

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 twice per year (January and July) with 90 days' notice
- \$14 MM AUM
- Current price: \$101.8649 (Class F)

MARKET & FUND UPDATE

Canadian housing starts were down 2.3% in 2019 from their 2018 levels with Ontario posting the largest decline out of all the provinces, which is likely the result of affordability and stress tests coming into play. Having said that, in reference to the Greater Toronto Area (GTA), we have seen continuous sales in residential real estate as the demands for housing continues to rise alongside the growth of the population. The condo market has surprisingly seen a substantial uptake on micro-units that are under 500 square feet. There continues to be a huge migration to the GTA and the GO Transit Service has helped open up accessibility for commuters. Difficulties in obtaining new building site permits and greater demand than there is supply, by about 3:1, has kept housing costs high within the GTA.

Capstone's focus continues to be on housing affordability, so we shy away from sites with limited market appeal. There are also yield improvements to be found when seeking opportunities outside of the core where there is less competition. We are financing less retail space at this time due to the uncertainty of big box stores facing the trend and popularity of online shopping. Overall, the mortgage portfolios are maintaining their long-term average returns and the Capstone team is able to quickly deploy maturing funds into new, high quality investment opportunities.

The MarshallZehr First Mortgage Fund is currently funding 10 projects across 8 developers. We had 1 project mature and funded 3 new mortgages, with more in the pipeline. Capstone's diversification strategy deploys a variety of developers, locations and project types with its primary objective being safety of capital and a reasonable yield. As we commence 2020, the fund will see a large cash injection; this growth will allow greater depth to the fund moving forward, greater diversification and reduce expenses as a percentage.

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 December 31, 2019. Performance is annualized for periods longer than one year.



1 MO.	3 MO.	6 MO.	1 YR.	2 YR.	3 YR.	INCEPTION*
0.52%	1.55%	3.05%	6.04%	5.93%	5.72%	5.57%

*Launched July 31, 2016