



Dear Fellow Investor,

As we continue to navigate the complexities of the global economy, we are reminded of the persistent uncertainty driven by shifting government policies—particularly around tariffs and trade. These ever-evolving decisions have created a landscape where predicting future market behavior has become increasingly difficult. While no one can say with certainty what lies ahead, one thing is clear: market volatility stemming from these factors is likely here to stay in the near term.

In times like these, the advantages of private investments become even more compelling. Unlike public markets, which often react sharply to geopolitical and policy developments, private investments offer a degree of insulation from daily volatility. This relative stability can be invaluable for those prioritizing capital preservation.

Real estate is not a short-term investment strategy. It is one built on decisions over the long term. It doesn't mean we are immune to market fluctuations, but we have the experience on our team to weather any storm and have navigated many in the past.

For those of you who were invested with us 17 years ago during the Global Financial Crisis, you will recall we did quite well through that dark moment in history, providing between 6% and 8% returns. For those of you who were invested with us during the pandemic, we averaged 11.5% from 2020-2022.



The recent market turbulence has had no impact on our portfolio. We built this fund intentionally to weather storms and protect your capital. Our focus has always been on downside protection.

Now in 2025, we are once again seeing uncertainty across the broader markets. But for us, this is not unfamiliar territory. We remain grounded in the same principles that have served our investors well for years:

- **Low Volatility:** Our portfolio is designed to deliver stability. We are not chasing yield or exposing ourselves to unnecessary risk.
- **Conservative Structure:** With a portfolio-wide loan-to-value (LTV) of just 34% and no fund-level leverage, we operate from a position of strength.
- **Consistent Earnings:** We expect to continue delivering the same predictable returns that our investors have come to rely on.

Investment Discipline & Expertise

The recent drop in the U.S. 10-year yield below 4% only reinforces the value of what we offer: a steady, low-volatility alternative with attractive income and capital protection.

Our discipline has been maintained across multiple real estate cycles. This discipline has allowed the fund to deliver 158 consecutive positive monthly returns and 53 Quarterly dividend payments including the most recent Q1 2025 dividend payment to you.



Performance

As of March 31, 2025, Sterling Mortgage Income Master Fund LP (“SMIF” or the “Fund”) continued it’s run of positive returns to investors since the Fund’s inception in February 2012.

	YTD	1 YEAR	3 YEAR	5 YEAR	10 YEAR	Since Inception
Sterling Mortgage Income Fund	+2.42%	+10.93%	+11.99%	+11.60%	+11.59%	+12.62%

As of March 31, 2025. The Rate of Return represents the overall change in the Fund's Net Asset Value. The Rate of Return above is inclusive of Distributions paid and net of all investment management fees, but not inclusive of Sales and Agency Commissions where applicable. YTD returns are compounding quarterly assuming that investors have elected reinvestment of all distributions. 2024 return results are unaudited and subject to revision.

Portfolio Highlights

During the fourth quarter, SMIF allocated approximately \$4.1 million of capital to new loans and made \$2.39 million as advances on existing loans. Loan payoffs for the quarter amounted to \$1.1 million.



Some highlights of the loan portfolio:

- As we start Q2, the portfolio consists of loans that are primarily backed by residential and mixed-use, with 55% of loans having personal guarantees.
- To mitigate interest rate risk, 94% of our loans are structured with a floating rate with a floor, with the remaining loans at sufficiently elevated fixed rates.
- The average loan-to-value (LTV) ratio for our loan portfolio is 34%, which provides a large cushion of equity against market volatility and helps to mitigate credit risk.
- Additionally, the weighted average term of our loans is 19 months, which allows us to regularly re-evaluate our portfolio and adjust our strategy accordingly.

Update on Loans in Special Servicing

The Fund currently has three relationships in special servicing, and we are pleased to report these facilities continue to improve. Because of the depth and expertise of the Sterling team we were able to assess and execute on the issues at hand and take control of these loans quickly. We believe these loans should be repaid in the medium term.

In the Cayman Islands, we have only one unit left to sell with our loan facility being paid off. In addition, we have started marketing Phase 2, which will consist of 24 condominium units. In Boston, we have a sale under negotiation that will fully repay this exposure. Lastly, we have the two multi-family projects in Orlando. The goal is to stabilize both properties, refinance with an Agency loan at a significantly lower interest rate, then sell the properties.



Asset and Geography Selection

SMIF 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), essential service retail, and high end residential assets helps to mitigate valuation risk, even in uncertain market conditions.

Importantly, the Fund currently holds no exposure to the traditional commercial office sector. We continue to pursue opportunities in markets where we see unique potential and where we believe our experience and platform give us a distinct competitive advantage.

Outlook

While global events continue to unfold, the strategic advantages of private investments remain clear. Our focus on this space allows us to continue offering opportunities that are less susceptible to the immediate effects of shifting market conditions, while still positioning for growth.

Thank you for your ongoing trust in Sterling. We will work hard to continue earning your trust in the years ahead. If you have any questions about SMIF or Sterling Global Financial, please reach out to any of our team members.

Best Regards,
Stephen Tiller