

Financial Statements // Expressed in U.S. dollars

Romspen US Mortgage Investment Fund

Year ended December 31, 2023





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INDEPENDENT AUDITOR'S REPORT

To the Unitholders of Romspen US Mortgage Investment Fund,

Opinion

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

- the statement of assets and liabilities as at December 31, 2023
- the statement of operations 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 Fund as at December 31, 2023, and its results of operations 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 "***Auditor's Responsibilities for the Audit of the Financial Statements***" section of our auditor's report.

We are independent of the Fund 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 Fund'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 Fund or to cease operations, or has no realistic alternative but to do so.

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

Auditor's 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 auditor's 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.

- 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 Fund'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 Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's report. However, future events or conditions may cause the Fund 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.

The image shows a handwritten signature in black ink that reads "KPMG LLP". The signature is written in a cursive, slightly slanted style. Below the signature, there is a single horizontal line that starts under the 'K' and extends to the right, ending under the 'P'.

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Canada
June 28, 2024

Romspen US Mortgage Investment Fund

Year ended December 31, 2023, with comparative information for 2022



STATEMENT OF ASSETS AND LIABILITIES

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

	2023		2022	
Assets				
Cash and cash equivalents (note 2(b))	\$	291	\$	280
Investment in TIG Romspen US Master Mortgage LP (note 2(a), 3)		79,946		100,665
Other assets (note 4)		539		725
	\$	80,776	\$	101,670
Liabilities and Unitholders' Equity				
Liabilities:				
Accounts payable and accrued liabilities	\$	40	\$	56
Prepaid unit capital		150		-
Unitholders' distributions payable		495		703
Redemptions payable		16,339		10,411
		17,024		11,170
Unitholders' equity (note 5)		63,752		90,500
	\$	80,776	\$	101,670
Net asset value per unit (note 6)	\$	10.00	\$	10.00

See accompanying notes to financial statements.

Romspen US Mortgage Investment Fund

Year ended December 31, 2023, with comparative information for 2022



STATEMENT OF OPERATIONS

(Expressed in thousands of U.S. dollars, except per unit amounts, unless otherwise noted)	2023	2022
Investment income (expenses) allocated from		
TIG Romspen US Master Mortgage LP:		
Mortgage interest	\$ 8,482	\$ 10,451
Other income	152	67
Service fees	(906)	(965)
Interest	(733)	(352)
Accounting and legal fees	(80)	(59)
Other expenses	(90)	(105)
Total net investment income allocated from TIG Romspen US Master Mortgage LP	\$ 6,825	\$ 9,037
Fund Income:		
Other Income	15	16
Total Fund income	15	16
Fund Expenses:		
Service fees (note 9a)	210	243
Accounting and legal fees	78	62
Other	32	52
Total Fund expenses	320	357
Net investment income	\$ 6,520	\$ 8,696
Realized and unrealized gain (loss) from investments allocated from TIG Romspen US Master Mortgage LP:		
Realized gain from investments	47	1,108
Unrealized (loss) from investments	(166)	(1,004)
Net (loss) gain from investments allocated from TIG Romspen US Master Mortgage LP	(119)	104
Net Income	\$ 6,401	\$ 8,800
Net income per unit (note 6)	\$ 0.76	\$ 0.90
Weighted average number of units issued and outstanding (note 6)	8,432,379	9,765,120

See accompanying notes to financial statements.

Romspen US Mortgage Investment Fund

Year ended December 31, 2023, with comparative information for 2022



STATEMENT OF CHANGES IN UNITHOLDERS' EQUITY

(Expressed in thousands of U.S. dollars, except per unit amounts, unless otherwise noted)	2023	2022
Unit capital:		
Balance, beginning of year	\$ 90,500	\$ 89,260
Issuance of units (note 5)	787	26,531
Reinvestment of distributions (note 5)	1,995	3,062
Redemption of units (note 5)	(23,602)	(17,942)
Increase in units submitted for redemption	(5,928)	(10,411)
Balance, end of year	\$ 63,752	\$ 90,500
Cumulative income:		
Balance, beginning of year	\$ 24,880	\$ 16,080
Net income	6,401	8,800
Balance, end of year	\$ 31,281	\$ 24,880
Cumulative distributions to unitholders:		
Balance, beginning of year	\$ (24,880)	\$ (16,080)
Distributions to unitholders (note 7)	(6,401)	(8,800)
Balance, end of year	\$ (31,281)	\$ (24,880)
Unitholders' equity (note 5)	\$ 63,752	\$ 90,500

See accompanying notes to financial statements.

Romspen US Mortgage Investment Fund

Year ended December 31, 2023, with comparative information for 2022



STATEMENT OF CASH FLOWS

(Expressed in thousands of U.S. dollars, except per unit amounts, unless otherwise noted)	2023	2022
Cash provided by (used in):		
Operations:		
Net Income	\$ 6,401	\$ 8,800
Change in non-cash operating items:		
Other assets	186	(48)
Accounts payable and accrued liabilities	(16)	33
Net divestment (funding) of investment in TIG Romspen US Master Mortgage LP (note 3)	20,719	(11,628)
	27,280	(2,843)
Financing:		
Increase from issuance of units (note 5)	787	26,331
Redemption of units (note 5)	(23,602)	(17,942)
Prepaid capital	150	-
Distribution to unitholders	(4,614)	(5,688)
	(27,278)	2,701
Increase (Decrease) in cash and cash equivalents	11	(142)
Cash and cash equivalents, beginning of year	280	422
Cash and cash equivalents, end of year	\$ 291	\$ 280

See accompanying notes to financial statements.

Romspen US Mortgage Investment Fund

Year ended December 31, 2023, with comparative information for 2022



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. Service fees are charged at the Fund and Master Fund level, and profit allocations are made at the Master Fund level. The Fund is responsible, as an indirect investor in the Master Fund, for its pro-rata share of the Master Fund's operating and overhead expenses. 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 Technologies Inc.

As at December 31, 2023, the Fund owns 15% (2022 – 18%) of the Master Fund via the Intermediate LP. The financial statements of the Master Fund, including the consolidated schedule of investments, which are attached, are an integral part of these financial statements, and should be read in conjunction with the Fund's financial statements.

These financial statements and accompanying footnotes are presented for the year ended December 31, 2023.

1. Basis of presentation

These financial statements have been prepared in accordance with U.S. generally accepted accounting principals ("U.S. GAAP").

The Fund follows the accounting and reporting guidance in the Financial Accounting Standards Board's Accounting Standards Codification "(ASC)" Topic 946, Financial Services - Investment Companies.

The financial statements are measured and presented in U.S. dollars; amounts are rounded to the nearest thousand, unless otherwise stated.

Reclassification of comparative figures:

Presentation of certain comparative figures in these financial statements have been reclassified to conform with the presentation in the current year.

2. Significant accounting policies.

A) Fair value of financial instruments

The Fund records its investment in the Master Fund based on its proportionate share of the net assets of the Master Fund. Valuation of investments held by the Master Fund, including, but not limited to, the valuation techniques used and classification within the fair value hierarchy of investments held, are disclosed in the notes to the Master Fund financial statements. When considering market participant assumption in fair value measurements, a three-level valuation hierarchy is used to distinguish the degree to which the inputs are observable or unobservable:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities that the Fund is able to access.
- Level 2 – Inputs, other than quoted prices included in Level 1, that are observable either directly or indirectly. These inputs may include (a) quoted prices for similar assets in active markets, (b) quoted prices for identical or similar assets in markets that are not active, (c) inputs other than quoted prices that are observable for the asset, or (d) inputs derived principally from or corroborated by observable market data by correlation or other means.
- Level 3 – Inputs that are unobservable and significant to the entire fair value measurement. The availability of valuation techniques and observable inputs can vary from investment to investment and are affected by a wide variety of factors, including the type of investment, whether the investment is new and not yet established in the marketplace, the liquidity of markets, and other characteristics particular to the transaction. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, determining fair value requires more judgment. Because of the inherent uncertainty of valuation, those estimated values may be materially higher or lower than the values that would have been used had a ready market for the investments existed. Therefore, the degree of judgment exercised by the Fund in determining fair value is greatest for investments categorized in Level 3. In some circumstances, the inputs used to measure fair value might be categorized within different levels of the fair value

Romspen US Mortgage Investment Fund

Year ended December 31, 2023, with comparative information for 2022



hierarchy. In those instances, the fair value measurement is categorized in its entirety in the fair value hierarchy based on the lowest-level input that is significant to the fair value measurement.

B) Cash and cash equivalents

Cash, including cash denominated in foreign currencies, represents cash deposits held at financial institutions. Cash equivalents are held for meeting short-term liquidity requirements, rather than for investment purposes. Cash and cash equivalents are held at major financial institutions and are subject to credit risk to the extent those balances exceed applicable Federal Deposit Insurance Corporation or Securities Investor Protection Corporation limitations. At December 31, 2023, the Fund held no cash equivalents (2022 – nil).

C) Investment income and expenses

The Fund records its share 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.

D) Net income per unit

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

E) Redemptions payable

During the normal course of business, the Fund receives redemption requests from the unitholders. Redemption requests received at December 31, 2023 that are paid in the following year are recognized as liabilities. Redemption notices received for which the dollar amount is not fixed remain in unit holders' equity until the amount is determined.

F) Prepaid unit capital

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

G) Income Taxes

No provision for federal, state, and local income taxes has been made in the accompanying financial statements, as individual unitholders 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, and its investment in the Master Fund, which is situated in the Cayman Islands are not subjected to any form of taxation in the Cayman Islands, including income, capital gains and withholding taxes.

3. Investment in the Master Fund

The following is a summary of the investment in the Master Fund:

	2023	2022
Investment balance, beginning of year	\$ 100,665	\$ 89,037
Funding of investment in the Master Fund	2,893	29,932
Redemption of investment in the Master Fund	(23,612)	(18,304)
Fund's share in the Master Fund net income	6,706	9,143
Distributions from the Master Fund	(6,706)	(9,143)
Investment balance, end of year	\$ 79,946	\$ 100,665

Romspen US Mortgage Investment Fund

Year ended December 31, 2023, with comparative information for 2022



4. Other assets

Other assets include an outstanding distribution receivable of \$539 (2022 - \$725) 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.

Each unitholder shall make an initial capital contribution in the amount set forth in such unitholders' subscription agreement. The initial capital contribution made by a unitholder shall not be less than \$50,000, except to the extent that the General Partner, in its sole and absolute discretion, accepts a lesser amount. Units are issued and offered based on NAV. As at December 31, 2023, the NAV was \$10.00 per unit (2022 - \$10.00 per unit).

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 permitted to be withdrawn. Unitholders seeking a withdrawal must give written notice to the General Partner with a minimum of 30 days' notice. There were no withdrawal charges incurred in 2023. 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 set of withdrawal gates as set forth below:

- Lesser of \$50,000 or the unitholders' initial capital contribution
- If total withdrawal requests on any withdrawal date exceed 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.

As at December 31, 2023, the Fund received requests to redeem 1,633,928 units for \$16,339 (2022 - 1,041,107 units for \$10,411) that is outstanding to be paid at the net asset value.

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.

The following units are issued and outstanding, net of units submitted for redemption

	2023		2022	
	Units	Amount	Units	Amount
Balance, beginning of the year	9,049,975	\$ 90,500	8,926,014	\$ 89,260
New units issued	78,706	787	2,653,128	26,531
Units issued under DRIP	199,539	1,995	306,127	3,062
Units redeemed	(2,360,258)	(23,602)	(1,794,187)	(17,942)
Increase in units submitted for redemption	(592,821)	(5,928)	(1,041,107)	(10,411)
Balance, end of the year	6,375,141	\$ 63,752	9,049,975	\$ 90,500

6. Net asset value per unit and net income per unit

Net asset value per unit is calculated as total assets less total liabilities allocable to outstanding units of 6,375,141 as at December 31, 2023 (2022 – 9,049,975).

Net income per unit is computed using the weighted average number of units issued and outstanding of 8,432,379 for the period ended December 31, 2023 (2022 – 9,765,120).

7. Distributions

The Fund makes distributions to the unitholders monthly on or about the 20th day of each month.

The Fund agreement indicates that it intends to distribute 100% of the net income of the Fund to the unitholders. For the year ended December 31, 2023, the Fund declared distributions of \$0.76 per unit (2022 – \$0.90 per unit), or a total distribution amount of \$6,401 (2022 – \$8,800).

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. RIC is related to the Fund by virtue of a common director.

As of December 31, 2023, the Fund had the following significant related party transactions:

- A) The directors of the General Partner are also owners of RIC, which is the parent company of the Manager. Under the Capital Raising Agreement, RIC provides capital raising services to the Fund. RIC receives fees totaling 0.25% per annum (2022 – 0.25% per annum), calculated daily and payable monthly, on the investment in the Master Fund. For the year ended December 31, 2023, the total amount was \$210 (2022 – \$243).
- B) The owners of RIC are also investors of the Fund. For the year ended December 31, 2023, the owners of RIC, through their holding companies, held 1,342,366 units for \$13,424 (2022 – 1,309,123 units for \$13,091).
- C) The Manager, a subsidiary of RIC, handles all day-to-day affairs of the Master Fund in accordance with the service agreement. The Manager receives service fees from the Master Fund totaling 1% per annum (2022 – 1% per annum), calculated daily and payable monthly, of the principal balance of all mortgage investments (net of syndicated balances) and the fair market value of all other non-mortgage investments of the Master Fund. For the year ended December 31, 2023, the total amount of service fees allocated from the Master Fund to the Fund was \$906 (2022 – \$965).

9. Financial instrument risk management

The Fund is exposed in varying degrees to a variety of risks from the use of financial instruments, as well as the activities of the Master Fund (refer to the audited financial statements of the Master Fund for details). The type of risks the Fund is exposed to, the source of risk exposure and how each is managed is outlined hereafter:

A) Liquidity risk

Liquidity risk is the risk that the Fund will not have sufficient cash to meet its obligations as they become due. Unitholders in the Fund have the right to withdraw amounts from their equity accounts, subject to certain withdrawal restrictions set out in its limited partnership agreement. The General Partner may suspend or limit withdrawal rights and payment of withdrawal proceeds in certain circumstances.

B) Capital risk management

The Fund manages capital to attain its objective of providing stable and secure cash distributions while preserving unitholders' equity, through its investment in the Master Fund. The Fund intends to distribute its distributable cash to its unitholders. The Fund is dependent on the capital risk management of the general partner of the Master Fund, and the Manager, and growth in the Master Fund's underlying portfolio of mortgage loan investments can only be achieved through

Romspen US Mortgage Investment Fund

Year ended December 31, 2023, with comparative information for 2022



the subscription for additional unitholder capital by investors in the Master Fund's feeder funds, including the Fund, and by the Master Fund's usage of available borrowing capacity. The Manager and the general partner of the Master Fund manage the Master Fund's capital to enable it to continue to meet its investment objectives and manage liquidity.

10. Contingencies

The Fund, from time to time, may be involved in various claims, legal and tax proceedings and complaints arising in the ordinary course of business. The Fund is not aware of any pending or threatened proceedings that would have a material adverse effect on the financial condition or future results of the Fund.

11. Financial highlights

Below is a summary of the Fund's financial highlights for the year ended December 31, 2023 and 2022 on a per unit basis:

	2023	2022
Per unit operating performance:		
Net asset value, beginning of year	\$10.00	\$10.00
Income from investment operations:		
Net realized and change in unrealized gain on investments	0.76	0.90
Distributions	(0.76)	(0.90)
Net asset value, end of year	\$10.00	\$10.00
Total return	7.6%	9.0%
Ratio to average net assets:		
Expenses	0.38%	0.37%
Net investment income	7.73%	8.91%

12. Subsequent events

Subsequent to year end, additional redemption requests of \$3,115 were received and new subscriptions of \$6,710 were received.

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