



Dear Fellow Investor,

	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception
Sterling Mortgage Income Fund	+2.53%	+12.59%	+11.53%	+11.27%	+12.06%	+12.78%

As of Mar 31, 2023. 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:

January	+0.83%
February	+0.83%
March	+0.85%

Q1 2023 saw SMIF continue its steady performance achieving 134 consecutive months of positive returns. Management's dedication to disciplined underwriting, and rigorous risk management, continue to provide capital preservation and premium risk-adjusted returns.

Distributions to Investors

The Fund paid out its usual Special Dividend in mid-February; a total of +5.6%, and the Fund's quarterly distribution will be paid at the preferred annual distribution rate of +7% mid-April.

Macro Comment

Acting proactively, and with concerns at SVB, Credit Suisse and banking institutions in general, our credit committee penned a letter to each of our borrowers to ask if they had been affected by these events. We have received confirmation from all borrowers that none of them have been affected.

Portfolio update

SMIF's focus remains on evaluating lending opportunities to residential and mixed-use properties (such as high-end hospitality, marinas, and neighbourhood retail centres) that offer stable and predictable cash flows. We have zero exposure to the U.S. commercial office sector.

Interestingly, we are now seeing other players in the market focus on residential, hospitality and infrastructure:

- [Blackstone raises \\$30.4bln for latest real estate fund](#) (Reuters)

The portfolio has less than 2% of its underlying value in commercial properties; all of which are in Sterling Commons at Hurricane Hole; which is 100% leased and has a strong cash flow. While we continue to receive lending opportunities in the commercial sector, we have not yet seen an opportunity that meets our risk/reward requirements as we remain focused on residential and hospitality infrastructure.



This quarter, SMIF deployed over \$10 million of capital:

- Two new residential loans totalling just over \$6 million.
- Advances on existing loans totalling nearly \$4.5 million.

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 Q2, the portfolio consists of loans that are primarily backed by residential and mixed-use properties, with 83% of loans having personal guarantees.
- To mitigate interest rate risk, 76% of our loans are structured with a floating rate and with a floor, with the remaining 24% at sufficiently elevated fixed rates.
- The average loan-to-value (LTV) ratio for our portfolio is 38%, which provides a large equity cushion against market volatility and helps to mitigate credit risk.
- Additionally, the weighted average term of our loans is 1.1 years, which allows us to regularly re-evaluate our portfolio and adjust our strategy accordingly.

Update on Special Loans

Indigo Bay: An additional unit has been sold during Q1, with 11 units of the seventeen now sold. The principal and protective advances on the original loan to SMIF is fully paid off. We still have the loan purchased from FCIB, which came with a personal guarantee from the original borrower.

During the first quarter, a lending relationship has come to us looking for assistance. The loans are secured by residential assets in the United States and represents less than 2% of the Fund's portfolio. We are collaborating with the Borrower and expect full repayment.

Outlook

The market continues to absorb the interest rate increases over the last four quarters which has brought uncertainty and a more illiquid real estate market, with the banking industry curtailing credit until the longer-term implications become clearer. As a consequence of that tightening, we are seeing strong deal flow, and significant opportunities to possibly fund.

As a final point, on 31 March 2023, we signed off the audit for the year ending 31 December 2022.

We welcome your inquiries and welcome all communication with our clients and prospective investors. Please feel free to direct any questions or comments about your investments, SMIF or Sterling Global Financial to our Investor Relations centre at **+1.242.677.1900** or **info@sterlingglobaltd.com**.

Best wishes,

Sterling Global Financial Ltd.

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