



Dear Fellow Investor,

In the second quarter of 2021, **Sterling Mortgage Income Fund** (“SMIF” or the “Fund”) continued to capitalize on the gradual return to normal as economies begin to recover due to the mitigating effects of the vaccines in relation to the current pandemic. An overall return of confidence has led to a healthy demand for all residential products including multi-family, estate lots and luxury properties in our key markets.

Our loans have continued to perform over the past quarter. One of our ongoing projects where SMIF is lending funds include a Grand Hyatt residential and hotel where sales continue to be robust. In Phase I of our marina & residential project in the Bahamas, condominiums are now all sold out, and reservations for Phase 2 have commenced. In addition, the marina and infrastructure industries are very strong and our loans in this sector are performing well. During the second quarter, SMIF also funded new loans in Florida and Boston, both strong growth markets.

While the issue of rising inflation may cause some general market unease, this is typically not the sentiment shared by the high-net-worth buyers of our marina and real estate offerings or our borrowers. They have proven to follow through on their financial commitments and are less sensitive to fluctuations in interest rates. Likewise, an inflationary environment will positively benefit our Fund as inflation precipitates higher valuations in hard assets such as real estate. In addition, our properties are financed with floating-rate debt such that every loan has a minimum interest-rate floor and a prime-plus interest rate, where the higher rate in any case is applied. This all-weather strategy provides both downside protection and upside potential should inflation lead to rising global interest rates. The Fund also represents valuable portfolio diversification, offering investment returns uncorrelated to those of traditional stocks and bonds as well as providing a stable source of yield.

At the end of June, the Fund’s quarterly distribution was paid out at the preferred annual distribution rate of 7%.

	YTD	1 Year	3 Year	5 Year	Since Inception
<b>Sterling Mortgage Income Fund</b>	5.00%	10.51%	10.88%	10.97%	12.93%

As of June 30, 2021. 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. 2021 return results are unaudited and subject to revision.

### Skillful real estate management is a matter of prudent risk management

Of 32 mortgages globally, one mortgage representing less than 3% of the Fund’s NAV, is currently in a special servicing workout. Sterling will be taking over the development of this project and the Investment Manager is confident that all principal and contractual interest will be repaid, with the potential to also share in the up-side. All other mortgages are in good standing.

Sterling’s decades of experience as a fully integrated real estate operating company, with deep relationships and “boots on the ground” in these robust, high-growth regions, continue to consistently provide us with the level of insight integral to being well positioned for ongoing investment success.

SMIF applies a time-tested, disciplined investment process focused on capital preservation while also delivering consistent, equity-like returns. We have a proven track record of protecting our investors’ principal, even through market downturns such as the 2008-09 Financial Crisis and the current pandemic. The Fund’s enhanced protection results from an investment philosophy centred on managing risk and forgoing upside if it means safeguarding capital. Fund investors can also expect heightened transparency relative to other private credit strategies, with detailed reporting on the geographical breakdown and the size of loans in the portfolio. In every market, we engage the best third-party providers for auditing, appraisals, underwriting and legal counsel and employ the same due diligence on investment opportunities as the major banks. This includes a thorough and objective appraisal by third parties of the properties securing the mortgages to ensure that the valuations of the loans are



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reflective of market conditions. Further adding to the low-risk profile of our Fund is the current 50% loan-to-value ratio of the loan portfolio.

We welcome your inquiries in the spirit of open and honest 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 **242.677.1900** or **info@sterlingglobaltd.com**.

Best wishes,  
**Sterling Global Financial Ltd.**

This manager commentary is for information purposes only. Only the Offering Memorandum, of which the present document is not a part, should be relied upon for the purpose of considering an investment in the Fund. U.S. persons are not eligible for investment in this Fund. The information provided herein contains forward-looking statements and are provided to you by the Fund Manager. The information provided herein is not intended to be a complete summary of all available data and includes assumptions and opinions of the Manager, which are subject to change without notice.