

# CAPSTONE PRIVATE HIGH INCOME POOL

## Q3 Commentary

# CAPSTONE

ASSET MANAGEMENT™

## AT A GLANCE

SEPTEMBER 30, 2021

- Non-traditional debt and equity income strategies
- Globally diversified
- Monthly liquidity\*
- Low correlation to bond and stock markets
- \$49 MM AUM
- Current price: 10.0393 (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 participation and alliances with strategic partners. The year-to-date return as of September 30 was 6.68%. This performance is in line with our targets for 2021.

Our U.S. private lending position continues to perform well and currently comprises 80% of the portfolio's holdings. New deals are being financed at a 'back to normal' pace after new fundings were halted due to the uncertainties in early 2020. These deals are currently spread broadly throughout the States including the New York area, the Midwest and along the entire West Coast. In fact, during 2021, significant growth within the private construction real estate financing sector has motivated one of our partner teams to open new satellite offices.

The Pool's aviation leasing strategy has taken great advantage of the opportunities in the now distressed travel sector and is outperforming expectations, achieving approximately 20% growth year-to-date. While distressed markets are a natural space for the manager of this position, so far they have only called about 15% of the Pool's total allocation to this strategy. Unfortunately, this means 85% of this position remains in cash and its performance has a drag on returns. We anticipate the remaining cash to be called during the first half of 2022.

The Capstone Private High Income Pool provides access to non-traditional fixed income investment opportunities. In addition, most investments held in this portfolio are located outside of Canada and the U.S. dollar exposure is hedged. At Capstone, we believe there is great benefit in combining assets from differing markets and this strategy is an excellent diversification tool. By incorporating non-traditional investments in a balanced portfolio, we believe that investors can successfully reduce volatility and improve their 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 September 30, 2021. Performance is annualized for periods longer than one year.



1 MO.	3 MO.	6 MO.	1 YR.	2 YR.	INCEPTION*
0.53%	2.49%	4.51%	8.99%	8.25%	8.25%

\* Annualized as of first trade date September 30, 2019