

MARSHALLZEHR MORTGAGE OPPORTUNITIES FUND LP

Q3 Commentary

CAPSTONE
ASSET MANAGEMENT™

SEPTEMBER 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
- Current price: \$101.8927 (Class F)

MARKET & FUND UPDATE

Throughout this past quarter, the Canadian housing market has seen a stabilization in value and sales, most notably in some of the larger regions such as Vancouver and Toronto. However, the numbers are still not where they were at the peak of 2017 prior to the Stress Test and other government policies implemented to cool an overheated housing market. While these policy measures have been mostly successful in dampening demand and moderating household debt levels, many believe there is still work to be done to address the strain on the supply side, as well as to assist those who are not yet in the market.

With the housing market as a leading indicator of overall Canadian economic health, it is reassuring to investors in general to see stability in this sector. This also means that the MarshallZehr Mortgage Opportunities Fund continues to have a healthy outlook. The returns for this investment over this past quarter have been typical in nature and the year-to-date return is following this Fund's long-term performance of nearly 8%.

Capstone continues to see quality investment opportunities on the development front, allowing us to be selective when choosing new projects. 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. Over this past quarter there have been a significant volume of project maturities in the MarshallZehr Mortgage Opportunities Fund, and we expect this to continue for the next few months. While the team at Capstone has not had any concerns or issues repositioning the freed-up capital, some delays within these maturities has slowed this process. For that reason, investors may have noticed on the monthly transparency reports that the duration of maturities has remained very short for some time.

The MarshallZehr Mortgage Opportunities Fund is currently funding 42 projects across 21 developers. Capstone diversifies this portfolio by a variety of characteristics such as developer, location and project type. As we end 2019, we expect business to continue as usual and stability combined with high yields remains the primary objective for this portfolio.

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 September 30, 2019. Performance is annualized for periods longer than one year.



1 MO.	3 MO.	6 MO.	1 YR.	3 YR.	5 YR.	INCEPTION*
0.68%	2.01%	4.10%	8.08%	7.41%	8.21%	8.19%

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