



Dear Fellow Investor,

	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception
Sterling Mortgage Income Fund	7.94%	11.03%	10.91%	11.00%	12.00%	12.70%

As of Sep 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”) continues to provide stable returns to investors with very little volatility. The weighted average time to maturity has remained constant at approximately 1.1 years during the quarter. The majority of loans have short-term maturities, which allows us to re-evaluate risk on a frequent basis. In addition, where loans are granted an extension, 100% of the extension fee goes to SMIF investors, as is the case for all fees.

During the quarter, our deployment of funds has been strong while at the same time we have maintained our disciplined underwriting and selection process. \$25m (14% of the portfolio) was advanced to existing borrowers, and \$34.9m (20% of the portfolio) was successfully paid off on terms consistent with contracts.

Pay-offs included two loans (11% of the portfolio) where the borrower was able to refinance its debt to SMIF (as the assets had matured), despite the rising cost and decreasing availability of refinancing in commercial/residential real estate markets.

The weighted portfolio LTV% has improved from 49% to 45% during the quarter, as a result of:

- the pay-off of 3 loans which had a higher-than-average LTV% compared to the rest of the SMIF portfolio
- updated and significantly improved independent appraisals on several of our developments. In these cases, the borrowers have spent substantial amounts of money investing in the horizontal and vertical infrastructure over the span of their entire projects, and this increased value was reflected in the updated appraisals.

Further US prime rate increases

Two further US prime rate rises occurred during the quarter (0.75% at the end of July, and 0.75% towards the end of September). 75% of the portfolio has floating interest rates. Therefore, prime rate increases continue to have a positive effect on interest income for SMIF, with the weighted average coupon rate increasing by 0.6% over the past quarter.



Update on special loans

Since the Fund's inception in 2012, there has been no realized principal loss on over \$350m of loans advanced to borrowers. The development in Grand Cayman that SMIF took control over (through a receivership), is progressing well. Occupancy certificates have been received for Phase 1, and eight out of a total of seventeen units in the condo development have been sold at new higher prices (on average \$310,000 greater than the original sales prices), with more in the pipeline. SMIF's debt will continue to significantly reduce, as more units are sold.

Distributions to investors

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

Outlook

In this uncertain market environment with reduced liquidity and higher interest rates, the recalibration of asset values represents an opportunity for SMIF to achieve strong capital deployment, whilst still producing solid and consistent returns for our investors. We believe that attractive opportunities emerge during market volatility. Although our pipeline contains several opportunities, we remain vigilant in our screening process, understanding that patience and detailed assessment of risk will be rewarded.

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.