



cmls asset management

CMLS mortgage fund
Q1 2026 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 Mar 31, 2026, the Fund had total Mortgages Under Administration (“MUA”) of \$256.7 million compared to \$246.2 million as at Dec 31, 2025, an increase of \$10.5 million quarter-over-quarter. As at Mar 31, 2026, the weighted average coupon of the portfolio excluding cash was 7.85% and the weighted average term to maturity was 1.11 years vs. a weighted average coupon of 7.86% and a weighted average term to maturity of 1.10 years for the quarter ended Dec 31, 2025.

Exhibit 1
Geographic composition

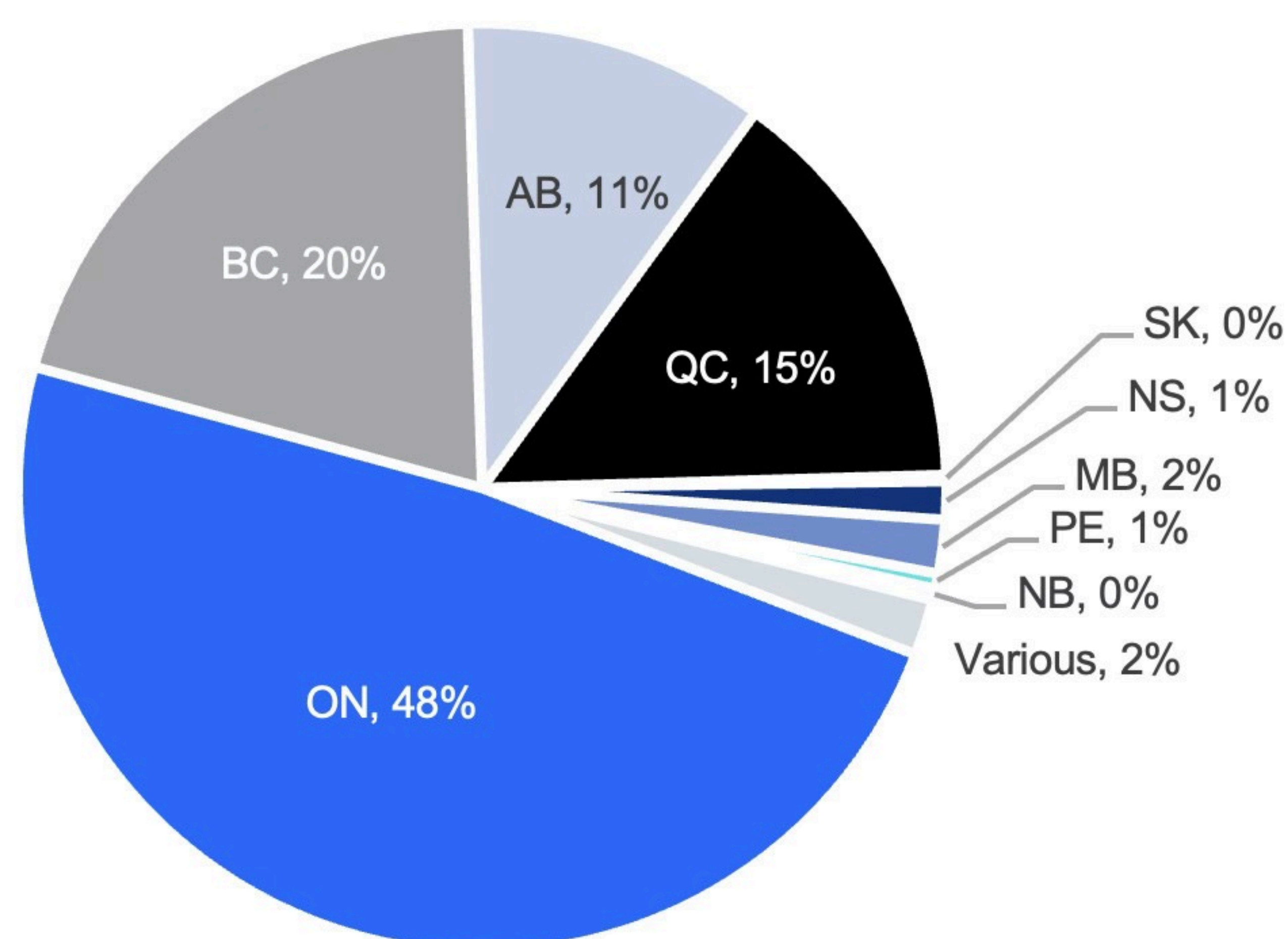
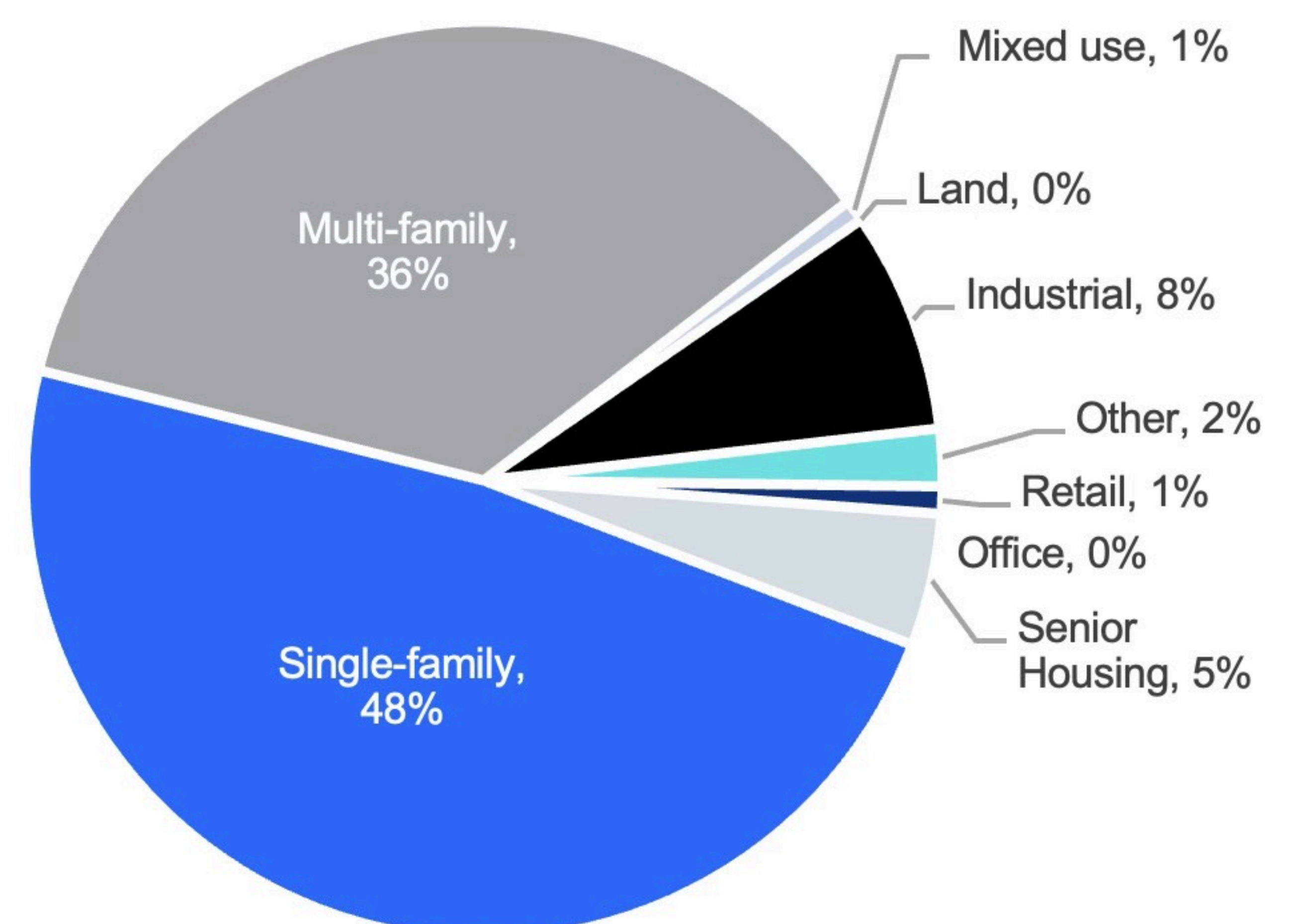


Exhibit 2
Asset class composition



Notes: as of Mar 31, 2026

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Commentary & Outlook (continued)

In the first quarter of 2026, we received a clear signal that the federal government is taking an active role in tackling housing affordability. With interest rate cuts on pause and facing upward pressure due to inflationary forces in the market, the federal government looked toward more direct avenues to affect change. Among other things, Bill C-26 seeks to reduce and standardize development charges that have recently acted as a barrier to new construction. Development charges are one-time fees paid by developers to municipalities, ultimately funding the infrastructure and services required to support new development. Our December Accrued Interest newsletter offered a comprehensive analysis of development charges and their impact on new construction. The bill introduced \$1.7 billion of funding that can only be accessed through the implementation of provincial frameworks that require municipalities to standardize, cap, or reduce development charges. The intended net effect is lower and more standardized development charges, sustaining hopes of increased construction activity.

Bill C-4, on the other hand, takes aim at limited demand in the market through the elimination of GST on new homes for first-time home buyers. This 5% GST rebate is available on newly constructed homes up to \$1 million, and moves down on a sliding scale as prices approach \$1.5 million. On top of this (and outside of Bill C-4), the Ontario government has provided a temporary removal of the 8% HST for everyone buying a new home, meaning that the cumulative impact in Ontario can approach a \$130,000 increase in purchasing power (and \$50,000 outside of Ontario).

These two bills and further action in Ontario theoretically exert opposing forces on home prices (higher supply and higher demand); we will see in time if one has a greater impact than the other. Although the Fund avoids any direct exposure to development, we pay close attention to all aspects of the housing market, and look to structure the portfolio in such a way that our investments are well protected from adverse, policy-driven market movements.

As these federal initiatives begin to influence the broader market landscape, the CMLS Mortgage Fund's first quarter performance remained characterized by the same stability our investors have come to expect. The Fund delivered a steady annualized return of 6.51%, and arrears remained flat at approximately 3%, with no losses incurred on any loans. We also experienced modest net capital inflows, increasing unitholder equity by 4%.

Due to the short-weighted average term of our investments (1.11 years), a significant portion of the portfolio turns over each month. In the first quarter, mortgages totaling \$55.3 million were repaid, representing 22% of the portfolio. Consistent turnover and repayment of loans provides the Fund with natural liquidity, which is increasingly becoming a more important consideration regarding private credit allocations. With the repayment of loans, also comes the need to replace them. We continue to see significant investment opportunities, supported by the Nesto Group's large origination platform (\$26 billion originated in 2025, up from \$19 billion in 2024). In the first quarter, we funded \$66.6 million of new mortgages, moving us into a slight (0.003%) leverage position. Our strategy is to apply a small amount of leverage, primarily as a means of avoiding cash drag but in all instances subject to sourcing investments that meet our objectives and maintain a strong risk-reward profile.

Movement of portfolio allocations were relatively minor throughout the quarter, with the largest change coming from an increase in multi-family residential loans, which went from 31% to 36% of the portfolio. This brings our cumulative allocation to housing (single-family residential, multi-family residential, and independent living seniors housing) to 88%. There was \$54 billion of multi-family CMHC-insured mortgages originated in Canada in 2025 (up 4% YoY), which well exceeds originations for any other commercial asset class (the next closest being industrial at \$17 billion)^[1]. Our multi-family residential loans often act as bridges to CMHC insured debt, and this massive CMHC insured pipeline has resulted in a plethora of attractive lending opportunities.

As a result, our allocation to single-family residential loans decreased slightly, going from 51% to 48% of the portfolio, partially offsetting the increase in multi-family residential loans. Borrowers of our single-family residential loans funded this quarter had a weighted average credit score of 762 (bringing the portfolio average to 756), and the loans were secured predominantly by owner-occupied properties (81%) and houses (as opposed to condos) (88%). The average loan size for single-family residential loans funded this quarter was \$393,763 and the weighted average loan-to-value ratio was 58%. We are continuing to take a defensive approach to the market by targeting strong borrowers and properties with significant equity.

We will continue with our steady approach to the market in the months to come, focusing on capital preservation and strong risk-adjusted returns. As always, our goal is to provide our investors with a dependable fixed income alternative they can count on. We appreciate the trust that has been placed in CMLS Asset Management and look forward to the remainder of the year.

^[1] Nesto Cloud – Annual Canadian Commercial Mortgage Survey

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Financial Highlights

Mortgage Investments

	Quarter ended Mar 31, 2026	Quarter ended Dec 31, 2025
Mortgage investments	\$256,730,190	\$246,246,377
Total number of mortgage investments	314	304
Average mortgage investment	\$817,612	\$810,021
Weighted average interest rate	7.85%	7.86%
Weighted average LTV ratio	62.50%	62.71%
Weighted average term to maturity (years)	1.11	1.10
Leverage	0.003%	0%
Net assets attributable to holders of redeemable units	\$258,313,549	\$249,126,023
Net Asset Value ("NAV") per unit	\$10.01	\$10.01

Net Asset Value ("NAV")

NAV – Dec 31, 2025*	249,126,023
Subscriptions	14,139,059
Redemptions	(7,336,157)
Reinvested distributions	2,338,758
Unrealized Gain/(Loss)	45,866
NAV – Mar 31, 2026	258,313,549

*Updated to agree to final audited financial statements.

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Portfolio Allocation

As at March 31, 2026, the Fund's portfolio included mortgage investments of \$257 million and was comprised of 314 investments, which were allocated across the categories listed below (excludes cash).

Geography

	Number of mortgages	Outstanding balance	% of portfolio
ON	199	\$ 124,182,674	48%
BC	44	52,128,152	20%
QC	7	37,300,000	15%
AB	40	26,987,888	11%
Various	1	5,027,800	2%
MB	18	4,789,186	2%
NS	1	3,400,417	1%
PE	1	1,356,491	1%
NB	1	1,000,000	0%
SK	2	557,582	0%
	314	\$ 256,730,190	100%

Asset Type

	Number of mortgages	Outstanding balance	% of portfolio
Single-family	274	\$ 123,308,616	48%
Multi-family	30	91,731,777	35%
Industrial	4	20,060,787	8%
Senior Housing	1	12,000,000	5%
Other	2	5,180,000	2%
Retail	2	2,449,010	1%
Mixed Use	1	2,000,000	1%
	314	\$ 256,730,190	100%

Maturity

	Number of mortgages	Outstanding balance	% of portfolio
Less than 1 year	197	\$ 156,880,739	61%
1 to 3 years	111	78,846,956	31%
More than 3 years	6	21,002,495	8%
	314	\$ 256,730,190	100%

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Portfolio Allocation (continued)

Interest Rate

	Number of mortgages	Outstanding balance	% of portfolio
Less than 6.00%	42	\$ 20,782,837	8%
6.00% to 6.49%	34	11,550,376	4%
6.50% to 6.99%	60	42,472,690	16%
7.00% to 7.49%	57	44,021,525	17%
7.50% to 7.99%	49	41,022,836	16%
Greater than 7.99%	72	96,879,926	39%
	314	\$ 256,730,190	100%

Loan-to-appraised value

	Number of mortgages	Outstanding balance	% of portfolio
60% or below	135	\$ 84,628,904	33%
60% to 70%	118	104,647,296	41%
70% to 80%	56	52,254,490	20%
above 80%	5	15,199,500	6%
	314	\$ 256,730,190	100%

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Emissions Tracking

Emissions*

	Q2 2025	Q3 2025	Q4 2025	Q1 2026
Total Financed Emissions (KT of CO2)	1.347	1.368	1.756	1.780
Total Financed Emissions (KT of CO2) per \$100M	0.590	0.623	0.713	0.693

Data Accuracy

	Q2 2025	Q3 2025	Q4 2025	Q1 2026
Energy usage: directly reported; Energy source: directly reported	0%	0%	0%	0%
Energy usage: market avg; Energy source: directly reported	89%	85%	90%	90%
Energy usage: market avg; Energy source: market avg	11%	15%	10%	10%

*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 Mar 31, 2026 (unaudited)

	Mar 31, 2026	Dec 31, 2025
Investment income		
Interest	\$ 4,494,923	\$ 4,728,453
Other fees	290,070	338,922
Realized Gain/(Loss) on Financial Instruments	-	-
	4,784,993	5,067,375
Expenses		
Management fee, net of rebates	525,158	518,124
Other expense	99,147	127,135
Mortgage service fees	102,777	96,546
Interest expense	77,042	81,445
Total Expenses	804,124	823,250
Expenses waived/absorbed by the Manager	-	-
Total Expenses (net)	804,124	823,250
Net investment income	\$ 3,980,869	\$ 4,244,125
Unrealized Gain/(Loss)	45,866	121,320
Net investment income	\$ 4,026,735	\$ 4,365,445

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Statement of Net Assets For the quarter ended Mar 31, 2026 (unaudited)

	Mar 31, 2026	Dec 31, 2025
Assets		
Cash	\$ -	\$ 1,032,389
Net Mortgage investments	251,702,390	241,277,392
Other investments	5,027,800	4,968,985
Other receivables	2,379,904	1,939,123
Investment income receivable	1,280,829	1,798,738
Deferred Financing Fees	10,990	33,724
Prepays	21,778	4,909
Due from Manager	-	3,535
	260,423,691	251,058,795
Liabilities		
Bank indebtedness	8,630	-
Accounts payable and accrued liabilities	314,952	509,789
Subscriptions received in advance	300,000	-
Distribution payable	1,486,560	1,422,983
	2,110,142	1,932,772
Net assets	\$ 258,313,549	\$ 249,126,023
Units outstanding	25,798,461	24,885,524
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 Mar 31, 2026 (unaudited)

Balance, beginning of period	\$ 249,126,023
Net income	4,026,735
Issuance of units	14,139,059
Units reinvested	2,338,758
	<hr/>
	20,504,552
	<hr/>
Unitholder redemptions	(7,336,157)
Distributions to unitholders	(3,980,869)
	<hr/>
	(11,317,026)
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Balance, end of period	\$ 258,313,549