



Dear Fellow Investor,

The first quarter of 2021 brought hopes of moving gradually closer to a return to normal, as vaccination programs were implemented and expanded worldwide amid the one-year anniversary of the pandemic and the subsequent global lockdowns. While government leaders and central bankers continue to stress that they will err on the side of caution when it comes to maintaining stimulative programs and monetary policies, encouragingly these discussions took place against a backdrop of renewed signs of economic growth.

Inflation was one of the major economic concerns during the past quarter, a positive signal that the world could be looking toward its post-pandemic future. For **Sterling Mortgage Income Fund** (“SMIF” or the “Fund”), the stability and resilience of our portfolio of mortgage loans means we are positioned to continue to deliver steady gains to our investors regardless of economic circumstances. Just as our focus on managing risk and highly selective investing delivered consistent returns during some of the bleakest days of the pandemic, the structure of our loan agreements means we are also poised to benefit from a potentially inflationary environment. The payback structure in each of our loans is based on both a minimum interest-rate floor and a prime-plus interest rate, with the higher rate in any case being applied. As a result, the Fund and its investors are positioned to benefit should unexpected inflation lead to rising interest rates worldwide. We remain committed to holding a high-quality portfolio exhibiting lower overall risk than the broad market. The Fund’s quarterly distribution for March 31, 2021 has been paid out as scheduled, at the preferred annual distribution rate of 7%.

	YTD	1 Year	3 Year	5 Year	Since Inception
<b>Sterling Mortgage Income Fund</b>	2.45%	11.01%	10.92%	11.08%	13.00%

As of March 31, 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. 2020 return results are unaudited and subject to revision.

### A global lending environment benefitting our investors

Over the last 12 months, the COVID-19 pandemic had no negative impact on SMIF’s returns. Furthermore, the new economic normal has had a positive effect on the volume of quality deals available to us. While central banks around the world have attempted to stimulate economic activity by giving traditional bank lenders increased flexibility in their capitalization requirements, these policies are already being phased out. Traditional lenders have consequently re-tightened their lending criteria, leaving many otherwise strong and stable real estate project sponsors unable to access financing at favourable terms.

With borrowing conditions seemingly returning to pre-pandemic levels, at Sterling we’ve seen a marked increase in the volume of deals available to us as an alternative lender. We maintain our high underwriting standards, only lending to fundamentally sound projects that should prove resilient at all stages of the economic cycle. An expansion in the number of compelling projects requiring financing should serve us well. While we continue to make select investments across a diverse range of sectors in the United States, Canada, the United Kingdom and the Caribbean, we have identified particularly promising opportunities in multifamily residential projects. Throughout the past 12 months, multifamily properties have proven to be among the most resilient investments amid economic uncertainty and shifting market sentiment. We have also seen attractive opportunities among resort properties in the Caribbean that are still in the construction stage. As these projects are still in their development phases, our exposure to business risk is less than that of lending to an operating hospitality property. We are well positioned to benefit from a recovery in tourism demand when economic lockdowns are eventually lifted as more people get vaccinated worldwide.

As we look ahead to the reopening of the world economy, we continue to monitor our carefully selected geographical markets for loan opportunities that fit our rigorous criteria. If you have any questions or comments about your investments, SMIF or Sterling Global Financial, we invite you to contact our Investor Relations centre at **242.677.1900** or [info@sterlingglobaltd.com](mailto:info@sterlingglobaltd.com).



**STERLING**  
GLOBAL FINANCIAL

**Q1**

**2021**  
INVESTOR LETTER

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

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