

CAPSTONE PRIVATE HIGH INCOME POOL

Q2 Commentary

CAPSTONE

ASSET MANAGEMENT™

AT A GLANCE

JUNE 30, 2023

- Non-traditional debt and equity income strategies
- Globally diversified
- Monthly liquidity*
- Low correlation to bond and stock markets
- \$81 MM AUM
- Current price: \$10.5077 (Series IH)

MARKET & POOL UPDATE

The Capstone Private High Income Pool seeks to invest in income-producing assets that are primarily asset backed or secured against a real asset. 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 1-year return, as of June 30th, 2023, for the Capstone Private High Income Pool (series IH) is 7.68% versus the iShares Core Canadian Universe Bond Index ETF (XBB) which returned 3.26% over the same period.

The second quarter was a quiet one for the Pool as there were neither new buys nor sells in that time. However, the Investment Committee has recently approved a new investment for the Pool. This is a preferred equity structured investment involving an apartment complex located in Tampa Bay, Florida that has an expected return of ~14%. This opportunity already has a very strong sponsor with a substantial amount of assets to invest. Our already high confidence in this opportunity is further boosted by a strong alignment of interests. There will be more updates on this opportunity in the next quarter as our commitment is finalized.

Our cash position has recently increased to just over 10% of the overall Pool in preparation for a portion – along with some of our committed capital - being reinvested into a new deal within our barge leasing strategy. The barge leasing strategy within the Coastal Mississippi network is still one of high conviction due to its relative monopoly in its space and the utilization rate of the fleet which remains above 90%. Our aviation leasing strategy remains fully committed and continues to perform as expected. The primary focus remains on working with stable lessees, particularly in Asian countries that enjoy political & economic stability.

Our U.S. private lending position continues to be the core investment within the Pool. The first half of 2023 can be characterized as conservative as we worked to reduce risk. Our focus was on getting some of the previously extended mortgages within the portfolio paid down rather than looking for new opportunities. There were fewer suitable construction financing opportunities available this year due to the impact of interest rate hikes that continued throughout the first half of the year. These hikes are another reason to be conservative as the macro perspective must be considered in conjunction with evaluating the individual projects. As the economy slowly stabilizes, there has been a pick-up in new investment underwriting activity - with the focus remaining chiefly on multi and/or single family loans.

This Capstone Private High Income Pool should be viewed as a medium to higher risk component of your overall portfolio due to the less liquid nature of some of the underlying holdings and its mandate to source higher yielding assets. 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, 2023. Performance is annualized for periods longer than one year.



1 MO.	3 MO.	6 MO.	1 YR.	2 YR.	3 YR.	INCEPTION*
0.73%	2.08%	3.89%	7.68%	8.32%	8.32%	8.15%

* Annualized as of first trade date September 30, 2019