# Accrued Interest

## CMLS mortgage fund

October 2025

cmls asset management

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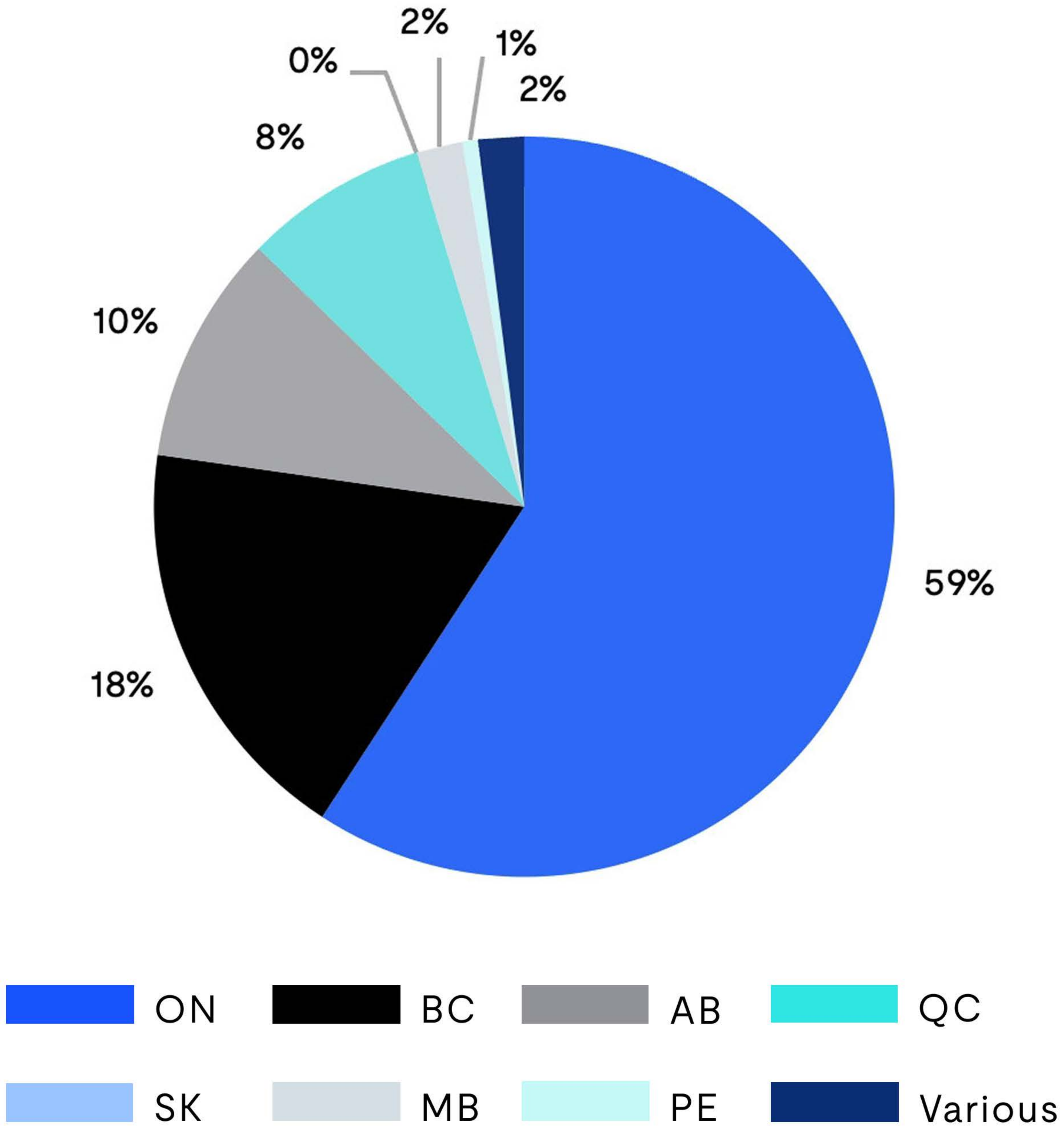
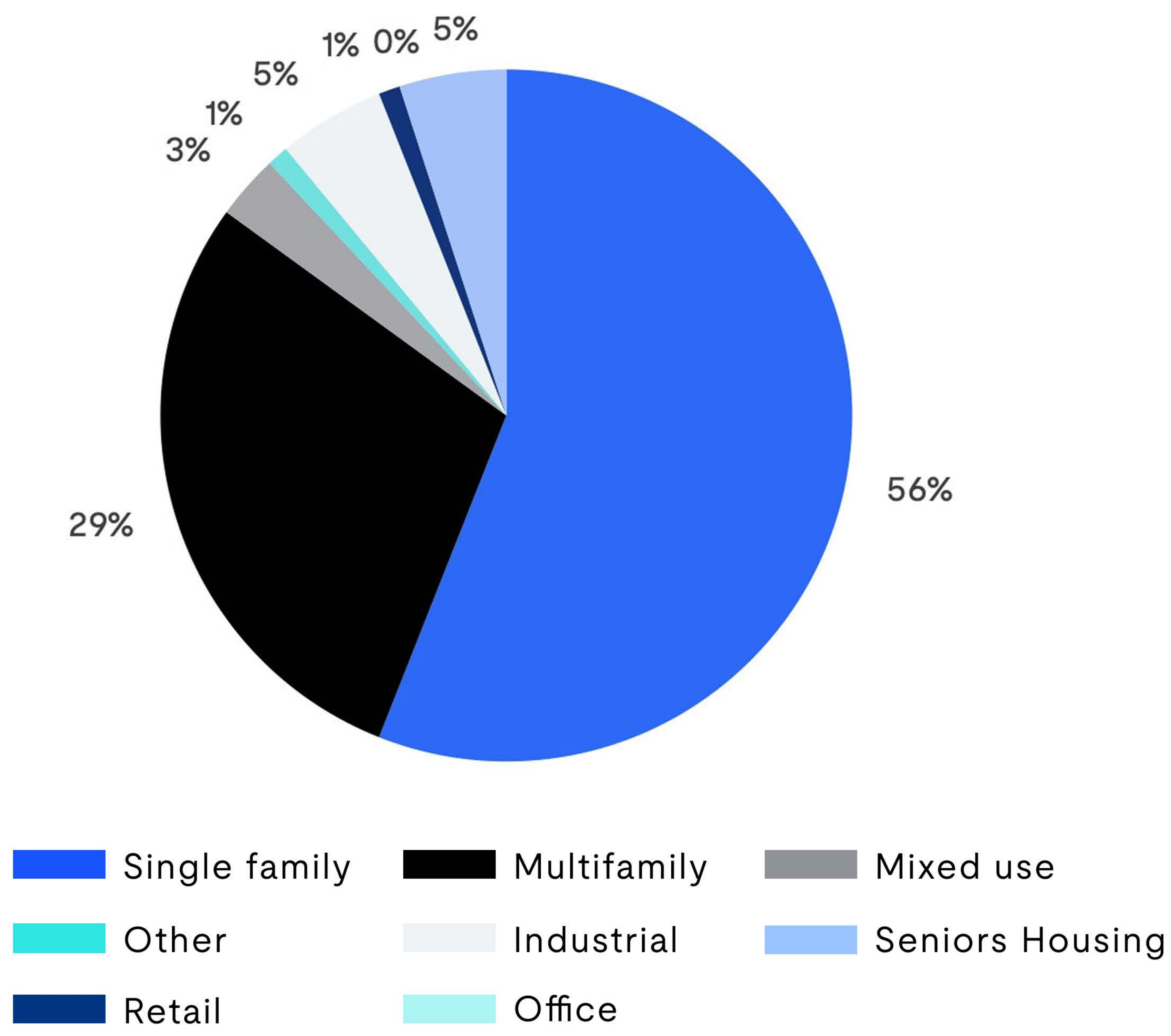
Thank you for reading the October edition of **Accrued Interest**. This will also be included in our upcoming third quarter report. In September, the CMLS Mortgage Fund delivered a monthly return of 0.56% (7.03% annualized). As of quarter end, our weighted average coupon is 7.82% and our weighted average loan-to-value ratio is 60%.

## Our portfolio is composed as follows:




More detailed and up-to-date portfolio information can be found in our monthly Fund Facts, available on our website here.

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.

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 (34% 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 3.8%. 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 viarable 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