



Dear Fellow Investor,

	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception
Sterling Mortgage Income Fund	5.00%	10.89%	10.81%	10.87%	12.16%	12.73%

As of June 30, 2022. 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. 2022 return results are unaudited and subject to revision.

Portfolio update

Sterling Mortgage Income Fund ("SMIF" or the "Fund") has had a stable second quarter of 2022. \$11.2m (6% of the portfolio) was successfully paid off on terms consistent with contracts. \$8.6m (5% of the portfolio) was advanced to borrowers, with just over half of this going to advances on existing underwritten loans, and the remaining to fund a new residential mortgage.

The weighted portfolio LTV% remained consistent at 49% during the quarter. Weighted average time to maturity has also remained constant at approximately 1 year during the quarter.

The marina at Hurricane Hole opened for business on the 1st May 2022, and we are seeing healthy demand for the rental of slips, and also the purchase of slip memberships – SMIF participates in the profits of this development. Montage Cay received its final construction permits for all infrastructure and villas in June 2022. Purchase and sale agreements have now been signed for the sale of villas and marina slips, and construction can begin.

Positive effect of US prime rate increases on portfolio

The three prime rate increases this year - 0.25% in March, 0.5% in May, and 0.75% in June 2022 have been favorable for the Fund's returns with the portfolio weighted average coupon rate increasing by 0.63%. With further rate rises, there will be more benefits as loans break through their floor rate. 75% of loans advanced have a floating rate interest, with a floor rate mechanism for downside protection.

Recap on Fund offerings

SMIF evolved into a master-feeder structure in June 2021, with the formation of Sterling Mortgage Income Master Fund L.P. (the Master) and its two feeder funds being SMIF and Sterling Mortgage US Fund LP (the US feeder). SMIF is available to non-U.S. investors and U.S. tax-exempt investors whereas limited partners of the US Feeder will be subjected to U.S. tax. The new structure gives access to a wider pool of investors and has no adverse affect on existing investors. The respective offering memorandums should be consulted for more detailed information.



Update on special loans

As previously reported, following the breach of the facility agreement by a borrower in June 2021, SMIF took over control (through a receivership) and recently completed the development of Phase I of a project, which is located in Grand Cayman, Cayman Islands. SMIF has met with all the buyers of the condo units and announced an increase in purchase price per square foot to cover historical cost overruns. Negotiations with existing buyers are progressing well. Two of the condos, not originally sold, are now under contract at the new higher market price, validating our decision to increase prices. Principal of the loan remains well-protected.

Distributions to investors

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

Administrative matters

The 2021 audited annual financial statements for the Master Fund and SMIF were signed off on the 1st April 2022 and distributed by the administrator, along with a copy of the revised offering memorandum for SMIF, at the end of June.

Outlook

Our pipeline is active and is helped by the uncertain inflationary climate. We are performing due diligence on a number of new deals in North America and the Caribbean, as well as considering requests for increases on commitments to existing borrowers, as they expand the scope of their developments. We continue to scrutinize each potential deal with the same measured and selective approach that comes with 50+ years of experience. During the past quarter, we have turned down many deals that did not meet our risk criteria. We remain optimistic that the Fund can continue to produce value for our investors.

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.

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