

AT A GLANCE

DECEMBER 31, 2021

- Construction and development mortgages in Canada
- Diversified by developer and development type
- 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
- \$100 MM AUM
- Current price: 104.5204 (Class O)

MARKET & FUND UPDATE

The Capstone Mortgage Opportunity Fund generates interest income for investors by providing construction financing to reputable Canadian developers known for quality projects and providing achievable business plans. The mortgages are currently all secured on properties located within the province of Ontario and, more specifically, concentrated in the Greater Toronto Area (GTA). For the year ending 2021, this portfolio achieved a return of 9.15% with excellent security.

The Canadian real estate market throughout 2021 was characterized by strong demand for real estate, very low housing supply, and low borrowing rates. Sales increased rapidly over the year and broke records by over 20%. By December 2021, the Canadian Real Estate Association reported inventory at a record low of 1.6 months versus the long-term average of slightly more than 5 months. Nationally, housing prices also increased at a rapid rate of 26.6% since December 2020 (per the non-adjusted seasonally Adjusted Composite MLS® Home Price Index). Specifically in Ontario, home price increases - led by the GTA - increased at the above average rate of 30%.

Looking ahead into 2022, we expect to see many of the same trends play out - particularly high demand and low supply. One of the greatest accelerants to home sales and price increases in 2021 was the low borrowing rates. We expect to see these factors continue to encourage sales through the busy spring season of 2022 as buyers move quickly to snap up available properties before interest rates increase. While we do expect the interest rates to increase early in 2022 as a response to inflationary pressures, we do not anticipate any significant cooling of housing demand until the supply side of the equation has been addressed more thoroughly. In addition, while housing starts were strong at the end of 2021, they have a lot of ground to make up to address the unmet demand that is fueling market activity.

While the real estate market in Ontario remains hot, the construction environment is riddled with delays and the additional obstacles introduced by the COVID-19 pandemic. These delays roll into lending processes as it takes longer for milestones to be achieved and for closings to occur. Eventually even small inefficiencies can impact investor returns as cash sits idle for longer periods than historically experienced. This is one of the reasons the return on this portfolio is slightly below its historical average. In addition, while construction delays have certainly decreased since the spring and summer of 2020, we still expect these issues to linger throughout 2022. That said, the quality of mortgages in this portfolio remains high as we continue to apply stringent criteria to ensure excellent security. Furthermore, we have begun the investigation to broaden the portfolio's exposure outside of Ontario and hope to introduce exposure within other provinces at some point in 2022. For this next year, the Capstone Mortgage Opportunities Fund continues to target its long term average of 9%.

If you would like to find out more about this Fund, please talk to your Portfolio Manager.

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

Performance figures are those of Class O units as of December 31, 2021. Performance is annualized for periods longer than one year. Class O units do not include Management Fees or Administration Fees.



1 MO.	3 MO.	6 MO.	1 YR.	3 YR.	5 YR.	INCEPTION*
0.57%	2.34%	4.49%	9.15%	9.31%	8.74%	9.29%

* 1st trade date July 15, 2014