



## 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 to 36 months
- Low to no correlation to bond and equity markets
- Liquidity is accommodated twice per year (January and July) with 90 days' notice
- \$75 MM AUM
- Current price: \$105.7748 (Class O)

## MARKET & POOL UPDATE

The Capstone First Mortgage Fund LP (FMF) generates interest income for investors by providing construction financing to reputable Canadian developers. These developers are known for quality projects that have achievable business plans, resulting in solid returns with excellent security. The mortgages are currently all secured on properties located in the province of Ontario and, more specifically, concentrated in the Greater Toronto Area. Over the past quarter, FMF returned 1.9%, which is above historical averages. This portfolio continues to benefit from a higher interest rate environment and the stability provided by low leverage, secure advances.

Interest rates continue to be the dominant force hanging over the real estate market on a national level. Despite numerous headlines and political positions that point to a supply issue and historic lack of housing construction, unsold inventory is growing, and new projects are difficult to launch. Buyers are hesitant in this current market, and many are priced out due to higher interest rates. At the same time, developers are facing increased carrying costs, so unit prices remain high. These challenges are both interest rate dependent, making the Bank of Canada's decisions over the next two quarters consequential.

On June 5th, the Bank of Canada provided some relief with a 25bps rate cut. While the quantum of the cut is insignificant in terms of financial impact, the hope that it provides is important. If the Bank of Canada continues a modest rate cut schedule over the coming months, as many economists expect, we will see a return of buyers to the market.

The long-term market demand for housing in Canada remains high and is a strong indicator that the Capstone First Mortgage Fund LP will continue to provide reliable and promising returns. Capstone's Investment Management Team continues to seek high-yield opportunities that position the portfolio for growth. The current lack of available capital in the market allows us to structure and price deals in our favour. This portfolio is well diversified over 16 different projects with 15 different borrowers, and we are actively seeking opportunities to diversify geographically.

## PERFORMANCE (Gross of Fees)

Performance figures are those of Class O units as of June 30, 2024. Performance is annualized for periods longer than one year.

	1 MO.	3 MO.	6 MO.	1 YR.	3 YR.	5 YR.	INCEPTION*
	0.56 %	1.92%	4.26%	9.13%	8.45%	7.83%	7.29%

\*Annualized as of first trade date July 31, 2016

