



Dear Fellow Investor,

The fourth quarter of 2020 capped off a year we won't soon forget, as the COVID-19 pandemic took a massive human and economic toll around the world. However, during the past 12 months we also witnessed strong capital market rebounds of a scale that surprised even veteran investors across the industry. Moreover, policymakers engaged in unprecedented and coordinated fiscal, geopolitical and monetary actions worldwide to curb the spread of the coronavirus and spur economic growth. None of us can predict what the future holds, but so far the general global response to the crises of 2020 have put us on firmer footing for 2021.

At **Sterling Mortgage Income Fund** ("SMIF" or the "Fund") we're pleased to report that we continued to deliver consistent and positive returns to our investors, for the quarter and for the calendar year. For 2020 as a whole, we generated double-digit gains, at a time when other real estate funds have been gating redemptions, making loan loss provisions, or both. The Fund's quarterly distribution is being paid out as scheduled, at the preferred annual distribution rate of 7%. The special distribution will be paid out mid-February.

	YTD	1 Year	3 Year	5 Year	Since Inception
<b>Sterling Mortgage Income Fund</b>	11.11%	11.11%	11.06%	11.20%	13.08%

As of December 31, 2020. 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. The Fund had changed auditors from Ernst & Young to Price Waterhouse Coopers, effective 2020.

### Achieving outstanding returns with discipline and thorough due-diligence

Throughout its history, the Fund has proven to be a powerful diversifier within investor portfolios and a provider of robust income in all economic conditions. It's a track record we're proud of, as it shows the Fund has served its investors well. At the same time, we believe it's important for investors to not just look at the Fund's returns, but how those returns are achieved. Ensuring transparency in our strategy and investment process is critical to enabling our investors and their advisors to assess how the Fund fits in with their investment portfolios, their personal risk profiles and their financial and life goals.

During the challenging economic conditions of the past year, the Fund was able to provide investors with a sustainable level of income without taking on additional risk. Our ability to generate strong returns without going outside of our mandate is built on the strength of our mandate itself: an investment strategy based on prudently managed mortgage lending transactions, with only the most fundamentally sound projects and/or sponsors. As asset managers, we continue to judge the risk/reward on all our transactions. Furthermore, we only focus on property types that have proven resilient in good and bad economic conditions, such as the residential sector (both multi- and single-family), and on geographic regions in which we have on-the-ground connections and firsthand expertise.

Episodes of uncertainty are actually beneficial for the Fund's strategy. When economic times get tough, traditional bank lenders become less willing to lend to real estate sponsors and their projects. Essentially this leads to less liquidity in the market overall, even for the fundamentally strong sponsors we invest in. What this means for the Fund and its investors is the number of opportunities that fit our strict criteria expanded in 2020. This has allowed us to continue generating strong and stable income during the year while also positioning the Fund for strong and stable income going forward.

Looking ahead to 2021 and beyond, the heightened activity we've observed in real estate development suggests considerable optimism that better times are ahead of us. In particular, we see numerous opportunities in the U.S., as well as Canada and the U.K., that fit with our risk management and profitability screens. We continue to closely monitor potential economic headwinds, including scenarios in which levels of monetary support from governments fluctuate in the years to come.



**S T E R L I N G**  
GLOBAL FINANCIAL

**Q4**

**2020**  
INVESTOR LETTER

As always, we welcome opportunities to communicate with our investors and to answer any questions you might have. If you have any comments or inquiries about SMIF, its investment strategy, portfolio or Sterling Global Financial, please contact 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.