

Financial Statements
(Expressed in U.S. dollars)

ROMSPEN US MORTGAGE INVESTMENT FUND

And Independent Auditors' Report thereon

Year ended December 31, 2021



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INDEPENDENT AUDITORS' REPORT

To the Unitholders of Romspen US Mortgage Investment Fund

Opinion

We have audited the financial statements of Romspen US Mortgage Investment Fund (the Entity), which comprise:

- the statement of financial position as at December 31, 2021
- the statement of comprehensive income for the year then ended
- the statement of changes in unitholders' equity for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2021, and its financial performance and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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



Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



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- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Canada

June 30, 2022

ROMSPEN US MORTGAGE INVESTMENT FUND

Statement of Financial Position

(Expressed in thousands of U.S. dollars, except per unit amounts, unless otherwise noted)

December 31, 2021, with comparative information for 2020

	2021	2020
Assets		
Cash and cash equivalents	\$ 422	\$ 164
Investment in TIG Romspen US Master Mortgage LP (note 3)	89,037	75,919
Other assets (note 4)	677	1,286
	<u>\$ 90,136</u>	<u>\$ 77,369</u>
Liabilities and Unitholders' Equity		
Liabilities:		
Accounts payable and accrued liabilities	\$ 23	\$ 38
Prepaid unit capital	200	—
Unitholders' distributions payable	653	1,270
	<u>876</u>	<u>1,308</u>
Unitholders' equity (note 5)	89,260	76,061
	<u>\$ 90,136</u>	<u>\$ 77,369</u>
Net asset value per unit (note 6)	\$ 10.00	\$ 10.00

See accompanying notes to financial statements.

ROMSPEN US MORTGAGE INVESTMENT FUND

Statement of Comprehensive Income

(Expressed in thousands of U.S. dollars, except per unit amounts, unless otherwise noted)

Year ended December 31, 2021, with comparative information for 2020

	2021	2020
Revenue:		
Distributions from TIG Romspen US Master Mortgage LP	\$ 6,752	\$ 6,118
Interest and other income	—	5
	<u>6,752</u>	<u>6,123</u>
Expenses:		
Capital raising fees (note 8)	189	141
Audit fees	27	25
Legal fees	—	1
Custodian, administrator fees	32	27
Other	7	11
	<u>255</u>	<u>205</u>
Net income and comprehensive income	<u>\$ 6,497</u>	<u>\$ 5,918</u>
Net income and comprehensive income per unit (note 6)	\$ 0.86	\$ 0.80
Weighted average number of units issued and outstanding (note 6)	7,574,276	7,431,155

See accompanying notes to financial statements.

ROMSPEN US MORTGAGE INVESTMENT FUND

Statement of Changes in Unitholders' Equity

(Expressed in thousands of U.S. dollars, except per unit amounts, unless otherwise noted)

Year ended December 31, 2021, with comparative information for 2020

	2021	2020
Unit capital:		
Balance, beginning of year	\$ 76,061	\$ 62,480
Issuance of units	30,580	11,550
Reinvestment of distributions	2,502	2,036
Redemption of units	(19,883)	(5)
Balance, end of year	\$ 89,260	\$ 76,061
Cumulative earnings:		
Balance, beginning of year	\$ 9,583	\$ 3,665
Net income and comprehensive income	6,497	5,918
Balance, end of year	\$ 16,080	\$ 9,583
Cumulative distributions to unitholders:		
Balance, beginning of year	\$ (9,583)	\$ (3,665)
Distributions to unitholders	(6,497)	(5,918)
Balance, end of year	\$ (16,080)	\$ (9,583)
Unitholders' equity (note 5)	\$ 89,260	\$ 76,061
Units issued and outstanding (note 5)	8,926,014	7,606,084

See accompanying notes to financial statements.

ROMSPEN US MORTGAGE INVESTMENT FUND

Statement of Cash Flows

(Expressed in thousands of U.S. dollars, except per unit amounts, unless otherwise noted)

Year ended December 31, 2021, with comparative information for 2020

	2021	2020
Cash provided by (used in):		
Operations:		
Net income and comprehensive income	\$ 6,497	\$ 5,918
Change in non-cash operating items:		
Other assets	609	(822)
Accounts payable and accrued liabilities	(15)	3
Unitholders' distributions payable	(617)	808
	<u>6,474</u>	<u>5,907</u>
Financing:		
Proceeds from issuance of units, net of reinvested funds	30,580	11,550
Redemption from unitholders	(19,883)	(5)
Distribution to unitholders, net of reinvested funds	(3,995)	(3,882)
Change in prepaid capital	200	(669)
	<u>6,902</u>	<u>6,994</u>
Investments:		
Net funding of investment in TIG Romspen US Master Mortgage LP (note 3)	<u>(13,118)</u>	<u>(13,638)</u>
Increase (decrease) in cash and cash equivalents	258	(737)
Cash and cash equivalents, beginning of year	164	901
Cash and cash equivalents, end of year	<u>\$ 422</u>	<u>\$ 164</u>

See accompanying notes to financial statements.

ROMSPEN US MORTGAGE INVESTMENT FUND

Notes to Financial Statements

(Expressed in thousands of U.S. dollars, except per unit amounts, unless otherwise noted)

Year ended December 31, 2021

Romspen US Mortgage Investment Fund (the "Fund"), is a limited partnership formed under the laws of Province of Ontario on November 7, 2017 and commenced operations on June 15, 2018. The head office of the Fund is located at 162 Cumberland Street, Suite 300, Toronto, ON M5R 3N5.

The Fund generally invests its assets through a "master-feeder" structure, conducting its investment and trading activities indirectly through an investment in the TIG Romspen US Mortgage Intermediate LP (the "Intermediate LP"), a flow-through partnership which wholly owns TIG Romspen US Master Mortgage LP (the "Master Fund"). The Master Fund is a limited partnership formed to conduct trading activities on behalf of the Fund and other entities serviced by Romspen Investment Corporation ("RIC") or its affiliates. The purpose of the Master Fund is to provide stable and secure cash distributions of income while preserving unitholders' equity. The Master Fund is managed by Romspen US Master Mortgage GP LLC (the "Master General Partner") and Romspen Investment Limited Partnership (the "Manager"). The Fund is managed by Romspen Citadel GP Inc. (the "General Partner") and pursuant to a Capital Raising Agreement, the Fund is serviced by RIC, a corporation formed in Canada. Investor administration functions are outsourced to a third-party administrator, SS&C Inc.

The financial statements of the Master Fund, including the condensed schedule of investments, should be read in conjunction with the Fund's financial statements.

There are no generally accepted accounting principles differences between the financial statements of the Master Fund and the Fund.

These financial statements and accompanying footnotes were approved by management and are available for issuance on June 30, 2022.

1. Basis of presentation:

These financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP"). Comparative figures, which were previously presented in accordance with International Financial Reporting Standards by the International Accounting Standards Board, have been adjusted as required to be compliant with the Fund's accounting policies under U.S. GAAP and are further described in note 2.

The Fund is an investment company and follows the accounting and reporting guidance in the Financial Accounting Standards Board's Accounting Standards Codification Topic 946, Financial Services - Investment Companies.

ROMSPEN US MORTGAGE INVESTMENT FUND

Notes to Financial Statements (continued)

(Expressed in thousands of U.S. dollars, except per unit amounts, unless otherwise noted)

Year ended December 31, 2021

1. Basis of presentation (continued):

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

The Fund accounts for its investment in the Master Fund at FVTPL. The results of operations and the financial position of the Master Fund 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.

(b) Investment in the Master Fund:

The investment in the Master Fund is carried at its fair value, which is estimated based on the net asset value ("NAV") of the Fund's interest in the Master Fund, as determined by management of the Master Fund.

(c) Investment income and expenses:

The Fund records its share of the net of the Master Fund's income, expenses, realized and unrealized gains or losses. In addition, the Fund incurs and accrues its own revenue and expenses.

ROMSPEN US MORTGAGE INVESTMENT FUND

Notes to Financial Statements (continued)

(Expressed in thousands of U.S. dollars, except per unit amounts, unless otherwise noted)

Year ended December 31, 2021

2. Significant accounting policies (continued):

(d) Net income and comprehensive income per unit:

Net income and comprehensive income per unit is computed by dividing the monthly net income by the number of units issued and outstanding for the corresponding month.

(e) Income taxes:

No provision for federal, state and local income taxes has been made in the accompanying financial statements, as individual investors are responsible for their proportionate share of the Fund's taxable income. Interest, dividends and other income realized by the Fund from non-Canadian sources and capital gains realized on the sale of securities of non-Canadian issuers may be subject to withholding and other taxes levied by the jurisdiction in which the income is sourced.

The Fund invests in the Master Fund, which is situated in the Cayman Islands. It is not subjected to any form of taxation in the Cayman Islands, including income, capital gains and withholding taxes.

3. Supplemental information regarding Master Fund at FVTPL:

The Fund held units in the Master Fund from June 15, 2018 to September 30, 2019. On September 30, 2019, the Master Fund units held by the Fund were transferred into Intermediate LP for an equivalent value of units.

As a result, the Master Fund became a wholly owned subsidiary of the Intermediate LP. This restructure has no impact on the Master Fund financials, operations, or the Fund financials and its unitholders.

ROMSPEN US MORTGAGE INVESTMENT FUND

Notes to Financial Statements (continued)

(Expressed in thousands of U.S. dollars, except per unit amounts, unless otherwise noted)

Year ended December 31, 2021

3. Supplemental information regarding Master Fund at FVTPL (continued):

As at December 31, 2021, the Fund owns 16% (2020 - 16%) of the Master Fund via the Intermediate LP and accounts for its investments in the Master Fund at fair value.

Schedule of investment in the Master Fund:

	2021	2020
Investment balance, beginning of year	\$ 75,919	\$ 62,281
Funding of investment in the Master Fund	32,944	13,643
Redemption of investment in the Master Fund	(19,826)	(5)
Fund's share in the Master Fund net income	6,752	6,118
Dividend received from the Master Fund	(6,752)	(6,118)
Investment balance, end of year	\$ 89,037	\$ 75,919

The Master Fund is not consolidated by the Fund and the Master Fund's financial position and results of operations prepared on a fair value basis at 100% are provided in the following:

Statement of financial position:

	2021	2020
Assets		
Cash and cash equivalents	\$ 41,082	\$ 15,040
Accrued interest receivable	25,390	36,731
Mortgage investments, at fair value	615,763	503,243
Other assets	4,388	1,695
	\$ 686,623	\$ 556,709
Liabilities and Partners' Capital		
Liabilities:		
Mortgage investment syndications	\$ 31,000	\$ 1,000
Accounts payable and accrued liabilities	7,258	2,564
Due to related party	75,000	79,000
Distributions payable	4,330	7,899
	117,588	90,463
Partners' capital	569,035	466,246
	\$ 686,623	\$ 556,709

ROMSPEN US MORTGAGE INVESTMENT FUND

Notes to Financial Statements (continued)

(Expressed in thousands of U.S. dollars, except per unit amounts, unless otherwise noted)

Year ended December 31, 2021

3. Supplemental information regarding Master Fund at FVTPL (continued):

Statement of comprehensive income:

	2021	2020
Investment income:		
Mortgage interest	\$ 50,910	\$ 62,153
Other	834	86
	51,744	62,239
Expenses:		
Service fees	5,091	5,182
Interest	3,723	3,451
Change in fair value of mortgage investments	500	15,280
Accounting and legal fees	255	269
Other	440	414
	10,009	24,596
Net income	\$ 41,735	\$ 37,643

4. Other assets:

Other assets include an outstanding distribution receivable of \$677 (2020 - \$1,286) declared from the Master Fund.

5. Unitholders' equity:

The beneficial interests in the Fund are represented by a single class of units, which are unlimited in number. These units are classified as equity as they are puttable instruments that entitle the holder to a pro-rata share of the Fund's net assets in the event of liquidation. The Fund is authorized to issue unlimited number of units. At present, there is only one class of units. Fractional units may be issued up to 4 decimal places. Fractional units carry the same rights and are subject to the same conditions as whole units in the proportion which they bear to a whole unit. They are in a class of instruments that are subordinate to all other classes of instruments and have identical features.

The Fund will generally not accept any subscriptions of less than \$50. Units are issued and offered based on the Fund's NAV.

ROMSPEN US MORTGAGE INVESTMENT FUND

Notes to Financial Statements (continued)

(Expressed in thousands of U.S. dollars, except per unit amounts, unless otherwise noted)

Year ended December 31, 2021

5. Unitholders' equity (continued):

Each unitholder may generally withdraw all or a portion of the balance in each of its capital accounts maintained for purposes of withdrawals as of the end of each calendar month. If a redemption request occurs within 12 months of the contribution date, then the proceeds in respect of any such early withdrawal will be subject to a withdrawal charge equal to 4% of the amount withdrawn. Unitholders seeking a withdrawal must give written notice to the General Partner with a minimum of 30 days' notice. The General Partner, in its sole discretion, may permit withdrawals at other times. As well, the General Partner, in its sole discretion, may waive or reduce other provisions. A partial or complete redemption of units is limited to a Master Fund withdrawal gate as set forth below on the following:

- If total withdrawal requests on any withdrawal date exceeds 1% of the Master Fund's NAV, the Master General Partner may, in its discretion, limit withdrawals to 1% of NAV.

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 General Partner shall be entitled, in its sole discretion, to extend the time for payment or suspend any unit redemptions if, in the reasonable opinion of the General Partner, such payment would be materially prejudicial to the interests of the remaining unitholders in the Fund. The General Partner does not hold any units representing the beneficial interest in the Fund and therefore no income or cash distributions are allocated to the General Partner.

The Fund has a distribution reinvestment plan ("DRIP") 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.

ROMSPEN US MORTGAGE INVESTMENT FUND

Notes to Financial Statements (continued)

(Expressed in thousands of U.S. dollars, except per unit amounts, unless otherwise noted)

Year ended December 31, 2021

5. Unitholders' equity (continued):

The following units are issued and outstanding:

	2021		2020	
	Units	Amount	Units	Amount
Balance, beginning of year	7,606,084	\$ 76,061	6,248,041	\$ 62,480
New units issued	3,058,046	30,580	1,154,926	11,550
New units issued under DRIP	250,169	2,502	203,617	2,036
Units redeemed	(1,988,285)	(19,883)	(500)	(5)
Balance, end of year	8,926,014	\$ 89,260	7,606,084	\$ 76,061

6. NAV per unit and net income and comprehensive income per unit:

NAV per unit is calculated as total assets less total liabilities allocable to outstanding units of 8,926,014 as at December 31, 2021 (2020 - 7,606,084).

Net income per unit is calculated as the summation of the monthly net income per unit for the year ended December 31, 2021.

7. Distributions:

The Fund makes distributions to the unitholders monthly on or about the 20th day of each month. The Partnership Agreement indicates that it intends to distribute 100% of the net earnings of the Fund to the unitholders. For the year ended December 31, 2021, the Fund declared distributions of \$0.86 per unit (2020 - \$0.80 per unit), or a total distribution amount of \$6,497 (2020 - \$5,918).

8. Related party transactions and balances:

Related parties to the Fund include the directors of the General Partner, the Master Fund, the directors of the Master General Partner, RIC and subsidiaries of RIC. The Fund conducts its investment and trading activities indirectly through an investment in the Master Fund. RIC is related to the Fund by virtue of a common director.

ROMSPEN US MORTGAGE INVESTMENT FUND

Notes to Financial Statements (continued)

(Expressed in thousands of U.S. dollars, except per unit amounts, unless otherwise noted)

Year ended December 31, 2021

8. Related party transactions and balances (continued):

As at December 31, 2021, the Fund had the following significant related party transactions:

- (a) The directors of the General Partner are also owners of RIC. Under the Capital Raising Agreement, RIC provides capital raising services to the Fund. RIC receives fees totaling 0.25% per annum, calculated daily and payable monthly, on the investment in the Master Fund. This fee is effective starting April 1, 2020. For the year ended December 31, 2021, the total amount was \$189 (2020 - \$141).
- (b) The Manager, a subsidiary of RIC, handles all the day-to-day affairs of the Master Fund in accordance to the service agreement. The Manager receives service fees from the Master Fund totaling 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 the Master Fund. For the year ended December 31, 2021, the total amount was \$5,091 (2020 - \$5,182).

9. Subsequent event:

The financial statements were approved by management and available for issuance on June 30, 2022. Subsequent events have been evaluated through this date.

Please direct all inquires for information pertaining to
TIG Romspen US Master Mortgage LP to Romspen.