

Management's Discussion and Analysis

Timbercreek Mortgage Investment Corporation

For the three months ended March 31, 2014



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For the three months ended March 31, 2014

FORWARD-LOOKING STATEMENTS

Forward-looking statement advisory

The terms, the "Company", "we", "us" and "our" in the following Management Discussion & Analysis ("MD&A") refer to Timbercreek Mortgage Investment Corporation (the "Company"). This MD&A 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 by expressions like "believe", "expects", "anticipates", "would", "will", "intends", "projected", "in our opinion" and other similar expressions. By their nature, forward-looking statements require us to make assumptions which include, among other things, that (i) the Company will have sufficient capital under management to effect its investment strategies and pay its targeted dividends to shareholders, (ii) the investment strategies will produce the results intended by the Manager, (iii) the markets will react and perform in a manner consistent with the investment strategies and (iv) the Company is able to invest in mortgages of a quality that will generate returns that meet and/or exceed the Company's targeted 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 MD&A 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 Company may invest in and the risks detailed from time to time in the Company's public disclosures.

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 Company, 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 Company and Timbercreek Asset Management Inc. (the "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.

This MD&A is dated May 6, 2014. Disclosure contained in this MD&A is current to that date, unless otherwise noted. Additional information on the Company, its dividend reinvestment plan and its mortgage investments is available on the Manager's website at www.timbercreek.com. Additional information about the Company, including its Annual Information Form ("AIF"), can be found on the SEDAR website at www.sedar.com.

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BUSINESS OVERVIEW

Timbercreek Mortgage Investment Corporation (the "Company") is incorporated under the laws of the Province of Ontario by Articles of Incorporation dated April 30, 2008. On September 13, 2013, in connection with the Transition as explained below, the Company filed articles of amendment effective as of September 13, 2013 (the "Effective Date"), to amend, among other things, certain provisions of the articles of the Company related to the rights attached to the existing Class A, Class B and voting shares, and provided for the creation of a new class of common shares, for which all existing classes of redeemable shares were exchanged. On November 29, 2013 (the "Exchange Date"), all issued and outstanding Class A and Class B shares were exchanged into common shares.

The Company invests in mortgage investments selected and determined to be high quality by the Manager. The Company intends to qualify as a mortgage investment corporation ("MIC") as defined under Section 130.1(6) of the Income Tax Act (Canada).

The fundamental investment objectives of the Company are to:

- Preserve shareholder capital of the Company; and
- Provide shareholders with a stable stream of monthly dividends.

The Company intends on meeting its investment objectives by investing in a diversified portfolio of mortgage investments, consisting primarily of conventional mortgage investments secured directly by multi-residential, retirement homes, office, retail and industrial real property across Canada, primarily located in urban markets and surrounding areas.

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TRANSITION TO PUBLIC COMPANY REGIME

On September 12, 2013, the Company received shareholder approval for the Company's transition (the "Transition") from the Canadian securities regulatory regime for investment funds to the regulatory regime for non-investment fund reporting issuers (the "Public Company Regime").

Beginning on the Effective Date, the Company is subject to, and files all continuous disclosure materials in compliance with the Public Company Regime requirements, which includes preparation of its financial statements in accordance with International Financial Reporting Standards ("IFRS"), along with a Management's Discussion and Analysis.

As part of the Transition, the Company provided a one-time special redemption right of up to 15% of the issued and outstanding shares of each class (the "Special Redemption"). The Company redeemed requests from holders of 1,674,568 Class A shares and 259,771 Class B shares for the Special Redemption. The total redemptions payable of \$18.0 million were paid on November 27, 2013. On the Exchange Date, the Company exchanged all of the 32,829,013 outstanding Class A shares and 3,887,053 outstanding Class B shares into a newly created class of common shares. The common shares commenced trading on the Toronto Stock Exchange ("TSX") on November 29, 2013, continuing under the symbol 'TMC', and the Class A shares ceased to trade after the close of market on November 28, 2013.

Additionally, Messrs. Ugo Bizzarri and Andrew Jones have been elected as additional directors of the Company.

Effective September 13, 2013, the Company entered into a new management agreement with the Manager and terminated its management agreement with Timbercreek Asset Management Ltd., a wholly owned subsidiary of the Manager. The Manager is responsible for the day-to-day operations and providing all general management, mortgage servicing and administrative services for the Company's mortgage investments.

In connection with the Transition, the Company incurred total costs of \$3.8 million, which includes soliciting dealer fees, soliciting broker fees, audit fees, legal fees and other related costs. The Manager elected to assume responsibility for \$0.3 million of costs relating to the Transition.

BASIS OF PRESENTATION

This MD&A has been prepared to provide information about the financial results of the Company for the three months ended March 31, 2014 (the "Period" or "Q1 2014") and 2013 ("Q1 2013"). This MD&A should be read in conjunction with the condensed consolidated interim financial statements for the three months ended March 31, 2014 and 2013, which are prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB"), as applicable to interim financial statements, including International Accounting Standard ("IAS") 34, Interim Financial Reporting.

The functional and reporting currency of the Company is Canadian dollars and unless otherwise specified, all amounts in this MD&A are in thousands of Canadian dollars, except per share and other non-financial data.

Copies of these documents have been filed electronically with securities regulators in Canada through the System for Electronic Document Analysis and Retrieval ("SEDAR") and may be accessed through the SEDAR website at www.sedar.com.

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NON-IFRS MEASURES

The Company prepares and releases consolidated financial statements in accordance with IFRS. In this MD&A, as a complement to results provided in accordance with IFRS, the Company discloses certain financial measures not recognized under IFRS and that do not have standard meanings prescribed by IFRS (collectively the "non-IFRS measures"). These non-IFRS measures are further described below. The Company has presented such non-IFRS measures because the Manager believes they are relevant measures of the ability of the Company to earn and distribute cash dividends to shareholders and to evaluate the Company's performance. These non-IFRS measures should not be construed as alternatives to net income and comprehensive income or cash flows from operating activities as determined in accordance with IFRS as indicators of the Company's performance.

- Expense ratio – represents total expenses (excluding financing costs, net operating loss on foreclosed properties held for sale and provision for mortgage investments loss) for the stated period, expressed as an annualized percentage of the average net mortgage investment portfolio;
- Fixed expense ratio – represents total expenses (excluding performance fees, financing costs, net operating loss on foreclosed properties held for sale and provision for mortgage investments loss) for the stated period, expressed as an annualized percentage of the average net mortgage investment portfolio;
- Net mortgage investments – represents total mortgage investments net of mortgage syndication liabilities and before adjustments for interest receivable, unamortized lender fees and allowance for mortgage investments loss as at the reporting date;
- Average net mortgage investment – represents the total net mortgage investments divided by the total number of mortgage investments at the reporting date;
- Average net mortgage investment portfolio – represents the monthly average of the net mortgage investments portfolio over the stated period;
- Weighted average interest rate – represents the weighted average interest rate on the net mortgage investments at the reporting date;
- Average lender fees – represents the cash lender fees received as a percentage of new net mortgage investments funded during the stated period;
- Turnover ratio – represents total mortgage repayments during the stated period, expressed as a percentage of the average net mortgage investment portfolio for the stated period; and
- Payout ratio – represents total dividends paid to the holders of redeemable shares and common shares during the stated period, divided by distributable income for the stated period.

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RECENT DEVELOPMENTS AND OUTLOOK

During the Period, the Manager continued to see sufficient deal flow to meet the Company's investment objectives. The Manager also continues to be comfortable lending in the current real estate environment and views the Canadian investment-grade real estate fundamentals as being stable and sustainable. This is a result of overall rental rates being reasonable and affordable, as well as strong economic activity and continued demand for investments from a diversified pool of investors.

Competition from other lending institutions has not changed materially, yet, as is common in the first quarter of a new calendar year, there were more bidders for loans than the previous quarter as lenders receive fresh allocations for the new calendar year. This put some minor pressure on rates during the first quarter, however this pressure was not sufficient to materially affect the overall yield generated by the Company.

The Manager continues to successfully find a sufficient volume of high quality mortgage investments and therefore did not see any need to modify the Company's Asset Allocation Model ("AAM") during the Period. The Manager and the Mortgage Advisory Committee ("MAC") continue to place emphasis on mortgage investments secured by cash-flowing real estate assets, a geographically diversified portfolio and larger, individual mortgage investments secured by institutional quality real estate assets. This strategy is expected to continue throughout 2014 and beyond.

In summary, the Company has been competitive and successful in establishing itself as a market leader in the non-bank senior mortgage sector in Canada. The Manager believes this success is a result of being conservative and selective in making mortgage investments that meet the Company's investment objectives, while at the same time focusing on providing responsive, flexible and unique lending solutions to qualified borrowers.

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FINANCIAL HIGHLIGHTS

The financial highlights of the Company are as follows:

	Three months ended		Year ended
	March 31, 2014	March 31, 2013	December 31, 2013
STATEMENT OF FINANCIAL POSITION HIGHLIGHTS (as at)			
Mortgage investments, including mortgage syndications	\$ 433,091	\$ 413,800	\$ 442,166
Total assets	\$ 466,416	\$ 419,947	\$ 467,406
Net assets attributable to holders of redeemable shares	\$ –	\$ 356,758	\$ –
Shareholders' equity	\$ 336,085	\$ –	\$ 336,568
FINANCIAL INFORMATION (for the period ended)			
Distributable income	\$ 6,489	\$ 7,844	\$ 30,204
Targeted dividend yield ¹	6.51%	6.55%	6.61%
Actual dividend yield ²	8.74%	7.60%	8.33%
Closing trading price	\$ 9.33	\$ 10.08	\$ 9.17
Payout ratio ³	114.50%	93.03%	96.92%
Net income per share (basic and diluted)	\$ 0.173	–	\$ 0.646
Dividends per share:			
Class A	\$ –	\$ 0.189	\$ 0.630
Class B	\$ –	\$ 0.201	\$ 0.670
Common	\$ 0.201	\$ –	\$ 0.134
MORTGAGE INVESTMENTS INFORMATION³			
Net mortgage investments	\$ 339,046	\$ 354,128	\$ 317,154
Total number of net mortgage investments	96	84	96
Average net mortgage investment	\$ 3,532	\$ 4,216	\$ 3,304
Weighted average interest rate	9.49%	9.78%	9.81%
Average lender fee	1.08%	1.92%	1.83%
Turnover ratio	14.13%	27.50%	79.76%

1 Targeted dividend yield equals the monthly average 2-Year Government of Canada Bond Yield plus 550 basis points.

2 Actual dividend yield equals the total per share dividend for the stated period for Class A shares and common shares divided by the trading close price at the stated period end (annualized).

3 Refer to non-IFRS measures section, where applicable.

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For the three months ended March 31, 2014 ("Q1 2014") and March 31, 2013 ("Q1 2013")

- The Company funded 11 new net mortgage investments (Q1 2013 – 20) totaling \$61.7 million (Q1 2013 – \$69.1 million), had additional advances on existing mortgage investments totaling \$10.5 million (Q1 2013 – \$13.8 million) and received full repayments on 11 mortgage investments (Q1 2013 – 13) and partial pay downs totaling \$46.2 million (Q1 2013 – \$97.0 million), resulting in net mortgage investments of \$339.0 million as at March 31, 2014 (December 31, 2013 – \$317.2 million).
- Net interest income earned by the Company was \$8.8 million (Q1 2013 – \$10.5 million), a decrease of \$1.7 million, or 16.25%, from Q1 2013. The decrease over Q1 2013 is mainly due to lower mortgage investments resulting from the special redemption and a lower weighted average interest rate.
- The Company received non-refundable lender fees of \$0.7 million (Q1 2013 – \$1.3 million) or 1.1% (Q1 2013 – 1.9%) of new net mortgage investments funded during Q1 2014. The decrease from Q1 2013 is mainly related to lower turnover experienced in comparison to Q1 2013 and lower fees charged to repeat borrowers.
- The Company generated income from operations of \$6.8 million (Q1 2013 – \$7.7 million), a decrease of \$0.9 million, or 11.3%, from Q1 2013. The decrease is due to a decrease in net interest income, which was partially offset by a \$0.8 million decrease in expenses from Q1 2013. The expenses decreased due to the removal of the requirement to pay trailer fees after the Transition and lower performance fees.
- The Company paid dividends of \$0.201 per common share for a total of \$7.4 million (Q1 2013 – nil; nil). During Q1 2013, the Company paid dividends of \$0.189 per Class A share for a total of \$6.6 million and \$0.201 per Class B share for a total of \$0.7 million. The dividends exceeded the Company's targeted dividend yield of the 2-Year Government of Canada Bond Yield ("2-Yr GOC Yield") plus 550 basis points.
- The Board of Directors appointed Andrew Jones as Chief Executive Officer of the Company, effective January 20, 2014, to replace Blair Tamblyn. Blair Tamblyn will remain as Chairman of the Board of Directors.
- On February 25, 2014, the Company completed a public offering of \$30.0 million, with an over-allotment option of \$4.5 million that was completed on March 3, 2014, of 6.35% convertible unsecured subordinated debentures for net proceeds of \$32.9 million (the "debentures").
- The Board of Directors appointed David Melo as Chief Financial Officer of the Company, effective March 25, 2014, to replace Ugo Bizzarri. Ugo Bizzarri was elected to the Board of Directors as part of the Transition.

Subsequent events

- On April 24, 2014, the Company closed on a public offering for 3,737,500 common shares, including exercising the over-allotment option, at a price of \$9.35 per share. The Company received net proceeds of \$33.5 million.

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ANALYSIS OF FINANCIAL INFORMATION FOR THE PERIOD

Distributable income

	Three months ended March 31, 2014	Year ended December 31, 2013
Net income and comprehensive income	\$ 6,396	\$ 507
Less: amortization of lender fees	(978)	(4,266)
Add: one-time Transition related costs	–	3,530
Add: lender fees received during the period	669	3,633
Add: amortization of financing costs	55	144
Add: issuance cost of redeemable shares	–	3
Add: net operating loss from foreclosed properties held for sale	97	182
Add: provision for mortgage investments loss	250	2,150
Add: dividends to holders of redeemable shares	–	24,321
Distributable income	6,489	30,204
Less: Dividends to holders of redeemable shares	–	(24,321)
Less: Dividends to common shareholders	(7,430)	(4,953)
(Over) / under distributions	\$ (941)	\$ 930
Payout ratio	114.50%	96.92%
Turnover ratio	14.13%	79.76%

The distributable income reconciliation above provides a link between the Company's IFRS reporting requirements, and its ability to generate recurring profit for dividends.

The Board of Directors have set a dividend policy that is predicated on what they believe to be a long-term sustainable objective. A number of factors are assessed and evaluated each time the Board of Directors reviews, and approves dividends. As noted earlier in the 'Recent Developments and Outlook' sections, both the Manager and the Board of Directors remain very comfortable with the broader market fundamentals.

In Q1 2014, the Company experienced higher cash balances, mainly resulting from the timing of mortgage fundings and the convertible debenture offering. In addition, the Company funded several mortgage investments during the Period to repeat borrowers, at typically lower lender fees, which are planned to be syndicated in Q2 2014 with the Company retaining a larger share of the fee. Although the Company had an over distribution of \$(941) for the Period, we believe that the shortfall is mainly timing related with the only potential permanent variance coming from cash drag resulting from the convertible debenture offering.

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The Board of Directors and the Manager believe that, in light of the factors noted above, an over-distribution of \$(941) through March 31, 2014, representing 0.2% of the total assets of the Company, is reasonable in light of the fact that dividends are straight-lined throughout the year while we experience timing related fluctuations in distributable income throughout the year. Specifically, in any given quarter, lender fees received are directly impacted by portfolio turnover, which we model on an annualized basis based on historical trends. If at any time during the year the Board of Directors and the Manager believe that distributable income will be impacted long-term, our dividends would be adjusted accordingly.

Statements of income and comprehensive income

	Three months ended March 31,			% Change
	2014	2013		
Net interest income	\$ 8,811	\$ 10,520	(16.2%)	
Expenses	(2,011)	(2,851)	29.5%	
Income from operations	6,800	7,669	(11.3%)	
Net operating loss from foreclosed properties held for sale	(97)	–	(100.0%)	
Financing costs:				
Interest on credit facility	(64)	(90)	28.9%	
Interest on convertible debentures	(243)	–	(100.0%)	
Dividends to holders of redeemable shares	–	(7,297)	100.0%	
Net income and comprehensive income	\$ 6,396	\$ 282	2,168.1%	

Net interest income ¹

In Q1 2014, the Company earned net interest income of \$8.8 million (Q1 2013 – \$10.5 million). Net interest income is made up of the following:

(a) Interest income

The Company earned \$7.7 million (Q1 2013 – \$8.9 million) in interest income on the net mortgage investments in Q1 2014. The decrease over Q1 2013 is mainly related to smaller net mortgage investment portfolio resulting from the special redemption of \$18.0 million. In addition, the Company experienced a marginally lower average interest rate on the portfolio as a result of there being less non-first mortgage positions in the portfolio as at March 31, 2014, which typically attract a higher interest rate. We believe that by incorporating a modest amount of structural leverage through the convertible debentures and as well as increasing the use of the credit facility, the Company can seek more mortgage opportunities while enhancing overall yield of the Company.

The weighted average interest rate on the mortgage investments decreased in Q1 2014 to 9.49% at March 31, 2014, from 9.81% at December 31, 2013 mainly due to larger than average first mortgage positions advanced by the Company, which will be syndicated in Q2 2014.

¹ For analysis purposes, net interest income and its component parts are discussed net of payments made on account of mortgage syndications to provide the reader with a more representative reflection of the Company's performance.

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(b) Lender fee income

In Q1 2014, the Company received non-refundable lender fees of \$0.7 million (Q1 2013 – \$1.3 million), or 1.08% (Q1 2013 – 1.92%) of new net mortgage investments funded in the Period. These lender fees are amortized using the effective interest rate method over the expected life of the net mortgage investments to lender fee income. For the three months ended March 31, 2014, \$1.0 million (Q1 2013 – \$1.5 million) of non-refundable lender fees were amortized to lender fee income. The lender fees generated by the Company continue to be a significant component of income resulting from mortgage investment turnover. The lower amount of lender fee generated in Q1 2014 compared to Q1 2013 was primarily attributed to the lower turnover ratio 14.13% (Q1 2013 – 27.50%). This lower lender fee was also driven by the lower fees charged to repeat borrower and on first mortgage investments which the Company will syndicate in 2014 while keeping the fee. The Manager does not retain any portion of the lender fees, unlike other competing mortgage investment corporations, ensuring management interests are aligned with the Company.

(c) Other income

In Q1 2014, the Company earned \$0.1 million (Q1 2013 – \$0.1 million) in other income. Other income includes fees earned on mortgage investment fundings, prepayment penalties and exit fees earned on mortgage investment repayments and other miscellaneous fees.

Expenses

In Q1 2014, the Company's expense ratio² was 2.2% (Q1 2013 – 2.8%), including a fixed expense ratio² of 1.8% (Q1 2013 – 2.1%).

Management fees

(a) Management fees

As part of the Transition, the Company has entered into a new management agreement with Timbercreek Asset Management Inc. (the "Manager") and terminated its management agreement with Timbercreek Asset Management Ltd., a wholly owned subsidiary of the Manager. Under the new management agreement, the Company pays the Manager an annual management fee of 1.20% per annum of the gross assets of the Company, calculated and paid monthly in arrears, plus applicable taxes. The gross assets are calculated as the total assets of the Company before deducting any liabilities, less any amounts that are reflected as mortgage syndication liabilities related to syndicated mortgage investments.

In Q1 2014, the Company incurred management fees of \$1.2 million (Q1 2013 – \$1.2 million).

(b) Performance fees

Under the new management agreement, the Manager continues to be entitled to a performance fee. In any calendar year where the Company has net earnings available for distribution to shareholders in excess of the hurdle rate (the "Hurdle Rate"), which is defined as the average two-year Government of

² Defined in non-IFRS measures section.

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Canada Bond Yield for the 12-month period then ended plus 450 basis points, the Manager is entitled to receive from the Company a performance fee equal to 20% of the net earnings of the Company available to distribute over the Hurdle Rate. The net earnings of the Company shall mean the net income before performance fees of the Company in accordance with applicable accounting principles and adjusted for certain other non-cash adjustments as defined in the management agreement.

In Q1 2014, the Manager accrued a performance fee of \$0.3 million (Q1 2013 – \$0.7 million). The Hurdle Rate for the Period was 5.51% (Q1 2013 – 5.55%).

Trailer fees

In conjunction with the shareholder approval for the Transition, the Company is no longer required to pay trailer fees to the brokers effective for the quarter ended September 30, 2013. Prior to September 30, 2013, the Company paid each registered dealer a trailer fee equal to 0.50% annually of the net redemption value per Class A share held by clients of the registered dealer, calculated and paid at the end of each calendar quarter. As such, the Company paid no trailer fees during the Period (Q1 2013 – \$0.4 million).

Interest on credit facility

Financing costs include interest paid on amounts drawn on the credit facility, stand-by fees charged on unutilized credit facility amounts and amortization of financing costs which were incurred on closing of the credit facility. Financing costs for Q1 2014 relating to the credit facility were \$0.1 million (Q1 2013 – \$0.1 million).

Interest on convertible debentures

During Q1 2014, the Company issued \$34.5 million of 6.35%, convertible unsecured subordinated debentures (the "debentures"). The debentures mature on March 31, 2019 and interest is payable semi-annually on March 31 and September 30 of each year. The first interest payment will occur on September 30, 2014. Interest costs related to the debentures are recorded in financing costs using the effective interest rate method. For Q1 2014, interest on the debentures of \$0.2 million (Q1 2013 – nil), is included in financing costs and is made up of the following:

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Accrued interest on the debentures	\$	210
Amortization of issue costs		23
Accretion of equity component of the debentures		10
	\$	243

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Dividends to holders of common shares and redeemable shares

The Company intends to pay dividends to shareholders on a monthly basis within 15 days following the end of each month. Below is a summary of the dividends to holders of common shares and holders of redeemable shares for Q1 2014 and Q1 2013.

Three months ended March 31, 2014	Dividends per share		Total
Common	\$	0.201	\$ 7,430

Three months ended March 31, 2013	Dividends per share		Total
Class A	\$	0.189	\$ 6,562
Class B		0.201	735
Total			7,297

The actual dividend yield of 8.74% (March 31, 2013 – 7.60%) on common shares is in excess of the Company's targeted dividend yield of 6.51% (March 31, 2013 – 6.55%).

STATEMENT OF FINANCIAL POSITION

Mortgage investments

The balance of net mortgage investments is as follows:

	March 31, 2014	December 31, 2013	Change
Net mortgage investments	\$ 339,046	\$ 317,154	\$ 21,892
Interest receivable	4,809	4,691	118
	343,855	321,845	22,010
Unamortized lender fees	(3,198)	(3,508)	310
Allowance for mortgage investments	(250)	(550)	300
	\$ 340,407	\$ 317,787	\$ 22,620

The Company funded 11 new net mortgage investments (Q1 2013 – 20) totaling \$61.7 million (Q1 2013 – \$69.1 million), had additional advances on existing mortgage investments totaling \$10.5 million (Q1 2013 – \$13.8 million) and received full repayments on 11 mortgage investments (Q1 2013 – 13) and partial pay downs totaling \$46.2 million (Q1 2013 – \$97.0 million), resulting in net mortgage investments of \$339.0 million as at March 31, 2014 (December 31, 2013 – \$317.2 million), or a portfolio turnover rate of 14.13% (Q1 2013 – 27.50%). As at March 31, 2014, the average net mortgage investment was approximately \$3.5 million (December 31, 2013 – \$3.3 million).

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The Company enters into certain mortgage participation agreements with third party lenders, using senior and subordinated participation, whereby the third party lenders take the senior position and the Company retains the subordinated position. These agreements generally provide an option to the Company to repurchase the senior position, but not the obligation, at a purchase price equal to the outstanding principal amount of the lenders' proportionate share together with all accrued interest. During the Period, the mortgage syndication liabilities have decreased to \$92.7 million (December 31, 2013 – \$124.4 million), as the Company received full repayments on several syndicated mortgage investments during the Period.

Net mortgage investments portfolio allocation

As at March 31, 2014, the Company's mortgage investments portfolio is comprised of 96 mortgage investments (December 31, 2013 – 96) which were allocated across the following categories:

(a) Security Position

	March 31, 2014		December 31, 2013	
	# of Net Mortgage Investments	% of Net Mortgage Investments	# of Net Mortgage Investments	% of Net Mortgage Investments
First mortgages	75	57.7%	72	61.1%
Non-first mortgages	21	42.3%	24	38.9%
	96	100.0%	96	100.0%

The Company's allocation to first mortgages has changed moderately by 3.4% from December 31, 2013 to March 31, 2014. For the Period, the Company co-invested in several first mortgage investments with Timbercreek Senior Mortgage Investment Corporation ("TSMIC") and holds subordinate mortgage positions in these co-investments in relation to TSMIC.

(b) Region

	March 31, 2014		December 31, 2013	
	# of Net Mortgage Investments	% of Net Mortgage Investments	# of Net Mortgage Investments	% of Net Mortgage Investments
ON	47	52.0%	47	51.4%
AB	15	14.4%	15	12.6%
QC	15	14.2%	14	13.7%
BC	8	9.7%	9	14.5%
SK	4	2.4%	5	3.3%
MB	3	4.5%	3	2.5%
OT	2	1.0%	2	1.1%
NS	1	0.8%	1	0.9%
NB	1	1.0%	0	0.0%
	96	100.0%	96	100.0%

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The Company continues to maintain a diversified portfolio of net mortgage investments primarily across Canada, with its greatest concentration in Canada's largest provinces. As at March 31, 2014, 90.3% of the net mortgage investments (December 31, 2013 – 92.2%) were allocated across Ontario, Quebec, British Columbia and Alberta. The Company has continued to maintain significant exposure to Ontario as it has benefited from sourcing mortgages secured by high-quality, cash flowing multi-residential, retirement and office assets in good markets, with multiple repeat borrowers with proven track records.

(c) Maturity

	March 31, 2014		December 31, 2013	
	# of Net Mortgage Investments	% of Net Mortgage Investments	# of Net Mortgage Investments	% of Net Mortgage Investments
Maturing 2014	28	25.2%	38	32.0%
Maturing 2015	40	43.2%	41	51.3%
Maturing 2016	21	21.9%	16	15.1%
Maturing 2017	7	9.7%	1	1.6%
	96	100.0%	96	100.0%

The Company's portfolio turnover rate for the Period was at 14.13% (Q1 2013 – 27.50%). The Company's strong portfolio turnover helps generate fee income, all of which goes to the Company, and helps ensure the Company is able to respond quickly to a changing interest rate environment. The weighted average term to maturity as at March 31, 2014 is 2.2 years (December 31, 2013 – 2.2 years), in-line with the portfolio's target maturity of 1.5 – 3.0 years.

(d) Asset Type

	March 31, 2014		December 31, 2013	
	# of Net Mortgage Investments	% of Net Mortgage Investments	# of Net Mortgage Investments	% of Net Mortgage Investments
Multi-residential	39	51.3%	36	51.7%
Office	12	9.8%	15	13.6%
Retail	15	15.1%	14	13.2%
Retirement	8	11.7%	8	12.5%
Industrial	6	1.6%	7	1.8%
Unimproved land	6	5.1%	6	4.1%
Other-residential	4	0.9%	4	0.9%
Hotels	3	4.1%	2	1.2%
Self-storage	1	0.3%	2	0.7%
Single-family residential	2	0.1%	2	0.3%
	96	100.0%	96	100.0%

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The Company has developed a lending niche predominantly targeting short-term mortgages, secured by cash-flowing assets, while specializing in multi-residential real estate assets. Historically, the Company has had very little exposure to land development, single-family residential, construction mortgages and construction loans, where demand is largely impacted by the strength or weakness of the Canadian housing market.

(e) Interest Rate

	March 31, 2014		December 31, 2013	
	# of Net Mortgage Investments	% of Net Mortgage Investments	# of Net Mortgage Investments	% of Net Mortgage Investments
9.99% or lower	51	62.4%	47	59.3%
10.00%–10.99%	23	22.5%	23	22.7%
11.00%–11.99%	14	8.3%	17	12.3%
12.00%–12.99%	4	2.8%	4	2.8%
13.00%–13.99%	2	0.2%	3	0.3%
14.00% or greater	2	3.8%	2	2.6%
	96	100.0%	96	100.0%

The weighted average interest rate, excluding lender fee income, on the mortgage investments at March 31, 2014 was 9.49% (December 31, 2013 – 9.81%). Although the weighted average interest rate has slightly decreased over the Period, it is still significantly greater than the Company's target dividend for the Period of 6.51% (December 31, 2013 – 6.61%), equal to the 2-Yr GOC Yield plus 550 basis points, while providing sufficient margin for operating expenses of the Company.

(f) Loan-to-value

	March 31, 2014		December 31, 2013	
	# of Net Mortgage Investments	% of Net Mortgage Investments	# of Net Mortgage Investments	% of Net Mortgage Investments
55% or less	27	16.0%	26	15.1%
56%–60%	8	6.4%	6	3.0%
61%–65%	7	4.7%	9	5.1%
66%–70%	12	16.7%	11	9.8%
71%–75%	7	2.8%	10	13.1%
76%–80%	16	33.1%	13	19.1%
81%–85%	19	20.3%	21	34.8%
	96	100.0%	96	100.0%

The loan-to-value on the mortgage investment portfolio at March 31, 2014 was 61.6% (December 31, 2013 – 61.7%), well below the AAM's ceiling of 85%.

Management's Discussion and Analysis

For the three months ended March 31, 2014

Foreclosed properties held for sale

In Q1 2014, the Company foreclosed on one (Q1 2013 – nil) property and reclassified the carrying amount of the outstanding principal, interest receivable and related impairment provision on the underlying security, as of the dates of foreclosure, to foreclosed properties held for sale. The fair value of the foreclosed properties held for sale as at March 31, 2014 is \$15.8 million (December 31, 2013 – \$11.4 million). The Company has engaged a third party manager to operate the properties while they are held for sale.

Allowance for mortgage investments loss

As at March 31, 2014, the Company has concluded that there is no objective evidence of impairment on any individual mortgage investments. At a collective level, the Company assesses for impairment to identify losses that have been incurred, but not yet identified, on an individual basis. As part of the Company's analysis, it has grouped mortgage investments with similar risk characteristics including geographical exposure, collateral type, loan-to-value, counterparty and other relevant groupings and assessed them for impairment using a statistical model. Based on the amounts determined by the analysis, the Company will use judgement to determine whether or not the actual future losses are expected to be greater or less than the amounts calculated. For the three months ended March 31, 2014 the Company has recognized a collective provision for mortgage investments loss of \$0.3 million (Q1 2013 – \$0.4 million).

Net working capital

Net working capital increased by \$5.0 million to \$17.0 million at March 31, 2014 from \$12.0 million at December 31, 2013, mainly due to the cash proceeds from the issuance of convertible debentures in Q1 2014 which were not fully deployed by Period end.

Credit facility

The Company has available a credit facility with a limit of \$25.0 million (December 31, 2012 – \$25.0 million). The credit facility is primarily used to bridge timing differences between new mortgage advances and repayments or follow-on equity offerings to reduce cash drag. The credit facility expires in October 2014 and is subject to an interest rate equal to the bank's prime rate of interest plus 1.5% (December 31, 2013 – bank's prime rate of interest plus 1.5%). The credit facility is secured by a general security agreement over the Company's assets. As at March 31, 2014, no amount was outstanding on the credit facility (December 31, 2013 – nil).

Interest paid related to the credit facility is amortized to financing costs using the effective interest rate method. In Q1 2014, interest on the credit facility of \$0.1 million (Q1, 2013 – \$0.1 million), was amortized to financing costs.

As at March 31, 2014, there were \$0.1 million (December 31, 2013 – \$0.1 million) in unamortized financing costs related to the credit facility. For the Period, the Company has amortized financing costs of \$0.03 million (Q1 2013 – \$0.04 million), to interest expense using the effective interest rate method.

Management's Discussion and Analysis

For the three months ended March 31, 2014

Convertible debentures

On February 25, 2014, the Company completed a public offering of \$30.0 million, with an over-allotment option of \$4.5 million that was completed on March 3, 2014, of 6.35% convertible unsecured subordinated debentures for net proceeds of \$32.9 million (the "debentures"). The debentures mature on March 31, 2019 and interest is payable semi-annually on March 31 and September 30 of each year. The Company believes that a modest amount of structural leverage coupled with increased borrowing under the credit facility is accretive to net earnings, while still maintaining a low risk profile. Overall, total leverage including the maximum credit facility amount plus the convertible debenture equates to approximately 16% of total assets, an amount we believe is conservative. The first interest payment will occur on September 30, 2014. The debentures are convertible into common shares at the option of the holder at any time prior to their maturity at a conversion price of \$11.25 per common share, subject to adjustment in certain events in accordance with the trust indenture governing the terms of the debentures.

Upon issuance of the debentures, the liability component of the debentures was recognized initially at the fair value of a similar liability that does not have an equity conversion option. The difference between these two amounts of \$0.6 million has been recorded as equity, with the remaining \$33.9 million allocated to long-term debt.

The discount on the debentures is being accreted such that the liability at maturity will equal the face value of \$34.5 million. The issue costs of \$1.6 million were proportionately allocated to the liability and equity components. The issue costs allocated to the liability component are amortized over the term of the debentures using the effective interest rate method.

The debentures are allocated as follows at Period end:

	March 31, 2014
Issued	\$ 34,500
Issue costs, net of amortization	(1,574)
Equity component	(578)
Issue costs attributed to equity component	27
Accretion for the period	10
Debentures, end of period	\$ 32,385

Net assets attributable to holders of redeemable shares

Under IFRS, IAS 32 requires that shares of an entity which include a contractual obligation for the issuer to repurchase or redeem the shares for cash or another financial asset, to be classified as a financial liability. Prior to the Transition, the Company's Class A and Class B shares did not meet the criteria in IAS 32 for classification as equity and therefore, were classified as financial liabilities. In addition, the dividends and issuance costs related to these shares were also presented as financing costs in the statement of net income and comprehensive income. Subsequent to the Transition, as described in the "Transition to Public Company Regime" section of this MD&A, Class A and Class B shares were exchanged into common shares and are classified as shareholders' equity.

There were no public equity offerings completed in Q1 2014 and 2013.

Management's Discussion and Analysis

For the three months ended March 31, 2014

Dividend reinvestment plan

As part of the Transition, the Company has amended and restated its dividend reinvestment plan ("DRIP") effective as of November 20, 2013. The amended and restated DRIP (the "Amended DRIP") replaces in its entirety the original DRIP (the "Original DRIP") established by the Company on May 19, 2010. In Q1 2014, 77,511 (Q1 2013 – 101,770 Class A shares issued from treasury under the Original DRIP) common shares were issued under the Amended DRIP and were acquired from the market.

Common shares

The Company is authorized to issue an unlimited number of common shares. The holders of common shares are entitled to receive notice of and to attend and vote at all meetings of the shareholders of the Company. The holders of the common shares shall be entitled to receive dividends as and when declared by the Board of Directors.

The common shares are classified as equity in the statements of financial position. Any incremental costs directly attributable to the issuance of common shares are recognized as a deduction from equity.

The changes in the number of common shares are as follows:

Three months ended March 31, 2014

Common shares outstanding, beginning of period	36,964,028
Repurchased	(77,511)
Issued under dividend reinvestment plan	77,511
Common shares outstanding, end of period	36,964,028

QUARTERLY FINANCIAL INFORMATION

The following is a quarterly summary of the Company's results for the eight most recently completed quarters:

	Q1 2014	Q4 2013	Q3 2013	Q2 2013	Q1 2013	Q4 2012	Q3 2012	Q2 2012
Net interest income	\$ 8,811	\$ 9,926	\$ 9,889	\$ 9,397	\$ 10,520	\$ 9,831	\$ 10,200	\$ 9,677
Expenses	(2,011)	(3,082)	(5,622)	(2,690)	(2,851)	(3,481)	(2,173)	(2,023)
Income from operations	6,800	6,844	4,267	6,707	7,669	6,350	8,027	7,654
Net operating loss from FPHFS	(97)	(182)	-	-	-	-	-	-
Financing costs:								
Interest on credit facility	(64)	(195)	(98)	(91)	(90)	(91)	(87)	(82)
Interest on convertible debentures	(243)	-	-	-	-	-	-	-
Issuance costs of redeemable shares	-	(3)	-	-	-	(10)	59	(69)
Dividends to holders of redeemable shares	-	(2,414)	(7,299)	(7,311)	(7,297)	(7,278)	(7,263)	(7,701)
	(307)	(2,612)	(7,397)	(7,402)	(7,387)	(7,379)	(7,291)	(7,852)
Net income (loss) and comprehensive income (loss)	\$ 6,396	\$ 4,050	\$ (3,130)	\$ (695)	\$ 282	\$ (1,029)	\$ 736	\$ (198)

Management's Discussion and Analysis

For the three months ended March 31, 2014

The variations in net income (loss) and comprehensive income (loss) by quarter are mainly attributed to the following:

- (i) In any given quarter, the Company is subject to volatility from portfolio turnover from both scheduled and less-predictable early repayments. As a result, net interest income will fluctuate quarterly. The Company models the portfolio throughout the year factoring in both scheduled and probable repayments, and the corresponding new mortgage advances to determine its distributable income on a calendar basis. Should any material changes in the business occur, the Company would adjust dividends accordingly during the year.
- (ii) We note a significant one-time expense in Q3 2013 of \$3.5 million relating to the Transition. In addition, within expenses the Company accrues the performance fee payable to the Manager. Given that the performance fee is adjusted for cash items, the volatility of cash receipts in the quarter (mainly relating to lender fees) will typically have a significant impact on the amount expensed.

RELATED PARTY TRANSACTIONS

As at March 31, 2014, due to Manager includes management and performance fees payable of \$758 (December 31, 2013 – \$2,347) and \$6 (December 31, 2013 – \$3) related to costs incurred by the Manager on behalf of the Company.

As at March 31, 2014, the Company, Timbercreek Global Real Estate Fund ("TGREF") and Timbercreek Four Quadrant Global Real Estate Partners ("T4Q"), related parties by virtue of common management, have co-invested in three (December 31, 2013 – three) mortgage investments amounting to \$21,877 (December 31, 2013 – \$21,210). Timbercreek Asset Management Ltd., a wholly owned subsidiary of the Manager, has been retained by TGREF and T4Q to provide fund management and portfolio advisory services.

As at March 31, 2014, the Company and TSMIC, a related party by virtue of common management, have co-invested in several mortgage investments, totaling \$659,345 (December 31, 2013 – \$681,961), which are secured primarily by multi-residential, office, retail, retirement and other commercial properties. The Company holds subordinated positions in these co-investments in relation to TSMIC. The Company's net share in these investments is \$206,345 (December 31, 2013 – \$216,000), and included in this amount is a mortgage investment of \$1,034 (December 31, 2013 – \$1,044) to a limited partnership, which is co-owned by T4Q. In addition, \$1 (December 31, 2013 – \$281) is receivable by the Company from TSMIC relating to amounts paid by the Company on behalf of TSMIC.

As at March 31, 2014, included in other assets is \$1,248 (December 31, 2012 – \$1,040) of cash held in trust for the Company by Timbercreek Mortgage Servicing Inc., a related party by virtue of common management. The balance relates to mortgage funding holdbacks and prepaid interest received from the borrowers.

Management's Discussion and Analysis

For the three months ended March 31, 2014

COMMITMENTS AND CONTINGENCIES

In the ordinary course of business activities, the Company may be contingently liable for litigation and claims arising from investing in mortgages and loans. Where required, management records adequate provisions in the accounts.

Although it is not possible to accurately estimate the extent of potential costs and losses, if any, management believes that the ultimate resolution of such contingencies would not have a material adverse effect on the Company's financial position.

CRITICAL ACCOUNTING ESTIMATES

In the preparation of the consolidated condensed interim financial statements, the Manager has made judgments, estimates and assumptions that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

In making estimates, the Manager relies on external information and observable conditions where possible, supplemented by internal analysis as required. Those estimates and judgments have been applied in a manner consistent with the prior period and there are no known trends, commitments, events or uncertainties that we believe will materially affect the methodology or assumptions utilized in making those estimates and judgments in these consolidated financial statements. The significant estimates and judgments used in determining the recorded amount for assets and liabilities in the consolidated financial statements are as follows:

Mortgage investments:

The Company is required to make an assessment of the impairment of mortgage investments. Mortgage investments are considered to be impaired only if objective evidence indicates that one or more events ("loss events") have occurred after its initial recognition, that have a negative effect on the estimated future cash flows of that asset. Specifically, the Company will consider loss events including, but not limited to: 1) payment default by a borrower; 2) whether security of the mortgage has been negatively impacted by some event; and 3) financial difficulty experienced by a borrower. The estimation of future cash flows includes assumptions about local real estate market conditions, market interest rates, availability and terms of financing, underlying value of the security and various other factors. These assumptions are limited by the availability of reliable comparable market data, economic uncertainty and the uncertainty of future events. Accordingly, by their nature, estimates of impairment are subjective and may not necessarily be comparable to the actual outcome. Should the underlying assumptions change, the estimated future cash flows could vary.

Measurement of fair values:

The Company's accounting policies and disclosures require the measurement of fair values for both financial and non-financial assets and liabilities.

When measuring the fair value of an asset or liability, the Company uses market observable data where possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Management's Discussion and Analysis

For the three months ended March 31, 2014

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The Manager reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or appraisals are used to measure fair values, the Manager will assess the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which such valuations should be classified.

CHANGES IN ACCOUNTING POLICIES

Except as described below, the accounting policies applied by the Company in the condensed consolidated interim financial statements are the same as those applied by the Company in its consolidated financial statements for the year ended December 31, 2013, which were prepared in accordance with IFRS.

(a) Convertible debentures:

The convertible debentures are a compound financial instrument as it contains both a liability and an equity component.

At the date of issuance, the liability component of convertible debentures is recognized at its estimated fair value of a similar liability that does not have an equity conversion option and the residual is allocated to the equity component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts. Subsequent to initial recognition, the liability component of a convertible debenture is measured at amortized cost using the effective interest rate method. The equity component is not re-measured subsequent to initial recognition and will be transferred to share capital when the conversion option is exercised or, if unexercised, at maturity.

Interest, losses and gains relating to the financial liability are recognized in profit or loss.

(b) Changes in accounting policies

- (i) IAS 32, Financial Instruments: Presentation ("IAS 32"):

In December 2011, the IASB published Offsetting Financial Assets and Financial Liabilities and issued new disclosure requirements in IFRS 7. The Company has adopted the amendments to IAS 32 in its condensed consolidated interim financial statements for the three months ended March 31, 2014 and 2013. The implementation of these standards had no impact on the condensed consolidated interim financial statements.

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(ii) Levies:

In 2013, the International Accounting Standards Board (IASB) issued IFRIC 21, "Levies" ("IFRIC 21"). The IFRIC addresses accounting for a liability to pay a levy within the scope of IAS 37, "Provisions, contingent liabilities and contingent assets" ("IAS 37"). A levy is an outflow of resources embodying economic benefits that is imposed by governments on entities in accordance with legislation, other than income taxes within the scope of annual periods beginning on or after January 1, 2014, and is to be applied retrospectively. The implementation of this standard had no impact on the condensed consolidated interim financial statements.

OUTSTANDING SHARE DATA

As at May 6, 2013, the Company's authorized capital consists of an unlimited number of common shares, of which 36,964,028 are issued and outstanding.

CAPITAL STRUCTURE AND LIQUIDITY

Capital structure

The Company manages its capital structure in order to support ongoing operations while focusing on its primary objectives of preserving shareholder capital and generating a stable monthly cash dividend to shareholders. During the Period, the Company added the debentures to the capital structure of the Company to complement the common shares and credit facility. The Company believes that a modest amount of structural leverage gained from the debentures is accretive to net earnings, while having a low impact on the risk profile of its business.

The Company reviews its capital structure on an ongoing basis and adjusts its capital structure in response to mortgage investment opportunities, the availability of capital and anticipated changes in general economic conditions.

Liquidity

Access to liquidity is an important element of the Company as it allows the Company to implement its investment strategy. The Company intends to qualify as a MIC as defined under Section 130.1(6) of the Income Tax Act (Canada) and as a result is required to distribute not less than 100% of the taxable income of the Company to its shareholders. The Company manages its liquidity position through various sources of cash flows including cash generated from operations, equity and debt offerings and the credit facility. The Company routinely forecasts cash flow sources and requirements to ensure cash is efficiently utilized. In addition, the Company has the borrowing ability of \$25.0 million through its credit facility and seeks to manage the fluctuations in cash flows as a result of the timing of mortgage investment fundings and repayments and other working capital needs.

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For the three months ended March 31, 2014

The following are the contractual maturities of financial liabilities as at March 31, 2014, including expected interest payments:

	Carrying values	Contractual cash flows	Within a year	Following year	2–5 years	Over 5 years
Mortgage funding holdbacks	\$ 29	\$ 29	\$ 29	\$ –	\$ –	\$ –
Dividends payable	2,477	2,477	2,477	–	–	–
Due to Manager	764	764	764	–	–	–
Prepaid mortgage interest	1,219	1,219	1,219	–	–	–
Accounts payable and accrued expenses	773	773	773	–	–	–
Convertible debentures	32,385	45,460	1,651	2,191	6,578	35,040
Unadvanced mortgage commitments	–	15,250	15,250	–	–	–
	\$ 37,647	\$ 65,972	\$ 22,163	\$ 2,191	\$ 6,578	\$ 35,040

As at March 31, 2014, the Company's cash position was \$15.8 million (December 31, 2013 – \$12.3 million) including an undrawn credit facility of \$25.0 million (December 31, 2013 – \$25.0 million). The Company is confident that it will be able to finance its operations using the cash flow generated from operations, the credit facility and the proceeds raised in subsequent equity and debt offerings.

FINANCIAL INSTRUMENTS

The Company has designated its financial instruments as follows:

	Classification	Measurement
Financial assets		
Cash and cash equivalents	Loans and receivables	Amortized cost
Other assets	Loans and receivables	Amortized cost
Mortgage investments, including mortgage syndications	Loans and receivables	Amortized cost
Financial liabilities		
Accounts payable and accrued expenses	Other financial liabilities	Amortized cost
Foreign exchange forward contract	FVTPL	Fair value
Dividends payable	Other financial liabilities	Amortized cost
Due to Manager	Other financial liabilities	Amortized cost
Mortgage funding holdbacks	Other financial liabilities	Amortized cost
Prepaid mortgage interest	Other financial liabilities	Amortized cost
Convertible debentures	Other financial liabilities	Amortized cost
Mortgage syndication liabilities	Other financial liabilities	Amortized cost

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The fair values of cash and cash equivalents, other assets, accounts payable and accrued expenses, dividends payable, due to Manager, mortgage funding holdbacks and prepaid mortgage interest approximate their carrying amounts due to their short-term nature.

The fair value of mortgage investments and mortgage syndication liabilities approximate to their carrying values given the mortgage investments consist of short-term loans that are repayable at the option of the borrower without yield maintenance or penalties.

The fair value of the debentures approximate to their carrying value given the proximity of the issuance of the debentures to period end.

The Company's use of financial instruments exposes the Company to various related risks which are outlined in note 17 of the consolidated financial statements of the Company for the year ended December 31, 2013. There were no significant changes in risks during Q1 2014.

RISKS AND UNCERTAINTIES

The Company is subject to certain risks and uncertainties that may affect the Company's future performance and its ability to execute on its investment objectives. We have processes and procedures in place in an attempt to control or mitigate certain risks, while other risks cannot be or are not mitigated. Material risks that cannot be mitigated include a significant decline in the general real estate market, interest rates changing markedly, being unable to make mortgage investments at rates consistent with rates historically achieved, not having adequate mortgage investment opportunities presented to us, and not having adequate sources of bank financing available.

For a full discussion of the risks and uncertainties, please also refer to the "Risk Factors" section of our Annual Information Form for the year ended December 31, 2013.

Management's Discussion and Analysis

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DISCLOSURE CONTROLS AND PROCEDURES & INTERNAL CONTROL OVER FINANCIAL REPORTING

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to senior management, including the CEO and CFO on a timely basis, so that appropriate decisions can be made regarding public disclosures.

The preparation of this information is supported by a set of disclosure controls and procedures ("DC&P's") implemented by management. In fiscal 2013, these controls and procedures were reviewed and the effectiveness of their design and operation was evaluated. This evaluation confirmed the effectiveness of the design and operation of DC&P's as at December 31, 2013. The evaluation was performed in accordance with the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") control framework adopted by the Company and the requirements of National Instrument 52-109 of the Canadian Securities Administrators titled, 'Certification of Disclosure in Issuers' Annual and Interim Filings'.

There were no changes made to our DC&P during the three months ended March 31, 2014. The Company continues to review the design of DC&P's to provide reasonable assurance that material information relating to the Company is properly communicated to certifying officers responsible for establishing and maintaining DC&P's, as those terms are defined in National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings as at December 31, 2013. The Company confirmed the effectiveness of the design of Internal Controls over Financial Reporting ("ICFR") to provide reasonable assurance regarding the reliability of financial statements and information the Company may, from time to time, make changes aimed at enhancing their effectiveness and ensuring that our systems evolve with our business.

As at December 31, 2013, the Company confirmed the effectiveness of the design of internal controls over financial reporting ("ICFR") to provide reasonable assurance regarding the reliability of financial statements and information. The Company may, from time-to-time, make changes aimed at enhancing its effectiveness and ensuring that our systems evolve with the changing needs. The design of ICFR are reviewed and updated, if necessary, to ensure they remain effective to provide reasonable assurance regarding the reliability of financial statements and information. There were no changes made in our ICFR during the three months ended March 31, 2014, that have materially affected, or are reasonably likely to materially affect, our ICFR.

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For the three months ended March 31, 2014

ADDITIONAL INFORMATION

Phone

Calling the Company at 1-866-898-8868, Carrie Morris, Managing Director Capital Markets & Corporate Communications.

Shareholders who wish to enroll in the DRIP or who would like further information about the plan should contact Corporate Communications at (416) 306-9967 ext. 7266 (collect if long distance).

Internet

Visiting SEDAR at www.sedar.com; or

Mail

Writing to the Company at:

Timbercreek Mortgage Investment Corporation
Attention: Corporate Communications
1000 Yonge Street, Suite 500
Toronto, Ontario M4W 2K2