

AT A GLANCE

JUNE 30, 2022

- Non-traditional debt and equity income strategies
- Globally diversified
- Monthly liquidity*
- Low correlation to bond and stock markets
- \$68 MM AUM
- Current price: 10.2978 (Series IH)

MARKET & POOL UPDATE

The Capstone Private High Income Pool was launched in September of 2019 and has achieved an average annual return of 8.32% since inception. The Pool seeks to invest in private debt opportunities that are primarily asset backed or secured against a real asset, while providing stable cash flows. The Pool has a North American focus, with the flexibility to look globally to build a portfolio of both direct participations and alliances with strategic partners. Performance is correlated to neither the stock nor the bond markets in Canada and investors have experienced a far more stable return year to date (+3.96%) when compared to traditional investment markets such as the TSX Composite Index and the S&P 500.

Our U.S. private lending position continues to do well despite challenges that developers are facing including rising interest rates and the higher costs of labour and materials. In addition, as most of our loans are structured as variable rate, the rising rates will affect developers, eating into their profits. And although there are mounting concerns over a potential slowdown in the real estate market, stress tests have concluded that even in the most extreme case scenarios, no single loan would be "underwater" - that is, when the market value of the property is less than the balance owed on the loan. Importantly, these loans are short duration - 18 to 24 months - which makes them less susceptible to potential large interest rate moves. Shorter duration loans also allow the team to underwrite new loans at the current rates and valuations.

Our middle market, corporate private debt strategy also continues to do well, and we are still finding quality opportunities in this space. While our aviation leasing strategy has been quieter compared to the opportunities that were abounding in 2021, the aviation industry overall is rebounding, and we have cash set aside to deploy as opportunities arise.

As previewed in our last quarter's commentary, we have now committed capital to a barge leasing strategy within the Coastal Mississippi network. This opportunity is virtually monopolistic in nature due to the high barriers to entry. This will lead to consistency in cash flows and performance. The strategy is asset-backed - by the barges - which can only be U.S. boats, and are typically leased-up at extremely high levels. This opportunity is expected to generate a 10% distribution and 15% internal rate of return (IRR). Funding will occur next quarter.

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. We believe this both reduces volatility and improves risk-adjusted return over the long-term.

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 June 30, 2022. Performance is annualized for periods longer than one year.



1 MO.	3 MO.	6 MO.	1 YR.	2 YR.	INCEPTION*
0.65%	2.00%	3.96%	8.95%	8.64%	8.32%

* Annualized as of first trade date September 30, 2019