



cmls asset management

CMLS mortgage fund
Q4 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 (“TFSA”), 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 Dec 31, 2025, the Fund had total Mortgages Under Administration (“MUA”) of \$246.2 million compared to \$219.6 million as at Sep 30, 2025, an increase of \$26.6 million quarter-over-quarter. As at Dec 31, 2025, the weighted average coupon of the portfolio excluding cash was 7.86% and the weighted average term to maturity was 1.10 years vs. a weighted average coupon of 7.82% and a weighted average term to maturity of 1.15 years for the quarter ended Sep 30, 2025.

Exhibit 1
Geographic composition

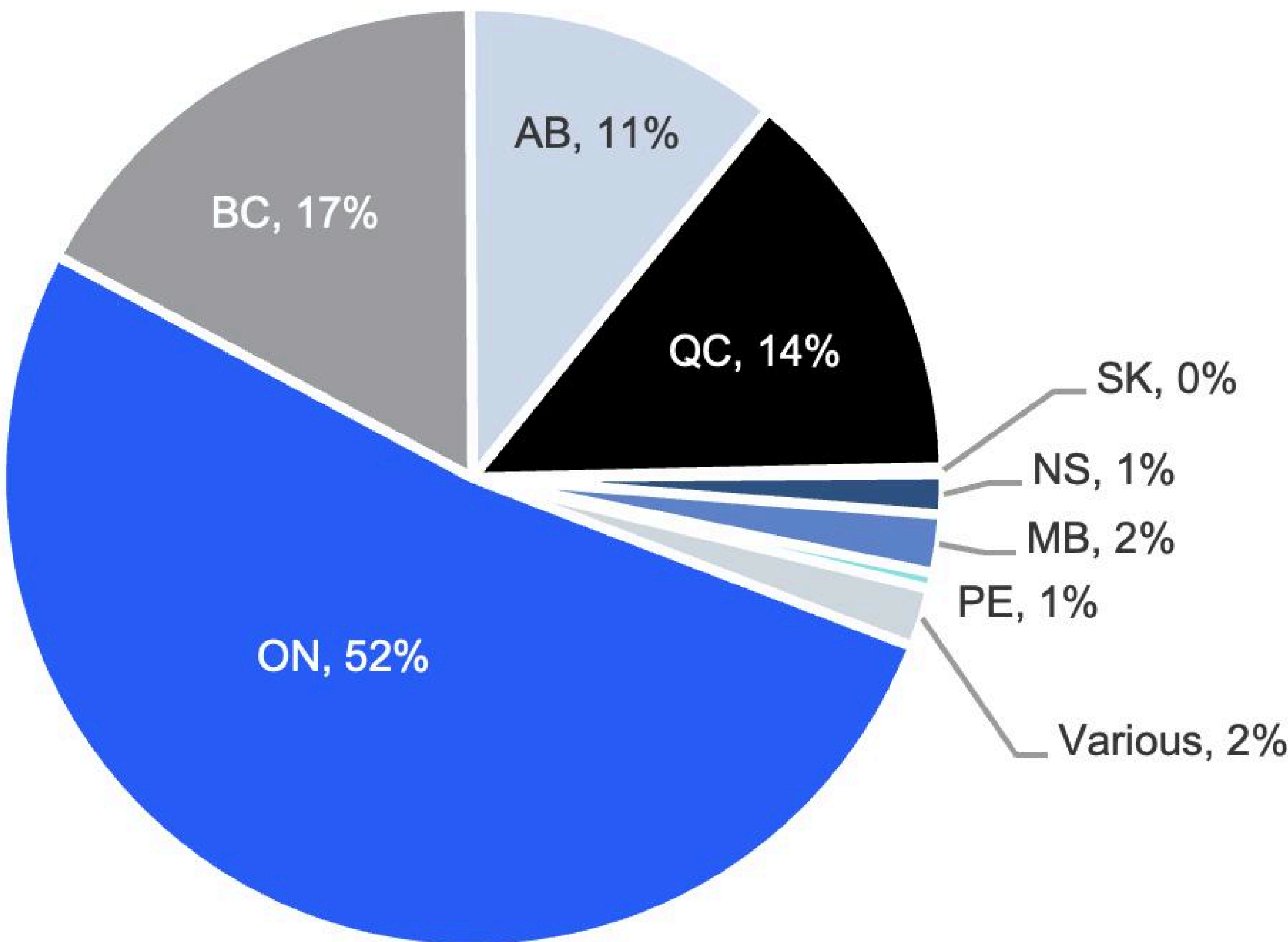
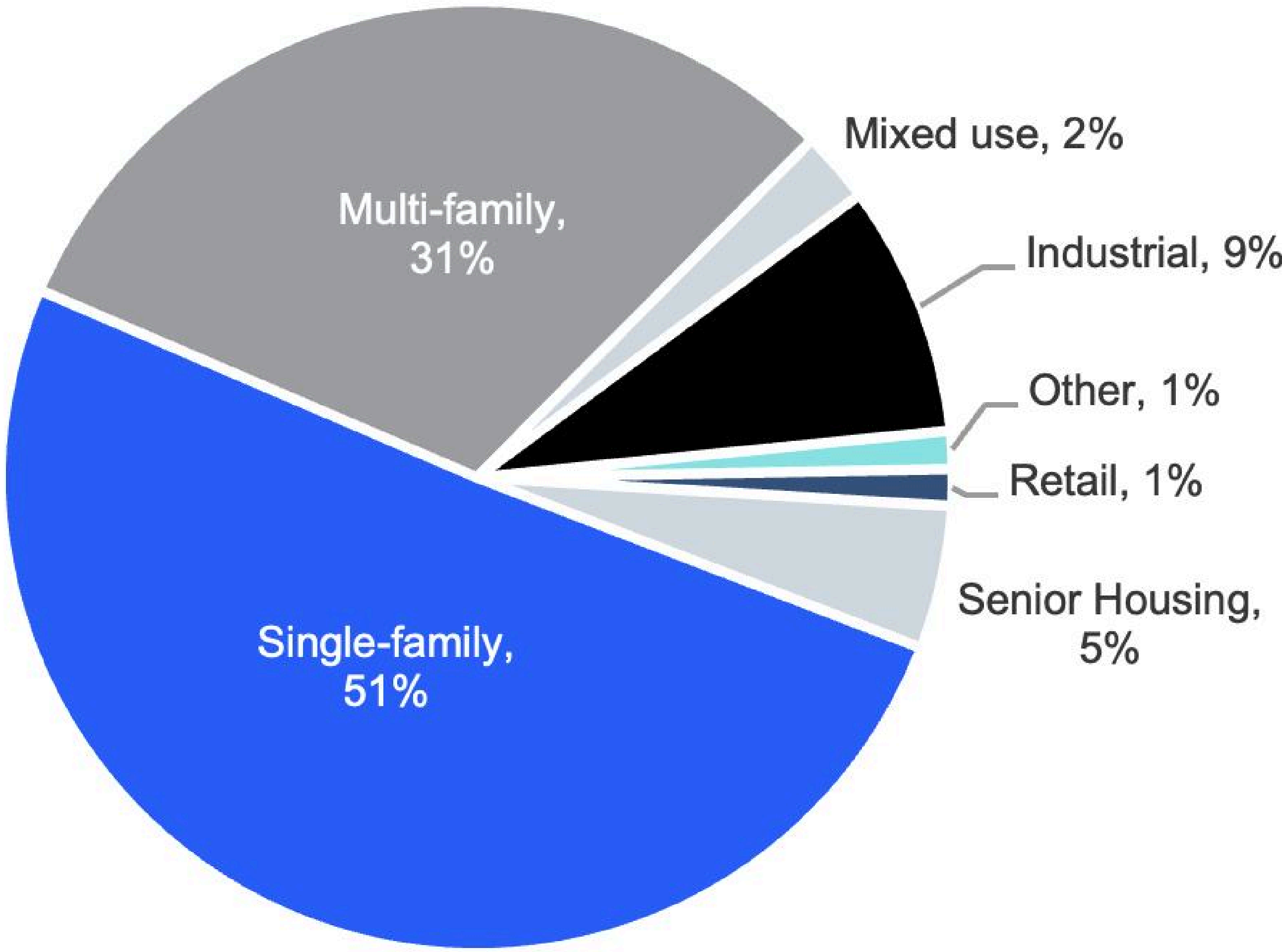


Exhibit 2
Asset class composition



Notes: as of Dec 31, 2025

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Commentary & Outlook (continued)

Reflecting on 2025, the market was defined by two dominant themes: persistent political uncertainty and the caution it instilled in Canadian consumers. In the first half of the year, the world tuned in to find their country's tariff rate in small font on the lawn of the White House. The resulting trade uncertainty caused a ripple effect as consumer confidence plummeted. Entering the year, many had expected continued interest rate cuts (1.75% in total in 2024, a further 1.00% expected in 2025) to bring housing activity back to "normal". Lower interest rates, however, were overshadowed by economic uncertainty, and by the end of 2025 home sales had retreated 1.9%^[1]. Consumer confidence in Canada fell from 47.9 in December 2024 to 45.4 in April (after the tariff announcement), rebounding to 46.4 by December 2025^[2].

The CMLS Mortgage Fund delivered steady returns through 2025, with an annual return of 7.06%. Due to strong funding volume and mortgage performance this past quarter, we ended the year on an up-trend (Q4 annualized return of 7.12%) even though policy rates decreased through the year. We continue to see plenty of attractive lending opportunities and have a healthy pipeline heading into 2026. Due to the fund's short duration (13 months), the vast majority (85%) of loans currently in the portfolio were either funded or renewed in 2025. While this turnover means that the interest rates in the fund move closely with the rates in the market, it also protects investments from prolonged movements in real estate values. On top of the strong returns, the fund experienced significant growth of assets under management (21%) over the past twelve months and is sitting at a steady arrears rate of 3% as of year-end.

We experienced the first loss of principal in the fund's history in 2025. The loss was incurred on a single-family residential mortgage, with the overall loss equivalent to 0.01% of AUM. As a byproduct of our monthly calculation of NAV, this mortgage had already been marked down to the expected net realizable value of the property. Our priority has always been capital preservation with strong risk-adjusted returns. While we look to limit instances such as these, we are pleased that the low loan-to-value ratio of the fund (63%) has proven to provide strong downside protection. We continue to monitor the portfolio closely and structure mortgages conservatively.

Entering 2026, we are still facing the headwinds and uncertainty from trade (notably tariffs and USMCA), and interest rates appear to be at or near the bottom. While this environment isn't one that screams a housing boom, there are reasons for optimism. The low interest rates and lack of expectations for further cuts should bring some buyers off the sidelines that were waiting for rates to bottom out. Market expectations are for a modest rebound in home sales and prices (5.1% and 2.8% respectively^[3] per the Canadian Real Estate Association). With policy rates having dropped by more than 50% since their peak, borrowers with variable rate debt have already seen material interest savings and homeowners with mortgages coming up for renewal will experience more manageable rates than had been feared. Against this backdrop, we are pleased with the performance of the fund in 2025 and are well positioned heading into 2026.

We look to maintain a consistent approach of targeting single-family and multi-family residential mortgages in the fund. The aggregate allocation to these segments (including independent living seniors housing) is 86%. Our geographic exposure is similar to what it was a year ago, but we did reduce our allocation to Ontario (allocation of 53%, compared to 64% in 2024) and had an offsetting increase to our exposure in Quebec (allocation of 14%, compared to 5% in 2024). This coincides with the organization's growing presence in Quebec (joined forces with nesto in 2024, and added 10 commercial originators in Quebec in 2025) and our comfort with the market. While the real-estate market was generally sluggish in Canada this past year, the market in Quebec performed quite well. Quebec had the second highest increase in home prices in 2025 (behind Saskatchewan) and it is projected to see the third highest increase in 2026 (behind Saskatchewan and Newfoundland)^[4].

Our borrowers have a weighted average credit score of 758, which has shown a consistent upward trend over the years (up from 746 in 2024, 734 in 2023, and 714 in 2022). This nicely illustrates an adaptation to newfound pressure on real estate values in an environment of elevated interest rates. We do not plan on changing our approach or making large changes to our allocations in 2026, as we have yet to see signs of a sustained rebound. However, we will continue to observe the evolving economic landscape when analyzing new lending opportunities.

Our goal for 2026 is to continue to provide investors with a dependable fixed income alternative that performs well in all market environments. We appreciate the trust that has been placed in us over the years, and we are excited for what 2026 will bring.

¹ Canadian Real Estate Association

² IPSOS

³ Canadian Real Estate Association

⁴ Canadian Real Estate Association

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Financial Highlights

Mortgage Investments

	Quarter ended Dec 31, 2025	Quarter ended Sep 30, 2025
Mortgage investments	\$246,246,377	\$219,624,055
Total number of mortgage investments	304	297
Average mortgage investment	\$810,021	\$739,475
Weighted average interest rate	7.86%	7.82%
Weighted average LTV ratio	62.71%	60.50%
Weighted average term to maturity (years)	1.10	1.15
Leverage	0%	0%
Net assets attributable to holders of redeemable units	\$249,126,023	\$244,868,732
Net Asset Value ("NAV") per unit	\$10.01	\$10.01

Net Asset Value ("NAV")

NAV – Sep 30, 2025	244,868,732
Subscriptions	11,760,314
Redemptions	(9,983,313)
Reinvested distributions	2,358,969
Unrealized Gain/(Loss)	121,320
NAV – Dec 31, 2025	249,126,023

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Portfolio Allocation

As at Dec 31, 2025, the Fund's portfolio included mortgage investments of \$246 million and was comprised of 304 investments, which were allocated across the categories listed below (excludes cash).

Geography

	Number of mortgages	Outstanding balance	% of portfolio
ON	191	\$ 127,964,687	52%
BC	41	42,111,028	17%
QC	8	34,130,000	14%
AB	42	26,785,389	11%
Various	1	5,026,231	2%
MB	17	4,930,582	2%
NS	1	3,380,000	1%
PE	1	1,358,772	1%
SK	2	559,688	0%
	304	\$ 246,246,377	100%

Asset Type

	Number of mortgages	Outstanding balance	% of portfolio
Single-family	266	\$ 124,626,826	51%
Multi-family	26	76,318,524	31%
Senior Housing	5	21,072,016	9%
Industrial	1	12,000,000	5%
Mixed Use	2	6,000,000	2%
Other	1	3,180,000	1%
Retail	3	3,049,010	1%
	304	\$ 246,246,377	100%

Maturity

	Number of mortgages	Outstanding balance	% of portfolio
Less than 1 year	205	\$ 149,734,349	61%
1 to 3 years	94	75,808,504	31%
More than 3 years	5	20,703,524	8%
	304	\$ 246,246,377	100%

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Portfolio Allocation (continued)

Interest Rate

	Number of mortgages	Outstanding balance	% of portfolio
Less than 6.00%	33	\$ 16,929,930	7%
6.00% to 6.49%	22	5,880,292	2%
6.50% to 6.99%	61	44,755,033	18%
7.00% to 7.49%	54	40,476,063	16%
7.50% to 7.99%	52	44,472,349	18%
Greater than 7.99%	82	93,732,710	39%
	304	\$ 246,246,377	100%

Loan-to-appraised value

	Number of mortgages	Outstanding balance	% of portfolio
60% or below	124	\$ 77,398,352	31%
60% to 70%	124	106,733,032	44%
70% to 80%	52	52,223,864	21%
above 80%	4	9,891,129	4%
	304	\$ 246,246,377	100%

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Emissions Tracking

Emissions*

	Q1 2025	Q2 2025	Q3 2025	Q4 2025
Total Financed Emissions (KT of CO2)	1.224	1.347	1.368	1.756
Total Financed Emissions (KT of CO2) per \$100M	0.586	0.590	0.623	0.713

Data Accuracy

	Q1 2025	Q2 2025	Q3 2025	Q4 2025
Energy usage: directly reported; Energy source: directly reported	0%	0%	0%	0%
Energy usage: market avg; Energy source: directly reported	89%	89%	85%	90%
Energy usage: market avg; Energy source: market avg	11%	11%	15%	10%

*Q1 2025 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.

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Statement of Net Income For the quarter ended Dec 31, 2025 (unaudited)

	Dec 31, 2025	Sep 30, 2025
Investment income		
Interest	\$ 4,728,453	\$ 4,870,275
Other fees	338,922	223,252
Realized Gain/(Loss) on Financial Instruments	-	(25,033)
	5,067,375	5,068,494
Expenses		
Management fee, net of rebates	518,124	517,031
Other expense	127,135	124,912
Mortgage service fees	96,546	96,593
Interest expense	81,445	81,046
Total Expenses	823,250	819,582
Expenses waived/absorbed by the Manager	-	-
Total Expenses (net)	823,250	819,582
Net investment income	\$ 4,244,125	\$ 4,248,912
Unrealized Gain/(Loss)	121,320	(101,659)
Net investment income	\$ 4,365,445	\$ 4,147,253

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Statement of Net Assets For the quarter ended Dec 31, 2025 (unaudited)

	Dec 31, 2025	Sep 30, 2025
Assets		
Cash	\$ 1,032,389	\$ 25,524,317
Net Mortgage investments	241,277,392	214,624,055
Other investments	4,968,985	5,000,000
Other receivables	1,939,123	560,479
Investment income receivable	1,798,738	1,384,430
Deferred Financing Fees	33,724	56,459
Prepays	4,909	8,513
Due from Manager	3,535	102,819
	251,058,795	247,261,072
Liabilities		
Accounts payable and accrued liabilities	509,789	927,504
Distribution payable	1,422,983	1,464,836
	1,932,772	2,392,340
Net assets	\$ 249,126,023	\$ 244,868,732
Units outstanding	24,885,524	24,473,199
Net assets per unit	\$ 10.01	\$ 10.01

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Statement of Net Assets Attributable to Holders of Redeemable Units For the quarter ended Dec 31, 2025 (unaudited)

Balance, beginning of period	\$ 244,868,732
Net income	4,365,445
Issuance of units	11,760,314
Units reinvested	2,358,969
	18,484,728
Unitholder redemptions	(9,983,313)
Distributions to unitholders	(4,244,125)
	(14,227,438)
Balance, end of period	\$ 249,126,023