CAPSTONE MORTGAGE POOL

Q1 Commentary

MARCH 31, 2025

AT A GLANCE

- Construction and development mortgages in Canada
- Diversified by developer and development type
- Mortgage terms are 3 to 36 months
- Low to no correlation with bond and equity markets
- Liquidity is accommodated monthly with one month's notice
- $366 MM AUM
- Current price: $9.3717 (Series I)

MARKET & POOL UPDATE

In a quarter marked by negative news for the real estate market, the Capstone Mortgage Pool ("CMP") continued to deliver positive returns. Given that the Pool is comprised of debt investments, daily headline news will not sway actual performance in the immediate term. In our last update just 90 days ago, market sentiment was positive. We saw increasing sales, lower interest rates, and anticipation for a strong spring market. Unfortunately, things have moved in the opposite direction, with March sales data for the GTA showing a 23% decrease in activity compared to last year, bringing March sales down to its lowest level since the 1990s. This dip in activity can be traced directly to the economic uncertainty that has unfolded over the last few months: a new Prime Minister, a new US President, a snap Ontario election, trade war turmoil, and a pending federal election which could result in our 3rd Prime Minister in as many months.

While the current economic volatility does not directly impact CMP on a daily basis, the success of the underlying projects securing its mortgages will depend on the broader economy, and even more so on consumer sentiment. Consumer sentiment is influenced by how secure and confident Canadians feel about their investments, employment prospects, and the overall economy. Given the present uncertainty, it is understandable that buyers are back on the sidelines for the time being.

Looking forward, multiple Canadian banks are predicting some stability and confidence to return as the year progresses and the trade rhetoric settles into something more quantifiable. Market participants are quick to point out that the life events that drive real estate activity, such as marriage, family changes, childbirth, and retirement, continue to occur, suggesting that the current slowdown in buying activity may result in pent-up demand.

CMP is invested in mortgages on several projects that are planning to launch sales in the coming months. Most of these projects are affordable townhouses, stacked townhouses, and low-rise condos, which should continue to maintain their appeal to a broad range of buyers based on location and price point. As always, eyes will be fixed on the Bank of Canada and potential rate decreases aimed at fending off a recession. If interest rates continue to decrease, it could have a positive impact on buyer activity and overall affordability.

Activity within CMP was modest this quarter, with the repayment of two smaller mortgages. There is a healthy pipeline of projected payouts in Q2 and Q3 that will enable us to redeploy capital across a broader geographic range, which will enhance diversification within the Pool. Despite the economic uncertainty that has challenged the real estate market, opportunities in this sector remain plentiful due to a lack of available capital. We anticipate sourcing new, strong deals to strengthen CMP throughout the remainder of the year.

PERFORMANCE (Gross of Fees)

Performance figures are those of Series I units as of March 31, 2025. Performance is annualized for periods longer than one year.

1 MO.	*3 MO.*	*6 MO.*	*1 YR.*	*3 YR.*	*5 YR.*	*10 YR.*	*INCEPTION**
0.48%	1.35%	3.47%	2.74%	6.31%	7.26%	8.09%	8.42%

*Annualized as of first trade date: April 30, 2012

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