



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
- \$71 MM AUM
- Current price: \$105.9210 (Class O)

MARKET & FUND UPDATE

This Capstone First Mortgage Fund offers investors interest income by financing construction projects from reputable Canadian developers recognized for their quality work and realistic business plans. This model provides strong returns for investors while ensuring a relatively high level of security. The mortgages are currently all secured on properties located in the province of Ontario and, more specifically, concentrated in the Greater Toronto Area (GTA). Over the past quarter, the Capstone First Mortgage Fund (Series O) returned 1.4%, 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.

The overall real estate market in the GTA remains muted, with YTD activity well below historic levels. This provides a challenge for developers looking to advance pre-sale projects, as buyers have largely remained on the sidelines. The September statistics show reason for optimism, but we will need to see a few months of correlating data before we can project a trend. The Toronto Regional Real Estate Board reported an increase in sales of 8.5% year-over-year for September. While sales are up, home prices are down. The same report noted a 4.58% decrease in the benchmark home price from last September and a 10.5% increase in new listings over the same period.

September also brought a few good news announcements. The Bank of Canada announced another 25 bps interest rate cut, bringing it down to 4.25%, while the US Fed cut their rate by 50 bps. The government relaxed rules for insured mortgage qualification, including 30-year amortizations for buyers of new builds. Lastly, inflation numbers came in below the 2% target, which is a good indication that the Bank of Canada will continue on a path of reductions. Market participants are hopeful that these changes are what spurred the September bump in activity and that consumer optimism will continue to build.

The Capstone First Mortgage Fund continues to aim for a long-term return of 6%, while carrying a low to medium risk profile. This makes it an excellent complement to a traditional investment portfolio. Our Investment Management Team is focused on identifying high-yield opportunities to enhance portfolio growth. With limited capital available in the market, we have the benefit of strategically structuring and pricing our deals. This portfolio is well diversified across 16 projects involving 15 different borrowers, and we are actively exploring opportunities to expand geographically.

PERFORMANCE (Gross of Fees)

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

	1 MO.	3 MO.	6 MO.	1 YR.	3 YR.	5 YR.	INCEPTION*
	0.36 %	1.39%	3.34%	8.35%	8.34%	7.76%	7.24%

*Annualized as of first trade date July 31, 2016

