

AT A GLANCE

- Construction and development mortgages in Canada
- Investing in the most secure portion of the debt stack, considered bank grade and traditionally provided by lending agencies such as Canadian banks, Trust companies and Credit Unions.
- Terms are 3-36 months
- Low to no correlation to bond and equity markets
- Liquidity is accommodated semi-annually with 90 days' notice
- \$11MM AUM

MARKET & FUND UPDATE

The MarshallZehr First Mortgage Fund (MZFMF) extends financing to real estate developers in the Greater Toronto Area. Unlike the other mortgage pools managed by Capstone, this one focuses solely on bank grade debt with exceptionally secure risk metrics.

Towards the end of this past quarter we have seen a gradual stabilization in the Ontario housing market after a slowdown during the first part of 2018. New mortgage financing rules, combined with the implementation of various provincial housing regulations have sought to cool overheated markets. Combined with interest rate increases, buyers have shown more caution as they observe how the market will absorb these changes.

The MZFMF has continued to steadily move forward and has provided very little excitement over the past few months. Some projects have matured over this quarter and the funds were allocated almost immediately with a similar rate as before. Demand for bank grade debt, such as this Fund provides, remains high and any new deposits or maturities are easily placed.

Performance for the MZFMF over the past quarter came in at 1.41% and this is right on target with averages from previous quarters. The 1-year return as of June 30 was 5.67%, which is above the long-term performance target of 5%. Capstone's expectations for the remainder of 2018 are very positive and we anticipate returns for this fund to either achieve or outperform its long-term average.

This 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 Class F units as of June 30, 2018. Performance is annualized for periods longer than one year.



1 MO.	3 MO.	6 MO.	1 YR	INCEPTION*
0.46%	1.41%	2.84%	5.67%	5.25%

*Launched July 31, 2016