

**2010 INTERIM MANAGEMENT REPORT  
OF FUND PERFORMANCE  
AS AT JUNE 30, 2010**

**TIMBERCREEK MORTGAGE  
INVESTMENT CORPORATION**

This interim management report of fund performance contains financial highlights but does not contain either interim or annual financial statements of Timbercreek Mortgage Investment Corporation (the "Fund"). You can get a copy of the interim or annual financial statements at your request, at no cost, by any of the following:

Phone: Toll free 1-866-898-8868 x 250

Internet: Visiting SEDAR at [www.sedar.com](http://www.sedar.com); or

Mail: Timbercreek Mortgage Investment Corporation  
Attention: Investor Relations  
25 Price Street  
Toronto, Ontario M4W-1Z1

Shareholders may also contact us using one of these methods to request a copy of the Fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

## Forward-Looking Statements

This document may contain forward-looking statements relating to anticipated future events, results, circumstances, performance or expectations that are not historical facts but instead represent our beliefs regarding future events. These statements are typically identified expressions like “believe”, “expects”, “anticipates”, “would”, “will”, “intends”, “projected”, “in our opinion” and similar expressions. By their nature, forward-looking statements require us to make assumptions which include, among other things, that (i) the Fund will have sufficient capital under management to effect its investment strategies and pay its targeted distributions, (ii) the investment strategies will produce the results intended by the Fund Manager, (iii) the markets will react and perform in a manner consistent with the investment strategies and (iv) the Fund is able to acquire mortgages of a quality that will generate returns that meet and or exceed the Fund’s targeted mortgage investment returns. Forward-looking statements are subject to inherent risks and uncertainties. There is significant risk that predictions and other forward-looking statements will prove not to be accurate. We caution readers of this document not to place undue reliance on our forward-looking statements as a number of factors could cause actual future results, conditions, actions or events to differ materially from the targets, expectations, estimates or intentions expressed or implied in the forward-looking statements. Actual results may differ materially from management expectations as projected in such forward-looking statements for a variety of reasons, including but not limited to, general market conditions, interest rates, regulatory and statutory developments, the effects of competition in areas that the Fund may invest in and the risks detailed from time to time in the Fund’s prospectus.

We caution that the foregoing list of factors is not exhaustive and that when relying on forward-looking statements to make decisions with respect to investing in the Fund, investors and others should carefully consider these factors, as well as other uncertainties and potential events and the inherent uncertainty of forward-looking statements. Due to the potential impact of these factors, the Fund and the Fund Manager do not undertake, and specifically disclaim any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless required by applicable law.

## MANAGEMENT DISCUSSION OF FUND PERFORMANCE

This management discussion of the Fund's performance is based on the views of the Fund's management as of June 30, 2010 and is not intended to provide legal, accounting, tax or investment advice.

### Investment Objectives and Strategies

The Fund commenced operations on July 7, 2008 when it completed an initial public offering (the "IPO") of Class A shares and issued Class B shares through a private placement in connection with the acquisition of the initial mortgage portfolio. It is the intention of the Fund to qualify as a "mortgage investment corporation" as defined under Section 130.1(6) of the Income Tax Act (Canada).

The fundamental investment objectives of the Fund are to:

- Preserve net asset value of the Fund; and
- Provide shareholders with a stable stream of monthly distributions targeting a minimum annual yield equal to the 2 year Government of Canada Bond yield plus 550 basis points.

The Fund intends on meeting its investment objectives by investing in a diversified portfolio of mortgage loans secured directly by residential (including multi-residential and retirement homes), office, retail and industrial real property across Canada, primarily located in large urban markets and surrounding areas.

### Risk

The risks associated with investing in the Fund remain as disclosed in its prospectus dated December 29, 2009 and the prospectus supplement dated February 1, 2010. Any changes to the Fund over the period have not affected the overall risk of the Fund.

### Results of Operations

The Bank of Canada notes that the Canadian economic recovery is proceeding as expected, supported mainly by fiscal and monetary stimulus, higher terms of trade, improved labour markets, household confidence and the recovery of the global economy. While this is certainly a debatable topic, what is statistically evident is that broad-based renewed confidence in more modest investment grade real estate valuations has not translated into a return to an era of abundance of credit. The primary explanation for this is the disappearance of the commercial mortgage-backed securities ("CMBS") market in 2008. In addition, although the traditional conventional lenders have increased their appetite for commercial mortgage lending over the past 12 months, they have not returned to their previous levels of activity. The combination of these two factors has left a gap in the mortgage lending market for investment real estate that continues to create a very favorable environment for customized lenders like the Fund. The Fund Manager continues to see deal flow that is sufficient to continue to grow the fund, and to continue to be conservative and selective in making investments for the Fund. This is at a time where the improved economic conditions have led to increased stability in the valuation of investment real estate.

In the first half of 2010 the Fund completed a successful offering of Class A and Class B shares raising net proceeds of over \$40 million, growing the equity of the Fund by approximately 57% since December 31, 2009. The Fund continued to benefit from access to a wide selection of quality lending opportunities, and with the success of a large offering was able to target larger average individual mortgage investments typically secured by institutional quality properties. The Fund Manager has seen varying degrees of competition over the period from other customized lenders as some of its traditional competitors are less active in the market while others are re-entering the lending market. Those that have re-entered the market and/or have set large growth targets for 2010, however, have now slowed their growth due to the fact that they have increased their total investments to their targeted amounts for the year. The Fund Manager believes that this will lead to less competition for the 3<sup>rd</sup> and 4<sup>th</sup> quarters of 2010 for customized loans. The availability of investments continues to allow the Fund to be selective and focus almost exclusively on placing mortgage loans secured by cash-flowing assets while still exceeding its targeted distributions to shareholders.

The Fund continued to focus on diversifying its exposure across Canada. During the period ended June 30, 2010, the Fund advanced mortgage loans throughout Ontario, B.C., Saskatchewan and Quebec, including new cities such as Saskatoon and Quebec City. At June 30, 2010, 90% of the mortgage portfolio was allocated across Canada's four largest provinces (Ontario – 31%; Alberta – 14%; B.C. – 20%; Quebec – 25%), with an additional 8% in Saskatchewan, a province performing very well in comparison to the rest of the provinces during this economic recovery. This is in comparison to December 31, 2009 where the Fund also had 89% of the mortgage portfolio allocated between four provinces in varying degrees (Ontario – 32%; Alberta – 19%; B.C. – 22%; Quebec – 16%). The Fund has maintained its concentration in cash-flowing, multi-residential and retirement residences at approximately 64% (December 31, 2009 – 66%) at June 30, 2010.

Total revenue earned by the Fund for the six months ended June 30, 2010 increased 73% to \$4,628,902, from \$2,669,113 for the period ending June 30, 2009. The increase in revenue was due to the increase in net assets available for investment.

During the period ended June 30, 2010, the Fund advanced 17 new mortgage investments and funded existing mortgage commitments totaling \$53,187,203 (June 30, 2009 - \$13,062,145) and received repayment and partial pay downs on 17 mortgage investments totaling \$19,643,317 (June 30, 2009 - \$4,547,117), resulting in total mortgage investments of \$99,557,930 at period end (December 31, 2009 - \$66,014,044). The weighted average interest rate on the portfolio at June 30, 2010 was 10.38% (December 31, 2009 – 11.46%). Although the weighted average interest rate has decreased over the period, it is mainly a result of the Fund advancing a larger number of first mortgage positions, secured by institutional quality properties, which provides the Fund with the flexibility to syndicate these loans in the future in order to increase the mortgage yield to the Fund. For the new loans advanced during the period, the average loan was approximately \$2.8 million, in comparison to 2009 where the average loan was approximately \$1.5 million. At June 30, 2010 the Fund had cash and cash equivalents of \$9,549,659 available to fund new mortgage investments and fulfill outstanding commitments. Subsequent to period end, the Fund raised an additional \$2,675,000 in Class B shares and advanced approximately \$9 million in new mortgage investments and pre-existing commitments while receiving repayment on approximately \$2.6 million in mortgage investments.

The Fund Manager places a high degree of emphasis on closely monitoring the portfolio and, where appropriate, will adjust the fair value of a mortgage investment if it determines that it is unlikely that it will recover the full value of the loan and accrued interest. At June 30, 2010, four mortgage investments totaling approximately \$7.2 million have accrued interest past due and for which the Fund has undertaken enforcement remedies totaling \$826,800. For two of these mortgage investments totaling approximately \$4.7 million and accrued interest of \$468,130, the Fund has entered into agreements to sell these investments and recover the full amount of principal and interest accrued to date. One of these mortgage investments is to be sold by way of a power of sale to an arm's length third party. The Fund is providing financing to the purchaser as part of the transaction. Based on the Fund Manager's analysis, it expects to fully recover on its mortgage investments and therefore no adjustment to the fair value of the mortgage portfolio was required for the period ended June 30, 2010. Overall at June 30, 2010 these mortgages amount to 6.4% of the gross assets of the Fund, which the Fund expects to reduce to 2.2% following the sale in September of the two mortgage investments noted above.

Total expenses of the Fund for the period ended June 30, 2010 increased to \$1,455,757 from \$792,717 for the period ended June 30, 2009. This increase is directly a result of the Fund having additional net assets available for investment. The majority of the Fund's expenses consist of management fees of \$608,169 (June 30, 2009 - \$326,265), capital tax of \$102,358 (June 30, 2009 - \$159,358), accrued performance fees of \$247,971 (June 30, 2009 - \$nil) and servicing fees allocated to Class A shareholders of \$217,144 (June 30, 2009 - \$134,788). The remainder of the Fund's operating expenses of \$280,115 (June 30, 2009 - \$172,306) related mainly to audit fees, director fees and other operating costs associated with operating the Fund and administration of the mortgage portfolio. Of note, in January 2010 the Board of Directors approved the reduction of the servicing fees from 0.75% annually to 0.50% annually of the net redemption value per Class A share.

In 2009, the provincial government of Ontario passed legislation confirming that capital taxes in Ontario will be eliminated effective June 30, 2010. As a result, and barring any change in government policy, the Fund will not be subject to capital taxes beyond 2010. In addition, for the period from January 1, 2010 to June 30, 2010, the capital tax rate applicable to the Fund was reduced from 0.45% to 0.30%.

In November 2009 the Fund secured a \$4,000,000 investment loan to be used to bridge the timing gap between mortgage advances and repayments. It is not the intention of the Fund to use consistent leverage as a means to enhance distributions. The maximum amount borrowed by the Fund during the period was \$4,000,000 and subsequent to the Class A and Class B share offering in early 2010, the Fund repaid the entire investment loan. The loan was due on demand and carried interest at an annual rate of 9%. During the period ended June 30, 2010, the Fund incurred interest expense and financing costs of \$63,398 (June 30, 2009 - \$nil). The Fund is currently in negotiations with a large Canadian bank to provide the Fund with a \$15 million operating facility to replace the investment loan repaid earlier this year.

For the period ended June 30, 2010, the Fund experienced an increase in net assets from operations of \$3,173,145 (June 30, 2009 - \$1,876,396); or an increase per Class A and Class B share of \$0.29 and \$0.34, respectively. As the Fund is in the growth stage and continues towards its optimal portfolio size of approximately \$300 million, along the way it will experience higher than budgeted allocations to cash, which will negatively impact net investment income. Specifically, in the first quarter of 2010 the Fund committed to two mortgage investments totaling \$11.5 million, which subsequently did not close. Although the Fund received a substantial non-refundable lender fee, a new home was required for this cash resulting in an interest drag during the period. By June 30, 2010, not only did the Fund invest all of the proceeds from the offering of approximately \$40 million, including the over-allotment exercised by the syndicate members, but an additional \$13 million of the \$19.6 million in loans repaid to the Fund were re-invested in new mortgage loans.

During the period ended June 30, 2010, the Fund issued 2,875,000 Class A shares for net proceeds of \$26,626,158 and 1,386,500 Class B shares for net proceeds of \$13,858,173. There were no redemptions during the period.

## Recent Developments

There were no modifications to the Fund's Asset Allocation Model ("AAM") in 2010. The Fund Manager and the Mortgage Advisory Committee continued to place emphasis on mortgage investments secured by cash-flowing assets, a geographically diversified portfolio and a larger average mortgage investment secured by high quality, institutionally funded assets. This strategy is expected to continue through 2010 and beyond as the Fund looks to grow to its optimal portfolio size of \$300 million.

### *Future Accounting Change*

The Accounting Standards Board of the CICA ("AcSB") confirmed that Canadian GAAP for most publically accountable enterprises will be converged with International Financial Reporting Standards ("IFRS") effective January 1, 2011, which includes investment funds.

In May 2010, the AcSB announced that it will propose amendments which will provide most investment funds, including the Fund, with the option to defer adoption of IFRS until fiscal years beginning on or after January 1, 2012. The Fund Manager is currently assessing the impact of this announcement on the Fund and on its plans for adopting IFRS.

As a result of the proposed amendments, the Fund will adopt IFRS for either its fiscal period beginning January 1, 2011 or 2012, and will issue its first interim financial statements in accordance with IFRS, including comparative IFRS information for the previous fiscal period, for either the interim period ending June 30, 2011 or 2012.

## Related Party Transactions

### *Fund Manager*

The Fund is managed by the Fund Manager, a related party by virtue of common management. Pursuant to the Fund Management Agreement, the Fund Manager is entitled to a fee of 1.2% per annum of the gross assets of the Fund (the "Management Fee"), plus applicable taxes, calculated daily and paid monthly in arrears. During the period ended June 30, 2010, the Fund Manager earned compensation of \$608,169 (June 30, 2009 - \$326,265) for general management and administration services of the Fund and its mortgage investment portfolio.

The Fund Manager is responsible for the management and administration of the Fund's mortgage investment portfolio. In any calendar year where the Fund has net earnings available for distribution to shareholders in excess of the Hurdle Rate (Hurdle Rate is defined as the average two-year Government of Canada Bond Yield for the 12 month period then ended plus 450 basis points), the Fund Manager is entitled to receive from the Fund a performance fee equal to 20% of the net earnings of the Fund available to distribute over the Hurdle Rate (the "Performance Fee"). During the period ended June 30, 2010, the Fund has accrued a performance fee payable to the Fund Manager of \$247,971 (June 30, 2009 - \$nil).

In determining the Performance Fee, on a monthly basis the Fund Manager will calculate the earnings available to distribute in that month that are required to achieve the Hurdle Rate, based on the outstanding share capital of the Fund, net of issue costs, calculated daily. An amount equal to 20% of any net earnings available to distribute in excess of the Hurdle Rate in that month will be deducted from the Fund's monthly distribution and retained by the Fund. The Fund Manager will calculate the final Performance Fee in respect of a completed calendar year based on the audited financial statements for that year. The Performance Fee in respect of a calendar year will be payable to the Fund Manager within 15 days of the issuance of the Fund's audited financial statements for that year.

In the event of redemption of shares by the Fund, any dividends declared by the Fund during the calendar year in which the redemptions have taken place will be annualized and evaluated with respect to the Hurdle Rate. Fees payable to the Fund Manager shall be, in any calendar year where the Fund has net earnings available for distribution to shareholders in excess of the Hurdle Rate, 20% of such excess.

#### *Other Related Party Transactions*

During 2009 a second-ranking mortgage in the amount of \$3,700,000 was placed with Timbercreek Real Estate Investment Trust, a related party by virtue of common management. The mortgage, which was secured by three high quality apartment buildings, was issued in February 2009 and repaid in June 2009, and bore interest at 8.5%. During the year ended December 31, 2009, \$99,304 was collected in interest and \$18,500 in lender fees related to this transaction. The Fund Manager recommended this loan in order to take advantage of what was believed to be a very secure short term mortgage investment at a time when the Fund had a substantial amount of cash on its balance sheet. After being unanimously approved by the Mortgage Advisory Committee, the loan was also approved by the Board's Independent Review committee prior to funding, as noted below.

Under the provisions of National Instrument 81-107 – Independent Review Committee for Investment Funds ("NI-107"), which came into force on November 1, 2006, it is now required that all publicly offered investment funds, such as the Fund, establish an independent review committee ("IRC") to whom the Fund Manager is to refer all conflict of interest matters in order to obtain a recommendation or approval, as applicable. NI 81-107 further mandates that the IRC be composed of at least three independent members and required that they conduct assessments and regularly report to the Board of Directors and shareholders in respect of its duties.

The above related party transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

# FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the period end of the years shown. This information is derived from the Fund's audited annual and unaudited semi-annual financial statements.

|   | Six months<br>ended June<br>30, 2010 | 2009          | 2008          |
|---|--------------------------------------|---------------|---------------|
| <b>The Fund's Net Asset per Class A Share <sup>(1)</sup></b>    |                                      |               |               |
| Net Assets, beginning of period                                 | \$9.24                               | \$9.21        | \$9.33        |
| <b>Increase (decrease) from operations:</b>                     |                                      |               |               |
| total revenue   | 0.43                                 | 1.00          | 0.49          |
| total expenses  | (0.14)                               | (0.31)        | (0.14)        |
| realized gains (losses) for the period                          | --                                   | 0.02          | --            |
| unrealized gains (losses) for the period                        | --                                   | --            | --            |
| <b>Total increase (decrease) from operations <sup>(2)</sup></b> | <b>0.29</b>                          | <b>0.71</b>   | <b>0.35</b>   |
| <b>Distributions:</b>   |                                      |               |               |
| From Income (excluding dividends)                               | (0.41)                               | (0.81)        | (0.44)        |
| From Dividends  | --                                   | --            | --            |
| From Capital Gain   | --                                   | (0.02)        | --            |
| Return of Capital   | --                                   | --            | --            |
| <b>Total Distributions for the period <sup>(3)</sup></b>        | <b>(0.41)</b>                        | <b>(0.83)</b> | <b>(0.44)</b> |
| <b>Net Assets, at end of period</b>                             | <b>\$9.14</b>                        | <b>\$9.24</b> | <b>\$9.21</b> |
| <b>Ratios And Supplemental Data</b>                             |                                      |               |               |
| Total net asset value (000's) <sup>(4)</sup>                    | \$78,910                             | \$52,183      | \$36,502      |
| Number of shares outstanding <sup>(4)</sup>                     | 8,428,909                            | 5,533,616     | 3,889,562     |
| Management expense ratio <sup>(5)</sup>                         | 3.18%                                | 3.37%         | 3.13%         |
| Management expense ratio before waivers or absorptions*         | 3.18%                                | 3.85%         | 3.67%         |
| Trading expense ratio <sup>(6)</sup>                            | 0.03%                                | 0.05%         | 0.07%         |
| Portfolio turnover rate <sup>(7)</sup>                          | 24.98%                               | 24.55%        | 10.19%        |
| <b>Net asset value per share</b>                                | <b>\$9.36</b>                        | <b>\$9.43</b> | <b>\$9.38</b> |
| Closing market price  | \$10.30                              | \$9.95        | \$9.00        |

(1) This information is derived from the Fund's annual audited and semi-annual unaudited financial statements. The net assets per share presented in the financial statements differ from the net asset value calculated for fund pricing purposes. An explanation of these differences can be found in the notes to the financial statements. This difference is due to including costs associated with establishment, structuring and periodic offering of securities of the Fund attributable to a particular class of shares being amortized monthly over a period of five years.

(2) Net assets and distributions are based on the actual number of shares outstanding for the relevant class at the relevant time. The increase/decrease from operations is based on the weighted average number of shares outstanding for the relevant class over the financial period. This table is not intended to be a reconciliation of beginning to ending net assets per share.

(3) Distributions were paid in cash.

|   | Six months<br>ended June<br>30, 2010 | 2009          | 2008          |
|---|--------------------------------------|---------------|---------------|
| <b>The Fund's Net Asset per Class B Share <sup>(1)</sup></b>    |                                      |               |               |
| Net Assets, beginning of period                                 | \$9.70                               | \$9.77        | \$9.84        |
| <b>Increase (decrease) from operations:</b>                     |                                      |               |               |
| total revenue   | 0.46                                 | 1.06          | 0.50          |
| total expenses  | (0.12)                               | (0.24)        | (0.11)        |
| realized gains (losses) for the period                          | --                                   | 0.02          | --            |
| unrealized gains (losses) for the period                        | --                                   | --            | --            |
| <b>Total increase (decrease) from operations <sup>(2)</sup></b> | <b>0.34</b>                          | <b>0.84</b>   | <b>0.39</b>   |
| <b>Distributions:</b>   |                                      |               |               |
| From Income (excluding dividends)                               | (0.45)                               | (0.92)        | (0.48)        |
| From Dividends  | --                                   | --            | --            |
| From Capital Gain   | --                                   | (0.02)        | --            |
| Return of Capital   | --                                   | --            | --            |
| <b>Total Distributions for the period <sup>(3)</sup></b>        | <b>(0.45)</b>                        | <b>(0.94)</b> | <b>(0.48)</b> |
| <b>Net Assets, at end of period</b>                             | <b>\$9.74</b>                        | <b>\$9.70</b> | <b>\$9.77</b> |
| <b>Ratios And Supplemental Data</b>                             |                                      |               |               |
| Total net asset value (000's) <sup>(4)</sup>                    | \$31,474                             | \$17,889      | \$14,796      |
| Number of shares outstanding <sup>(4)</sup>                     | 3,188,791                            | 1,820,239     | 1,502,279     |
| Management expense ratio <sup>(5)</sup>                         | 2.47%                                | 2.51%         | 2.05%         |
| Management expense ratio before waivers or absorptions*         | 2.47%                                | 3.00%         | 2.41%         |
| Trading expense ratio <sup>(6)</sup>                            | 0.03%                                | 0.05%         | 0.07%         |
| Portfolio turnover rate <sup>(7)</sup>                          | 24.98%                               | 24.55%        | 10.19%        |
| <b>Net asset value per share</b>                                | <b>\$9.87</b>                        | <b>\$9.83</b> | <b>\$9.85</b> |
| Closing market price  | N/A                                  | N/A           | N/A           |

(4) This information is provided at period end of the year shown.

(5) Management expense ratio is based on total expenses (excluding commissions and other portfolio transaction costs) for the stated period and is expressed as an annualized percentage of the semi-monthly average net asset value during the period.

(6) The trading expense ratio represents the mortgage transaction costs incurred on a particular mortgage investment as an annualized percentage of semi-monthly average net assets during the period. Typically, the borrower of a particular mortgage will reimburse the Fund for transaction costs, although situations may arise where the Fund may incur these costs.

(7) The Fund's portfolio turnover rate indicates how actively the Fund Manager managed the portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund advancing and receiving repayment of all mortgage loan investments once in the course of the year. There is not necessarily a relationship between a high turnover rate and the performance of the Fund.

(8) The Fund commenced operations on July 7, 2008 when it completed the initial public offering of subscription receipts that were subsequently converted into Class A shares and issued Class B shares in connection with the acquisition of the initial mortgage portfolio. As a result, where appropriate the amounts shown have been annualized.

## MANAGEMENT FEES

A summary of management fees paid to the Fund Manager for the period ended June 30, 2010, including a breakdown of services received by the Fund is included in "Related Party Transactions".

Class A shares of the Fund pay each registered dealer a servicing fee equal to 0.50% per annum of the net redemption value per Class A share of the Fund (the "Servicing Fee"). In January 2010, the independent directors approved the reduction of the servicing fee from 0.75% annually to 0.50% annually of the net redemption value per Class A share. The fee is calculated and paid at the end of each calendar quarter.

In addition to the management fees disclosed above, the Fund will pay for all expenses incurred by it in connection with the operation and management, including but not limited to any additional fees payable to the Fund Manager for performance of extraordinary services on behalf of the Fund for services outside the scope of the Fund Management Agreement. During the period ended June 30, 2010 no additional fees were paid to the Fund Manager (June 30, 2009 - \$nil).

A summary of the management fees incurred during the period ended June 30, 2010 and 2009 includes:

|                          | 2010           |           | 2009    |     |
|--------------------------|----------------|-----------|---------|-----|
|                          | \$             | %         | \$      | %   |
| Management Fees          | 608,169        | 71        | 326,265 | 100 |
| <b>Performance Fees*</b> | <b>247,971</b> | <b>29</b> | --      | --  |
|                          | 856,140        | 100       | 326,265 | 100 |

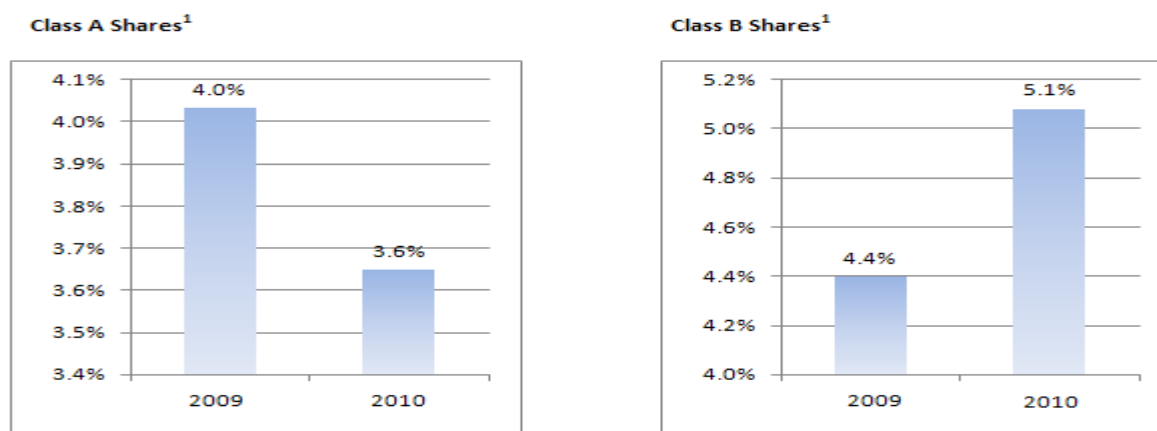
\* The Fund has accrued a performance fee for the period ended June 30, 2010 of \$247,971. The final calculation of the performance fee is based on the audited annual December 31, 2010 financial statements. The performance fee is payable to the Fund Manager within 15 days of issuance of the Fund's audited annual financial statements.

## PAST PERFORMANCE

The performance information shown assumes that all distributions made by the Fund in the period shown were reinvested in additional securities of the Fund. The performance information does not take into account sales, redemptions, distribution or other optional charges that would have reduced returns or performance. How the Fund has performed in the past does not necessarily indicate how it will perform in the future.

### Year-by-Year Returns

The following bar chart shows the Fund's performance for the period shown. In percentage terms, the bar chart shows how much an investment made on the first day the financial period would have grown or decreased by the last day of the financial period.



<sup>1</sup>For the period from January 1 to June 30, 2010 and 2009

In accordance with NI 81-106, no performance data has been shown for the period from July 8, 2008 to December 31, 2008 as the Fund was not a reporting issuer at all times during the year.

The above year-by-year returns are calculated based on the net asset value per share for Class A and Class B shares.

## SUMMARY OF INVESTMENT PORTFOLIO

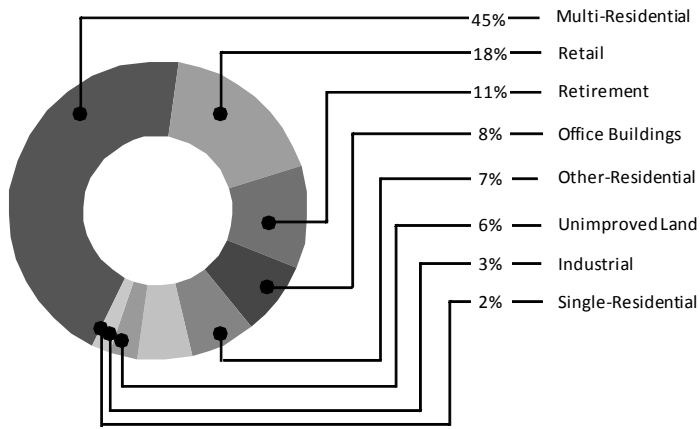
|                           | Net Assets<br>(\$) | % of<br>Net Assets |
|---------------------------|--------------------|--------------------|
| Mortgages                 | 99,557,930         | 91.18              |
| Cash and Cash Equivalents | 9,549,659          | 8.75               |
| Net Other Liabilities     | 76,912             | 0.07               |
| <b>Total</b>              | <b>109,184,501</b> | <b>100.0</b>       |

| Summary of Top 25 Holdings        | Prov. | Outstanding<br>Principal | Loan-to-<br>value | Term | Interest<br>Rate | Positions | Allocation<br>Product Type | % of NAV |
|-----------------------------------|-------|--------------------------|-------------------|------|------------------|-----------|----------------------------|----------|
| Cash & Cash Equivalents           | N/A   | \$9,549,659              | N/A               | N/A  | N/A              | N/A       | N/A                        | 8.7%     |
| Brugnon Residential               | QC    | \$6,000,000              | 76%               | 25   | 11.00%           | Second    | Multi-Residential          | 5.5%     |
| Whitgift Gardens                  | BC    | \$5,500,000              | 70%               | 25   | 11.00%           | Second    | Multi-Residential          | 5.0%     |
| Eastwood Apartments               | SK    | \$5,500,000              | 63%               | 13   | 10.50%           | First     | Multi-Residential          | 5.0%     |
| Charest Building                  | QC    | \$5,400,000              | 77%               | 31   | 9.00%            | First     | Office Buildings           | 4.9%     |
| Gateway Mobile Home Park          | AB    | \$4,880,000              | 39%               | 13   | 9.25%            | First     | Other-Residential          | 4.5%     |
| TG Portfolio                      | ON    | \$4,819,861              | 73%               | 25   | 10.50%           | Second    | Multi-Residential          | 4.4%     |
| Queen West, Retail                | ON    | \$3,800,000              | 82%               | 18   | 9.00%            | First     | Retail                     | 3.5%     |
| Summit Glen Portfolio             | ON    | \$3,534,240              | 80%               | 18   | 12.90%           | Second    | Multi-Residential          | 3.2%     |
| Granville Street Retail I         | BC    | \$3,300,000              | 69%               | 26   | 9.50%            | Second    | Retail                     | 3.0%     |
| Reneau-Lapointe Recreation Centre | QC    | \$3,200,000              | 68%               | 36   | 10.90%           | First     | Retail                     | 2.9%     |
| Notre-Dame Residence              | QC    | \$3,000,000              | 79%               | 24   | 12.00%           | First     | Unimproved Land            | 2.7%     |
| Westview Manor                    | AB    | \$2,460,877              | 67%               | 12   | 8.90%            | First     | Multi-Residential          | 2.3%     |
| Woodland Industrial               | BC    | \$2,300,000              | 72%               | 13   | 11.00%           | Second    | Industrial                 | 2.1%     |
| Honey Harbour                     | ON    | \$2,200,007              | 73%               | 24   | 9.27%            | First     | Other-Residential          | 2.0%     |
| Capitale Residential              | QC    | \$2,200,000              | 69%               | 25   | 11.00%           | Second    | Multi-Residential          | 2.0%     |
| CRG Office Portfolio              | ON    | \$2,100,000              | 78%               | 36   | 11.50%           | Second    | Office Buildings           | 1.9%     |
| Ascot Rental Townhomes            | AB    | \$1,980,000              | 55%               | 36   | 11.24%           | First     | Multi-Residential          | 1.8%     |
| Leuty Retail                      | ON    | \$1,950,000              | 74%               | 13   | 5.00%            | First     | Retail                     | 1.8%     |
| Rock Grove Townhomes              | AB    | \$1,930,577              | 60%               | 12   | 8.90%            | First     | Multi-Residential          | 1.8%     |
| Gateway Village                   | BC    | \$1,840,500              | 81%               | 6    | 13.12%           | First     | Multi-Residential          | 1.7%     |
| Lovinac Manor                     | AB    | \$1,585,000              | 55%               | 19   | 8.00%            | First     | Multi-Residential          | 1.5%     |
| King and Duke                     | ON    | \$1,550,561              | 75%               | 18   | 3.55%            | First     | Multi-Residential          | 1.4%     |
| College Park                      | SK    | \$1,503,344              | 67%               | 36   | 11.00%           | Second    | Retirement                 | 1.4%     |
| The Mark on Jasper                | AB    | \$1,500,000              | 44%               | 7    | 10.50%           | First     | Multi-Residential          | 1.4%     |

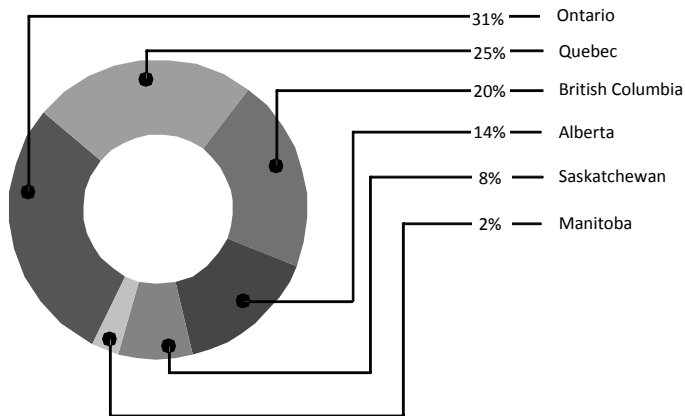
*\*Based on appraisals performed by arms length, third party at time of funding*

# ASSET ALLOCATION

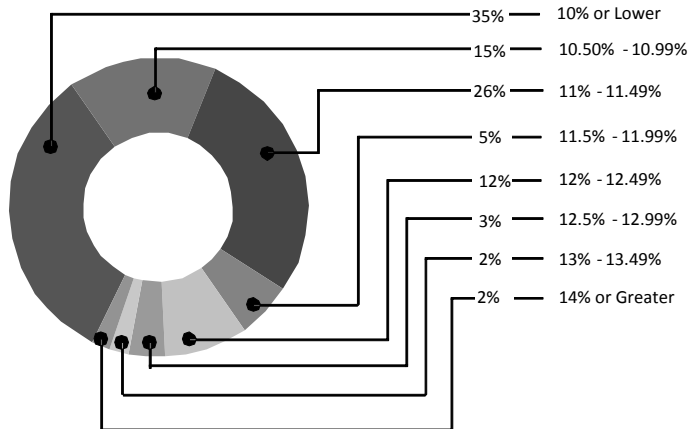
## By Type



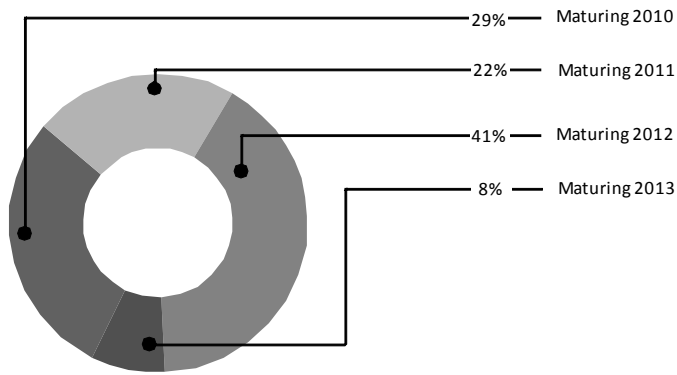
## By Region



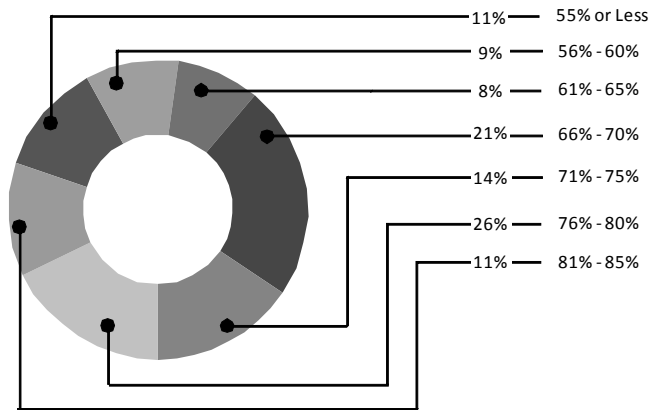
## By Interest Rate (excluding fees earned by the Fund)



### By Maturity



### By Loan-to-value



### By Term

