

CAPSTONE PRIVATE HIGH INCOME POOL

Q1 Commentary

CAPSTONE
ASSET MANAGEMENT™

AT A GLANCE

MARCH 31, 2022

- Non-traditional debt and equity income strategies
- Globally diversified
- Monthly liquidity*
- Low correlation to bond and stock markets
- \$58 MM AUM
- Current price: \$10.2779 (Series IH)

MARKET & POOL UPDATE

The Capstone Private High Income Pool seeks to invest in private debt assets that are primarily asset backed or secured against a real asset, and provide stable cash flow. While having a North American focus, the flexibility exists to look globally to build a portfolio of both direct participations and alliances with strategic partners. The private debt market, according to data provider Preqin, continues to become increasingly popular, with assets in this market segment almost doubling over five years to more than \$1 trillion as of 2022. In fact, private debt is now the third-largest alternative asset class by size, behind direct real estate and private equity. The breadth of offerings in this space provides a diverse spectrum of exposures and we enter the second quarter with cash in the Pool, ready to deploy into more high-yielding opportunities as they arise.

Our U.S. private lending position continues to perform as expected. We committed additional capital this quarter and will do so again next quarter. While COVID-19 led to negative impacts across the travel industry through 2020 and 2021, our aviation leasing strategy has taken advantage of significant opportunities and acquired narrow body aircraft while extending leases to new and existing airlines. This opportunity has been yielding 8% since the beginning of the year. In addition, we have recently increased the Pool's exposure as the return to travel has presented a large number of opportunities.

The Capstone Investment Management Team is currently analyzing an investment opportunity involving barge leasing within the Coastal Mississippi network that is another asset-backed opportunity generating a 10% distribution and 15% internal rate of return (IRR). This unique investment falls within a highly regulated industry with very few companies currently in the market; is inflation protected due to the pricing; and market protected due to the higher barriers to entry. The investment allows a maximum of 25% foreign ownership, the barges they lease are required to be U.S. built and owned, and the employees must be U.S. citizens. While still in the due diligence phase, this opportunity would lend itself to broadening the diversification within the Pool as well as providing an excellent addition to yield.

The Capstone Private High Income Pool provides access to non-traditional investment opportunities, allowing clients to diversify and find a balance between the traditional and non-traditional markets. There is a great benefit in combining assets from each of these markets for both fixed income and equity exposure, especially in these times of heightened uncertainty. We believe this will both reduce volatility and improve risk-adjusted returns over the long-term. The annualized inception to date return of the Capstone Private High Income Pool (Series IH) is 8.33%.

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, 2022. Performance is annualized for periods longer than one year.



1 MO.	3 MO.	6 MO.	1 YR.	2 YR.	INCEPTION*
0.52%	1.92%	4.22%	8.92%	8.51%	8.33%

* Annualized as of first trade date September 30, 2019