CAPSTONE FIXED INCOME POOL



Q1 Commentary MARCH 31, 2025

AT A GLANCE

- Blend of traditional and non-traditional fixed income strategies
- Globally diversified
- Weekly liquidity
- Low correlation to bond markets
- \$39 MM AUM
- Current price: \$10.6342 (Series I)

MARKET & POOL UPDATE

In the first quarter of 2025, fixed income markets remained relatively stable despite shifts in monetary policy and escalating trade tensions. The Bank of Canada cut its key rate to 3%, while the U.S. Federal Reserve held steady – widening the interest rate gap and putting downward pressure on the Canadian dollar. At the time of writing, President Trump's ever-changing tariff announcements have contributed to heightened global economic uncertainty, prompting concerns about potential retaliatory measures and the risk of recession both domestically and abroad.

Both Canadian and US 10-year government bond yields declined during the quarter. Canada's yield fell from a peak of 3.5% to 3.0% by mid-March, while the US yield dropped from 4.7% to 4.2% by March 31. Fixed income assets outperformed equities, with bond ETFs delivering stronger returns amid market volatility.

The iShares Core Canadian Universe Bond Index ETF ("XBB"), the broad-based benchmark for publicly traded Canadian bonds, returned 2.3% in the first quarter of 2025. This performance was supported by the Bank of Canada's 25 basis point rate cut in January, which helped lift bond prices as yields declined.

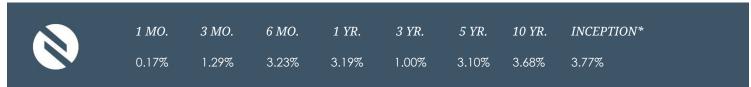
CFIP delivered a 1.3% gain for the quarter. The Fund's public credit investments benefited from falling bond yields, while its private credit holdings – which tend to perform independently of public bond price fluctuations in the short term – tempered overall returns.

During the quarter, we invested in Lynx Equity Income Trust, a royalty income trust that generates yield from underlying small and medium-sized private businesses. The opportunity offered an attractive return with solid downside protection, as the trust's royalty interests rank ahead of Lynx Management's debt and equity investments. We also modestly reduced exposure to high-yield and non-core public credit holdings.

CFIP remains well-positioned in the face of a potentially escalating global trade war. While equity markets have struggled in response to broad tariff measures under the Trump administration, Canadian bonds have shown resilience and may serve as a safe haven as investors increasingly price in further Bank of Canada rate cuts. In addition, our private credit investments have historically been insulated from public market volatility.

PERFORMANCE (Gross of Fees)

Performance figures are those of Series I units as of March 31, 2025. Performance is annualized for periods longer than one year.



^{*}Annualized as of first trade date: November 1, 2013

