

AT A GLANCE

- Non-traditional debt and equity income strategies
- Globally diversified
- Monthly liquidity
- Low correlation to bond and stock markets
- \$75 MM AUM
- Current price: \$9.9286 (Series IH)

MARKET & POOL UPDATE

The Capstone Private High Income Pool ("CPHIP") had a relatively uneventful quarter, posting a return of -0.7% in Canadian dollar terms. The Pool remains almost exclusively invested in US dollar-denominated private debt positions, with reported returns reflecting the impact of active currency hedging.

CPHIP's largest holding, Parkview Financial, continues to make steady progress toward reestablishing cash distributions and achieving consistent total returns in line with its historical experience. As a reminder, Parkview implemented a strategic plan last summer in response to headwinds in the US commercial real estate sector, driven largely by the sharp rise in interest rates. The plan focuses on increasing portfolio liquidity by aggressively resolving loans in workout, selectively selling assets where attractive returns can be realized, reducing new loan commitments, and redeploying capital into higher-quality lending opportunities that offer improved risk-adjusted return potential.

While these measures will take time to fully materialize, we expect to see tangible results later this year. In the interim, Parkview views the current market dislocation as a compelling opportunity to originate new commercial real estate loans on very favourable terms. Backed by their rigorous underwriting standards, strong direct origination network, and experienced in-house development team, we believe Parkview is well-positioned to capitalize on these opportunities over the long term.

Beyond Parkview, CPHIP's other investments are generally performing in line with expectations. However, the Pool's quarterly return was negatively impacted by a few unrelated factors, most notably a material write-down by a legacy private debt fund in which CPHIP has long been invested. This fund, currently in the process of winding down, was required to significantly reduce the valuation of one of its two remaining holdings — a senior secured loan to a mid-market US-based enterprise security company — due to a deterioration in the borrower's financial condition.

Looking ahead, Capstone's near-term focus for CPHIP is to carefully evaluate and execute the best path forward to reduce the Pool's concentrated position in Parkview. Our goal is to prudently redeploy that capital across a broader set of exciting private debt opportunities that we believe can deliver exceptional risk-adjusted returns over time.

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

PERFORMANCE (Gross of Fees)

Performance figures are those of Series IH 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.	INCEPTION*
	-0.55%	-0.68%	-2.20%	-5.24%	3.28%	5.34%	5.54%

*Annualized as of first trade date: September 30, 2019

