



January 31, 2014

Dear Shareholder:

Please find below important information regarding your investment in **CareVest Senior Mortgage Investment Corporation** (the "MIC"):

#### **Allowance for Mortgage Impairment**

As part of the MIC's ongoing investment review process, they have recently completed an assessment of the mortgage portfolio. The review includes an evaluation of the assets underlying the mortgage to estimate the recoverable amount of principal and interest from each investment. The analysis incorporates numerous pieces of information including, but not limited to, the local and general economic conditions, the property itself, the type of development or potential development, neighbouring projects, appraisals (where applicable), and any other data which would help to determine the ability to receive full repayment.

As a result of this review, the MIC, where necessary, has taken allowances based on the estimated recoverable amounts on impaired mortgages. This has resulted in a reduction in the Net Asset Value ("NAV") of the MIC. The NAV per Class A Share of the MIC at December 31, 2013 is therefore \$9.69.

While no one is happy with the need for these allowances, we believe it is a necessity that reflects the realities of these mortgage positions. Great effort is taken to invest into mortgages that perform according to their terms, however not all factors can be known in advance.

Recovery on distressed loans continues to be a priority, and we are making progress on several fronts. As has always been the case, there are no guarantees as to the amount received or the timing of the process.

#### **2014 Retraction Process**

Shareholders wishing to retract all or a portion of their Class A shares may indicate their intentions by submitting the correct retraction forms during the next available retraction notice period scheduled for February 10<sup>th</sup> to 14<sup>th</sup>, 2014. The 2014 retraction forms are available online at Carecana's website under the '[Shareholder Administration](#)' tab. Please review the submission instructions carefully. Retraction forms cannot be accepted outside of the retraction notice period.

If you intend to retract shares that you hold through a broker, trustee, financial institution or other nominee, (for example, shares are held in an RRSP, TFSA, RRIF, LIFA, Brokerage Account holding Non-Registered shares, etc), then you will need to contact your intermediary to instruct them to act on your behalf.

**Carecana - Investor Relations**

Please direct all inquiries and administrative requirements, to Carecana Investor Relations at:

**Carecana Investor Relations**

Toll Free: 1-855-278-3611

Email: [investor@carecanacorp.com](mailto:investor@carecanacorp.com)

We have created an e-mail distribution list that notifies investors of new developments or additions to the Carecana website. If you have not already done so, please complete the form available on the Carecana website. It can be reached from Carecana's homepage or by clicking on the follow link: [Carecana E-mail Notification List](#).

Please continue to visit Carecana's website for information regarding the CareVest and Canadian Horizons funds – [www.carecanacorp.com](http://www.carecanacorp.com).

Yours truly,

**Carecana Management Corp.**  
**Manager of the MIC**