

AT A GLANCE

- Construction and development mortgages in Canada
- Investing in the most secure portion of the debt stack; considered bank grade and traditionally provided by lending agencies such as Canadian banks, Trust companies and Credit Unions
- Terms are 3-36 months
- Low to no correlation to bond and equity markets
- Liquidity is accommodated twice per year (January and July) with 90 days' notice
- \$57 MM AUM
- Current price: \$102.1169 (Class F)

MARKET & FUND UPDATE

It goes without saying that the first half of 2020 has been unprecedented for most Canadians. In our last commentary, we discussed the uncertainty surrounding the impact of COVID-19 on the housing market in Ontario. Now that we're further along, we are starting to see how the market is responding. While listings and sales dropped at the beginning of the quarter, Stage 2 of Ontario's re-opening plan has seen a surprising rebound in volume and a reassuring stabilization in prices, with some regions even seeing increases. These observations in Ontario are specific to the GTA and are in pretty stark contrast to the CMHC reports that warn of a significant housing correction in Canada. However, it is important to remember that these types of reports from CMHC are national so include Alberta and the Prairie provinces which are still reeling from the oil crisis.

While we have seen prices in the GTA stabilize and volume of projects pick up, we are also anticipating unique opportunities for funds such as the Capstone First Mortgage Fund. As we saw after 2008, banks have, and will likely continue, to tighten their credit facilities. When this happens, the quality and quantity of borrowers seeking funds from private lenders, such as Capstone, improves. Over the past few months, many private lending funds have resorted to restricting redemptions to manage cashflow (since mortgages are not easily liquidated) and consequently are not able to extend additional credit until their redemption situation is resolved. The Capstone First Mortgage Fund is strongly positioned to take advantage of the current situation and we continue to work hard for our investors to ensure the risk profile remains suitable and the return stable.

As we move through the summer months, there remains speculation about a second wave as well as concerns over the current unemployment rate. Government subsidies appear to have filled some gaps over the short term, but the long-term implications remain unknown. However, we have no concerns regarding the current mortgage portfolio, as interest payments remain unaffected. We actually expect to see an increase in the number of high quality funding opportunities available to us. This portfolio continues to target 5% net, and in such a low interest rate environment, investors who have cash on the table or are in lower risk fixed income investments should consider this mortgage portfolio as an attractive risk vs. return play. Please talk to your Portfolio Manager if you would like further information on this Fund.

This is not an offer to sell securities. The Subscription Documents and Information Memorandum should be read carefully as they contain important facts about risks, liquidity, fees and expenses. Past performance may not be repeated.

PERFORMANCE (Net of fees)

Performance figures are those of Class F units as of June 30, 2020. Performance is annualized for periods longer than one year.



1 MO.	3 MO.	6 MO.	1 YR.	2 YR.	3 YR.	INCEPTION*
0.44%	1.37%	2.50%	5.62%	5.75%	5.72%	5.51%

* Annualized as of first trade date July 31, 2016