

CAPSTONE PRIVATE HIGH INCOME POOL

Q1 Commentary

CAPSTONE
ASSET MANAGEMENT™

MARCH 31, 2020

AT A GLANCE

- Non-traditional debt and equity income strategies
- Globally diversified
- Monthly liquidity*
- Low correlation to bond and stock markets
- \$29 MM AUM
- Current price: 10.0412 (Class FA)

MARKET & POOL UPDATE

The investment objective of the Capstone Private High Income Pool (CPHIP) is to invest primarily in non-Canadian, high yielding private investment opportunities. Our lead investment has been placed with an established Western U.S. based private lending organization that focuses on the niche market of private construction loans. Another position occupying approximately 9% of the new Pool is a Canadian private debt position. This asset is backed by a basket of real estate holdings which are expected to pay out a 15% yield over a three-year term.

Given CPHIP's high level of exposure to construction loans, we would like to outline some of the steps being taken by the U.S. lender to protect the portfolio in light of COVID-19.

- They recently applied a stress test to all existing loans, which not only passed the stress test, but each of the properties is still valued in excess of its respective loan amount.
- Additionally, they conducted a cash reserve test and concluded that they have the ability to fund construction draws on performing loans for the foreseeable future, reducing the risk of capital depletion.
- Borrowers with upcoming maturities have been contacted and advised that loans will not be extended past the maturity date at this time.
- 100% of interest payments due were received for April.
- They have a fully operational bank line of credit.

Despite the uncertainty circling the world economy, the lender continues to receive a steady volume of loan requests for construction projects throughout the nation. However, given the uncertainties in the economy and real estate valuations, they are not closing any new loans at the moment as a precaution.

This Pool is targeting a rate of return of 8%+ annualized and is available to all existing Capstone clients. If you are interested in investing, please contact your Portfolio Manager directly.

*Please read the Information Memorandum for information pertaining to the liquidity restrictions within the first three years of investing. This document 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 (Net of fees)

Performance figures are those of Class FA units as of March 31, 2020.



1 MO.	3 MO.	INCEPTION*
0.52%	1.78%	3.24%

* First trade date October 31, 2019