



**S T E R L I N G**  
GLOBAL FINANCIAL

## **STERLING GLOBAL FINANCIAL**

### **Sterling Mortgage Income Fund (SMIF)**

#### **Q1 2026 – Year in Review 2025**

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Dear Fellow Investor,

As we conclude the fourth quarter of 2025, we reflect on a year defined by steady performance, disciplined execution, and continued investment in the long-term strength of the Sterling Global platform. Throughout the year, the fund remained focused on capital preservation, consistent returns, and conservative structuring - principles that have guided us across market cycles.

The resilience of the portfolio during a period of ongoing macroeconomic uncertainty reinforces our conviction in the strategy and the importance of maintaining underwriting discipline regardless of market conditions.

It further underscores the value of a credit strategy supported by a vertically integrated platform, providing greater depth and control across origination, underwriting, and asset management.

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#### **STERLING EXPANDS OPERATING PLATFORM**

2025 was a year of meaningful investment in the Sterling Global Financial platform. As the firm continues to grow, we remain focused on building the infrastructure, leadership, and governance required to support long-term growth and deliver a consistent experience to our investors.

Over the course of the year, we expanded our Investor Relations and Client Services capabilities, building a dedicated team to support proactive communication, transparency, and engagement across our growing investor base in the U.S. and Canada.

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We also welcomed a Chief Commercial & Construction Officer, Jeff Sheckter, strengthening senior leadership and providing additional depth across development, construction, capital markets, and strategic partnerships. This role ensures alignment with Sterling's long-term investment philosophy and capabilities. In addition, Sterling added Special Counsel Kobi Dorenbush to the firm, enhancing internal legal oversight and reinforcing our commitment to disciplined structuring, risk management, and governance. Both of these seasoned executives bring tremendous talent and experience to our organization.

During the year, we also worked closely with legal, compliance, and distribution partners to update and enhance fund structures. These efforts were designed to better serve existing investors, streamline onboarding and administration, and expand access to new investor types - while maintaining the same conservative investment mandate and risk profile.

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## FUND PERFORMANCE & GROWTH

Over the past year, the fund continued to grow through expanding distribution across U.S. and Canadian wealth channels, including our partnership with iCapital in both jurisdictions. As of year-end 2025, Net Asset Value increased by approximately 15% to \$295 million (USD).

The third-party valuation of assets underpinning the portfolio grew to approximately \$1.1 billion (USD), reflecting both portfolio growth and the quality of the underlying collateral.

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## INVESTMENT PHILOSOPHY

Throughout 2025, performance was driven by a consistent and conservative investment approach anchored in the following principles:

- ❖ **Low Volatility** - prioritizing stability and downside protection rather than chasing yield
- ❖ **Conservative Structure** - portfolio-wide loan-to-value of approximately 35%, with no fund-level leverage
- ❖ **Consistent Earnings** - predictable income supported by senior-secured positions and disciplined asset selection

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## **PORTFOLIO ACTIVITY & RISK MANAGEMENT**

During the year, the fund continued to actively manage the portfolio through loan advances, repayments, and capital redeployment. Advances during the fourth quarter totaled approximately \$18.7 million, while loan payoffs totaled approximately \$6 million.

As we enter 2026, the portfolio remains primarily backed by residential, hospitality, marina infrastructure, and mixed-use assets, with approximately 55% of loans supported by personal guarantees. Approximately 93% of loans are structured with floating rates and rate floors, helping to mitigate interest-rate risk. The weighted-average loan term of approximately 13 months allows for frequent reassessment of risk and opportunity.

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## **SPECIAL SERVICING UPDATE**

We continue to work diligently to deal with the loans in Special Servicing and are pleased to report we are making progress. 2026 will continue to provide opportunities to further decrease this exposure given favorable market conditions.

In the Cayman Islands, the one remaining unit at Indigo Bay Phase 1 has been sold and will close by January 31<sup>st</sup>, 2026, resulting in full repayment of the loan. For our Boston loan, the collateral is being marketed to several interested parties with proceeds sufficient to repay our exposure. In Orlando, the two multi-family assets have stabilized with occupancy above 91%. The strategy remains to add value by increasing occupancy (which was challenged in 2025 by immigration controls), improving operational efficiency, and by creating new revenue sources with the existing extra density. All these efforts are increasing NOI and maximizing value for investors.

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## **ASSET AND GEOGRAPHY SELECTION**

The fund remains focused on luxury residential and hospitality, marinas, and mixed-use properties - sectors we believe offer the strongest downside protection due to their diversified income streams. The strategic combination of infrastructure (such as marinas), luxury hospitality, and high-end residential assets continue to perform, even in uncertain market conditions.



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Importantly, the Fund currently holds no exposure to the traditional commercial office sector.

Sterling brings a global investment perspective, with a strategic focus on North America and the Caribbean, regions where the firm has deep experience and an established presence.

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## **LOOKING AHEAD TO 2026**

Looking ahead to 2026, we believe the private real estate credit opportunity set remains compelling. Ongoing dislocation in the real estate debt markets continues to limit the availability of traditional bank financing, particularly for transitional assets and complex situations.

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pressures, balance sheet constraints, and a more cautious lending environment have reduced credit availability from conventional lenders, creating attractive opportunities for well-capitalized private lenders.

In this environment, disciplined underwriting, conservative leverage, and the ability to move decisively are increasingly important. We believe our focus on the real estate, low loan-to-value structures, and short-duration loans positions the fund to take advantage of these dynamics while maintaining a strong margin of safety.

With the strength of the portfolio, a bolstered platform, and a disciplined approach, the fund is well positioned for the year ahead.

Thank you for your continued trust and partnership.

Best Regards,

**Stephen Tiller, Chief Executive Officer & Director**  
**David Kosoy, Executive Chairman & Director**  
**Ross Brennan, Managing Director, Director**

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