



2014 Year End Report

Dear Investor,

It is with great pleasure to report to you that 2014 was another successful year for Frontenac Mortgage Investment Corporation. Frontenac provided an annualized return of **6.27%**. We have continued our track record of consecutive, positive returns since 1983. At year end, the Fund had \$138.3 million invested in 470 mortgages across Ontario.

It has been an exciting time for us: a year filled with positive changes for our organization. We are very well positioned for the future with a strong position in the marketplace.

On July 1, 2014, I officially assumed the role of CEO for the corporation. The success of this transition plan was the result of careful planning over the past 5 years and an unwavering vision for a smooth succession for everyone involved. Today, we have a very strong Management team along with an engaged group of very skilled staff all working toward our common goal. We have embraced new technology and developed more efficient systems which have increased our productivity and created better service for our business partners.

Treasury Management is of utmost importance. We are continually ensuring a good balance between our supply and demand for capital. We have built and continue to develop strong relationships with Portfolio Managers across the country to maintain a consistency level of capital flow. At the same time, we have a very strong network of Mortgage Brokers that source and submit mortgages in our lending areas. Our trusted business partners are a pivotal part to our success and we are very pleased to have such committed associates.

We are expecting 2015 to be another successful year. The changing bank policies and new CMHC rules have opened up a lot of space for alternative lenders. This year, we are seeing an increase in the number and quality of mortgage deals submitted for funding. At the same time, we have been able to maintain the interest rate charged on those deals. The recent drop in the bank rate was certainly an unexpected event for most of us but we are not expecting that to have a direct impact on our return this year. We are projecting a rate of return of 5% to 7% for 2015, assuming that all goes as forecasted. With the volatility in the market place, especially dropping oil prices, our steady and consistent returns are appreciated by our investors. This has increased the demand for Frontenac but we are committed to ensuring that we control the supply of capital to match the appropriate demand for mortgages.

Our 33rd Annual General Meeting is a special event for all of us. It will be held at The Canada Aviation and Space Museum in Ottawa on June 27, 2015. You will be receiving an invitation in April which requires an RSVP. I do encourage you to reply as soon as possible. It is a great way to meet our staff, Board members and other investors. It is always an enjoyable evening.

Thank you for your continued confidence in our organization. We are committed to our mandate of capital preservation while providing a reasonable return on your investment. We believe in holding ourselves to the highest standard and know that trust is the foundation to all relationships. If you have any questions or comments, we would be pleased to hear from you.

Sincerely,



Matthew Robinson, B.Sc., CIM
CEO and Portfolio Manager



Save the Date

**FRONTENAC MORTGAGE INVESTMENT CORPORATION
ANNUAL GENERAL MEETING**

Saturday, June 27th, 2015

The Canada Aviation and Space Museum
11 Aviation Parkway, Rockcliffe Airport (YRO)
Ottawa, ON K1K 2X5