



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
- \$408 MM AUM
- Current price: \$9.7681 (Series I)

MARKET & POOL UPDATE

The Capstone Mortgage Pool (CMP) continues to deliver solid returns in a challenging market. Real estate development activity has been muted, due to an environment of uncertainty around market direction. Despite these conditions, CMP returned 2% over the past quarter. Long-term projections continue to be strong, as the driving forces of population growth and overall demand remain high.

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 was insignificant in terms of financial impact, the sentiment that it provides is significant. If the Bank of Canada continues a modest rate cut schedule over the coming months, as many economists expect, buyers will be further enticed to return to the market. Developers are anticipating that the real estate sector will begin to heat up in the wake of these expected cuts. In the Capstone Mortgage Pool we are seeing developers advance recalibrated projects in anticipation of future buyer activity. This current affordability dynamic also provides lending opportunities in the purpose-built rental market.

The long-term market demand for housing in Canada remains high and is a strong indicator that the Capstone Mortgage Pool 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. In addition, we are actively seeking opportunities to diversify geographically and have funding commitments in place to grow our allocation in Western Canada.

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 June 30, 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*
	0.75%	2.03%	4.23%	8.24%	8.30%	8.71%	8.83%	8.90%

*Annualized as of first trade date April 30, 2012

