

CAPSTONE PRIVATE HIGH INCOME POOL

Q4 Commentary

CAPSTONE
ASSET MANAGEMENT™

AT A GLANCE

DECEMBER 31, 2020

- Non-traditional debt and equity income strategies
- Globally diversified
- Monthly liquidity*
- Low correlation to bond and stock markets
- \$37 MM AUM
- Current price: 9.9860 (Series IA)

MARKET & POOL UPDATE

The Capstone Private High Income Pool seeks to invest primarily in private debt that provides a consistent cashflow and is generally 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 direct holdings and through alliances with strategic partners.

Our Canadian private debt position has significant collateral assets and continues to move forward as expected; it is paying out 15% annually and we have also received some return of principal.

The Western US private lending position actively started re-investing in the latter part of the year and has since broadened its exposure in terms of loan origination. One of the last loans was in New York where our partner is presently setting up an office in order to better capture these opportunities. Currently, 100% of these deals are in multi-family developments.

Our aviation leasing strategy has performed well since our initial investment. While we have additional money set aside for this investment which has yet to be 'called', we expect a capital call in early 2021 as further opportunities present themselves.

As mentioned in our last quarterly commentary, up for consideration was an investment that provides structured capital solutions to privately-owned companies primarily in the US middle market. The fund invests across 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 and has now been approved by our Investment Committee. This high interest-bearing private debt structure is 100% hedged and continues to broaden our portfolio of higher yielding assets.

COVID-19 has presented some investment challenges. In our US private lending position new deals were frozen earlier on in the year. However, all of the investment opportunities are targeted to return in the double digit range and it is still our expectation that this Pool will achieve its 8%+ long-term annualized target rate of return.

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 IA units as of December 31, 2020. Performance is annualized for periods longer than one year.



1 MO.	3 MO.	6 MO.	1 YR.	INCEPTION*
1.02%	2.17%	4.08%	7.96%	7.78%

* Annualized as of first trade date September 30, 2019