

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 to bond and equity markets
- Liquidity is accommodated monthly with one month's notice
- \$403 MM AUM
- Current price: \$9.7520 (Series I)

MARKET & POOL UPDATE

Over the past quarter, the Capstone Mortgage Pool (Series I) returned 2.15%. This portfolio continues to produce stable returns in an asset class that is dominated by record demand created by unprecedented population growth. Short-term concerns such as rising construction and interest costs combined with limited bank appetite for any risk has pushed down national housing starts from 2021's 271,000 to 2023's 240,000 – a level that is expected to be repeated in 2024. This pullback is further widening the undersupply and affordability issue that has plagued the Canadian real estate market for the past decade. CMHC estimates that in Ontario alone, there will be a shortage of 1.48 million housing units by 2030 if construction continues at its current pace. That said, improving housing affordability has become a political mainstay in Canada and there are several new policies aimed at boosting supply. For example, Ontario's removal of HST from new rental construction projects and recent federal announcements are helping developers move projects towards feasibility.

Published predictions for interest rates widely anticipate rate cuts to come at some point in 2024. While the quantum and timing of any interest rate change remains unknown, this is a marked improvement over this time last year when rate increases, and the relative instability this injected into development timelines, was still a material factor for lenders and borrowers. This uncertainty translated into a pull-back of bank capital in the development space, creating increased opportunity for alternative lenders such as the Capstone Mortgage Pool. Should interest rate cuts come to fruition, we do not expect a pullback in this portfolio's returns in the short term. This is due to the significant lack of available capital in the market, which has provided a competitive advantage when pricing loans for portfolios such as these.

In summary, the long-term demand for housing in Canada remains robust and real estate market conditions are starting to stabilize. Political and economic factors, combined with the capital gap left by the banks, translates into continued lending opportunities for the Capstone Mortgage Pool. This portfolio continues to be a strong income producing investment and it is an excellent addition to a diversified portfolio.

For more information on this Pool, please contact your Portfolio Manager.

PERFORMANCE (Gross of Fees)

Performance figures are those of Series I units as of March 31, 2024. Performance is annualized for periods longer than one year.

	1 MO.	3 MO.	6 MO.	1 YR.	3 YR.	5 YR.	10 YR.	INCEPTION*
	0.61%	2.15%	3.63%	8.48%	8.32%	8.77%	8.86%	8.91%

*Annualized as of first trade date April 30, 2012

