
| Cash, beginning of period | 2,592 | 2,314 | 3,011 | 152 |
| Cash, end of period | \$ 8,641 | \$ 3,704 | \$ 8,641 | \$ 3,704 |

See accompanying notes to financial statements.



Notes to Financial Statements

(In thousands of dollars, except per unit amounts, unless otherwise noted)
Six months ended June 30, 2022

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 June 30, 2022, the Partnership indirectly owns 75.96% (2021 – 79.34%) 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 August 31, 2022.

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 (“CAD”); 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.



Notes to Financial Statements

(In thousands of dollars, except per unit amounts, unless otherwise noted)
Six months ended June 30, 2022

Information about assumptions and estimation uncertainties at June 30, 2022 that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities in the next financial year, is included in note 3.

B) Judgment

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

C) Net income and comprehensive income per unit

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

D) Prepaid unit capital

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

E) Financial assets and financial liabilities

Financial assets and financial liabilities at FVTPL are initially measured at fair value, with transaction costs recognized in profit or loss.

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

Financial assets are derecognized when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all 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 | Amortized cost |
| Prepaid unit capital | Amortized cost |
| Unitholders' distributions payable | Amortized cost |



Notes to Financial Statements

(In thousands of dollars, except per unit amounts, unless otherwise noted)
Six months ended June 30, 2022

3. Supplemental information regarding Partnership at FVTPL

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

Schedule of the Fund's investment in the Partnership:

| | June 30, 2022 | June 30, 2021 |
|--|---------------|---------------|
| Investment balance, beginning of year | \$ 2,838,495 | \$ 3,128,570 |
| Net withdrawal of investment in the Partnership | (116,833) | (84,547) |
| Unrealized appreciation in net assets of the Partnership | 52,702 | 33,244 |
| Investment balance, end of period | \$ 2,774,364 | \$ 3,077,267 |

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:

| | June 30, 2022 (unaudited) | December 31, 2021 (unaudited) |
|---|------------------------------|----------------------------------|
| Assets | | |
| Cash | \$ 81,650 | \$ 41,327 |
| Accrued interest receivable | 205,931 | 193,181 |
| Mortgage investments (note 3(b)) | 1,673,141 | 1,689,135 |
| Investment in subsidiaries (note 3(c)) | 407,295 | 407,620 |
| Investment in USMLP (note 3(d)) | 577,269 | 682,245 |
| Other assets | 20,757 | 15,247 |
| | \$ 2,966,043 | \$ 3,028,755 |
| Liabilities and Unitholders' Equity | | |
| Liabilities: | | |
| Revolving loan facility (note 3(e)) | \$ 160,000 | \$ 175,356 |
| Foreign exchange forward contracts (note 3(f)) | 24,774 | 7,852 |
| Accounts payable and accrued liabilities | 6,905 | 7,052 |
| | 191,679 | 190,260 |
| Fair value of net assets attributable to unitholders of the Partnership | 2,774,364 | 2,838,495 |
| | \$ 2,966,043 | \$ 3,028,755 |



Notes to Financial Statements

(In thousands of dollars, except per unit amounts, unless otherwise noted)
Six months ended June 30, 2022

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

| | 6 months ended June 30, 2022 (unaudited) | 6 months ended June 30, 2021 (unaudited) |
|---|--|--|
| Revenue | | |
| Mortgage interest | \$ 95,682 | \$ 89,541 |
| Income from Investment in USMLP (note 3(d)) | 27,305 | 19,394 |
| Other | 2,293 | 5,674 |
| Gain (loss) on foreign exchange (note 3(f)) | 5,434 | (1,233) |
| | 130,714 | 113,376 |
| Expenses | | |
| Management fees (note 8(b)) | 7,401 | 7,994 |
| Interest | 4,505 | 1,557 |
| Change in fair value of mortgage investments and investment in subsidiaries | (2,118) | 660 |
| Realized loss on mortgage investments | 6,222 | 101 |
| Other losses (gains) | 412 | (321) |
| Legal fees and other | 799 | 1,419 |
| | 17,221 | 11,410 |
| Comprehensive income | \$ 113,493 | \$ 101,966 |

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 comprehensive 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 investment 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)
Six months ended June 30, 2022

iii) Investment in USMLP

The Partnership indirectly owns 75.96% of USMLP as at June 30, 2022 (2021 – 79.34%) through Romspen Liberty LP (“Liberty LP”). The Partnership does not consolidate USMLP or Liberty 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 comprehensive income. All unrealized foreign exchange gains and losses on each item within the statement of financial position are included in unrealized foreign exchange gain/loss on the Partnership’s statement of comprehensive income.



Notes to Financial Statements

(In thousands of dollars, except per unit amounts, unless otherwise noted)
Six months ended June 30, 2022

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 measured at fair value, which approximates 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:

| | | | June 30, 2022 | June 30, 2021 |
|------------------|------------------------|---------------|------------------|------------------|
| | Number of mortgages | Original cost | Fair Value | Fair Value |
| First mortgages | 66 | \$ 1,673,624 | \$ 1,614,646 | \$ 1,497,245 |
| Second mortgages | 4 | 58,495 | 58,495 | 64,495 |
| | | \$ 1,732,119 | \$ 1,673,141 | \$ 1,561,740 |

A reconciliation of the mortgage investments is as follows:

| | June 30, 2022 | June 30, 2021 |
|---|---------------|---------------|
| Investments balance, beginning of year | \$ 1,689,135 | \$ 1,909,989 |
| Funding of mortgage investments ⁽ⁱ⁾ | 220,905 | 294,340 |
| Discharge of mortgage investments | (244,099) | (631,932) |
| Gain (loss) in the value of investments | (509) | (660) |
| Realized loss on investments | (6,222) | (101) |
| Foreign currency adjustment on investments ⁽ⁱ⁾ | 13,931 | (9,896) |
| Investments balance, end of period | \$ 1,673,141 | \$ 1,561,740 |

(i) Includes non-cash transfer from investment in subsidiaries (net of foreign currency adjustments), see note 8(h).

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.



Notes to Financial Statements

(In thousands of dollars, except per unit amounts, unless otherwise noted)
Six months ended June 30, 2022

As part of the assessment of fair value, management of the Fund routinely reviews each mortgage for impairment to determine whether a mortgage should be recorded at its estimated realizable value.

The mortgage investments portfolio bears interest at a weighted average rate of 9.79% (2021 – 11.01%).

Principal repayments based on contractual maturity dates are as follows:

| | |
|----------|---------------------|
| Overhold | \$ 631,430 |
| 2022 | 592,782 |
| 2023 | 212,528 |
| 2024 | 260,349 |
| 2025 | 35,030 |
| | \$ 1,732,119 |

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.

C) Investment in subsidiaries

| | June 30, 2022 | June 30, 2021 |
|------------------------------------|-------------------|-------------------|
| Investment in subsidiaries at cost | \$ 457,966 | \$ 523,807 |
| Fair value adjustment | (50,671) | (72,868) |
| | \$ 407,295 | \$ 450,939 |

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:

| | June 30, 2022 | June 30, 2021 |
|--|-------------------|-------------------|
| Investment balance, beginning of year | \$ 407,620 | \$ 481,131 |
| Funding in investment | 13,038 | 3,141 |
| Sale of investment | (14,693) | (32,911) |
| Realized gain on investment | 2,627 | - |
| Foreign currency adjustment on investment ⁽ⁱ⁾ | (1,297) | (422) |
| Investment balance, end of period | \$ 407,295 | \$ 450,939 |

(i) Includes non-cash transfer from investment in subsidiaries (net of foreign currency adjustments), see note 8(h)

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, capitalization rates, future cashflows and liquidity assumptions.

D) The Partnership's Investment in 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 and Romspen.

As at June 30, 2022, the Partnership indirectly owns 75.96% (2021 – 79.34%) of USMLP, through Liberty LP.



Notes to Financial Statements

(In thousands of dollars, except per unit amounts, unless otherwise noted)
Six months ended June 30, 2022

Schedule of investment in USMLP:

| | June 30, 2022 | June 30, 2021 |
|---|---------------|---------------|
| Investment balance, beginning of year | \$ 682,245 | \$ 559,754 |
| Funding of investment in USMLP | (115,014) | (9,629) |
| Partnership's share in USMLP net income | 27,305 | 19,394 |
| Dividend received from USMLP | (26,912) | (24,000) |
| Foreign currency adjustment on investment | 9,645 | (4,937) |
| Investment balance, end of period | \$ 577,269 | \$ 540,582 |

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:

| | June 30, 2022 (unaudited) | June 30, 2021 (unaudited) |
|--|------------------------------|------------------------------|
| Assets | | |
| Cash and restricted cash | \$ 127,084 | \$ 52,084 |
| Accrued interest | 24,074 | 32,189 |
| Mortgage investments, at fair value | 668,844 | 780,663 |
| Other assets | 2,756 | 5,563 |
| | \$ 822,758 | \$ 870,499 |
| Liabilities and Partners' Capital | | |
| Liabilities: | | |
| Mortgage investment Syndication | \$ 80,928 | \$ 39,302 |
| Accounts payable and accrued liabilities | 4,735 | 9,201 |
| Due to the Partnership | 19,309 | 95,086 |
| Distributions payable | 6,438 | 5,489 |
| | 111,410 | 149,078 |
| Partners' capital | 711,348 | 721,421 |
| | \$ 822,758 | \$ 870,499 |

Statement of non-consolidated comprehensive income:

| | 6 months ended June 30, 2022 (unaudited) | 6 months ended June 30, 2021 (unaudited) |
|--|--|--|
| Investment income | | |
| Mortgage interest | \$ 39,955 | \$ 29,785 |
| Other | 382 | 256 |
| | 40,337 | 30,041 |
| Expenses | | |
| Service fees | 3,583 | 2,957 |
| Interest | 1,835 | 2,198 |
| Change in fair value of mortgage investments | (570) | - |
| Accounting and legal fees | 132 | 144 |
| Other | 319 | 255 |
| | 5,299 | 5,554 |
| Net investment income | \$ 35,038 | \$ 24,487 |

The Partnership provides temporary funding to assist in USMLP's ability to fund loans. These loans are in priority of equity and are usually arranged to be repaid by the next unit offering date of USMLP. These loans bear an interest rate of US prime plus 1.25% and are usually paid down within a year. As of June 30, 2022, a balance of \$19,309 (2021 - \$97,913) (equivalent of \$15,000 USD (2021 - \$79,000 USD)) is outstanding and included in the investment balance.



Notes to Financial Statements

(In thousands of dollars, except per unit amounts, unless otherwise noted)
Six months ended June 30, 2022

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

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

| | June 30, 2022 | December 31, 2021 |
|--|---------------------|----------------------|
| Mortgage investments and investment in subsidiaries, at cost | \$ 2,190,086 | \$ 2,208,522 |
| Investment in USMLP | 577,269 | 682,245 |
| Unrealized fair value adjustment | (109,650) | (111,767) |
| | \$ 2,657,705 | \$ 2,779,000 |
| Mortgage investments | \$ 1,673,141 | \$ 1,689,135 |
| Investment in subsidiaries | 407,295 | 407,620 |
| Investment in USMLP | 577,269 | 682,245 |
| | \$ 2,657,705 | \$ 2,779,000 |

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 February 14, 2022 to a maximum amount of \$360,000 (2021 - \$400,000), including borrowings of equivalent amount denominated in US dollars. Approximately \$200,000 (2021 - \$400,000) is available and \$160,000 has been drawn as at June 30, 2022 (2021 - nil). 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 June 30, 2022 were \$160,000 and \$243,734 (2021 - \$0 and \$128,364), 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 17, 2023.



Notes to Financial Statements

(In thousands of dollars, except per unit amounts, unless otherwise noted)
Six months ended June 30, 2022

The costs associated with the renewal of the revolving loan facility are amortized over the two-year term of the renewal and have been included in other assets for \$408 (2021 – \$41), net of accumulated amortization of \$316 (2021 – \$906).

F) Foreign exchange forward contracts

The foreign exchange forward contracts are used to hedge the Fund's exposure to loans denominated in US dollars and are classified at FVTPL. The following table sets out the fair values and the notional amount of foreign exchange forward contract derivative assets and liabilities held by the Partnership as at June 30, 2022 and 2021.

Foreign exchange gain (loss) on forward contracts as at June 30, 2022:

| | Currency received to be delivered in USD (CAD) | Fair value at foreign exchange | Unrealized gain (loss) |
|----------------------|--|--------------------------------------|---------------------------|
| June 30, 2022 | \$ 1,224,551 | \$ 1,249,325 | \$ (24,774) |
| June 30, 2021 | \$ 1,369,791 | \$ 1,324,299 | \$ 45,492 |

The Partnership's foreign exchange gain (loss) in the statement of comprehensive income includes an unrealized foreign exchange gain of \$5,644 (2021 – unrealized loss of \$21,530) and a realized foreign exchange loss of \$210 (2021 – realized gain of \$20,297).

The unrealized foreign exchange gains (losses) on forward contracts are included in the Partnership's unrealized foreign exchange gain.

The realized foreign exchange loss includes realized foreign exchange gains of \$6,830 (2021 – \$20,297 gain) 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.



Notes to Financial Statements

(In thousands of dollars, except per unit amounts, unless otherwise noted)
Six months ended June 30, 2022

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:

A) Discounted redemptions

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

B) Temporary suspension of redemptions

The Trustees shall give notice to all unitholders that normal course redemption rights are suspended for a period of up to six months. Issuance of a suspension notice by Trustees will have the effect of cancelling all pending redemption requests. At the end of the suspension period, the Trustees may call a special meeting of unitholders to approve an extension of the suspension period, failing which normal course redemptions will resume. As at June 30, 2022, unitholders representing approximately 27,175,288 (2021 – 18,492,782) 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").



Notes to Financial Statements

(In thousands of dollars, except per unit amounts, unless otherwise noted)
Six months ended June 30, 2022

i) The following units are issued and outstanding

| | June 30, 2022 | | June 30, 2021 | |
|---|---------------|--------------|---------------|--------------|
| | Units | Amount | Units | Amount |
| Balance, beginning of year | 290,049,991 | \$ 2,909,903 | 318,514,154 | \$ 3,179,777 |
| New units issued | 6,033,849 | 58,649 | 6,437,475 | 62,602 |
| New units issued under distribution reinvestment plan | 4,337,599 | 42,175 | 4,319,869 | 42,051 |
| Units redeemed | (17,475,185) | (169,910) | (14,921,563) | (145,136) |
| Net proceeds (redemptions) from issuance of units | (7,103,737) | (69,086) | (4,164,219) | (40,483) |
| Balance, end of period | 282,946,254 | \$ 2,840,817 | 314,349,935 | \$ 3,139,294 |

During the normal course of business, the Fund receives unit issuance and redemption requests from the investors. In the six-month period ended June 30, 2022, the Fund received requests for redemption of 23,865,558 units (2021 – 33,414,345) and redeemed 17,475,185 units (2021 – 14,921,563) for \$169,910 (2021 – \$145,136) 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 282,946,254 as at June 30, 2022 (2021 – 314,349,935).

Net income and comprehensive income per unit have been computed using the weighted average number of units issued and outstanding of 286,009,187 for the six months ended June 30, 2022 (2021 – 317,503,155).

6. Distributions

The Fund makes distributions to the unitholders monthly on or about the 15th day of each month. The Fund's trust indenture indicates that the Fund intends to distribute 100% of the net earnings of the Fund, determined in accordance with the Income Tax Act (Canada), to the unitholders. For the six months ended June 30, 2022, the Fund declared distributions of \$0.36 (2021 – \$0.35) per unit and a total of \$102,966 (2021 – \$110,773) was distributed to the unitholders.



Notes to Financial Statements

(In thousands of dollars, except per unit amounts, unless otherwise noted)
Six months ended June 30, 2022

7. Income taxes

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

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

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

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

8. Related party transactions and balances

Transactions with related parties are in the normal course of business and are recorded at the exchange amount, which is the amount

of consideration established and agreed to by the related parties and which represents fair market value.

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

A) The majority of the Trustees of the Fund are owners of Romspen. Under the Mortgage Origination and Capital Raising Agreement, Romspen provides capital raising services to the Fund. Romspen receives fees totalling 0.33% per annum, calculated daily and payable monthly, of the principal balance of all mortgage investments and the fair market value of all other non-mortgage investments of the Partnership. For the six months ended June 30, 2022, the total amount was \$3,646 (2021 – \$3,937).

B) Under the Mortgage Origination and Capital Raising Agreement, Romspen provides mortgage origination services to the Partnership. Romspen receives fees totalling 0.67% per annum, calculated daily and payable monthly, of the principal balance of all mortgage investments and the fair market value of all other non-mortgage investments of the Partnership. For the six months ended June 30, 2022, this amount was \$7,401 (2021 – \$7,994).

C) Under the Mortgage Origination and Capital Raising Agreement, Romspen provides mortgage origination services to USMLP. Romspen receives fees totaling 1% per annum,



Notes to Financial Statements

(In thousands of dollars, except per unit amounts, unless otherwise noted)
Six months ended June 30, 2022

calculated daily and payable monthly, of the principal balance of all mortgage investments and the fair market value of all other non-mortgage investments of USMLP. For the six months ended June 30, 2022, this amount was \$3,583 (2021 – \$2,957).

D) Romspen and related entities also receive certain fees directly from the borrower, generated from the Partnership's mortgage investments as follows: all lender, broker, origination, commitment, renewal, extension, discharge, participation, insufficient funds and administration fees generated on the mortgages. For the six months ended June 30, 2022, this amount was \$16,632 (2021 – \$16,735).

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

F) As at June 30, 2022, the Partnership had one (2021 – one) investment outstanding with an original cost of \$50,419 (2021 – \$47,222), including no accrued interest (2021 – nil) and fair value of \$29,532 (2021 – \$30,999) 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 \$78 payable to Romspen (2021 – \$85 receivable from Romspen).

H) As at June 30, 2022, the Partnership has nine (2021 – seven) 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.

During the six months ended June 30, 2022, Romspen Subsidiary foreclosed and assumed nil mortgages (2021 – assumed six and foreclosed one) on behalf of the Partnership.

As at June 30, 2022, the cost of the mortgage investments with Romspen Subsidiary is \$351,929 (2021 – \$196,753), and the fair value is \$320,694 (2021 – \$196,753). For the six months ended June 30, 2022 the Partnership recognized interest income of nil (2021 – 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.



Notes to Financial Statements

(In thousands of dollars, except per unit amounts, unless otherwise noted)
Six months ended June 30, 2022

These amounts will be satisfied by the payment of cash, interests in mortgages or in such combination thereof as determined by the mortgage manager. These agreements continue in force until terminated in accordance with their provisions.

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

C) In certain situations, subsidiaries utilize financing from external sources. In such cases the partnership will extend guarantees to the subsidiaries as support for these debts. As of June 30, 2022, there were \$41,037 of guarantees outstanding (2021 – \$77,800).

D) The Partnership has letters of guarantee outstanding at June 30, 2022 of \$52,750 (2021 – \$52,301).

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.

Partnership

The partnership's mortgage investments and investment in subsidiaries are classified as Level 3 and investment in USMLP is classified as Level 2 of the hierarchy.



Notes to Financial Statements

(In thousands of dollars, except per unit amounts, unless otherwise noted)
Six months ended June 30, 2022

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.



Notes to Financial Statements

(In thousands of dollars, except per unit amounts, unless otherwise noted)
Six months ended June 30, 2022

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

B) Liquidity risk

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

Fund

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

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

Partnership

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

On February 14, 2022, the Partnership's revolving loan facility (note 3(e)) was renewed and now matures on July 17, 2023. If it is not extended at maturity, repayments under the Partnership's portfolio would be utilized to repay the revolving loan facility. The Partnership's mortgages are predominantly short-term in nature, and as such, the continual repayment by borrowers of existing mortgage investments creates liquidity for ongoing mortgage investments and funding commitments.

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

As at June 30, 2022, 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.



Notes to Financial Statements

(In thousands of dollars, except per unit amounts, unless otherwise noted)
Six months ended June 30, 2022

Fund

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

Partnership

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

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

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

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

The majority of the Partnership's investments are in fixed rate, short-term mortgages. The Partnership generally holds all of its mortgages to maturity. There is no secondary market for the Partnership's mortgages and in syndication

transactions; these mortgages are generally traded at face value without regard to changes in market interest rates.

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

As at June 30, 2022, if interest rates on the revolving loan facility had been 100 basis points lower or higher, with all other variables held constant, net earnings for the year would be affected with a total increase or decrease of \$1,078 (2021 – \$364). 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 \$1,309,783 (2021 – \$1,211,655), 49% (2021 – 46%) of the total Partnership's investments at June 30, 2022 are denominated in US dollars and secured primarily by charges on real estate located in United States; consequently, the Fund is subject to currency fluctuations that may impact its financial position and results. The Fund reduces currency risk on mortgages by having the Partnership enter into foreign exchange forward contracts; by including mortgage contract terms whereby the borrower is responsible for foreign exchange losses; and by funding part of the mortgages with a USD loan facility.



Notes to Financial Statements

(In thousands of dollars, except per unit amounts, unless otherwise noted)
Six months ended June 30, 2022

A weakening of the Canadian dollar against the US dollar by 5% would have resulted in an increase in NAV of \$0.04 per unit (2021 – \$0.05 per unit), assuming all other variables, including interest rates, remain constant. A strengthening would have resulted in an equal but opposite effect. The Partnership uses foreign exchange forward contracts to manage its exposure to foreign currency risks.

D) Capital risk management

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

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

The Partnership may borrow up to 35% of the book value of its mortgages. The primary purpose of the borrowing strategy is to ensure that the Fund's unitholders' capital is fully invested. The secondary purpose is to obtain a

spread between the interest rates payable under its mortgage investments and its borrowings. As of June 30, 2022, the Partnership's borrowings totalled 6% (2021 – 0%) of the book value of its total investments and the Fund was in compliance with all covenants under its revolving loan facility.

E) Other price risk

Other price risk is the risk that the fair value of investments will fluctuate as a result of changes in market prices (other than those arising from currency risk or interest rate risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in a market.

Unexpected volatility or illiquidity could occur due to legal, political, regulatory, economic or other developments, such as public health emergencies, including an epidemic or pandemic, natural disasters, war and related geopolitical risks, and may impair Romspen's ability to carry out the objectives of the Fund or cause the Fund to incur losses. Neither the duration nor the ultimate effect of any such market conditions, nor the degree to which such conditions may worsen can be predicted.

Romspen adheres to specified investment constraints in relation to asset class and diversification, thus minimizing exposure to other price risk.

Other assets and liabilities are monetary items that are short-term in nature and not subject to other price risk.



Notes to Financial Statements

(In thousands of dollars, except per unit amounts, unless otherwise noted)
Six months ended June 30, 2022

12. Comparative figures

Certain comparative information has been reclassified to conform with the financial statement presentation adopted in 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.



Trustees & Management

Romspen's team of investment professionals is led by six Managing Partners who collectively have over 180 years of finance and real estate experience. The investment team is supported by more than 40 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.



6

Managing Partners



180⁺

Years experience in
finance and real estate



40⁺

Business dedicated
professionals

Romspen Mortgage Investment Fund

Sheldon Esbin

Trustee

Mark Hilson

Trustee

Arthur Resnick

Trustee

Wesley Roitman

Trustee

Romspen Investment Corporation

Wesley Roitman

Managing General Partner

Blake Cassidy

Managing Partner

Richard Weldon

Managing Partner

Peter Oelbaum

Managing Partner

Mary Gianfriddo

Managing Partner

Derek Jenkin

Managing Partner

Vanessa Ho

Senior Vice President, Finance

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

