

CAPSTONE PRIVATE HIGH INCOME POOL

Q4 Commentary

CAPSTONE
ASSET MANAGEMENT™

AT A GLANCE

DECEMBER 31, 2021

- Non-traditional debt and equity income strategies
- Globally diversified
- Monthly liquidity*
- Low correlation to bond and stock markets
- \$53 MM AUM
- Current price: \$10.2661 (Series IH)

MARKET & POOL UPDATE

The Capstone Private High Income Pool seeks to invest in private debt assets that are primarily asset backed, or secured against a real asset, and provide stable cash flow. While having a North American focus, we also look globally to build a portfolio of both direct participation and alliances with strategic partners. This portfolio recently celebrated its second anniversary and while its average rate of return since inception is 8.36%, in 2021 it returned 9.09%.

The Pool's U.S. private lending position continued to do well through 2021 and increased by year-end to represent 80% of the portfolio's holdings. We continue to finance U.S. based construction mortgages at a normal pace after having halted financing due to the uncertainties of early 2020. This position's geographic exposure is spread broadly throughout the United States including real estate projects in New York, the Midwest and along the entire West Coast. The fourth quarter performance for this private debt position was strong and we expect this traction to continue through 2022.

While there have been negative impacts across the travel industry, the Pool's aviation leasing strategy has taken advantage of significant opportunities in this distressed market by acquiring narrow body aircraft and extending leases to new and existing airlines. This strategy provides strong portfolio diversification and, while performance in 2021 was 30%, the impact on the Pool itself was minor as only a small amount was invested for most of the year. However, we were excited to receive two capital calls in December which better sets up this position for 2022. We are hoping that additional capital calls will be received throughout this coming year and have therefore put cash aside to deploy quickly if needed.

Finally, in late 2021, an additional investment was made into a private debt strategy directed towards the U.S. middle market that targets companies with earnings between \$10M and \$50M. This position may also include equity participation which could improve the already attractive, expected return of 12% or higher on this allocation alone. Capstone's Investment Management Team actively seeks exactly this type of private debt opportunity to increase portfolio diversification and generate solid investor returns.

Looking forward into this new year, Capstone Private High Income Pool is very well positioned to take advantage of a variety of opportunities. The target return for this portfolio remains at 9%+ and our team is working hard to incorporate quality diversification of both investment sector and geographic exposure for the Pool.

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

Performance figures are those of Series IH units as of December 31, 2021. Performance is annualized for periods longer than one year. Series IH units do not include Management Fees.



1 MO.	3 MO.	6 MO.	1 YR.	2 YR.	INCEPTION*
0.97%	2.26%	4.80%	9.09%	8.52%	8.36%

* 1st trade date September 30, 2019