Consolidated Financial Statements // Expressed in Canadian dollars

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 private commercial mortgage lenders in Canada with a portfolio in excess of $2.8 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.

[1] 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.

Contents

Trustees' Letter

Dear Fellow Unitholders:

The Fund's financial performance for the second quarter of 2023 was in line with expectations given the challenging market conditions. Though the quarterly distribution was slightly below historical average, the Fund continued to outperform other fixed income benchmarks on a trailing 12-month basis.

Comparative Performance

The compounded net return for the first six months of 2023 was 1.4% versus 4.0% a year ago. In comparison, the FTSE Canada Short-Term Overall Bond Index™ ("FTSE-STBI"), and the S&P/TSX Composite Index ("S&P/TSX") returned 1.0% and 5.7% respectively on a year-to-date basis. For the 12-month period ended June 30, 2023, the Fund's compounded net return to unitholders was 4.0%, whereas FTSE-STBI and the S&P/TSX returned 1.4% and 10.4% respectively.

Financial Highlights

For the second quarter of 2023, the Fund earned net income of $20.2 million or $0.07 per unit compared to $62.6 million or $0.22 per unit a year ago. Earnings were 68% lower than in the second quarter of 2022. Distributions were $28.2 million ($0.10 per unit) and the net return to investors was 0.7% in the second quarter, compared to $51.2 million ($0.18 per unit) and 2.3% a year ago, with positive performance in all months. The Fund had net debt (debt less cash) of $127.1 million compared to $69.7 million a year ago.

At June 30, 2023, the net portfolio (140 mortgages and investments) was $2.6 billion, an increase of 4% compared to the second quarter of 2022, and reflective of strengthening of the US dollar. Investors' unit capital totalled $2.7 billion, compared to $2.8 billion last year. The Fund's portfolio and earnings remain well diversified by property type, geography, size and currency. Canadian mortgages comprised 44% of the Fund, down from 49% last year, with the majority concentrated in Ontario (22%) and British Columbia (13%).

US mortgages represented 56% of the Fund, comprised of 82 US mortgages across 23 states with the largest concentrations in California (21%), Florida (9%) and Texas (9%).

The weighted average interest rate of the portfolio at June 30, 2023, was 8.7% compared to 9.3% a year ago. The total loss provision at quarter end increased to $144.2 million ($0.51 per unit) from $115.8 million a year ago, and continues to provide a solid margin of safety.

Net Asset Value ("NAV") at June 30, 2023, was $9.66 per unit compared to $9.75 per unit last year. At quarter end, approximately 78% of the Fund's US dollar exposure is hedged by the borrowers directly, by the US line of credit, or by forward contracts.

As a percentage of the overall portfolio, non-performing loans were at 37%, higher than the Fund's typical historic range, and reflect the continued slowdown and price uncertainty in real estate markets. As we emphasize, non-performing loans are a feature of the financing niche in which the Fund operates, and do not necessarily result in a loss of principal beyond the provision for losses. Nevertheless, reducing the number of non-performing loans remains a key priority.

Financial Presentation

In accordance with International Financial Reporting Standards, the Fund's financial statements are unconsolidated, which 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, has been included in the Management's Discussion and Analysis ("MD&A", pp. 6-13). We suggest that these financial statements in the MD&A be used as the primary reference point.

Outlook

We are at the midpoint of 2023, a year which is proving to be one of the most challenging for the Fund since the mid-90s. It seems every day another pundit speaks about the coming crisis in commercial real estate. Banks all over the globe are reducing exposure and tightening credit guidelines, often indiscriminately, just following orders from the executive suite. The Fund recently renewed its credit facility with a syndicate of Canadian and US banks, at a lower limit acceptable to their reduced appetite for real estate exposure. Operationally, this will be manageable, as the revised credit limit is roughly at the level that we had actually been using the facility. Others may not be so fortunate. With banks lending less, fewer loans held by non-bank lenders are refinanced, since commercial banks, whose loans are the wellspring of the commercial real estate industry, are usually the final take-out lender once a property reaches a sufficient level of economic maturity. Without this source of capital, non-bank lenders are making fewer new loans and transaction activity across the industry declines.

Many real estate industry participants, developers, and speculators alike, continue to believe in a bright future, and, like many stock market investors, are striking out and "fighting the Fed" with bold offers on properties. The challenge these days is not so much signing a purchase agreement, but finding the funds to close. In our own experience, we have already seen two anticipated unconditional sale transactions fall through this year, each with seven figure deposits forfeited. These are typically rare occurrences – we only saw one other occurrence like this during the beginning of the COVID pandemic in 2020, and none before that since the 1990s.

The Fund recently completed the bankruptcy sale of a large stabilized multi-residential asset. This was likely only made possible because of the participation of the Canada Mortgage and Housing Corporation, which guarantees loans on rental apartments. And even then, the transaction encountered a number of delays. We had never seen anything like these lengthy closing delays for large dollar transactions before the pandemic.

Labour pressures are persistent across the industry, both in the white-collar world of lawyers, architects, appraisers, and engineers, and among skilled construction trades. Construction remains a singular challenge, albeit a slight improvement over the pandemic years. Supply chain issues continue to wreak havoc on prices and schedules, though there is a growing sense that these issues will slowly abate in the near future as the rate hikes finally start to reduce construction starts and demand.

Borrowers are under immense strain from all these issues, and from rising interest rates, of course. We have renewed 11 loans in the first six months of the year and have started enforcement actions on another 3. Only 2 have repaid as expected. This is not a typical ratio. Cash remains tight as a result. Our first priority is the continued funding of active construction loans. We had unfunded commitments of approximately $411 million USD and $245 million CAD as of June 30. These commitments will likely take up to 2 years to run off and will probably consume the lion's share of the proceeds of loan repayments and collateral sales until real estate financing conditions improve.

Not all of the news is bad. Some sectors seem particularly strong. Housing is a perennial one of these, driven mostly by a dearth of supply, which has only been exacerbated by higher interest rates. Fewer projects are getting started, and fewer resale homes are being listed, mostly because rates are too high for either a profitable development or an affordable move to a new home. Policymakers continue to pay lip service to increasing the supply of homes, but few of their policy initiatives are really helping much –in fact, they may even be counter-productive to their stated goal. Hospitality is also having a moment. Hotel room rates and occupancy are seemingly rising ever higher, although it is wise to remain cautious. Consumers are still spending liberally on travel despite higher mortgage rates, likely due to the lagging effects and a strong job market. Vacation properties that are not short-term rental restricted also seem to have strong bids as a result, even though second home/cottage properties and short-term restricted vacation properties are seeing softness. We shall see how much longer this will last. Service retail, such as restaurants, is also doing remarkably well. It seems you can't even buy a salad for less than $25 these days, and $30 martinis are still finding lots of takers. It also remains to be seen how much longer this will last. Apparently, consumers also haven't taken to heart the maxim not to "fight the Fed."

Industrial property activity is slowing, making it feel like a recession compared to the boom it experienced during the COVID years. A few deals are still occurring in this sector, with vacancies low and rents continuing to hold. Office and commercial, however, are likely to be very challenging, and much of the inventory will have to be priced lower and repurposed unless work habits revert to more of a pre-pandemic normal. There is a significant impact on inner-city small businesses from the lack of daytime pedestrian traffic, though weekends and evenings appear as busy as ever. Perhaps policies will gradually be formulated to address this, because the impact on municipal and business taxes will meaningfully hurt city budgets. We are a bit surprised by the lack of attention so far from local and regional governments. This is also likely a lagging effect which will gain momentum as more and more municipal budgets face revenue pressures.

We have a time-tested strategy to deal with these conditions. We must hunker down and ride it out. The slow transaction environment, paired with our committed construction loans, leaves us with relatively little leeway to make changes to the mortgage portfolio and increase lending rates. We will do what we can, but it is unlikely to have a material impact unless we begin to see a greater turnover of assets. We also must be cautious about reporting income. Market price discovery is still uncomfortably slow. Pressure is building on borrowers everywhere, but we haven't yet seen the "throw in the towel" type of distress selling that often accompanies the bottom of a cycle. The prudent and conservative decision is to value our assets low enough to cover the possibility of future write downs, which means we will continue to add to the Fund's loss reserves. While historically we have been very stingy about actually using these reserves, we will likely become more practical about those decisions in the future if we see opportunities to sell assets near their carrying values.

As always, we appreciate your patience, understanding and support. We truly wish we had better news to report. These are not easy times for anybody in the real estate business and there may be more challenges yet to come before this cycle ends. We need to remember that markets are cyclical. It will not remain this way forever. Up tends to follow down. Our core principle of first-position secured lending and low leverage has stood the test of time. Though we recognize it can be unpleasant during the down cycle, there is no reason to believe that today is any different.

Respectfully submitted,

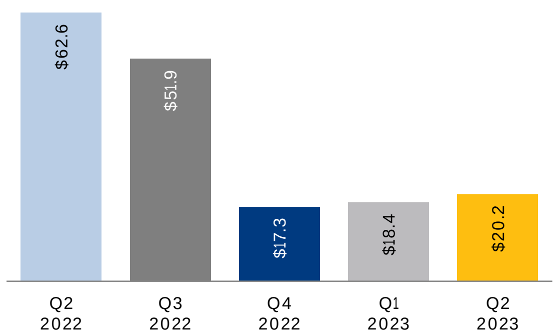
Sheldon Esbin   Mark Hilson   Arthur Resnick   Wesley Roitman

Trustees of the Fund, July 31, 2023

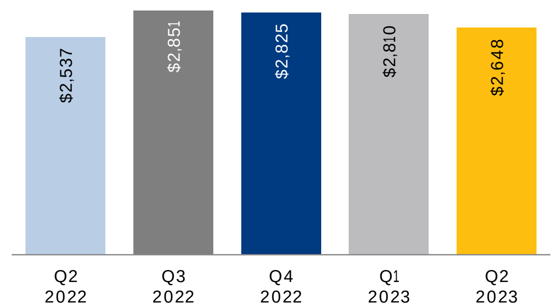
ROMSPEN MORTGAGE INVESTMENT FUND - 2023 Q2 HIGHLIGHTS

Key Metrics

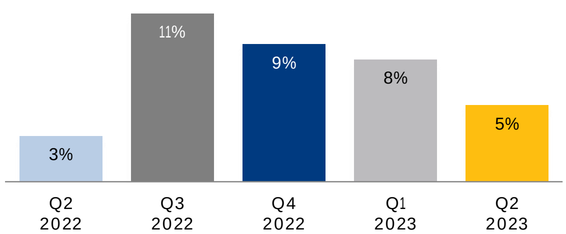
Net Earnings ($millions)



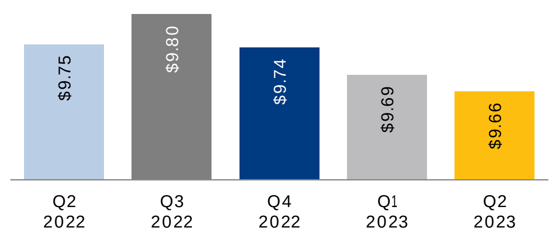
Net Investment Portfolio ($millions)



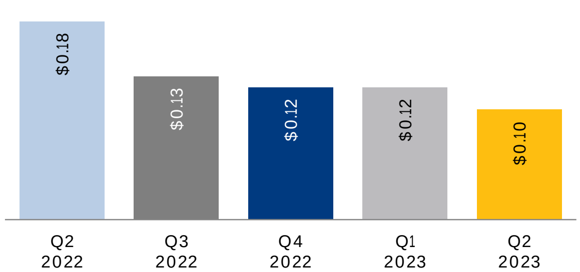
Net Leverage (% of net investment portfolio)



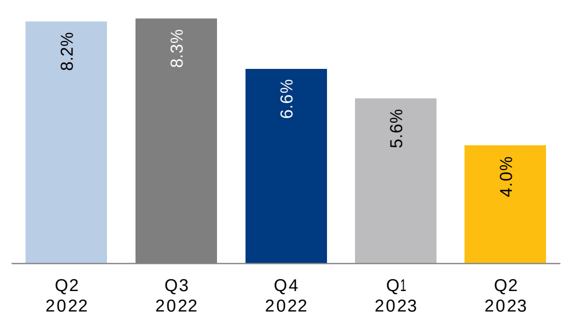
Net Asset Value ($/unit)



Unitholder Distributions ($/unit)



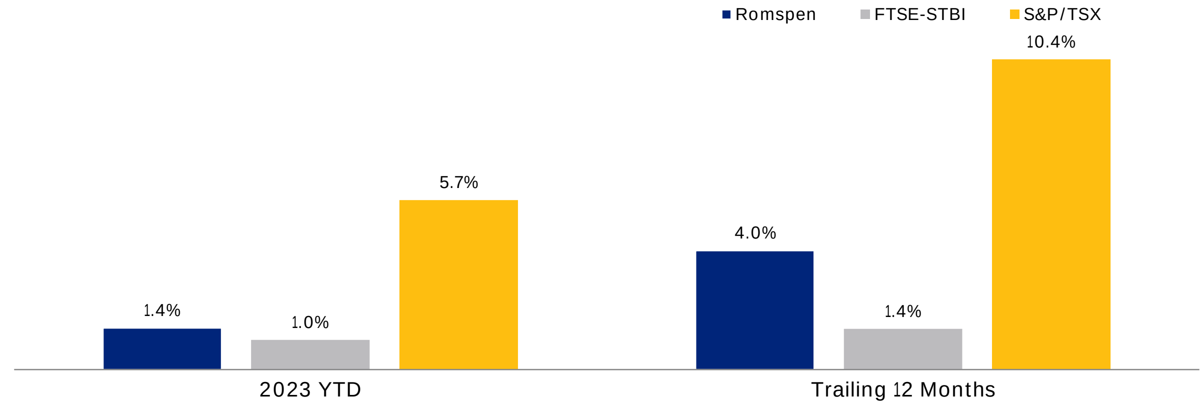
Unitholder Return [1]



[1] 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.

Comparative Performance

Romspen returns are net[2];comparative benchmarks are gross returns.
As of June 30, 2023



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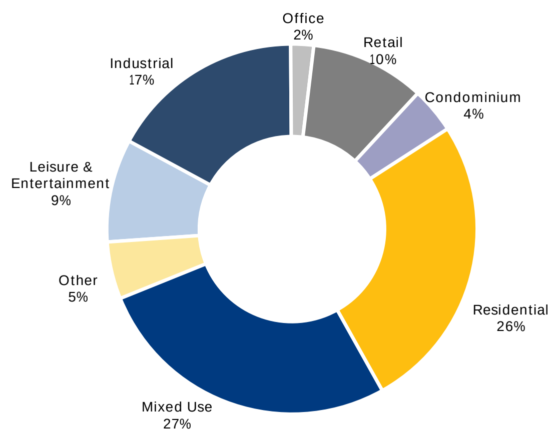
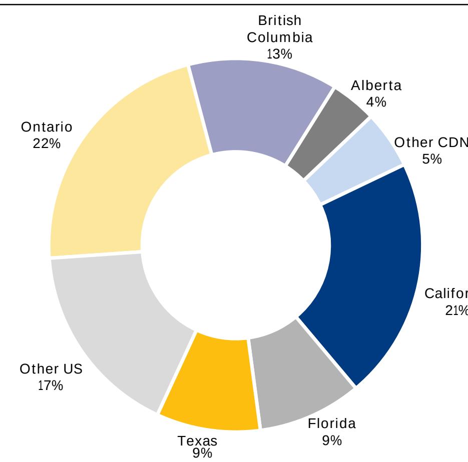
Investment Portfolio Profile

As of June 30, 2023

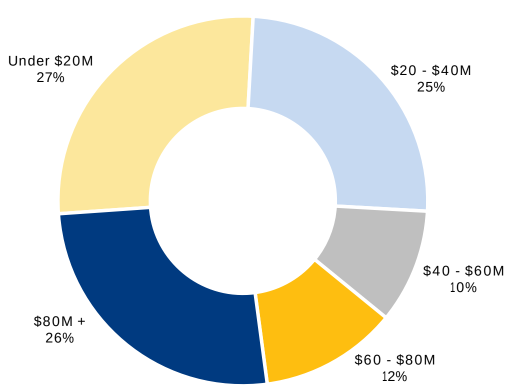
By Type



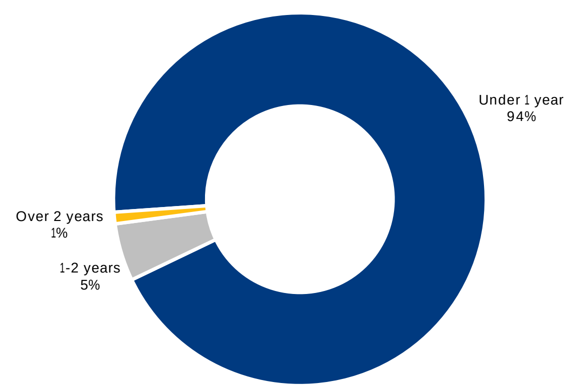
By Geography



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, 2023 included herein and the audited financial statements and MD&A for the year ended December 31, 2022. 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, 2023.

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.

Portfolio

As of June 30, 2023, the Fund's mortgage and investment portfolio (the "Portfolio"), net of fair value provisions, was $2.6 billion, compared to $2.5 billion a year ago. The Portfolio included 140 mortgages and investments, compared to 134 at the same time last year.

Approximately 96% of the Portfolio consisted of first mortgages at June 30, 2023 (June 30, 2022 — 95%). The weighted average interest rate of the Portfolio was 8.7% compared to 9.3% a year ago.

The Portfolio continues to consist mainly of short-term mortgages to third parties and mortgages to the Fund's subsidiaries. Approximately 94% of the Portfolio's investments mature within one year (June 30, 2022 — 78%) and 99% mature within two years (June 30, 2022 — 98%). In addition, all our mortgages are open for repayment prior to maturity. The short-term nature of the Fund's portfolio permits opportunities to continually and rapidly evolve in response to changes in the real estate and credit markets. The Fund Manager believes this flexibility is far more important in our market niche than securing long-term fixed interest rates.

As of June 30, 2023, approximately 22% of the Fund's investments were in Ontario, same as the previous year. Approximately 17% of the Portfolio was invested in Western Canada, 2% in Quebec, 3% in other provinces and 56% 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, 2023, were $144.2 million, which represented 5.2% of the original cost of the Fund's investments or $0.51 per unit outstanding as at June 30, 2023. 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.

Non-IFRS financial information

Combined Balance Sheet

June 30, 2023, with comparative information for 2022

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, 2023	December 31, 2022	June 30, 2022
Assets			
Cash	$ 30,419	$ 2,586	$ 90,291
Accrued interest receivable	222,579	213,486	205,931
Mortgage investments	1,689,376	1,850,150	1,673,141
Investment in subsidiaries	393,610	410,602	407,295
Investment in TIG Romspen US Master Mortgage LP	535,718	571,088	577,269
Other assets	32,106	26,719	20,766
	$ 2,903,808	$ 3,074,631	$ 2,974,693
Liabilities and Unitholders' Equity			
Revolving loan facility	$ 157,500	$ 256,166	$ 160,000
Accounts payable and accrued liabilities	5,034	7,129	7,460
Foreign exchange forward contracts	5,809	68,692	24,774
Prepaid unit capital	-	-	8,150
Unitholders' distributions payable	8,526	11,412	16,997
	176,869	343,399	217,381
Units submitted for redemption	352,497	228,562	264,823
Unitholders' equity	2,374,442	2,502,670	2,492,489
	$ 2,903,808	$ 3,074,631	$ 2,974,693

Non-IFRS financial information

Combined Statement of Earnings

Six months ended June 30, 2023, with comparative information for 2022

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, 2023	3 months ended June 30, 2022	6 months ended June 30, 2023	6 months ended June 30, 2022
Revenue				
Mortgage interest	$ 33,737	$ 55,100	$ 61,161	$ 95,682
Income from Investment in TIG Romspen US Master Mortgage LP	10,715	13,914	22,150	27,305
Other	289	1,005	564	2,293
Gain (Loss) on foreign exchange	(7,785)	8,585	(9,862)	5,434
	36,956	78,604	74,013	130,714
Expenses				
Management fees	5,839	5,562	11,715	11,047
Interest	4,897	2,311	9,788	4,505
Change in fair value of mortgage investments and investment in subsidiaries	4,489	1,208	10,660	(2,118)
Realized loss on mortgage investments	331	5,570	692	6,222
Other (gains) losses	(409)	419	(59)	412
Audit fees	120	117	249	233
Legal fees	-	57	81	57
Other	1,478	765	2,235	1,438
	16,745	16,009	35,361	21,796
Net earnings	$ 20,211	$ 62,595	$ 38,652	$ 108,918
Net earnings per unit	$ 0.07	$ 0.22	$ 0.14	$ 0.38
Weighted average number of units issued and outstanding	282,035,353	284,350,658	281,545,695	286,009,187

Non-IFRS financial information

Combined Statement of Changes in Unitholders' Equity

Six months ended June 30, 2023, with comparative information for 2022

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, 2023	December 31, 2022	June 30, 2022
Unit capital			
Balance, beginning of year	$ 2,587,305	$ 2,707,995	$ 2,707,995
Issuance of units	18,981	167,372	100,824
Redemption of units	-	(261,613)	(169,910)
Increase in units submitted for redemption	(123,935)	(26,449)	(62,710)
Balance, end of period	$ 2,482,351	$ 2,587,305	$ 2,576,199
Cumulative earnings			
Balance, beginning of year	$ 1,668,815	$ 1,490,744	$ 1,490,744
Net earnings	38,652	178,071	108,918
Balance, end of period	$ 1,707,467	$ 1,668,815	$ 1,599,662
Cumulative distributions to unitholders			
Balance, beginning of year	$ (1,753,450)	$ (1,580,406)	$ (1,580,406)
Distributions to unitholders	(61,926)	(173,044)	(102,966)
Balance, end of period	$ (1,815,376)	$ (1,753,450)	$ (1,683,372)
Unitholders' equity	$ 2,374,442	$ 2,502,670	$ 2,492,489
Units issued and outstanding, excluding units submitted for redemption	245,801,317	256,901,756	255,770,966

Non-IFRS financial information

Combined Statement of Cash Flows

Six months ended June 30, 2023, with comparative information for 2022

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, 2023	3 months ended June 30, 2022	6 months ended June 30, 2023	6 months ended June 30, 2022
Cash provided by (used in):				
Operations				
Net earnings	$ 20,211	$ 62,595	$ 38,652	$ 108,918
Items not affecting cash:				
Amortization of revolving loan facility financing costs	101	100	201	195
Change in fair value of mortgage investments and investment in subsidiaries	4,489	1,208	10,660	(2,118)
Amortization of discount	-	-	(213)	-
Income from investment in TIG Romspen US Master Mortgage LP	(116)	(511)	601	(393)
Realized loss on mortgage investments	331	5,570	692	6,222
Unrealized gain on foreign exchange	(11,315)	(12,015)	(25,237)	(5,644)
Other (gains) losses	(409)	419	(59)	412
Change in non-cash operating items:				
Accrued interest receivable	(5,309)	2,291	(9,329)	(12,266)
Other assets	(3,828)	1,317	(5,627)	(6,054)
Accounts payable and accrued liabilities and unitholders' distribution payable	(1,954)	(546)	(2,092)	(309)
	2,201	60,428	8,249	88,963
Financing				
Proceeds from issuance of units	493	24,284	729	58,649
Distributions paid to unitholders	(22,492)	(30,224)	(46,560)	(61,263)
Redemption of units	-	(82,058)	-	(169,910)
Prepaid unit capital	-	5,826	-	5,282
Change in revolving loan facility	(66,500)	(83,632)	(98,527)	(15,631)
Change in loan payable to TIG Romspen US Master Mortgage LP	(51,008)	-	-	-
	(139,507)	(165,804)	(144,358)	(182,873)
Investments				
Funding of mortgage investments	(95,958)	(96,117)	(168,197)	(220,905)
Discharge of mortgage investments	229,453	135,731	299,090	244,099
Net discharge of investment in subsidiaries	13,359	2,513	11,494	1,655
Net redemption of investment in TIG Romspen US Master Mortgage LP	14,983	115,014	21,555	115,014
	161,837	157,141	163,942	139,863
Increase in cash	24,531	51,765	27,833	45,953
Cash, beginning of period	5,888	38,526	2,586	44,338
Cash, end of period	$ 30,419	$ 90,291	$ 30,419	$ 90,291

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, 2023
Guild	100%	Office complex	CA	$ 23,356
Aspen Lakes	100%	Residential development	CA	4,466
Almonte	50%	Retail plaza	CA	5,896
Liberty Ridge	100%	Residential subdivision	CA	67,503
Planetwide	100%	Land for residential development	CA	4,808
Royal Oaks	100%	Residential subdivision	CA	15,908
Haldimand	100%	Landfill	CA	30,528
High Street	100%	Commercial/Residential	CA	25,007
Egreen	100%	Land for industrial development	CA	1,516
Carolina Golf	100%	Golf courses	US	22,684
LE Ranch	100%	Residential	US	17,760
Springville	100%	Land for commercial development	US	21,787
Big Nob	100%	Land for residential development	CA	4,592
Midland	100%	Land for residential development	CA	5,052
Kettle Creek	100%	Land for residential development	CA	15,666
Langford Lake	100%	Land for residential development	CA	46,776
Ponderosa	80%	Land for residential development	CA	31,814
Drought	100%	Land for residential development	CA	11,391
Northern Premier	100%	Land for industrial development	CA	10,448
Hampton Circle	100%	Residential construction	CA	3,641
Southpoint Landing	100%	Residential	CA	1,289
RIC Hampton Inc.	100%	Commercial	CA	7,219
Environmaster	100%	Environment and recycling	CA	31,200
Kawartha Downs	100%	Leisure and entertainment	CA	25,292
Nisku	100%	Industrial predevelopment	CA	17,405
				$ 453,004
		Fair value adjustment		(59,394)
				$ 393,610

Controlled subsidiaries that are owned by the General Partner of the Fund and not directly by the Partnership are classified as related party mortgage investments. Similar to investments in subsidiaries, these related party subsidiaries acquire control of properties in order to complete development and dispose of the property with the goal of maximising the return to investors, which may involve, but not specifically require, the advancement of additional funds from the Fund. As of June 30, 2023, there are thirteen mortgage investments to related party subsidiaries with a fair value of $564,773 (2022 - $320,694). Further details regarding related party mortgage investments can be found in Note 8 of the interim financial statements.

Income Statement Highlights

Total revenues for the quarter ended June 30, 2023 were $37.0 million compared to $78.6 million in the previous year.

Net earnings for the quarter were $20.2 million compared to $62.6 million for the same period last year. The basic weighted average earnings per unit for the quarter were $0.07 per unit compared to $0.22 last year.

For the quarter ended June 30, 2023, the Fund distributed $28.2 million or $0.10 per unit compared to $51.2 million or $0.18 per unit for the quarter ended June 30, 2022. The simple and compounded net returns to unitholders for the three-month period ended June 30, 2023 were 0.7% and 0.7% respectively.

Provision for losses on the Portfolio value reflected an increase of $4.5 million in the second quarter of 2023. During the same period, the Fund realized losses of $0.3 million on one investment. Management and other fees payable to the Fund Manager and other general and administrative expenses of the Fund were $7.4 million for the quarter ended June 30, 2023, compared with $6.5 million last year. These expenses were marginally higher than the previous year and reflect the slightly higher Portfolio value.

Balance Sheet Highlights

Total assets as of June 30, 2023 were $2.9 billion, compared to $3.0 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.

Total liabilities excluding units submitted for redemption as of June 30, 2023 were $176.9 million compared to $217.4 million a year earlier. Liabilities at the end of the quarter were comprised mainly of $157.5 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, 2023, the net debt (debt less unrestricted cash) was $127.1 million (4.9% of the net portfolio) compared to $69.7 million (2.7% of the net portfolio) a year ago. Unitholders' equity including units submitted for redemption as of June 30, 2023 were $2.7 billion, as compared to $2.8 billion a year ago. There was a total of 282,321,503 units outstanding on June 30, 2023 compared to 282,946,254 on June 30, 2022. There are no options or other commitments to issue additional units.

Liquidity and Capital Resources

Pursuant to the trust indenture, 100% of the Fund's net taxable earnings are intended to be distributed to unitholders. This means that growth in the Portfolio can only be achieved 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, 2023, borrowings totalled approximately 6% of the book value of investments held by the Fund, same as a year ago.

During the six months ended June 30, 2023, there were $19.0 million of net issuances compared to $69.1 million of net redemptions during the same period in 2022.

Under normal circumstances, 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.

Outlook

The continued retrenchment in real estate and financing transactions and the attendant uncertainty in property values continue to suppress loan repayments and collateral realizations. As a result, the Fund's loan origination activity and its ability to address the redemption queue will remain subdued. Our efforts remain concentrated on facilitating pending transactions, maximizing asset values, working with sponsors to achieve project milestones, and carefully allocating the Fund's capital.

The Fund does not employ structural leverage and we are thus able to be resolute until real estate markets find a new equilibrium. However, we continue to expect that revenues, net earnings and distributions to unitholders will be below historical averages.

Financial Statements

ROMSPEN MORTGAGE INVESTMENT FUND

Six months ended June 30, 2023 (Unaudited)

INTERIM UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION

June 30, 2023, with comparative information for 2022

(In thousands of dollars, except per unit amounts, unless otherwise noted)	June 30, 2023 (unaudited)	December 31, 2022 (audited)
Assets		
Cash	$ 244	$ 300
Investment in Romspen Mortgage Limited Partnership, at fair value through profit or loss (note 3)	2,735,549	2,743,106
Other assets	4	19
	$ 2,735,797	$ 2,743,425
Liabilities and Net Assets Attributable to Unitholders' Equity		
Liabilities:		
Accounts payable and accrued liabilities	332	781
Prepaid unit capital	-	-
Unitholders' distributions payable	8,526	11,412
	8,858	12,193
Net assets attributable to unitholders	2,726,939	2,731,232
	$ 2,735,797	$ 2,743,425
Net assets attributable to unitholders represented by:		
Fund unitholders	$ 2,374,442	$ 2,502,670
Fund units submitted for redemption	228,804	113,217
Run-Off Pool unitholders	123,693	115,345
	$ 2,726,939	$ 2,731,232
Net asset value per Fund unit (note 5)	$ 9.66	$ 9.74
Net asset value per Run-Off Pool unit (note 5)	$ 9.64	$ 9.74

See accompanying notes to financial statements.

INTERIM UNCONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Six months ended June 30, 2023, with comparative information for 2022

(In thousands of dollars, except per unit amounts, unless otherwise noted)	3 Months ended June 30, 2023 (unaudited)	3 Months ended June 30, 2022 (unaudited)	6 Months ended June 30, 2023 (unaudited)	6 Months ended June 30, 2022 (unaudited)
Income from investment in Romspen Mortgage Limited Partnership:				
Distributions from Romspen Mortgage Limited Partnership	$ 19,732	$ 30,006	$ 43,674	$ 60,791
Unrealized appreciation (depreciation) in net assets of Romspen Mortgage Limited Partnership (note 3)	2,940	34,917	(151)	52,702
	22,672	64,923	43,523	113,493
Expenses:				
Management fees (note 8 (a))	1,927	1,836	3,866	3,646
Audit fees	120	106	249	222
Legal fees and other	414	386	756	707
	2,461	2,328	4,871	4,575
Net income and comprehensive income	$ 20,211	$ 62,595	$ 38,652	$ 108,918
Net income and comprehensive income per unit (note 5)	$ 0.07	$ 0.22	$ 0.14	$ 0.38
Weighted average number of units issued and outstanding (note 5)	282,035,353	284,350,658	281,545,695	286,009,187

See accompanying notes to financial statements.

INTERIM UNCONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS (1)

Six months ended June 30, 2023, with comparative information for 2022

(In thousands of dollars, except per unit amounts, unless otherwise noted)	June 30, 2023 (unaudited)	June 30, 2022 (unaudited)
Fund unit capital:		
Balance, beginning of period	$ 2,587,305	$ 2,707,995
Issuance of units (note 4)	18,981	100,824
Redemption of units (note 4)	-	(169,910)
Increase in units submitted for redemption	(114,327)	(62,710)
Conversion to Run-Off Pool units (note 4 (d))	(9,608)	-
Balance, end of period	$ 2,482,351	$ 2,576,199
Fund units submitted for redemption, end of period	$ 228,804	$ 264,823
Run-Off Pool unit capital:		
Balance, beginning of period	$ 115,345	$ -
Conversion from units	9,608	-
Fair market value adjustment	(1,260)	-
Balance, end of period	$ 123,693	$ -
Cumulative earnings:		
Balance, beginning of period	$ 1,668,815	$ 1,490,744
Net income and comprehensive income	38,652	108,918
Balance, end of period	$ 1,707,467	$ 1,599,662
Cumulative distributions to unitholders:		
Balance, beginning of period	$ (1,753,450)	$ (1,580,406)
Distributions to unitholders (note 6)	(61,926)	(102,966)
Balance, end of period	$ (1,815,376)	$ (1,683,372)
Unitholders' equity (excluding units submitted for redemption)	-	$ 2,492,489
Net assets attributable to unitholders	$ 2,726,939	-
Units issued and outstanding:		
Fund units	245,801,317	255,770,966
Fund units submitted for redemption	23,685,684	27,175,288
Run-Off Pool units	12,834,502	-
Total units issued and outstanding	282,321,503	282,946,254

See accompanying notes to financial statements.

(1) Due to the introduction of Run-off Pool units effective September 26, 2022, IFRS requires the Fund to classify the net asset balance as a liability. Prior years were classified as equity and the statement was titled “Statement of Changes in Unitholders’ Equity”.

INTERIM UNCONSOLIDATED STATEMENT OF CASH FLOWS

Six months ended June 30, 2023, with comparative information for 2022

(In thousands of dollars)	3 Months ended June 30, 2023 (unaudited)	3 Months ended June 30, 2022 (unaudited)	6 Months ended June 30, 2023 (unaudited)	6 Months ended June 30, 2022 (unaudited)
Cash provided by (used in):				
Operations:				
Net income and comprehensive income	$ 20,211	$ 62,595	$ 38,652	$ 108,918
Items not affecting cash:				
Unrealized appreciation in net assets of Romspen Mortgage Limited Partnership (note 3)	(2,940)	(34,917)	151	(52,702)
Change in non-cash operating items:				
Accounts payable and accrued liabilities and other assets	(387)	(221)	(434)	(117)
	16,884	27,457	38,369	56,039
Financing:				
Proceeds from issuance of units (note 4)	493	24,284	729	58,649
Distributions paid to unitholders (note 6)	(22,492)	(30,224)	(46,560)	(61,263)
Redemptions of fund units (note 4)	-	(82,058)	-	(169,910)
Prepaid fund unit capital	-	5,826	-	5,282
	(21,999)	(82,172)	(45,831)	(167,242)
Investments:				
Net redemption of investment in Romspen Mortgage Limited Partnership (note 3)	5,259	60,764	7,406	116,833
	5,259	60,764	7,406	116,833
Increase (decrease) in cash	144	6,049	(56)	5,630
Cash, beginning of period	100	2,592	300	3,011
Cash, end of period	$ 244	$ 8,641	$ 244	$ 8,641

See accompanying notes to financial statements.

Romspen Mortgage Investment Fund (the "Fund") is an unincorporated closed-end investment trust established under the laws of the Province of Ontario, pursuant to a trust indenture dated as at May 20, 2005 and commenced operations on January 16, 2006. 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 net assets attributable to unitholders. The Fund's registered office is 162 Cumberland Street, Suite 300, Toronto, ON M5R 3N5.

As of June 30, 2023, the Partnership indirectly owns 76.48% (2022 – 75.96%) 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.

These financial statements and accompanying notes have been authorized for issue by the trustees of the Fund (the "Trustees") on July 31, 2023.

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.

Information about assumptions and estimation uncertainties at June 30, 2023 that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities in the next financial period, 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) Units

Under IAS 32, Financial Instruments - Presentation ("IAS 32"), puttable instruments, such as the units, are generally classified as financial liabilities unless the exemption criteria are met for equity classification.

In 2022, the Fund introduced Run-off Pool units described in note 4(ii) and (d), which results in the Fund not meeting the exemption criteria under IAS 32. Therefore, all classes of Fund's units are classified as financial liabilities and presented as net assets attributable to unitholders. This presentation does not alter the underlying economic interest of the unitholders in the net assets and net operating results attributable to unitholders.

F) 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.

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

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

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 the Partnership at fair value. The Partnership is not consolidated by the Fund.

Schedule of the Fund's investment in the Partnership:

	June 30, 2023	June 30, 2022
Investment balance, beginning of year	$ 2,743,106	$ 2,838,495
Net withdrawal of investment in the Partnership	(7,406)	(116,833)
Unrealized appreciation (depreciation) in net assets of the Partnership	(151)	52,702
Investment balance, end of period	$ 2,735,549	$ 2,774,364

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, 2023 (unaudited)	December 31, 2022 (audited)
Assets		
Cash	$ 30,175	$ 2,286
Accrued interest receivable	222,579	213,486
Mortgage investments (note 3(b))	1,689,376	1,850,150
Investment in subsidiaries (note 3(c))	393,610	410,602
Investment in USMLP (note 3(d))	535,718	571,088
Other assets	32,102	26,700
	2,903,560	$ 3,074,312
Liabilities and Unitholders' Capital		
Liabilities:		
Revolving loan facility (note 3(e))	$ 157,500	$ 256,166
Foreign exchange forward contracts (note 3(f))	5,809	68,692
Accounts payable and accrued liabilities	4,702	6,348
	168,011	331,206
Fair value of net assets attributable to unitholders of the Partnership	2,735,549	2,743,106
	$ 2,903,560	$ 3,074,312

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

	6 months ended June 30, 2023 (unaudited)	6 months ended June 30, 2022 (unaudited)
Revenue		
Mortgage interest	$ 61,161	$ 95,682
Income from Investment in USMLP (note 3(d))	22,150	27,305
Other	564	2,293
Gain (loss) on foreign exchange (note 3(f))	(9,862)	5,434
	74,013	130,714
Expenses		
Management fees (note 8(b))	7,849	7,401
Interest	9,788	4,505
Change in fair value of mortgage investments and investment in subsidiaries	10,660	(2,118)
Realized loss on mortgage investments	692	6,222
Other losses (gains)	(59)	412
Legal fees and other	1,560	799
	30,490	17,221
Comprehensive income	$ 43,523	$ 113,493

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)).

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

iii) Investment in USMLP

The Partnership indirectly owns 76.48% of USMLP as at June 30, 2023 (2022 – 75.96%) 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 and all unrealized foreign exchange gains and losses on each item within the statement of financial position are included in foreign exchange gain/loss on the Partnership's statement of comprehensive income.

vii) Financial assets and financial liabilities

The Partnership's designations are as follows:

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

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

c) Other assets, revolving loan facility, accounts payable and accrued liabilities, prepaid unit capital, unitholders' distributions payable and units submitted for redemption are 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, 2023	June 30, 2022
	Number of mortgages	Original cost	Fair Value	Fair Value
First mortgages	67	$ 1,711,566	$ 1,632,881	$ 1,614,646
Second mortgages	3	56,495	56,495	58,495
		$ 1,768,061	$ 1,689,376	$ 1,673,141

A reconciliation of the mortgage investments is as follows:

	June 30, 2023	June 30, 2022
Investments balance, beginning of year	$ 1,850,150	$ 1,689,135
Funding of mortgage investments [i]	168,197	220,905
Discharge of mortgage investments	(299,090)	(244,099)
Gain (loss) in the value of investments	(4,431)	(509)
Realized loss on investments	(363)	(6,222)
Amortization of discount	213	-
Foreign currency adjustment on investments[i]	(25,300)	(13,931)
Investments balance, end of period	$ 1,689,376	$ 1,673,141

[i] Includes net discharge of $19,549, equivalent of $14,508 USD (2022 – net funding of $15,261, equivalent of $12,044 USD) in mortgages which are syndicated with USMLP.

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

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

The mortgage investments portfolio bears interest at a weighted average rate of 9.01% (2022 – 9.79%).

Principal repayments based on contractual maturity dates are as follows:

Overhold	$ 631,946
2023	778,290
2024	300,797
2025	57,028
	$ 1,768,061

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

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

C) Investment in subsidiaries

	June 30, 2023	June 30, 2022
Investment in subsidiaries at cost	$ 453,004	$ 457,966
Fair value adjustment	(59,394)	(50,671)
	$ 393,610	$ 407,295

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, 2023	June 30, 2022
Investment balance, beginning of year	$ 410,602	$ 407,620
Funding in investment	14,933	13,038
Sale of investment	(26,427)	(14,693)
Net unrealized loss in the fair value of investment	(6,229)	-
Realized gain (loss) on investment	(329)	2,627
Foreign currency adjustment on investment	1,060	(1,297)
Investment balance, end of period	$ 393,610	$ 407,295

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, 2023, the Partnership indirectly owns 76.48% (2022 – 75.96%) of USMLP, through Liberty LP.

Schedule of investment in USMLP:

	June 30, 2023	June 30, 2022
Investment balance, beginning of year	$ 571,088	$ 682,245
Net funding (divestment) of investment in USMLP	(21,555)	(115,014)
Partnership's share in USMLP net income	22,150	27,305
Dividend received from USMLP	(22,751)	(26,912)
Foreign currency adjustment on investment	(13,214)	9,645
Investment balance, end of period	$ 535,718	$ 577,269

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, 2023 (unaudited)	June 30, 2022 (unaudited)
Assets		
Cash and restricted cash	$ 6,516	$ 127,084
Accrued interest	22,984	24,074
Mortgage investments, at fair value	824,397	668,844
Real estate owned, at fair value	29,581	16,721
Other assets	4,152	2,756
	$ 887,630	$ 839,479
Liabilities and Partners' Capital		
Liabilities:		
Mortgage investment syndication (i)	$ 106,777	$ 80,928
Accounts payable and accrued liabilities	4,234	4,735
Revolving loan facility	76,141	-
Due to the Partnership	-	19,309
Distributions payable	4,543	6,438
	191,695	111,410
Fair value of net assets attributable to unitholders of USMLP	695,935	728,069
	$ 887,630	$ 839,479

(i) Of this amount, $36,872, equivalent to $27,845 USD (2022 - $54,124, equivalent to $42,045 USD) is included in the Partnership's mortgage investments.

Statement of non-consolidated comprehensive income:

	6 months ended June 30, 2023 (unaudited)	6 months ended June 30, 2022 (unaudited)
Investment Income:		
Mortgage interest	$ 35,321	$ 39,955
Other	1,082	382
	36,403	40,337
Expenses:		
Service fees	3,767	3,583
Interest	2,272	1,835
Change in fair value of mortgage investments	474	(570)
Accounting and legal fees	316	132
Other	382	319
	7,211	5,299
Net investment income	$ 29,192	$ 35,038

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, 2023, a balance of nil (2022 - $19,309), equivalent of nil USD (2022 - $15,000 USD) is outstanding and included in the investment balance. During the six-month period ended June 30, 2023, the Partnership recognized nil, equivalent of nil USD (2022 - $1,833, equivalent of $1,443 USD) towards interest income from these temporary loans.

During the current year, the Partnership has obtained temporary loans from USMLP. These bear an interest rate of US prime plus 2.00%. As of June 30, 2023, a balance of nil (2022 - nil), equivalent of nil USD (2022 - nil USD) is outstanding towards these temporary loans. During the six-month period ended June 30, 2023, the Partnership incurred $1,088, equivalent of $804 USD (2022 - nil) of interest expense on these temporary loans.

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

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, 2023	December 31, 2022
Mortgage investments and investment in subsidiaries, at cost	$ 2,221,065	$ 2,388,170
Investment in USMLP	535,718	571,088
Unrealized fair value adjustment	(138,079)	(127,418)
	$ 2,618,704	$ 2,831,840
Mortgage investments	$ 1,689,376	$ 1,850,150
Investment in subsidiaries	393,610	410,602
Investment in USMLP	535,718	571,088
	$ 2,618,704	$ 2,831,840

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 assumptions used to support the fair value in these appraisals.

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 (2022 - $360,000), including borrowings of equivalent amount denominated in US dollars. $202,500 (2022 – $200,000) is available and $157,500 has been drawn as at June 30, 2023 (2022 – $160,000). 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 six-month period ended June 30, 2023 were $157,500 and $273,120 (2022 – $160,000 and $243,734), 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.

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 $33 (2022 – $408), net of accumulated amortization of $691 (2022 – $316).

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, 2023 and 2022.

Foreign exchange gain (loss) on forward contracts as at June 30, 2023:

	Currency received to be delivered in USD (CAD)	Fair value at foreign exchange	Unrealized gain (loss)
June 30, 2023	$ 1,170,875	$ 1,176,684	$ (5,809)
June 30, 2022	$ 1,224,551	$ 1,249,325	$ (24,774)

The Partnership's foreign exchange gain (loss) in the statement of comprehensive income includes an unrealized foreign exchange gain of $25,237 (2022 – unrealized gain of $5,644) and a realized foreign exchange loss of $35,099 (2022 – realized loss of $210).

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

The realized foreign exchange loss includes realized foreign exchange losses of $38,447 (2022 – $6,830 gain) on forward contracts, which are offset by gains in assets classified as FVTPL and revolving credit facility.

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

4. Net assets attributable to unitholders

i) The following table represents total units (Fund units and Run-Off Pool units) that are issued and outstanding:

	June 30, 2023		June 30, 2022	
	Units	Amount	Units	Amount
Balance, beginning of year	280,363,913	$ 2,815,662	290,049,991	$ 2,909,903
New fund units issued	75,869	729	6,033,849	58,649
New fund units issued under distribution reinvestment plan	1,881,721	18,252	4,337,599	42,175
Fund units redeemed	-	-	(17,475,185)	(169,910)
Net proceeds (redemptions) from issuance of units	1,957,590	18,981	(7,103,737)	(69,086)
Balance, end of period (1)	282,321,503	$ 2,834,643	282,946,254	$ 2,840,817

(1) Total units of 282,321,503 include 23,685,684 Fund units submitted for redemption and 12,834,502 Run-Off Pool units.

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, 2023, the Fund received requests for redemption of 13,058,029 units (2022 – 23,865,558) and redeemed nil units (2022 – 17,475,185) for $nil (2022 – $169,910) in accordance with its policies.

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

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.

The beneficial interests in the Fund is represented by the Fund's regular class of units, which are unlimited in number ("Fund units"), and Run-Off Pool units described in note 4(d). Each Fund unit carries a single vote at any meeting of unitholders and carries the right to participate pro-rata in any distributions. Unitholders have a limited right to redeem their units, on a monthly basis, upon a minimum of 30 days' notice. Partial or complete redemption of units is limited on a monthly basis to 1% of the aggregate fair market value of units outstanding on the valuation date immediately preceding the said redemption date. Redemption notices on any given redemption date shall maintain their order of priority until the unit redemption price for such units has been paid in full. Additionally, the Trustees shall be entitled in their sole discretion to extend the time for payment of any unit redemption prices if, in the reasonable opinion of the Trustees, such payment would be materially prejudicial to the interests of the remaining unitholders in the Fund.

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

A) Discounted redemption

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.

C) Units submitted for redemption

As at June 30, 2023, unitholders representing approximately 23,685,684 (2022 – 27,175,288) units have requested redemptions of their units, the redemption of which is subject to the above restrictions. 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").

D) Run-Off Pool redemption

On September 26, 2022, the Trustees, pursuant to Section 5.25(h)(ii) of the Fund's declaration of trust, elected to redeem units tendered for redemption by way of an in-kind distribution of a special class of units ("Run-Off Pool Units"), and provided notice to tendering unitholders that all or some their tendered units would, subject to confirmation by the unitholder, be so redeemed. The Run-Off-Pool Units represent a proportionate share of each asset and liability from which the Fund's net asset value is derived. As the assets attributable to the Run-Off Pool Units are converted to cash (e.g. from mortgage loan repayments, mortgage loan sales, or other proceeds of realization from underlying mortgage collateral), such proceeds, net of attributable liabilities and net of reasonable reserves, to the extent they are made available to the Fund, will be paid to holders of Run-Off Pool Units as a redemption of Run-Off Pool Units, on a quarterly basis. Assets attributable to the Run-Off Pool Units may periodically be purchased for the benefit of the main Fund at fair market value to the extent surplus capital is available. Holders of Run-Off Pool Units will be entitled to distributions of interest and any other income generated by the assets attributable to the Run-Off Pool Units in the same manner as unitholders are entitled to such distributions generated on the balance of the Fund's assets. Additionally, if the net asset value of the Run-Off Pool Units in the aggregate is determined to be less than $100 million, the Trustees have the right to redeem all outstanding Run-Off Pool Units in cash, at a redemption discount of up to 12% of the net asset value of the Run-Off Pool Units.

On January 1, 2023, the Trustees, pursuant to section 3.3 of the Fund's declaration of trust, authorized the decision to permit the participation, reduction, and withdrawal of certain unitholder's units in the Run-Off Pool. As a result, a net total of 985,125 units in the amount of $9,597 were redeemed by way of an in-kind distribution of Run-Off Pool Units based on the December 31, 2022 NAV. These units are amalgamated and will be treated in the same manner as the Run-Off Pool Units from September 26, 2022.

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

As at June 30, 2023, NAV per Fund unit is calculated as total assets less total liabilities, including units submitted for redemption, allocable to outstanding Fund units of 269,487,001. NAV per Run-off Pool unit is calculated as total assets less total liabilities, including units submitted for redemption, allocable to outstanding Run-off Pool units of 12,834,502.

As at June 30, 2022, NAV per unit is calculated as total assets less total liabilities, excluding units submitted for redemption, allocable to outstanding units of 282,946,254.

Net income and comprehensive income per unit have been computed using the weighted average number of total units (Fund units and Run-Off Pool units) issued and outstanding of 281,545,695 for the six-month period ended June 30, 2023 (2022 – 286,009,187).

6. Distributions

The Fund makes distributions to the unitholders (Fund units and Run-off Pool units) 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, 2023, the Fund declared distributions of $0.22 (2022 – $0.36) per unit and a total of $61,926 (2022 – $102,966) was distributed to the unitholders.

7. Income taxes

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

On June 22, 2007, 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, 2023, the total amount was $3,866 (2022 – $3,646).

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, 2023, this amount was $7,849 (2022 – $7,401).

C) Under the Mortgage Origination and Capital Raising Agreement, Romspen provides mortgage origination services to USMLP. Romspen receives fees totalling 1% per annum, calculated daily and payable monthly, of the principal balance of all mortgage investments and the fair market value of all other non-mortgage investments of USMLP. For the six months ended June 30, 2023, this amount was $3,767 (2022 – $3,583).

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, 2023, this amount was $6,782 (2022 – $16,632).

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, 2023, the Partnership had one (2022 – one) investment outstanding with an original cost of $45,156 (2022 –$50,419), including no accrued interest (2022 – nil) and fair value of $38,851 (2022 – $29,532) 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 $45 payable to Romspen (2022 – $78).

H) As at June 30, 2023, the Partnership has thirteen (2022 - nine) 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. The weighted average rate for these mortgages is 4.58%.

During the six months ended June 30, 2023, Romspen Subsidiary foreclosed and assumed nil mortgages (2022 – nil) on behalf of the Partnership.

As at June 30, 2023, the cost of the mortgage investments with Romspen Subsidiary is $588,936 (2022 - $351,929), and the fair value is $564,773 (2022 - $320,694). For the six months ended June 30, 2023 the Partnership recognized interest income of $2,951 (2022 - 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 management on the date on which the termination notice is received, in addition to any other amounts owing by the Partnership or the Fund. 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, 2023, there were $35,443 of guarantees outstanding (2022 – $41,037).

D) The Partnership has letters of guarantee outstanding at June 30, 2023 of $38,745 (2022 – $52,750).

10. Fair values of financial instruments

IFRS 13 - Fair Value Measurement, 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.

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, from investment in USMLP and also from foreign exchange forward contracts. The Partnership's sole activity is investing in mortgages (note 3) and, therefore, its assets are exposed to credit risk.

Any instability in the real estate sector and adverse change in economic conditions in Canada and the US could result in declines in the value of real property securing its mortgage investments. Romspen manages credit risk by adhering to the investment and operating policies set out in its Offering Memorandum. This includes the following policies:

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

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

These mortgages generally have the following characteristics:

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

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

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

B) Liquidity risk

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

Fund

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

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

Partnership

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

On February 14, 2022, the Partnership's revolving loan facility (note 3(e)) was renewed and now matures on July 17, 2023. 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.

As at June 30, 2023, the Partnership had not utilized its full leverage availability, being a maximum of 35% of its qualified mortgage investments.

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

C) Market risk

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

Fund

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

Partnership

Market risk arises on the fair value of the collateral securing any of the Partnership's mortgage investments. Romspen monitors 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, 2023, 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 $1,140 (2022 – $1,078). 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 $1,537,405 (2022 – $1,309,783), 55% (2022 – 49%) of the total Partnership's investments at June 30, 2023 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. Romspen reduces currency risk on mortgages by having the Partnership enter into foreign exchange forward contracts; by including mortgage contract terms whereby the borrower is responsible for foreign exchange losses; and by funding part of the mortgages with a USD loan facility.

A weakening of the Canadian dollar against the US dollar by 5% would have resulted in an increase in NAV of $0.05 per unit (2022 – $0.04 per unit), assuming all other variables, including interest rates, remain constant. A strengthening would have resulted in an equal but opposite effect. The Partnership uses foreign exchange forward contracts to manage its exposure to foreign currency risks.

D) Capital risk management

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

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

The Partnership may borrow up to 35% of the book value of its mortgages. The primary purpose of the borrowing strategy is to ensure that the Fund's unitholders' capital is fully invested. The secondary purpose is to obtain a spread between the interest rates payable under its mortgage investments and its borrowings. As of June 30, 2023, the Partnership's borrowings totalled 6% (2022 – 6%) 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.

12. Comparative figures

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

13. Subsequent event

The revolving loan facility, which matured on July 17, 2023, was renewed for a further period of one year with a maximum amount of $217,500, and it now matures on July 17, 2024.

TRUSTEES & MANAGEMENT

Romspen is led by six managing partners, each with extensive finance and real estate experience, supported by over 40 professionals dedicated to all facets 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 the Fund's unitholders.

Romspen Mortgage Investment Fund

Romspen Investment Corporation

Wesley Roitman
Managing General Partner

Blake Cassidy*
Managing Partner

Mary Gianfriddo
Managing Partner

Derek Jenkin
Managing Partner

Peter Oelbaum
Managing Partner

Richard Weldon
Managing Partner

Joel Mickelson
Corporate Counsel

Brent Forrest
Senior Vice President, Business Development

Vanessa Ho
Senior Vice President, Finance

Fraser Hui
Vice President, Human Resources

Sonia Mahadeo
Vice President, Marketing & Communications

*Denotes director of Romspen Investment Corporation

UNITHOLDER INFORMATION

Units

The Fund units represent a beneficial ownership interest in the Romspen Mortgage Investment Fund. The Fund is a 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 unitholders.

Distribution Reinvestment Plan

The distribution reinvestment plan provides unitholders a means to reinvest cash distributions in additional 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.

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