

MARSHALLZEHR MORTGAGE OPPORTUNITIES FUND LP

Q2 Commentary

CAPSTONE
ASSET MANAGEMENT™

JUNE 30, 2019

AT A GLANCE

- Construction and development mortgages in Canada
- Diversified by developer and development type (high density residential, retail space, etc.)
- 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
- \$129MM AUM

MARKET & FUND UPDATE

A year ago, the Federal and Provincial Governments imposed more stringent regulations on the housing market in an attempt to cool quickly rising prices and manage personal debt levels. While there has certainly been a softening in some segments, the housing market has not seen the hard landing that some predicted. Sales in the higher-end single family homes have certainly fallen off, but the more recession proof multi-family developments remain in strong demand.

A trend we are seeing in the Ontario housing market is that many buyers are making regional plays. This means that buyers are moving outside their preferred location and purchasing less square footage; if there is access to transit, that is a bonus. A smaller home and public transit mean better affordability. Developers capturing this segment of the market are experiencing excellent success with their projects.

In addition to migration, we also continue to see strong immigration in the GTA. In the densely populated corridors of the south, the issue of "more heads than beds" remains a key driver for high prices. The bottom line is that developers cannot build homes fast enough to satisfy the demand of population growth in this region.

Over the past year, the MarshallZehr Mortgage Opportunities Fund LP continued to target projects that are relatively close to delivery, rather than land financing, in addition to staying away from higher priced inventory. Targeting an 8%+ annual return, this fund provided investors with a solid 12 month return of 8.05% net of fees. Over the next quarter, some larger projects will be maturing and MarshallZehr (the Mortgage Administrator) along with Capstone (the Portfolio Manager) will be working hard to source and select new projects with strong risk metrics to ensure the foundation of the fund remains strong.

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



1 MO.	3 MO.	6 MO.	1 YR.	3 YR.	INCEPTION*
0.66%	2.04%	4.04%	8.05%	7.43%	8.19%

*Annualized as of the first trade date July 15, 2014