



Dear Fellow Investor,

As we wrap up 2024, the investment committee is pleased to have delivered on our commitment to produce strong and consistent yield for our investors and have positioned the fund for continued performance into 2025 and beyond, leveraging disciplined underwriting, the fund structure, and Sterling Global's expertise and platform. We are very pleased to report that the assets supporting the fund's mortgage investments now exceed \$1 billion USD for the first time.

### **Fund Structure**

We are Investor focused first and foremost. The fund originated with investments from friends and family, and we continue to operate on that basis as we continue to grow. We make sure that every dollar invested with us is protected, with an added focus on income growth. We have multiple safeguards for protecting capital including low loan to value, personal guarantees from borrowers, and our floating rate strategies. The fund is unique without any look back, and all loan and redemption fees are for the benefit of the fund investor.

### **Market Development & Growth Opportunities**

The fund officially launched on the iCapital platform in June becoming available to US retail channels. The fund is now available to be accessed through Schwab, Fidelity, and Pershing, and has been approved on multiple U.S. RIA platforms.

The growing loan opportunities in the U.S. market presented for investment consideration is a testament to our growing brand recognition and relationship growth. The global nature of our team is opening new markets to accelerate growth, while we continue to be dominant in markets we live and breathe.

### **Investment Discipline & Expertise**

Our underwriting discipline has been maintained across multiple real estate cycles. This discipline has allowed the fund to deliver 155 consecutive positive monthly returns and 52 Quarterly dividend payments including the most recent Q4 2024 Dividend payment to you.



### Our Thoughtful Approach

First, our **Disciplined Investment Strategy** emphasizes a focus on fundamentally strong properties, strong borrowers, and partners. By concentrating on these core elements, we aim to ensure that each investment is positioned for long-term success, leveraging solid fundamentals for sustainable returns.

Second, we maintain a **Prudent Approach to Underwriting and Risk**. This means that we rigorously evaluate each investment, ensuring that it is supported by sponsors who not only have a proven track record but also have a personal financial stake in the securing asset. This alignment of interests helps mitigate risk and enhances the likelihood of achieving positive outcomes for all parties involved.

Finally, our **Perspective as a Fully Integrated Real Estate Operator and the ability of the fund manager to leverage the global expertise of Sterling Developments** distinguishes the fund from others in the industry. Sterling does not simply view investments from a financial standpoint; rather, we approach them with the insight of experienced real estate owner, operator, and developer. This broader perspective allows us to be more flexible and innovative when considering the structure of loans and exit strategies, ultimately positioning us to adapt and respond rapidly and effectively to changing market conditions.

With an operational mindset that allows us to create value and navigate the complexities of real estate investments and market cycles, we feel very confident about the future.

### Performance

At the close of 2024, Sterling Mortgage Income Master Fund LP (“SMIF” or the “Fund”) continued its run of positive returns to investors.

	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception
<b>Sterling Mortgage Income Fund</b>	+11.03%	+11.03%	+12.04%	+11.62%	+11.67%	+12.66%

As of December 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. 2024 return results are unaudited and subject to revision.

The “Fund” or “SMIF” is defined as the Master Fund – see above (The Master Fund is the successor fund to the old Cayman fund). Q4/24 saw SMIF continue its steady performance of positive returns since the Fund’s inception in February 2012.



## Portfolio Highlights

During the fourth quarter, SMIF allocated approximately \$5.18 million of capital to new loans and made \$7.27 million as advances on existing loans. Loan payoffs were strong for the quarter amounting to \$33 million.

Some highlights of the loan portfolio:

- As we start Q1, the portfolio consists of loans that are primarily backed by residential and mixed-use properties, with 56% 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 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 16 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 reduced accordingly. In addition, we have started marketing 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, refinance with an Agency loan at a significantly lower interest rate, then sell the properties.

## Asset and Geography Selection

SMIF continues to be concentrated in residential, high-end hospitality, marinas, and mixed-use properties. These sectors provide for the best downside protection given the diversified nature of the income streams. The combination of infrastructure (marinas), essential service retail and residential mitigates downside valuation risk. The Fund currently does not have any exposure to the traditional commercial office sector.



We continue to search for opportunity in markets in which we find unique opportunities where we have a competitive advantage. Please [click here](#) to view a recent article that JLL published on their bullish view of the hospitality sector, which Sterling is very active in.

### Why Choose Sterling Mortgage Income Fund? Expertise, Results, Opportunity

When considering a real estate mortgage investment, there are several compelling reasons why SMIF stands out. First and foremost, the **Proven Track Record** of the fund demonstrates the consistent and reliable returns that have been delivered over time, thanks to an experienced team at the helm. This track record offers investors the confidence that their investments are in capable hands.

- Investor focused Structure -No look back, fee generation for fund
- History and Strength of returns -155 consecutive positive months
- Management Alignment – Principals, Management, and Board Members of Sterling are invested alongside you

### Outlook

As we head into 2025, there is an unprecedented opportunity set in the USA for real estate lenders that are capable of taking advantage of the market conditions. The unique mixture of a \$3T wall of U.S. loan maturities over the next 5 years, interest rate uncertainty, and regional banking regulatory constraints, drive the opportunity set. We are excited and well positioned to take advantage of what's in front of us.

The fund specializes in providing loans up to \$50 million, which places our activities under the institutional radar. Approximately 93% of commercial real estate transactions are valued at \$100 million or less, and 90% below \$50 million. This provides us with the largest segment of the commercial real estate market, which generates more off-market deal flow, better structural terms, and efficiencies in scaling with partners who are looking for programmatic partners. These market inefficiencies present the fund with opportunities to effectively enhance returns.

Demand for financing is coming from several key States where the demographics and job opportunities are strong. Growth target markets in the United States, including Florida and Texas, are showing exceptional promise for portfolio growth. The pipeline for new deals is stronger than it has been in years.



**STERLING**  
GLOBAL FINANCIAL

**Q4**

**2024**  
INVESTOR LETTER

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 Investor Relations at 1-242-677-1900.

Best regards,

David Kosoy, Chairman

Stephen Tiller, CEO

Ross Brennan, Managing Director