STERLING GLOBAL FINANCIAL | SMIF

Q2 2026 Manager Commentary

Dear Fellow Investor,

As we close out the first quarter of 2026, we are pleased to share an update on the fund's performance, platform, and the broader private real estate credit landscape. Q1 was a quarter defined by two parallel realities: meaningful macro volatility and a portfolio that continued to perform with stability and consistency Sterling's strategy was designed to deliver.

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

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

FUND PERFORMANCE & GROWTH

We finished March with a gain of 0.79%, bringing our YTD return to +2.32%. We continue to execute our strategy flawlessly while providing consistent and reliable returns over the long term.

	1 Year	3 Year	5 Year	Since Inception
Sterling Mortgage Income Fund*	10.46%	11.17%	11.30%	10.87%

*Performance information is for Class UF Series 1 as of March 31, 2026. Returns assumes distributions are re-invested and compounded. 2025 returns are unaudited. Past performance is not indicative of future performance.

We're happy to report that the Fund saw net positive inflows into the fund during Q1. In fact, we've not had a quarter where we haven't had positive (net) inflows into the Fund over the past 4 years.

As of March 31, 2026, our Net Asset Value stands at approximately $307,300,000 USD, reflecting continued growth through new investor subscriptions and portfolio income. The third-party valuation of assets underpinning the portfolio is approximately $1.2 billion (USD), reflecting both portfolio growth and the quality of the underlying collateral.

Q1 performance remained consistent with our stated objectives. Distributions were supported by floating-rate loan structures with floor rates, no structural portfolio leverage, and an asset mix weighted toward sectors demonstrating resilience through the current cycle. Distribution continues to expand through our partnership with iCapital across both U.S. and Canadian wealth channels.

PORTFOLIO ACTIVITY & RISK MANAGEMENT

During Q1, the fund continued to actively manage the portfolio through loan advances, repayments, and selective capital redeployment. Q1 advances totaled approximately $13.8 million, while loan payoffs totaled approximately $7.4 million.

The portfolio remains primarily backed by residential, hospitality, marina infrastructure, and mixed-use assets, with approximately 56% of loans supported by personal guarantees. Approximately 90% of loans are structured with floating rates with floors, helping to mitigate interest-rate risk. The weighted-average loan term of approximately 12 months allows for frequent reassessment of risk and opportunity.

SPECIAL SERVICING UPDATE

Our special servicing loans as a percentage of our AUM is currently 1.25%. Apart from this percentage, the remaining holdings in the portfolio continue to perform well.

What makes Sterling so unique is our hands-on approach to roll up our sleeves when a loan goes sideways. By proactively taking control of the project (at no additional expense to our investors) we're able to take control of the asset, stabilize it, improve the fundamentals and work thru the entire process until the asset is sold.

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 continues to perform, even in uncertain market conditions. 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, long-standing relationships, and an established operating presence. That specificity matters in underwriting and asset management.

CDN $ HEDGED CLASS

Our CDN $ Hedged Class continues to perform well as expected. Our Fund Manager, iCapital, has employed Record Currency Management out of the UK to manage our hedging strategy.

When we launched the series in June 2025, the IRD (Interest Rate Differential) stood at 1.8 bps. As of the end of Q1, the IRD had compressed to 1.5 bps. Record believes and has forecasted that the IRD will continue to compress over the next two years down to 1 bps. This forecast is positive and means that investors will forego very little (in terms of return) to take currency fluctuations out of the equation. The performance of the CDN $ Hedged Series (F Class) for the last 6 months of 2025 was 4.97%. The performance YTD (F Class Hedged) stands at 1.96%.

PLATFORM AND LEADERSHIP UPDATE

As discussed last quarter, Sterling continues to invest in the infrastructure and leadership needed to scale the business and serve investors well. Kobi Dorenbush has now joined us as General Counsel, effective March 2026. Kobi joined Sterling as Special Counsel and has quickly become an essential part of the firm's leadership, bringing significant depth to our legal, structuring, and governance functions. His understanding of the global legal system and business brings a unique skillset to the firm.

We are also happy to announce the appointment of Eugeniya Tsetlin-Paliga. She is a seasoned real estate finance professional with more than 15 years of experience across commercial banking, portfolio management and real estate investment. She has held Senior roles at La Caisse, CIBC, and BMO. She brings great strength to our credit and deal teams to continue to serve our clients better.

LOOKING AHEAD

The mortgage lending opportunity set remains as compelling as it has been in years. Bank retrenchment, regulatory pressure, and balance sheet constraints across traditional lenders continue to reduce available credit for transitional and complex real estate. Well-capitalized, disciplined private lenders are filling that gap, and we intend to continue doing so selectively and conservatively.

In this environment, disciplined underwriting, conservative leverage, and the ability to move decisively are increasingly important. We believe our focus on real estate credit, 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 for investors.

With the strength of the portfolio, a bolstered platform, and a sharpened leadership team, the fund is well positioned for the remainder of 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