

cmls asset management

CMLS mortgage fund

Q3 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 (“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 September 30, 2026, the Fund had total Mortgages Under Administration (“MUA”) of $282.9 million compared to $297.3 million as at June 30, 2026, a decrease of $14.4 million quarter-over-quarter. As at September 30, 2026, the weighted average coupon of the portfolio excluding cash was 7.74% and the weighted average term to maturity was 1.14 years vs. a weighted average coupon of 7.74% and a weighted average term to maturity of 1.12 years for the quarter ended June 30, 2026.

Exhibit 1
Geographic composition

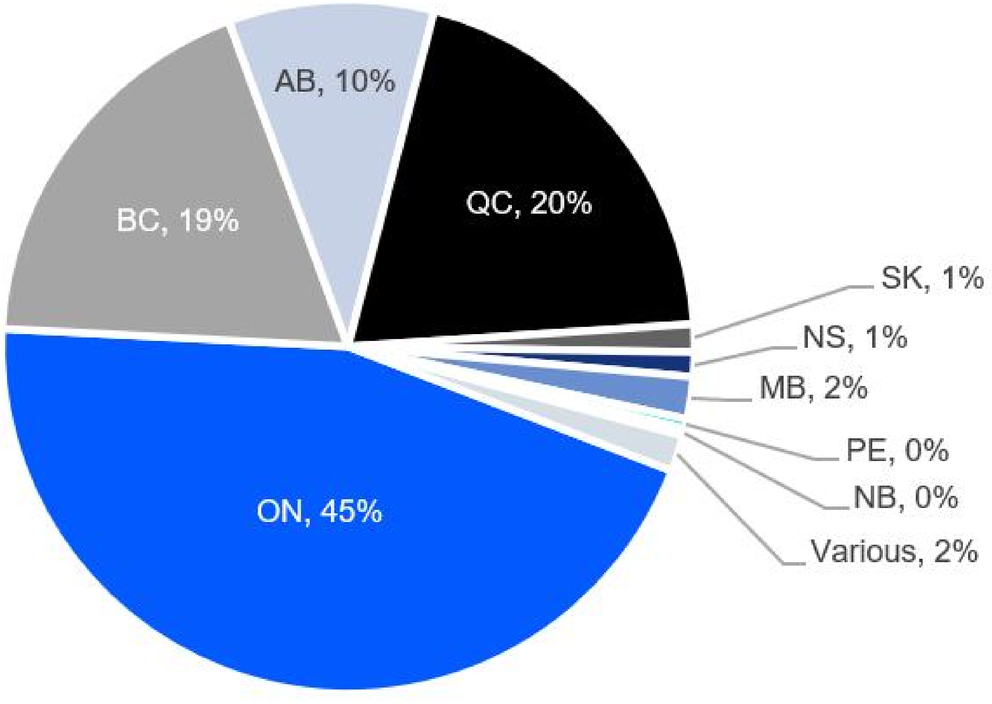
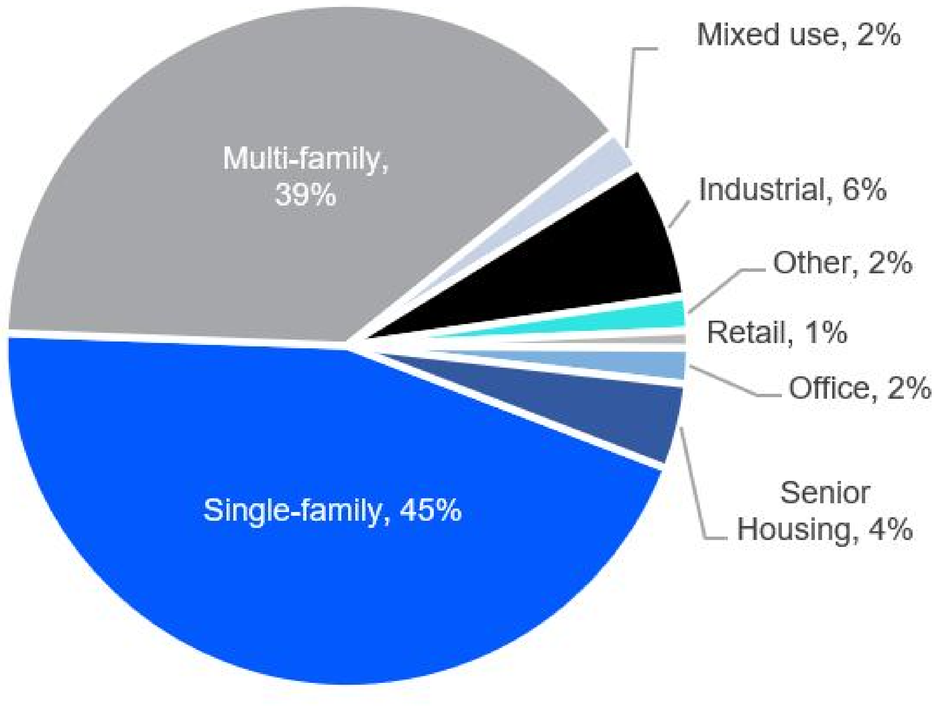


Exhibit 2
Asset class composition



Notes: as of Sep 30, 2026

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Commentary & Outlook (continued)

For most of the past five years or so we have observed a market of conflicting signals in the debt markets. Lenders and investors blessed with excess liquidity have been much more eager to transact than asset owners, leading to muted property sales of both commercial and residential property and rate/spread compression as a result. For example, between 2021 and 2025 commercial property sales, according to CoStar, dipped nearly 25%, whereas commercial mortgage lending increased nearly 60% driven by both increased CMHC-insured multifamily lending and increased refinance activity in general. CMLS and nesto's single family lending volumes doubled against transaction activity falling 30%[1]. In the meantime, condominium and rental construction activity has slowed considerably as pro formas remain challenged. According to National Bank, despite signs of life in Q2 the year-to-date pace of Canadian home sales as of September 30 is at its lowest level since 2003. General sentiment has grown anxious among increasing interest rates, increasing delinquency rates, plateauing rents, trade pressures, polarization, global conflict and global unrest, big bets on artificial intelligence, rogue artificial intelligence … the list could go on.

We have not been immune to areas of market weakness, expecting to incur our first loss in the commercial/multifamily allocation of our portfolio since inception of the Fund. You will have seen a negative return in the month of August as our valuation agent incorporated feedback from the marketing of two commercial properties (representing 1.60% of the portfolio at current value) in connection with enforcing our rights under the related mortgages. Distributions have been reduced for the remainder of the year to ensure we are not overdistributing taxable income and allow NAV to progress upward back toward $10.

Where we gain comfort, however, is the stability and strength in the remainder of the portfolio. Single family arrears remain at three-year lows at 0.73% of the portfolio, having more than halved from higher levels experienced in late 2024 and early 2025. Commercial and multifamily arrears are limited to the two commercial properties discussed above. Our multifamily lending allocation continues to demonstrate strong performance, as near-term refinances originally underwritten with high conviction and downside protection are achieved at or before loan maturity. With land and new development values under continued pressure, property valuations underlying new commercial and multifamily loan investments are subject to an added layer of scrutiny, avoiding instances where redevelopment value is being recognized. Our intention with the Fund is not to provide you with the shiniest, most expensive house on the block, but one which remains standing after the storm.

The Fund delivered an annualized return of 5.25% as of September 30, year-to-date, below target and reflective of the markdown referenced above. Our weighted average coupon remained steady as we focus on maintaining our desired credit profile in a competitive market landscape. Objectives for the final three months of the year include navigating that market landscape to prudently deploy existing liquidity and return to target leverage of 10-20% of the portfolio. A strong pace of new fundings drives fee revenues to the Fund which is additive to our primary source of income: interest.

Funded volumes in Q3 were below capacity at $24 million commercial/multifamily and $27 million single family residential, decreasing from $37 million and $46 million, respectively, in Q2.

Single family residential currently represents approximately 45% of the portfolio and multifamily residential (including independent living seniors residences, at 6% of assets) represents approximately 43%, with limited movement through the third quarter. Provincial allocation experienced greater variation, primarily driven by elevated repayments of Quebec loans. The allocation of the portfolio to subordinate mortgages decreased from $110 million, or 37% of assets, at the end of Q2, to $86 million, or 30% of assets at the end of Q3. As a reminder, we target strong sponsors with high-conviction takeout strategies when investing in subordinate mortgages. Despite the reduction in allocation, we continue to view the opportunity set of established, well-capitalized multifamily owners seeking transitional subordinate financing toward an eventual CMHC-insured term takeout to be attractive. We would expect this allocation to remain range-bound between 30-40% of the portfolio in the near term.

Unitholder equity grew from $257 million as of June 30 to $269 million at September quarter end, continuing a trend of positive net subscription activity in 2026. At a time when real estate investments are under scrutiny, we are both proud of and grateful for the trust investors place in CMLS. We intend to continue channeling that energy into a disciplined approach investing in this market.

[1] Canadian Real Estate Association

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Financial Highlights

Mortgage Investments

	Quarter ended Sep 30, 2026	Quarter ended June 30, 2026
Mortgage investments	$282,908,309	$297,294,678
Total number of mortgage investments	329	337
Average mortgage investment	$859,904	$882,180
Weighted average interest rate	7.74%	7.74%
Weighted average LTV ratio	63.18%	62.47%
Weighted average term to maturity (years)	1.14	1.12
Leverage	7.510%	14.057%
Net assets attributable to holders of redeemable units	$268,847,855	$256,855,657
Net Asset Value ("NAV") per unit	$9.94	$10.00

Net Asset Value (“NAV”)

NAV – Jun 30, 2026	256,855,657
Subscriptions	18,881,246
Redemptions	(7,250,450)
Reinvested distributions	2,071,188
Distribution adjustment	659,847
Unrealized Gain/(Loss)	(2,369,633)
NAV – Sep 30, 2026	**268,847,855**

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Portfolio Allocation

As at Sep 30, 2026, the Fund's portfolio included mortgage investments of $283 million and was comprised of 329 investments, which were allocated across the categories listed below (excludes cash).

Geography

	Number of mortgages	Outstanding balance	% of portfolio
ON	194	$ 131,728,580	47%
BC	48	61,216,780	22%
QC	12	42,577,445	15%
AB	46	29,182,010	10%
MB	23	5,952,545	2%
Various	1	4,871,606	2%
SK	2	3,531,419	1%
NS	1	1,500,000	1%
PE	1	1,351,768	0%
NB	1	996,156	0%
	329	**$ 282,908,309**	**100%**

Asset Type

	Number of mortgages	Outstanding balance	% of portfolio
Single-family	279	$ 128,199,249	45%
Multi-family	34	102,945,466	36%
Industrial	5	19,031,879	7%
Senior Housing	4	16,000,000	6%
Mixed Use	2	5,860,000	2%
Office	1	5,000,000	2%
Other	2	3,422,705	1%
Retail	2	2,449,010	1%
	329	**$ 282,908,309**	**100%**

Maturity

	Number of mortgages	Outstanding balance	% of portfolio
Less than 1 year	202	$ 160,493,462	57%
1 to 3 years	121	98,815,470	35%
More than 3 years	6	23,599,377	8%
	329	**$ 282,908,309**	**100%**

Portfolio Allocation (continued)

Interest Rate

	Number of mortgages	Outstanding balance	% of portfolio
Less than 6.00%	53	$ 23,654,997	8%
6.00% to 6.49%	47	25,838,883	9%
6.50% to 6.99%	74	46,212,202	16%
7.00% to 7.49%	55	50,879,105	18%
7.50% to 7.99%	45	46,566,132	16%
Greater than 7.99%	55	89,756,990	33%
	329	**$ 282,908,309**	**100%**

Loan-to-appraised value

	Number of mortgages	Outstanding balance	% of portfolio
60% or below	134	$ 87,745,948	30%
60% to 70%	128	110,433,800	39%
70% to 80%	62	68,757,492	25%
above 80%	5	15,971,069	6%
	329	**$ 282,908,309**	**100%**

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Emissions Tracking

Emissions*

	Q4 2025	Q1 2026	Q2 2026	Q3 2026
Total Financed Emissions (KT of CO2)	1.756	1.780	2.034	1.930
Total Financed Emissions (KT of CO2) per $100M	0.713	0.693	0.684	0.682

Data Accuracy

	Q4 2025	Q1 2026	Q2 2026	Q3 2026
Energy usage: directly reported; Energy source: directly reported	0%	0%	0%	0%
Energy usage: market avg; Energy source: directly reported	90%	90%	91%	91%
Energy usage: market avg; Energy source: market avg	10%	10%	9%	9%

*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 Sep 30, 2026 (unaudited)

	Sep 30, 2026	June 30, 2026
Investment income		
Interest	**$ 5,540,419**	$ 5,124,316
Other fees	**204,259**	400,351
	5,744,678	5,524,667
Expenses		
Management fee, net of rebates	**560,513**	541,175
Other expense	**129,216**	250,513
Mortgage service fees	**124,674**	113,745
Interest expense	**490,406**	312,633
Total Expenses	**1,304,809**	1,218,066
Expenses waived/absorbed by the Manager	**–**	(42,879)
Total Expenses (net)	**1,304,809**	1,175,187
Net investment income	**$ 4,439,869**	$ 4,349,480
Unrealized Gain/(Loss)	**(2,369,633)**	(299,582)
Net investment income	**$ 2,070,236**	$ 4,049,898

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Statement of Net Assets
For the quarter ended Sep 30, 2026 (unaudited)

	Sep 30, 2026	June 30, 2026
Assets		
Cash	**$ -**	$ -
Net Mortgage investments	**278,036,703**	292,293,341
Other investments	**4,871,606**	5,001,336
Other receivables	**6,515,760**	1,949,400
Investment income receivable	**1,567,360**	1,559,341
Deferred Financing Fees	**278,156**	28,803
Prepaids	**36,872**	7,489
Due from Manager	**-**	42,879
	291,306,457	300,882,589
Liabilities		
Bank Loan Payable	**15,000,000**	-
Bank indebtedness	**6,247,734**	41,789,762
Accounts payable and accrued liabilities	**357,868**	357,239
Subscriptions received in advance	**-**	415,000
Distribution payable	**843,430**	1,464,931
Interest Payable	**9,570**	-
	22,458,602	44,026,932
Net assets	**$ 268,847,855**	$ 256,855,657
Units outstanding	**27,058,304**	25,683,057
Net assets per unit	**$ 9.94**	$ 10.00

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Statement of Net Assets Attributable to Holders of Redeemable Units
For the quarter ended Sep 30, 2026 (unaudited)

Balance, beginning of period	**$ 256,855,657**
Net income	**2,070,236**
Issuance of units	**18,881,246**
Units reinvested	**2,071,188**
	23,022,670
Unitholder redemptions	**(7,250,450)**
Distributions to unitholders	**(3,780,022)**
	(11,030,472)
Balance, end of period	**$ 268,847,855**