

# CAPSTONE PRIVATE HIGH INCOME POOL

Q3 Commentary

CAPSTONE  
ASSET MANAGEMENT™

SEPTEMBER 30, 2020

## AT A GLANCE

- Non-traditional debt and equity income strategies
- Globally diversified
- Monthly liquidity\*
- Low correlation to bond and stock markets
- \$34 MM AUM
- Current price: \$10.0378 (Series FA)

## MARKET & POOL UPDATE

The Capstone Private High Income Pool seeks to invest in private debt that provides stable cashflow and is primarily asset backed, meaning it is secured against a real asset. This Pool has a North American focus, but the flexibility exists to look globally to build a portfolio of both direct deals and alliances with strategic partners. After receiving some cash back, which slightly reduced the outstanding loan, our Canadian private debt position now sits at 7% of the portfolio and its current return of 15% is making a solid contribution to the Pool's performance.

The Western US private lending position, comprised of construction-based loans in the real estate sector in the US, started lending again as of last month, including renewals of existing loans. 100% of this new lending is for multi-family builds, and this quarter we closed two loans and will be closing another one in early October. These deals are spread across Colorado, San Jose and Chicago. By restarting the loaning process, we are able to capitalize on both origination and renewal fees which helped to bolster this month's return. Capstone has a strong established relationship with these partners and there remains a large amount of potential deals in the pipeline – well over \$400 million.

We also recently entered into an aviation leasing strategy and our initial investment has already done quite well. The overall market understandably remains subdued and the expectation is that the peak level of stress could be seen in the coming months and early 2021. This could pave the way for some good opportunities to invest given that there is a three-year commitment. This timeline gives flexibility and allows the placement of money to be very strategic and patient when needed.

Currently on the table for consideration is an investment that provides structured capital solutions to privately-owned companies primarily in the US middle market. The Fund invests in equity and debt securities consisting of senior stretch term loans, subordinated term loans, holding company unsecured debt, preferred equity securities, and common equity primarily through warrants. The Investment Committee will vote on these opportunities in the near future.

The Capstone Private High Income 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 Series FA units as of September 30, 2020.



1 MO.	3 MO.	6 MO.	INCEPTION*
0.83%	1.60%	3.11%	6.45%

\* First trade date October 31, 2019