CMLS mortgage fund

Q3 2025 report

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Business Overview

The CMLS Mortgage Fund (the "Fund") is a mortgage investment fund, which was established in 2008. The Fund lends money to borrowers secured by first and second priority mortgages on commercial and single-family real estate located in Canada. The Fund was established by the Declaration of Trust, as an unincorporated investment unit trust, under the laws of the Province of British Columbia on May 2, 2008.

The Fund qualifies as a 'unit trust' under the Income Tax Act (Canada). As such, units are qualified investments under the Tax Act for registered retirement savings plans ("RRSPs"), tax-free savings accounts ("TFSAs"), deferred profit-sharing plans ("DPSPs"), or registered retirement income funds ("RRIFs").

The investment objectives of the Fund are to preserve investor capital and provide investors with an attractive monthly distribution. The Fund meets its investment objectives by investing in a diversified portfolio of high yielding mortgage investments, secured by first and second priority mortgages on commercial and single-family residential real estate located primarily in large urban markets in Canada.

Commentary & Outlook

As at Sep 30, 2025, the Fund had total Mortgages Under Administration ("MUA") of $219.6 million compared to $233.8 million as at Jun 30, 2025, a decrease of $14.2 million quarter-over-quarter. As at Sep 30, 2025, the weighted average coupon of the portfolio excluding cash was 7.82% and the weighted average term to maturity was 1.15 years vs. a weighted average coupon of 8.02% and a weighted average term to maturity of 1.08 years for the quarter ended Jun 30, 2025.

Exhibit 1
Geographic composition

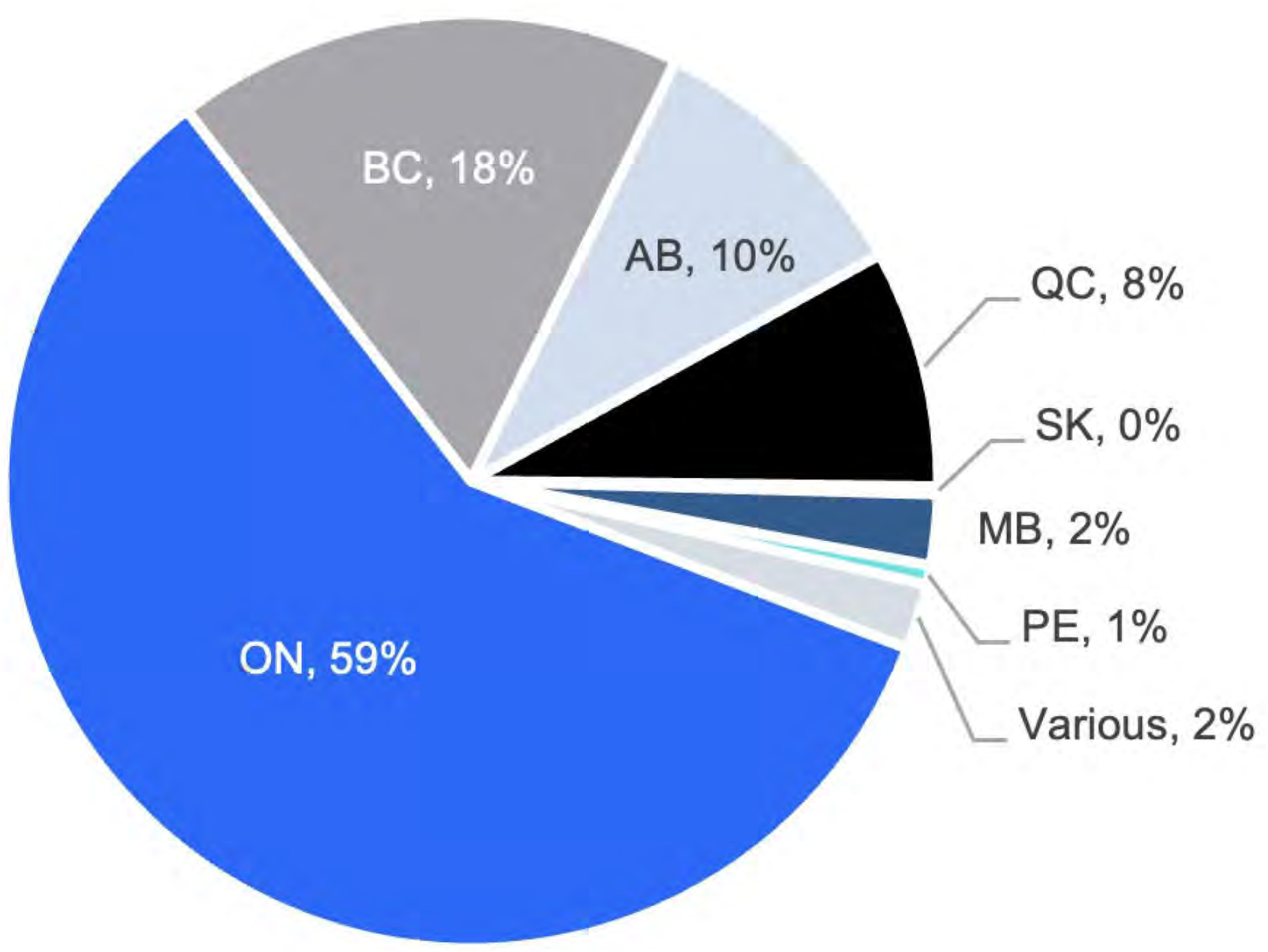
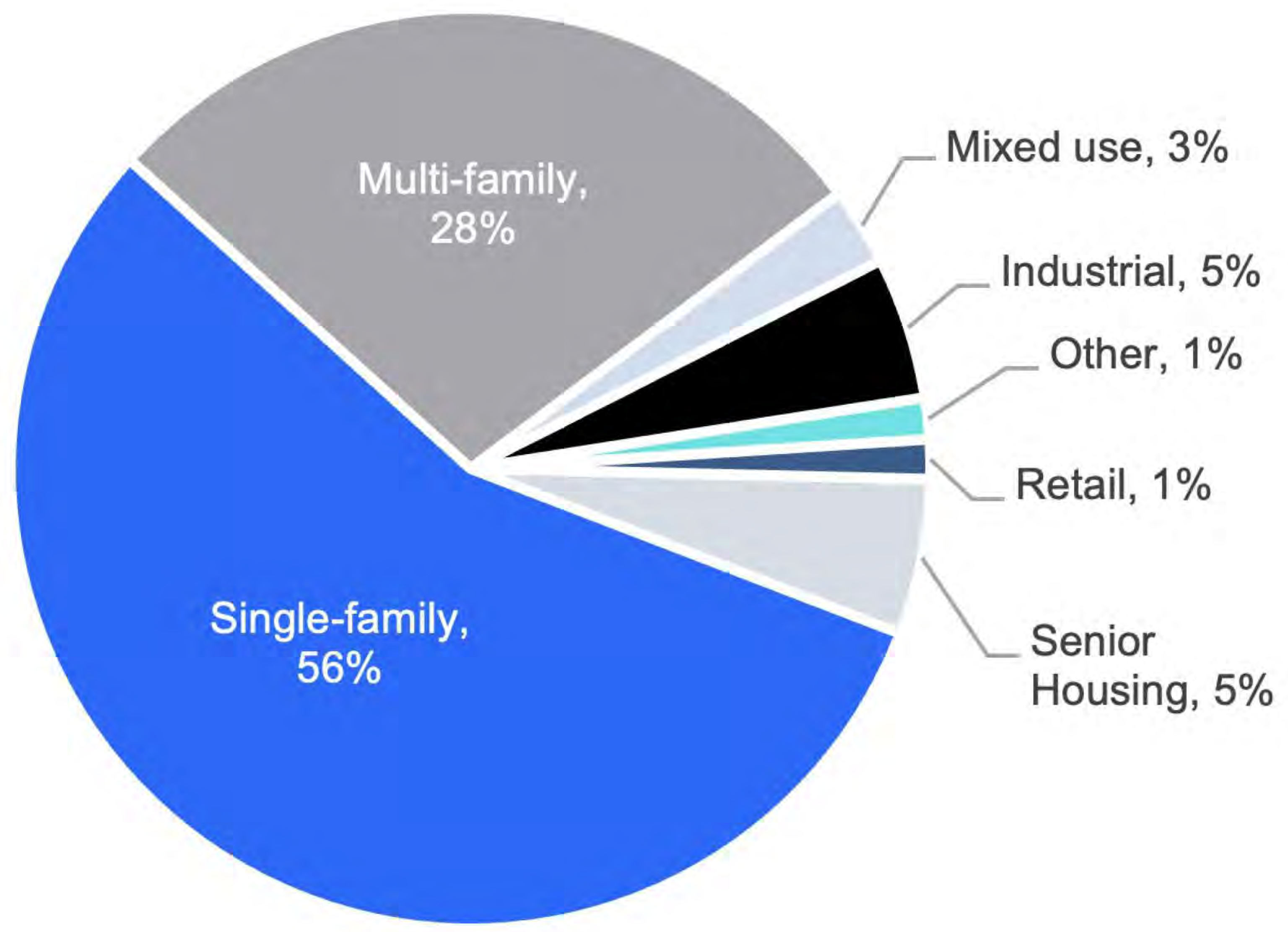


Exhibit 2
Asset class composition



Notes: as of Sep 30, 2025

Commentary & Outlook (continued)

If you have followed or invested in the Fund for some time, you will know that our strategy and targeted risk profile is intended to stay constant. This means limited changes to Fund metrics quarter over quarter. But in a generally uncertain market environment, we know that understanding even those incremental portfolio changes can be very helpful as an investor.

In Q3, the Fund delivered a return of 1.68% (6.84% annualized). Of the $219.6 million of loans that we held at quarter end, $40.9 million were funded during this past quarter. The newly funded mortgages have a weighted average interest rate of 7.81% and weighted average loan-to-value (LTV) ratio of 60%.

Single-family residential loans represented 56% of the portfolio at quarter end, with the remainder allocated to multi-family residential (33% including seniors housing, with seniors housing representing 5% of the overall portfolio) and commercial (11%). This represents a slight shift towards single-family residential compared to Q2 (52%). Of the $40.9 million of mortgages funded this quarter, $29.7 million were single-family residential mortgages and $11.2 million were multi-family residential / commercial mortgages. The newly funded single-family residential mortgages carried, each on a weighted average basis, an interest rate of 7.47%, LTV of 61%, and borrower credit score of 779. The newly funded multi-family / commercial mortgages had a weighted average interest rate of 8.68% and LTV of 58%.

While most loans funded through the quarter were single-family residential, we continue to see plenty of opportunities for the multi-family residential / commercial segment of the portfolio. We expect that the allocation between these two investment categories will even out over the coming months, with the limited amount of funded multi-family / commercial mortgages through the quarter simply reflecting prolonged funding timelines during the summer months.

These delays in funding led to a modest increase in our cash holdings, increasing from net -1% (or 1% levered) at the end of Q2 to 10% of our aggregate AUM at the end of Q3. While we look to avoid holding excess cash in order to reduce the related drag on returns, it does provide the Fund with additional liquidity in the interim. We intend to redeploy this capital in the coming months to bring us back towards our optimal capital structure.

Mortgage arrears in Canada have trended upwards through the year, but are still slightly below average compared to the past 10 years[1]. Through the first three quarters of the year, mortgage arrears in the Fund have stayed relatively flat, peaking at 2.5% in April and declining to 1.2% at the end of Q3. Since the end of the quarter, two new loans have entered arrears, bringing the overall arrears rate back up to 3.9%. This remains low compared to our peers, and we view it as a manageable level for the Fund.

Policy rates in Canada decreased by a further 0.25% in Q3 (2.75% total decrease including the October 2025 rate cut since their peak in Q3 2023). As old mortgages at higher interest rates mature and are replaced by mortgages that are reflective of the current rate environment, the weighted average interest rate of the Fund decreased relative to Q2 (8.02% to 7.82%). We continue to project that rates are more likely to decrease over the short-term than increase, and we are therefore primarily targeting fixed rate loans. Over the past quarter, 84% of new loans had fixed interest rates and 16% had variable rates, with all of the variable rate loans including interest rate floors. At quarter end, 78% of the portfolio had fixed rates and 22% had variable rates. The Fund has now had four consecutive quarters with a weighted average LTV of 60%, which is reflective of our goal to maintain a consistent risk profile and to avoid taking on more risk in pursuit of higher rates.

This approach has secured consistent performance and produced somewhat monotonous messaging over the years. We continue to emphasize capital preservation and the pursuit of strong risk-adjusted returns for our investors and appreciate the trust that we've received in return.

[1] Bank of Canada – Indicators of financial vulnerabilities

Financial Highlights

Mortgage Investments

	Quarter ended Sep 30, 2025	Quarter ended Jun 30, 2025
Mortgage investments	$219,624,055	$233,860,454
Total number of mortgage investments	297	296
Average mortgage investment	$739,475	$790,069
Weighted average interest rate	7.82%	8.02%
Weighted average LTV ratio	60.50%	59.92%
Weighted average term to maturity (years)	1.15	1.08
Leverage	0%	1.48%
Net assets attributable to holders of redeemable units	$244,893,765	$230,044,003
Net Asset Value ("NAV") per unit	$10.01	$10.01

Net Asset Value (“NAV”)

NAV – Jun 30, 2025	$230,044,003
Subscriptions	17,527,034
Redemptions	(4,779,948)
Reinvested distributions	2,204,336
Unrealized Gain/(Loss)	(101,659)
NAV – Sep 30, 2025	**244,893,765**

Portfolio Allocation

As at Sep 30, 2025, the Fund's portfolio included mortgage investments of $220 million and was comprised of 297 investments, which were allocated across the categories listed below (excludes cash).

Geography

	Number of mortgages	Outstanding balance	% of portfolio
ON	186	$ 129,047,242	59%
BC	43	38,711,076	18%
AB	42	21,364,644	10%
QC	5	18,110,000	8%
MB	17	5,384,938	2%
Various	1	5,000,000	2%
PE	1	1,444,689	1%
SK	2	561,466	0%
	297	**$ 219,624,055**	**100%**

Asset Type

	Number of mortgages	Outstanding balance	% of portfolio
Single-family	264	$ 122,719,875	56%
Multi-family	23	61,675,170	29%
Senior Housing	1	12,000,000	5%
Industrial	3	11,000,000	5%
Mixed Use	2	6,000,000	3%
Other	1	3,180,000	1%
Retail	3	3,049,010	1%
	297	**$ 219,624,055**	**100%**

Maturity

	Number of mortgages	Outstanding balance	% of portfolio
Less than 1 year	225	$ 141,641,373	65%
1 to 3 years	68	60,039,874	27%
More than 3 years	4	17,942,808	8%
	297	**$ 219,624,055**	**100%**

Portfolio Allocation (continued)

Interest Rate

	Number of mortgages	Outstanding balance	% of portfolio
Less than 6.00%	32	$ 16,405,173	7%
6.00% to 6.49%	18	5,455,293	2%
6.50% to 6.99%	44	25,977,154	12%
7.00% to 7.49%	46	39,286,484	18%
7.50% to 7.99%	52	34,142,424	15%
Greater than 7.99%	105	98,357,527	46%
	297	**$ 219,624,055**	**100%**

Loan-to-appraised value

	Number of mortgages	Outstanding balance	% of portfolio
60% or below	116	$ 73,348,754	33%
60% to 70%	121	102,703,617	47%
70% to 80%	57	39,997,983	18%
above 80%	3	3,573,701	2%
	297	**$ 219,624,055**	**100%**

Emissions Tracking

Emissions*

	Q4 2024	Q1 2025	Q2 2025	Q3 2025
Total Financed Emissions (KT of CO2)	1.176	1.224	1.347	1.368
Total Financed Emissions (KT of CO2) per $100M	0.671	0.586	0.590	0.623

Data Accuracy

	Q4 2024	Q1 2025	Q2 2025	Q3 2025
Energy usage: directly reported; Energy source: directly reported	0%	0%	0%	0%
Energy usage: market avg; Energy source: directly reported	85%	89%	89%	85%
Energy usage: market avg; Energy source: market avg	15%	11%	11%	15%

*4Q24 to 1Q25 emissions restated due to correction of emissions calculations related to two loans.

How to interpret the charts above: we have separated into three levels of increasing data accuracy, the first and lowest being a calculation using average energy usage per unit (e.g. square footage) and CO2 intensity for a given property type (e.g. single family residential); second, in most instances we can confirm the specific energy sources (e.g. natural gas) used at the related property, improving our estimates of CO2 intensity; and third, where our borrower has directly reported energy sources and usage at the related property.

Statement of Net Income
For the quarter ended Sep 30, 2025 (unaudited)

	Sep 30, 2025	Jun 30, 2025
Investment income		
Interest	$ 4,870,275	$ 4,540,413
Other fees	223,252	278,961
Realized Gain/(Loss) on Financial Instruments	(25,033)	0
	5,068,494	4,819,374
Expenses		
Management fee, net of rebates	517,031	487,075
Other expense	124,912	117,683
Mortgage service fees	96,593	94,517
Interest expense	81,046	75,626
Total Expenses	819,582	774,901
Expenses waived/absorbed by the Manager	0	(3,535)
Total Expenses (net)	819,582	771,366
Net investment income	$ 4,248,912	$ 4,048,008
Unrealized Gain/(Loss)	(101,659)	160,088
Net investment income	$ 4,147,253	$ 4,208,096

Statement of Net Assets
For the quarter ended Sep 30, 2025 (unaudited)

		Sep 30, 2025		Jun 30, 2025
Assets				
Cash	$	25,524,317	$	0
Net Mortgage investments		214,624,055		228,860,453
Other investments		5,000,000		5,000,000
Investment income receivable		1,384,430		1,257,501
Other receivables		560,479		1,184,988
Due from Manager		102,819		102,819
Deferred Financing Fees		56,459		79,194
Prepaids		8,513		10,968
		247,261,072		236,495,923
Liabilities				
Bank indebtedness		0		3,450,772
Accounts payable and accrued liabilities		927,504		645,021
Subscriptions received in advance		0		1,005,000
Distribution payable		1,439,803		1,351,127
		2,367,307		6,451,920
Net assets	$	244,893,765	$	230,044,003
Units outstanding		24,473,199		22,982,819
Net assets per unit	$	10.01	$	10.01

Statement of Net Assets Attributable to Holders of Redeemable Units
For the quarter ended Sep 30, 2025 (unaudited)

Balance, beginning of period	$	**230,044,003**
Net income		**4,147,253**
Issuance of units		**17,527,034**
Units reinvested		**2,204,336**
		23,878,623
Unitholder redemptions		**(4,779,948)**
Distributions to unitholders		**(4,248,912)**
		(9,028,860)
Balance, end of period	$	**244,893,765**