

CAPSTONE PRIVATE HIGH INCOME POOL

Q1 Commentary

CAPSTONE
ASSET MANAGEMENT™

MARCH 31, 2021

AT A GLANCE

- Non-traditional debt and equity income strategies
- Globally diversified
- Monthly liquidity*
- Low correlation to bond and stock markets
- \$41 MM AUM
- Current price: 10.0045 (Series IH)

MARKET & POOL UPDATE

Throughout the year as the Capstone Private High Income Pool has grown, we have continued to add some private debt strategies to the early concentration in real estate. As introduced last quarter, we now have within the Fund an investment that provides structured capital solutions to privately owned companies primarily in the US middle market (the middle market is defined as companies that have revenues of between \$10M and \$1B). The group we work with sources opportunities to provide lending through hybrid credit and junior capital structures, positioning our investments to receive a contracted stream of income - typically at 12% or higher - with the opportunity to participate in equity growth. Target companies are seeking capital for strategic purposes such as acquisitions, leveraged buyouts, growth opportunities, and recapitalizations.

Since December our aviation leasing strategy partners have been very active, securing planes for various opportunities including three brand new 737's, which were acquired at a 20% discount and immediately leased by a new airline entering the market yielding a total return to maturity of 15%. Additionally, a block of twenty Q400's was purchased at a 60% discount with eighteen of these already released, securing an unlevered return of 19-23%. While having many negative impacts, the pandemic presented an excellent opportunity to enter this market.

For our US private lending position, the group with which we have partnered saw tremendous growth throughout 2020. Asset volumes flowing into the company allowing expansion from coast to coast and we are now funding mostly multi-family residential developments including two recent deals in Manhattan, one in Florida, and expansion through central US.

Our Investment Management Team has been performing due diligence on the introduction of private debt assets into the infrastructure space with the expectation that at some point later in the year, likely the Fall, we will make our first investment into a small-scale hydroelectric project. This is a unique opportunity to provide both diversification and yield to the portfolio, as well as to invest in a project that has tangible impact in the community directly through the provision of energy, but also through broader community engagement.

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 (Gross of fees)

Performance figures are those of Series IH units as of March 31, 2021. Performance is annualized for periods longer than one year.



1 MO.	3 MO.	6 MO.	1 YR.	INCEPTION*
0.63%	2.07%	4.28%	8.11%	7.93%

* Annualized as of first trade date September 30, 2019