Dear Fellow Investor,

Please find below the Q1 2024 commentary from Sterling Global Financial’s Investment Management Committee for Sterling Mortgage Income Fund with summary of performance.

<table>
<thead>
<tr>
<th>Sterling Mortgage Income Fund</th>
<th>YTD</th>
<th>1 Year</th>
<th>3 Year</th>
<th>5 Year</th>
<th>10 Year</th>
<th>Since Inception</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>+2.49%</td>
<td>+12.37%</td>
<td>+11.98%</td>
<td>+11.51%</td>
<td>+11.94%</td>
<td>+12.75%</td>
</tr>
</tbody>
</table>

As of Mar 31, 2024. 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. 2023 return results are unaudited and subject to revision.

Performance

The Fund’s track record of providing stable and positive returns remains steadfast:

<table>
<thead>
<tr>
<th>Month</th>
<th>Return</th>
</tr>
</thead>
<tbody>
<tr>
<td>January</td>
<td>+0.87%</td>
</tr>
<tr>
<td>February</td>
<td>+0.80%</td>
</tr>
<tr>
<td>March</td>
<td>+0.81%</td>
</tr>
</tbody>
</table>

Q1/24 saw SMIF continue its steady performance of positive returns since the Fund’s inception in June 2016. YTD SMIF is up 2.49%. Management’s dedication to disciplined underwriting and rigorous risk management continue to provide capital preservation and premium risk-adjusted returns. All ancillary fees such as origination, extension, and early redemption always go directly into the Fund for the benefit of our investors, as do all profit participation and equity positions earned through the Fund.

Distributions to investors

The Fund paid out its quarterly distribution at the preferred annual distribution rate of +7% late April.

Sector selection

SMIF continues to be overweight on mixed-use and residential. These two sectors provide for the best downside protection, proving that they are more resilient to economic swings than others. Having a disciplined covenant strategy is a key part of success in alternative lending.
Portfolio update

During the first quarter, SMIF deployed approximately $10.76 million of capital allocated to new loans, alongside $2.40 million in advances on existing loans.

SMIF’s portfolio of loans are carefully underwritten and regularly monitored to ensure strong risk management practices. Some highlights of the portfolio:

- As we start Q1, the portfolio consists of loans that are primarily backed by residential and mixed-use properties, with 62% of loans having personal guarantees.
- To mitigate interest rate risk, 93% 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 portfolio is 37%, 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 15 months, which allows us to regularly re-evaluate our portfolio and adjust our strategy accordingly.

SMIF’s portfolio includes 3 equity positions, 2 real estate owned, and 2 loans with additional profit participation (above interest earned). On an annual basis, third-party independent appraisals are performed on these properties and the change in the valuation of such is reflected in the calculation of the net asset value of the portfolio.

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. In the Cayman Islands, we have now received all the required licenses to commence Phase 2, which will consist of 23 condominium units. In Boston, we have a sale underway that will fully repay this exposure. Lastly, we have the two multi-family projects in Orlando. The goal is to stabilize both properties, and then refinance with an Agency loan at a significantly lower interest rate. After the refinancing, SMIF would sell its ownership to repay the loan and outstanding interest. Sterling foreclosed on the collateral securing the loan facility and became equity partners on December 27th, 2023. Both properties are benefiting from Disney’s current resurgence, which is driving increased occupancy. Please click here to view a press release on Disney’s plans to double capital expenditure over the next 10 years. Please click here to read an article published by the New York Times on Disney’s estimated profits and growth.

Macro Comment

The Federal Reserve announced following its March 19-29th meeting that it is leaving the federal funds rate at a target range of 5.25 to 5.5 percent. It’s the sixth time in the last seven meetings that the Fed has left rates unchanged, though the central bank has raised rates a total of 11 times during this economic cycle in an effort to tamp down high inflation. As of March 2024 data shows that year over year inflation...
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has risen by 3.5% which exceeds the Fed’s 2% target. The next meeting is scheduled for April 30-May 1st and most people are expecting that there will be no change to the rate although it is widely predicted that rates will fall at some time throughout 2024.

US GDP grew by 1.6% in the first quarter of 2024. This is significantly weaker than the expected growth of 2.4%. However, there are certain States that continue to have strong growth and stable markets. For example, Florida’s economy continues to outperform that of the national average. Florida’s private sector job growth rate increased by 0.4 percent in January 2024. This is double the national rate of 0.2 percent over the same period. Florida’s economic data continues to indicate economic stability and confidence among Florida’s workforce as the state’s labor force grew by 2.2 percent) over-the-year in January 2024, which is faster than the national over-the-year rate of 0.8 percent. Florida is a State where opportunities for lending secured by strong assets are available.

In March 2024 the Ministry of Tourism and Aviation announced that the country had record-breaking tourism arrivals in 2023. Over 9.5 million visitors arrived in The Bahamas, which is an 38% increase from 2022 as well as a 33% increase from the previous record of 2019, prior to the pandemic. Air arrivals increased by 17% and cruise arrivals increased by over 43%. New Providence saw over 4.4 million visitors, a 36% increase from 2022 while Grand Bahama attracted almost 560,000 visitors, a 44% increase.

Visitors to the Cayman Islands reached 85% of the record-breaking figures from 2019 in 2023. While cruise tourism softened on-island accommodations remain strong. At the start of 2024 Forbes names the Cayman Islands #8 as a top nature destination in the world. In addition, the publication also highlighted Grand Cayman as the Culinary Capital of the Caribbean and a “foodie paradise”. Sterling Mortgage Income Fund’s financing to build the Grand Hyatt on Seven Mile beach continues to perform well.

Outlook

Regional banks continue to hold a greater concentration of commercial real estate debt relative to larger peers. However, they remain constrained in their ability to originate new financings. This is all occurring in the backdrop of a market where maturities on short term debt are occurring. This demand/supply imbalance will yield good opportunities for those lenders who have the capability and capacity to provide financing. Opportunistic private credit opportunities continue to grow.

We remain vigilant in our lending practices and expect that 2024 will be another strong year for our investors. Capital preservation and an ability to provide an attractive and consistent yield have been what our investors have come to expect from us, and we continue to deliver.

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 contact Karyn Phuong at 647-325-1509 or Ross Brennan at 1-242-677-1900

Best regards,
David Kosoy, Chairman
Stephen Tiller, CEO
Ross Brennan, Managing Director