

Accrued Interest

CMLS mortgage fund

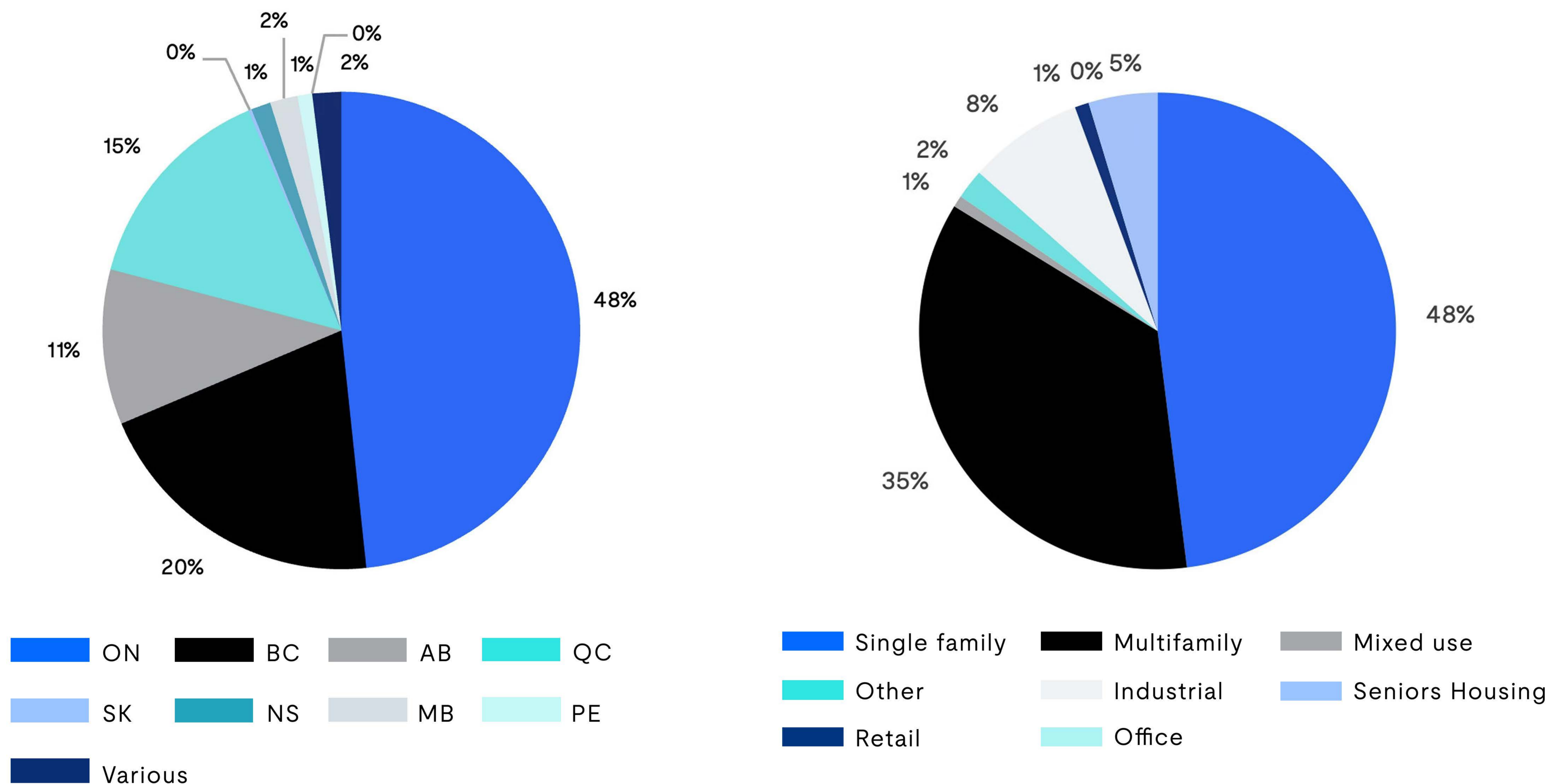


April 2026

cmls asset
management

Thank you for reading the April edition of **Accrued Interest**. This will also be included in our upcoming first quarter report. In March, the CMLS Mortgage Fund delivered an annualized return of 6.92%. Our weighted average coupon is 7.85% and our weighted average loan-to-value ratio is 63%.

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](#).

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 Market Survey