Management's Discussion and Analysis

Timbercreek Senior Mortgage Investment Corporation

For the year ended December 31, 2013

Timbercreek
Asset Management

Management's Discussion and Analysis

For the year ended December 31, 2013

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 Senior 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 March 5, 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 Senior Mortgage Investment Corporation (the "Company") is incorporated under the Canada Business Corporations Act by articles of incorporation dated December 1, 2011. 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, Class I, Class J and voting shares, and provide for the creation of a new class of common shares for which all existing classes of redeemable shares will be exchanged. On November 29, 2013 (the "Exchange Date"), all issued and outstanding Class A, Class B, Class I and Class J shares were exchanged into common shares.

The Company invests in first 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 Company commenced operations on January 19, 2012 when it completed an initial public offering of Class A shares and issued subscription receipts, which were subsequently converted into Class A shares.

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 first mortgage investments, consisting primarily of conventional mortgages 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 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 5,454,283 Class A shares, 32,933 Class B shares, 74,000 Class I shares and no Class J shares for the Special Redemption. The total redemptions payable of $51,550 were paid on November 27, 2013. On the Exchange Date, the Company exchanged all of the outstanding 30,825,108 Class A shares, 186,626 Class B shares, 424,700 Class I shares and 86,250 Class J shares into a newly created class of common shares. The common shares commenced trading on the Toronto Stock Exchange ('TSX') on the Exchange Date, continuing under the symbol 'MTG', and the Class A shares ceased to trade after the close of market on November 28, 2013.

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 and administrative services of the Company's mortgage assets.

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

In connection with the Transition, the Company has incurred total costs of $4,121 which includes soliciting dealer fees, soliciting broker fees, audit fees, legal fees and other related costs. The Manager elected to assume responsibility for $250 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 year ended December 31, 2013 (the 'Year'). This MD&A should be read in conjunction with the consolidated financial statements for the years ended December 31, 2013 and 2012 which are prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB").

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.

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 (loss) 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 and Transition related costs) 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 and unamortized lender fees 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 investment portfolio over the stated period;
- Weighted average interest rate – represents the weighted average interest rate on the net mortgage investments;
- 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 monthly weighted average net mortgage investments for the stated period; and
- Payout ratio – represents total dividends paid to the holders of redeemable shares and common shares divided by distributable income.

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RECENT DEVELOPMENTS AND OUTLOOK

During the Year, the Manager continued to view Canadian investment-grade real estate fundamentals as being stable and sustainable, contributing to an attractive lending environment. Even though most Canadian public REITs saw a lot of volatility in their trading prices throughout the Year, which reduced their ability to raise new equity capital, the demand for investment-grade commercial real estate from other institutional and private investors has quickly become more competitive as the demand for stable cash yielding investments continued to be strong. Further, underlying market fundamentals remained stable as additions to supply were limited and there was very little change in rental rates. The result has been continued strength in asset valuations.

In the commercial mortgage industry we continue to see strong deal flow and interaction with quality borrowers that own investment-grade real assets. Though many of these borrowers continued to be presented with multiple low-cost financing options, these options often did not meet the borrowers' requirements due to the more rigid policies of institutional lenders, and continued uncertainty in the banking sector as a result of new Basel III risk-weighted capital requirements. As well, the Canadian securitization market has remained very quiet, with effectively no issuance of Commercial Mortgage Backed Securities in 2013. The net result of these factors is a continuing large gap in the supply-side of the credit market for high quality mortgage investments. This gap is being increasingly filled by non-bank lenders.

With the recent rise in the medium-term Canada bond yields, the gap in cost-of-funds between institutional lenders and non-bank lenders has narrowed slightly making the non-bank lenders more competitive in general. In addition, there is limited competition for the Company's targeted mortgage investments from other non-bank lenders as most non-bank lenders have a higher cost of capital. Over the past six months, limited new capital has been raised by the public participants in the Canadian non-bank lending universe in general. Most of the issuers that have raised new capital do not have a low enough targeted yield to compete with the Company on its targeted mortgage investments; regardless, the amount of capital raised by these issuers has not been substantial enough to materially impact the supply side of the lending market. As a result, deal flow and lending opportunities have been abundant, and were particularly strong in the last quarter of 2013. The Manager is very comfortable that the Company can continue to meet its investment objectives in this environment, particularly as the Company is able to take advantage of its strategic relationship with Timbercreek Mortgage Investment Corporation ("TMIC") to offer flexible lending solutions to qualified borrowers.

Given the current availability of high quality mortgage investments and general market trends observed by the Manager, there has been no need to modify the Company's Asset Allocation Model ("AAM") during the Year. 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	
	December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012
STATEMENT OF FINANCIAL POSITION HIGHLIGHTS (as at)				
Mortgage investments, including mortgage syndications	$ 515,797	$ 373,929	$ 515,797	$ 373,929
Total assets	$ 519,007	$ 376,067	$ 519,007	$ 376,067
Credit facility	$ 108,746	$ 33,602	$ 108,746	$ 33,602
Net assets attributable to Class A, B, I and J shareholders	$ –	$ 296,057	$ –	$ 296,057
Shareholders' equity	$ 288,762	$ –	$ 288,762	$ –
FINANCIAL INFORMATION (for the period ended)				
Distributable income	$ 5,579	$ 7,252	$ 21,082	$ 10,828
Targeted dividend yield [1]	4.61%	4.59%	4.61%	4.61%
Actual dividend yield [2]	6.97%	6.09%	7.03%	5.61%
Closing trading price	$ 8.54	$ 9.80	$ 8.54	$ 9.80
Payout ratio	89.73%	119.08%	104.50%	123.67%
Net income per share (basic and diluted)	$ 0.14	–	$ 0.42	–
Adjusted net income per share (basic and diluted)	$ 0.14	–	$ 0.53	–
Dividends per share:				
Class A	$ 0.050	$ 0.150	$ 0.500	$ 0.550
Class B	$ 0.054	$ –	$ 0.540	$ –
Class I	$ 0.054	$ 0.162	$ 0.540	$ 0.324
Class J	$ 0.052	$ 0.156	$ 0.520	$ 0.364
Common	$ 0.100	$ –	$ 0.100	$ –
MORTGAGE INVESTMENTS INFORMATION[3]				
Net mortgage investments	$ 401,456	$ 332,999	$ 401,456	$ 332,999
Average net mortgage investment	$ 6,475	$ 10,406	$ 6,475	$ 10,406
Weighted average interest rate	6.52%	6.66%	6.52%	6.66%
Average lender fee	0.89%	0.77%	0.86%	0.72%
Turnover ratio	28.33%	14.02%	84.35%	52.61%

1 Targeted dividend yield equals the average 2-Year Government of Canada Bond Yield plus 350 basis points.

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

3 Refer to Non-IFRS Measures section, where applicable

For the three months ended December 31, 2013 ("Q4 2013") and December 31, 2012 ("Q4 2012")

- The Company advanced 13 new mortgage investments (Q4 2012 – 8) totaling $124.3 million (Q4 2012 – $103.2 million), had additional advances on existing net mortgage investments totaling $0.7 million (Q4 2012 – nil) and received full repayments on 8 net mortgage investments (Q4 2012 – 2) and partial pay downs totaling $116.3 million (Q4 2012 – $45.1 million), resulting in a change in net mortgage investments of $8.7 million (Q4 2012 – $58.1 million).
- Net interest income earned by the Company in Q4 2013 was $7.3 million (Q4 2012 – $5.5 million), an increase of $1.8 million, or 33.1%, from the same period last year. The increase over the same period last year is a result of fully deploying the equity raised from multiple equity offerings throughout 2012 and 2013, along with the use of leverage, into net mortgage investments.
- The Company received non-refundable lender fees of $1.1 million (Q4 2012 – $0.8 million) or 0.89% (Q4 2012 – 0.77%) of new net mortgage investments funded in Q4 2013.
- The Company generated income from operations of $5.9 million (Q4 2012 – $4.2 million), an increase of $1.7 million, or 41.2%, from the same period last year. The increase from the same period last year is a result of fully deploying the equity raised from multiple equity offerings throughout 2012 and 2013, along with the use of leverage, into net mortgage investments.
- Prior to the Transition, the Company paid dividends of $0.05 per Class A share for a total of $1.8 million (Q4 2012 – $0.15; $4.6 million), $0.05 per Class B share for a total of $0.01 million (Q4 2012 – nil; nil), $0.05 per Class I share for a total of $0.03 million (Q4 2012 – $0.16; $0.06 million) and $0.05 per Class J share for a total of $0.01 million (Q4 2012 – $0.15; $0.06 million).
- Subsequent to the Transition, the Company declared dividends of $0.10 per common share for a total $3.2 million (Q4 2012 – Nil).
- The Company redeemed requests from holders of 5,454,283 Class A shares, 32,933 Class B shares, 74,000 Class I shares and no Class J shares for the Special Redemption. The total redemptions payable of $51.5 million was paid on November 27, 2013.
- The Company exchanged all of the 30,825,108 outstanding Class A shares, 186,626 outstanding Class B shares, 424,700 outstanding Class I shares and 86,250 outstanding Class J shares into a newly created class of common shares.
- On October 2, 2013, the Credit Facility was amended to incorporate changes to the borrowing base criteria providing the Company with enhanced borrowing flexibility.

For the years ended December 31, 2013 (the "Year") and December 31, 2012 ("2012")

- The Company completed a public offering of 5,916,446 Class A shares for gross proceeds of $58.3 million (2012 – 30,812,583; $306.0 million). The Company also completed non-brokered private placements of 220,559 Class B shares (2012 – nil; nil), for gross proceeds of $2.2 million, 184,000 Class I shares, for gross proceeds of $1.8 million (2012 – 344,700; $3.4 million) and 31,250 Class J shares for gross proceeds of $0.3 million (2012 – 478,100; $4.8 million).

- The Company redeemed requests from holders of 5,454,283 Class A shares, 32,933 Class B shares, 74,000 Class I shares and no Class J shares for the Special Redemption. The total redemptions of $51.5 million were paid on November 27, 2013.
- On the Exchange Date, the Company exchanged all of the 30,825,108 outstanding Class A shares, 186,626 outstanding Class B shares, 424,700 Class I shares and 86,250 Class J shares into 31,556,608 common shares.
- The Company advanced 55 new mortgage investments (2012 – 39) totaling $378.3 million (2012 – $435.8 million), had additional advances on existing mortgage investments of $20.2 million (2012 – nil) and received full repayments on 25 mortgage investments (2012 – 7) and partial pay downs totaling $330.1 million (2012 – $102.8 million), resulting in a change in net mortgage investments of $68.4 million (2012 – $333.0 million).
- Net interest income earned by the Company was $28.2 million (2012 – $12.9 million), an increase of $15.3 million, or 118.2%, over 2012. The increase over prior year is a result of fully deploying the equity raised from multiple equity offerings through 2012 and 2013, along with the use of leverage, into mortgage investments, and by fees generated from strong investment turnover experienced by the Company.
- The Company received non-refundable lender fees of $3.3 million (2012 – $3.1 million) or 0.86% (2012 – 0.72%) of new mortgage investments funded in the Year.
- The Company generated income from operations of $18.6 million (2012 – $9.2 million), an increase of $9.4 million, or 102.7%, from the last year. The increase from the last year is a result of fully deploying the equity raised from multiple equity offerings throughout 2012 and 2013 into mortgage investments.
- Prior to the Transition, the Company paid dividends of $0.50 per Class A share for a total of $18.4 million (2012 – $0.55; $13.1 million), $0.54 per Class B share for a total of $0.1 million (2012 – Nil), $0.54 per Class I share for a total of $0.2 million (2012 – $0.32; $0.1 million) and $0.52 per Class J share for a total of $0.1 million (2012 – $0.36; $0.2 million). The dividends exceeded the Company's targeted dividend yield of the 2-Year Government of Canada Bond Yield ("2-Yr GOC Yield") plus 350 basis points.
- Subsequent to the Transition, the Company paid and declared dividends of $0.10 per common share for a total $3.2 million (Q4 2012 – Nil).
- On October 2, 2013, the Credit Facility was amended to incorporate changes to the borrowing base criteria providing the Company with enhanced borrowing flexibility.
- On January 20, 2014 the Board of Directors appointed Andrew Jones as Chief Executive Officer of the Company, effective immediately, to replace Blair Tamblyn. Blair Tamblyn will remain as Chairman of the Board of Directors.

ANALYSIS OF FINANCIAL INFORMATION FOR THE YEAR

Distributable income

	Year ended December 31, 2013	Year ended December 31, 2012
Net loss and comprehensive loss	$ (6,453)	$ (18,656)
Less: amortization of lender fees	(2,330)	(814)
Add: one-time Transition related costs	3,871	–
Add: lender fees received during the year	3,267	3,126
Add: amortization of financing costs	552	346
Add: issuance cost of redeemable shares	3,301	13,435
Add: dividends to holders of redeemable shares	18,874	13,391
Distributable income	**21,082**	**10,828**
Less: dividends to holders of redeemable shares	(18,874)	(13,391)
Less: dividends to common shareholders	(3,156)	–
(Over) / under distribution	**(948)**	**(2,563)**
Payout ratio	104.50%	123.67%
Turnover ratio	84.35%	52.61%
Revolver balance at period end	108,746	33,602
Revolver limit	130,000	130,000
Revolver utilization of net mortgage investments at year end	27%	10%

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 reviews, and approves dividends. As noted above in the 'Recent Developments and Outlook' sections, both the Manager and the Board remain very comfortable with the broader market fundamentals.

When evaluating the specific performance metrics of the Company's ability to sustain, and ultimately grow dividends, a number of criteria were noted by the Board. Three of those criteria are addressed below:

Leverage

The Company's business model contemplates utilizing its Credit Facility to employ a conservative amount of leverage in order to achieve its targeted dividends. The leverage of the Company in aggregate cannot exceed 40% of the aggregate value of the assets of the Company at any time. The Company intends to utilize leverage representing approximately 30% of the aggregate value of the assets of the Company at any time, with the remaining portion of the Credit Facility reserved for general working capital purposes. At Year end, the Company's leverage was 27% of net mortgage investments (December 31, 2012 – 10%), which is within the Company's targeted leverage ratio.

Portfolio Turnover

Portfolio turnover (i.e. the repayment of mortgages) – while inherently a validation of a lenders exit strategy, also impacts dividends by virtue of causing "cash drag" on short-notice repayments. Ensuring the Company maintains a leverage ratio of approximately 30% helps mitigate short-notice unexpected repayments. As noted above, the portfolio turnover for the Year is 84.35% (2012 – 52.61%). The Company's long-term expectation is 30% per annum.

Trailer Fees

As a result of the Company's Transition, the requirement to pay Trailer Fees has ended. The Company paid Trailer Fees equal to $805 during the Year (2012 – $827).

The Board and the Manager believe that, in light of the factors noted above, an over-distribution of $948 through December 31, 2013, representing only 0.33% of net assets of the Company, is appropriate and preferable to introducing short term volatility in the dividends of the Company.

Statements of income (loss) and comprehensive income (loss)

	Three months ended December 31,			Year ended December 31,		
	2013	2012	% Change	2013	2012	% Change
Net interest income	$ 7,325	$ 5,504	33.1%	$ 28,234	$ 12,941	118.2%
Expenses	(1,436)	(1,333)	7.7%	(9,656)	(3,776)	155.7%
Income from operations	5,889	4,171	41.2%	18,578	9,165	102.7%
Financing costs:						
Interest on credit facility	(1,048)	(451)	132.2%	(2,856)	(996)	186.7%
Issuance costs of redeemable shares	(4)	(33)	(89.1%)	(3,301)	(13,435)	(75.4%)
Dividends to holders of redeemable shares	(1,851)	(4,757)	(61.1%)	(18,874)	(13,391)	40.9%
Net loss and comprehensive loss	**$ 2,986**	**$ (1,070)**	**379.2%**	**$ (6,453)**	**$ (18,657)**	**(65.4%)**

Net interest income[1]

The Company earned net interest income for the three months and year ended December 31, 2013 of $7.3 million and $28.2 million, respectively. The significant increase in income over the same period last year was due to the Company increasing its net mortgage investments by approximately $68.5 million, or 20.6%, from December 31, 2012 to December 31, 2013. Net interest income is made up of the following:

(a) Interest income

For the three months and year ended December 31, 2013, the Company earned $6.5 million and $25.6 million (Q4 2012 – $3.9 million; 2012 – $6.8 million) in interest income on the net mortgage investments, respectively. The weighted average interest rate on the mortgage portfolio decreased slightly over the Year, to 6.52% at December 31, 2013 from 6.66% at December 31, 2012. While the average net mortgage investment decreased over the Year, it is still within the Company's targeted range.

(b) Lender fee income

During the three months and year ended December 31, 2013, the Company received non-refundable lender fees of $1.1 and $3.3 million (Q4 2012 – $0.8 million; 2012 – $3.1 million), or 0.89% and 0.86% (Q4 2012 – 0.77%; 2012 – 0.72%) of new mortgage investments funded in the respective periods. These lender fees are amortized using the effective interest rate method over the expected life of the mortgage investments to lender fee income. For the three months and year ended December 31, 2013, $0.7 million and $2.3 million (Q4 2012 – $0.3 million; 2012 – $0.8 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 turnover. 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

For the three months and year ended December 31, 2013, the Company earned $0.08 million and $0.3 million (Q4 2012 – $0.03 million; 2012 – $0.2 million) in other income. Other income includes fees earned on mortgage fundings, prepayment penalties and exit fees earned on mortgage repayments and other miscellaneous fees. The Manager does not retain any portion of fees, thus maximizing the income of the Company.

Expenses

For the three months and year ended December 31, 2013, the Company's expense ratio[2] was 1.3% and 1.5% (Q4 2012 – 1.7%; 2012 – 2.0%). As the Company continues to grow its mortgage investment portfolio, its expense ratio will decrease as several of the operating costs of the Company do not increase in proportion to the size of the Company.

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[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.

[2] Defined in Non-IFRS Measures section.

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 0.85% 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 that are held by third parties.

For the three months and year ended December 31, 2013, the Company incurred management fees of $1.0 million and $4.0 million (Q4 2012 – $0.8 million; 2012 – $2.4 million). The management fee has increased due to the increase in total assets of the Company during the Year.

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 Q3 2013, the Company was paying 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. For the Year, the Company incurred trailer fees of $0.8 million (2012 – $0.8 million) for Class A shares.

As noted above, prior to Q4 2013, the Company was paying each registered dealer a trailer fee equal to 0.25% annually of the net redemption value per Class J share held by clients of the registered dealer, calculated and paid at the end of each calendar quarter, commencing on December 31, 2012. For the Year, the Company incurred trailer fees of $0.01 million (2012 – $0.01 million) for Class J shares.

Transition related costs

In connection with the Transition, the Company has incurred a one-time expense of $4.1 million, which includes soliciting dealer fees of $0.7 million, soliciting broker fees of $2.9 million and audit, legal and other related fees of $0.5 million. The Manager elected to assume responsibility for $0.25 million of costs relating to the Transition.

General and administrative

For the three months and year ended December 31, 2013, the Company incurred general and administrative expenses of $0.3 million and $1.0 million (Q4 2012 – $0.2 million; 2012 – $0.5 million). General and administrative expenses consist mainly of audit fees, professional fees, director fees and other operating costs associated with operating the Company and administration of the mortgage investment portfolio. As the Company increases its net assets, operating expenses continue to decrease, equating to 0.3% of the average net mortgage investment portolio for the Year (2012 – 0.3%).

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 the three months and year ended December 31, 2013 relating to the credit facility were $1.0 million (Q4 2012 – $0.5 million) and $2.9 million (2012 – $1.0 million) respectively.

Issuance costs of redeemable shares

As the Class A, B, I and J shares were classified as liabilities under IFRS, the issuance costs associated with periodic equity offerings were recorded as financing costs and are recognized in profit and loss. For the Year, the Company incurred issuance costs of $3.3 million (2012 – $13.4 million) relating to the issuance of Class A, B, I and J shares on total gross proceeds of $62.6 million (2012 – $314.2 million). The issuance costs include agent's commissions, legal, professional and other costs relating to the offering.

Dividends to holders of redeemable shares and common 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 redeemable shares and to common shareholders for the three months and year ended December 31, 2013 and 2012.

	Three months ended December 31, 2013		Year ended December 31, 2013	
	Dividends per share	Total	Dividends per share	Total
Class A	$0.050	$ 1,808	$0.500	$ 18,416
Class B	0.054	12	0.540	119
Class I	0.054	27	0.540	235
Class J	0.052	4	0.520	104
Common	0.100	3,156	0.100	3,156

	Three months ended December 31, 2012		Year ended December 31, 2012	
	Dividends per share	Total	Dividends per share	Total
Class A	$ 0.150	$ 4,641	$0.550	$ 13,119
Class B	–	–	–	–
Class I	0.162	56	0.324	111
Class J	0.156	61	0.364	161

The current dividend yield of 7.03% on Class A and common shares (based on the closing market price of common shares at year-end) is in excess of the Company's targeted dividend yield of 4.61% (2-Yr GOC Yield plus 350 basis points).

STATEMENT OF FINANCIAL POSITION

Net mortgage investments

The balance of net mortgage investments is as follows:

	December 31, 2013	December 31, 2012	Change
Mortgage investments, including mortgage syndications	$ 401,456	$ 332,999	$ 68,457
Interest receivable	2,177	1,623	554
	403,633	334,622	69,011
Unamortized lender fees	(3,249)	(2,312)	(937)
	$ 400,384	**$ 332,310**	**$ 68,074**

During the Year, the Company advanced 55 new mortgage investments (2012 – 39) totaling $378.3 million (2012 – $435.8 million), had additional advances on existing mortgage investments of $20.2 million (2012 – nil) and received full repayments on 25 mortgage investments (2012 – 7) and partial pay downs totaling $330.1 million (2012 – $102.8 million) , resulting in a change in net mortgage investments of $68.4 million (2012 – $333.0 million), or a portfolio turnover rate of 84.35% (2012 – 52.61%). As at December 31, 2013, the average net mortgage investment was approximately $6.5 million (December 31, 2012 – $10.4 million). Further, the new mortgage investments for the Year equate to approximately 94.2% of the Company's mortgage investments at Year end (December 31, 2012 – 130.9%). The average net mortgage investment decreased over the Year and is mainly attributable to the Company continually balancing the mortgage investment portfolio within its AAM.

The mortgage investments are assessed at each reporting date to determine whether there is objective evidence of impairment. A mortgage investment is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of an asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably. As at December 31, 2013, no impairment losses have been recorded.

The Company enters into certain mortgage participation agreements with mainly third party lenders, using senior and subordinated participation, all of which is secured by first mortgage positions, whereby the lenders take the senior position and the Company retains the subordinated first position. These agreements 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 lender's proportionate share together with all accrued interest. During the Year, the non-recourse mortgage syndications have increased to $115.4 million (December 31, 2012 – $41.6 million), as the Company is expanding its relationships with various lenders. These syndications provide the Company with flexibility through the ability to buy-back the existing investments at a future date if desired.

As at December 31, 2013, the Company's mortgage investments comprised of 62 mortgage investments (December 31, 2012 – 32) which were allocated across the following categories:

(a) Region

	December 31, 2013		December 31, 2012	
	# of Loans	% of Net Mortgage Investments	# of Loans	% of Net Mortgage Investments
ON	31	45.5%	19	63.7%
QC	9	20.7%	5	21.8%
AB	9	10.3%	3	10.3%
BC	6	14.1%	2	1.7%
SK	4	5.7%	3	2.5%
OT	1	1.9%	0	0.0%
NS	1	1.6%	0	0.0%
MB	1	0.2%	0	0.0%
	62	**100.0%**	**32**	**100.0%**

The Company continued to focus its efforts on diversifying the mortgage investment portfolio, with its greatest concentration in Canada's largest provinces. As at December 31, 2013 90.6% (December 31, 2012 – 97.5%) of the mortgage investments were allocated across Ontario, Quebec, British Columbia and Alberta. During the Year, the average loan size decreased, providing the Company with less exposure to any one particular mortgage. 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 and office assets in good markets, with multiple repeat borrowers with proven track records.

(b) Maturity

	December 31, 2013		December 31, 2012	
	# of Loans	% of Net Mortgage Investments	# of Loans	% of Net Mortgage Investments
Maturing 2013	–	–	7	12.0%
Maturing 2014	17	17.1%	14	29.5%
Maturing 2015	33	59.4%	10	46.5%
Maturing 2016	12	23.5%	1	12.0%
	62	**100.0%**	**32**	**100.0%**

The Company's portfolio turnover rate for the Year was strong at 84.35% (December 31, 2012 – 52.61%). The Company's strong portfolio turnover helps generate fee income, all of which goes to the Company while ensuring the Company is able to respond quickly to a changing interest rate environment. The weighted average term to maturity as at December 31, 2013 is 2.2 years (December 31, 2012 – 3.1 years), in-line with the portfolio's target maturity of 2 – 3 years.

(c) Asset Type

	December 31, 2013		December 31, 2012	
	# of Loans	% of Net Mortgage Investments	# of Loans	% of Net Mortgage Investments
Multi-residential	23	40.3%	12	40.0%
Office	9	14.6%	5	19.1%
Retail	9	12.3%	4	8.7%
Retirement	3	8.7%	2	10.4%
Industrial	6	6.4%	2	3.0%
Other-residential	2	5.5%	3	13.2%
Hotels	2	4.8%	1	0.9%
Unimproved land	4	4.1%	1	4.0%
Single-residential	2	1.7%	2	0.7%
Self-storage	2	1.6%	0	0.0%
	62	**100.0%**	**32**	**100.0%**

The Company has developed a lending niche predominantly in cash-flowing assets, while specifically targeting multi-residential assets. Historically, the Company has had very little exposure to land development, single-family residential mortgages and construction loans, where demand is largely impacted by the strength or weakness of the Canadian housing market and typically do not generate cash flow to service the mortgage investment.

(d) Interest Rate

	December 31, 2013		December 31, 2012	
	# of Loans	% of Net Mortgage Investments	# of Loans	% of Net Mortgage Investments
5.00% or lower	4	13.2%	0	0.0%
5.01%–5.49%	4	8.4%	0	0.0%
5.50%–5.99%	9	13.8%	5	27.9%
6.00%–6.49%	6	10.5%	4	8.8%
6.50%–6.99%	6	11.3%	6	23.2%
7.00% or greater	33	42.8%	17	40.1%
	62	**100.0%**	**32**	**100.0%**

The weighted average interest rate, excluding lender fee income, on the mortgage investments at December 31, 2013 was 6.52% (December 31, 2012 – 6.66%). The weighted average interest rate was greater than the Company's target return for the Year of 4.61% (December 31, 2012 – 4.61%), equal to the 2-Yr GOC Yield plus 350 basis points.

(e) Loan-to-value

	December 31, 2013		December 31, 2012	
	# of Loans	% of Net Mortgage Investments	# of Loans	% of Net Mortgage Investments
55% or less	29	44.2%	9	36.6%
56%–60%	7	7.3%	4	10.3%
61%–65%	16	30.5%	17	38.9%
66%–70%	10	18.0%	2	14.2%
	62	**100.0%**	**32**	**100.0%**

The loan-to-value on the mortgage portfolio at December 31, 2013 was 45.1% (December 31, 2012 – 53.6%), well below the AAM's ceiling of 70%.

Net working capital

Net working capital increased by $0.3 million to ($0.7) million at December 31, 2013 from ($1.0) million at December 31, 2012, mainly due to an increase in interest receivable from the mortgage investments. The Company has available its credit facility to manage its working capital while ensuring idle cash is minimized.

Credit facility

The Company has a credit facility agreement with a syndicate of lenders (the "Syndicate") in an amount of up to $130 million (the "Credit Facility"), bearing interest at either the prime rate of interest plus 1% or bankers' acceptances ("BA") with a stamping fee of 2% of the face amount of such BA. The Company also has an option to increase the limit by another $60 million, subject to certain terms and conditions. The leverage of the Company in aggregate cannot exceed 40% of the aggregate value of the assets of the Company at any time. The Company intends to utilize leverage representing approximately 30% of the aggregate value of assets of the Company at any time, with the remaining portion of the Credit Facility reserved for general working capital purposes. The Credit Facility is secured by a general security agreement over the Company's assets, and expires in March 2014. At December 31, 2013, $109.0 million (December 31, 2012 – $37.5 million) was outstanding on the Credit Facility.

In July, 2013, the Company received approval from the Syndicate to amend certain terms of the Credit Facility agreement to provide the Company with additional borrowing flexibility along with providing a $25.0 million bulge. The bulge expired on December 31, 2013.

As at December 31, 2013, there were $0.2 million (December 31, 2012 – $0.7 million) in unamortized financing costs related to the structuring of the Credit Facility, which are netted against the Credit Facility. For the year ended December 31, 2013, the Company has amortized financing costs of $0.6 million (2012 – $0.4 million), to interest expense using the effective interest rate method.

In February 2014 the Company received approval to extend the Credit Facility until June 28, 2014. Management and the Board of Directors are currently reviewing the growth opportunities of the Company and expect to extend the Credit Facility for a long-term period in the coming months.

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, Class B, Class I and Class J 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 loss and comprehensive loss. Subsequent to the Transition, as described in the section for 'Transition to Public Company Regime, Class A, Class B, Class I and Class J shares were exchanged into common shares and are classified as equity.

During the Year, the Company completed a public offering of 5,916,446 Class A shares for gross proceeds of $58.3 million. The Company also completed non-brokered private placements of 220,559 Class B shares, for gross proceeds of $2.2 million, an offering of 184,000 Class I shares, for gross proceeds of $1.8 million and an offering of 31,250 Class J shares, for gross proceeds of $0.3 million.

Dividends 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 April 18, 2012.

The Amended DRIP provides eligible beneficial and registered holders of common shares of the Company with a means to reinvest dividends declared and payable on such common shares in additional common shares. For the purpose of the Amended DRIP, common shares includes any Class A shares of the Company prior to their exchange into common shares on the Exchange Date, pursuant to the amendment to the articles of the Company that came into effect on September 13, 2013.

Under the Amended DRIP, shareholders may enroll to have their cash dividends reinvested to purchase additional common shares. The common shares are issued from treasury at a price of 95% of the average of the daily volume weighted average closing price on the TSX for the 5 trading days preceding payment, the price of which will not be less than the book value per common share.

For the Year, 149,790 (2012 – 51,410) Class A shares were issued under the Original DRIP, using reinvested dividends of $1.3 million (2012 – $0.5 million) and 7,426 (2012 – nil) common shares were issued under the Amended DRIP. Of these, 82,897 Class A shares and 7,426 common shares were acquired from the market under the DRIP.

Normal course issuer bid

On June 6, 2013, the Company received approval from the TSX to commence a normal course issuer bid (the "NCIB") to purchase for cancellation up to 3,709,327 Class A shares; representing approximately 10% of the Class A shares float on June 4, 2013. The purchases were limited, during any 30-day period during the term of the NCIB to 742,045 Class A shares in the aggregate. The NCIB commenced on June 10, 2013, and provided the Company with the flexibility to repurchase Class A shares for cancellation, with an expiry date of June 9, 2014, or such earlier date as the NCIB is complete. From June 10, 2013 to November 29, 2013, the date of the conversion of the Company's Class A shares to common shares, the Company acquired for cancellation 1,014,400 Class A shares at a cost of $9,198. Following the conversion of the Class A Shares, further purchases pursuant to a normal course issuer bid will require the re-filing of certain documentation with the TSX in respect of the common shares.

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:

	Year ended December 31, 2013
Common shares issued as a result of exchange	31,556,608
Repurchased	(7,426)
Issuance of common shares under dividend reinvestment plan	7,426
Common shares outstanding, end of year	31,556,608

QUARTERLY FINANCIAL INFORMATION

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

	Q4 2013	Q3 2013	Q2 2013	Q1 2013	Q4 2012	Q3 2012	Q2 2012	Q1 2012
Net interest income	$ 7,325	$ 7,377	$ 6,964	$ 6,567	$ 5,504	$ 4,255	$ 2,468	$ 715
Expenses	(1,436)	(4,953)	(1,613)	(1,655)	(1,333)	(1,339)	(693)	(410)
Income from operations	5,889	2,424	5,351	4,912	4,171	2,916	1,775	305
Financing costs:								
Interest on credit facility	(1,048)	(662)	(679)	(466)	(451)	(246)	(285)	(13)
Issuance costs of redeemable shares	(4)	(60)	3	(3,241)	(33)	(6,426)	(200)	(6,777)
Dividends to holders of redeemable shares	(1,851)	(5,644)	(5,708)	(5,671)	(4,757)	(4,754)	(2,337)	(1,542)
	(2,903)	(6,366)	(6,384)	(9,378)	(5,241)	(11,426)	(2,822)	(8,332)
Net income (loss) and comprehensive income (loss)	**$ 2,986**	**$ (3,942)**	**$ (1,033)**	**$ (4,466)**	**$ (1,070)**	**$ (8,510)**	**$ (1,047)**	**$ (8,026)**

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

- The Company has raised gross proceeds of approximately $376.9 million since Q1 2012. The proceeds from these offering have been used to fund mortgage investments, the timing of which typically occur around periodic offerings and existing mortgage investment maturities, which vary throughout the year. Following past periodic equity offerings, the Company has been subject to holding idle cash while it originates new mortgage investments or waits for the closing of existing mortgage investment commitments. The Company seeks to deploy idle cash within 60 to 90 days of closing an equity offering.
- The dividends to holders of redeemable shares and issuance costs relating to redeemable shares were presented in the statement of income (loss) and comprehensive income (loss) until October 2013 and the dividends to common shareholders are now presented in the statement of changes in equity from the Exchange Date to December 31, 2013.

RELATED PARTY TRANSACTIONS

As at December 31, 2013, due to Manager includes management fees payable of $318 (December 31, 2012 – nil) and $4 (December 31, 2012 – $12) related to costs incurred by the Manager on behalf of the Company.

As at December 31, 2013, the Company and TMIC, a related party by virtue of common management, have co-invested in several mortgage investments, totaling $682.0 million (December 31, 2012 – $392.9 million), which are secured primarily by multi- residential, office, retirement, retail and other commercial properties. The Company's net share in these investments is $466.0 million (December 31, 2012 – $306.7 million), and included in this amount is a mortgage investment of $7.7 million (December 31, 2012 – $6.8 million) to a limited partnership, which is co-owned by Timbercreek Four Quadrant Global Real Estate Partners ("T4Q"), a related party by virtue of common management.

As at December 31, 2013, the Company, T4Q and Timbercreek Canadian Direct LP, related parties by virtue of common management, have co-invested in a mortgage investment secured by a retail property. The Company's share in this mortgage investment is $5.0 million (December 31, 2012 – $24.0 million).

As at December 31, 2013, included in other assets is $3,048 (December 31, 2012 – nil), of cash held in trust for the Company by Timbercreek Mortgage Servicing Inc., the Company's mortgage servicing and administration provider, a related party by virtue of common management. The balance relates to mortgage funding deposits and prepaid interest received from the borrowers.

The Manager has borne total costs of $250 relating to the Transition, which are not included in the Transition related costs in the statements of net loss and comprehensive loss.

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. 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

The preparation of consolidated financial statements requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The critical accounting estimates and judgments have been set out in detail in note 2 of the Company's consolidated financial statements for the year ended December 31, 2013.

FUTURE CHANGES IN ACCOUNTING POLICIES

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after January 1, 2014 and have not been applied in preparing the consolidated financial statements of the Company. Those which may be relevant to the Company are set out below. The Company does not plan to adopt these standards early.

(i) IFRS 9, Financial Instruments, ("IFRS 9"):

In November 2009 the IASB issued IFRS 9, Financial Instruments (IFRS 9 (2009)), and in October 2010 published amendments to IFRS 9 (IFRS 9 (2010)). IFRS 9 (2009) introduces new requirements for the classification and measurement of financial assets. Under IFRS 9 (2009), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 (2010) introduces additional changes relating to financial liabilities. The mandatory effective date is not yet determined. The extent of the impact of adoption of these amendments has not yet been determined.

(ii) 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 effective date for the amendments to IAS 32 is annual periods beginning on or after January 1, 2014. These amendments are to be applied retrospectively. The Company intends to adopt the amendments to IAS 32 in its consolidated financial statements for the annual period beginning January 1, 2014. The Company does not expect the implementation of these standards to have a significant impact on the consolidated financial statements.

OUTSTANDING SHARE DATA

As at March 5, 2013, the Company's authorized capital consists of an unlimited number of common shares, of which 31,556,612 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. The Company defines its capital structure to include common shares and the Credit Facility.

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 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 $130.0 million through its Credit Facility and seeks to maintain a targeted leverage ratio of approximately 30% and manage the fluctuations in cash flows as a result of the timing of mortgage investment fundings and repayments and other working capital needs. Of note, the Credit Facility was utilized by the Company to assist with funding the Special Redemption.

The following are the contractual maturities of financial liabilities as at December 31, 2013, including expected interest payments:

	Carrying Values	Contractual cash flows	Within a year	Following year	3–5 years	Over 5 years
Credit facility[1]	$ 108,745,727	$ 110,060,353	$ 110,060,353	$ –	$ –	$ –
Mortgage funding holdbacks	1,459,055	1,459,055	1,459,055	–	–	–
Dividends payable	1,577,831	1,577,831	1,577,831	–	–	–
Due to Manager	322,505	322,505	322,505	–	–	–
Prepaid mortgage interest	1,636,355	1,636,355	1,636,355	–	–	–
Accounts payable and accrued expenses	1,091,467	1,091,467	1,091,467	–	–	–
Unadvanced mortgage commitments	–	34,909,805	34,909,805	–	–	–
	$ 114,832,940	**$ 151,057,371**	**$ 151,057,371**	**$ –**	**$ –**	**$ –**

1 Includes interest on the Credit Facility assuming the outstanding balance is not repaid until its maturity in March 2014.

As at December 31, 2013, the Company's cash position was nil and there was an undrawn Credit Facility balance of $21.0 million (December 31, 2012 – $92.5 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 offerings.

FINANCIAL INSTRUMENTS

The Company has designated its financial instruments as follows:

	Classification	Measurement
Financial assets		
Mortgage investments, including mortgage syndications	Loans and receivables	Amortized cost
Restricted cash	Loans and receivables	Amortized cost
Other assets	Loans and receivables	Amortized cost
Financial liabilities		
Credit facility	Other financial liabilities	Amortized cost
Mortgage syndication liabilities	Other financial liabilities	Amortized cost
Prepaid mortgage interest	Other financial liabilities	Amortized cost
Mortgage funding holdbacks	Other financial liabilities	Amortized cost
Due to Manager	Other financial liabilities	Amortized cost
Dividends payable	Other financial liabilities	Amortized cost
Accounts payable and accrued expenses	Other financial liabilities	Amortized cost

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

The fair value of mortgage investments 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 Company's use of financial instruments exposes the Company to various related risks which are outlined in note 15 of the consolidated financial statements of the Company.

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.

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 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") 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 disclosure controls and procedures 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.

The Company continues to review the design of disclosure controls and procedures to provide reasonable assurance that material information relating to the Company is properly communicated to certifying officers responsible for establishing and maintaining disclosure controls and procedures, 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.

There were no changes made in our internal controls over financial reporting during the year ended December 31, 2013, that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

Management's Discussion and Analysis

For the year ended December 31, 2013

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