

# CAPSTONE FIXED INCOME POOL

## Q2 Commentary

CAPSTONE  
ASSET MANAGEMENT™

JUNE 30, 2018

### AT A GLANCE

- Blend of traditional and non-traditional fixed income strategies
- Globally diversified
- Weekly liquidity
- Low correlation to bond market
- \$42MM AUM

### MARKET & POOL UPDATE

Last year's strong economic data prompted rate increases in both Canada and the US and its impact has been felt in the traditional bond market throughout 2018. The XBB, a good proxy for the Canadian bond market, returned only 0.5% year to date. Continued weakness in bond prices is expected throughout 2018.

Capstone's Fixed Income Pool has been a steady, reliable performer over the past months. While not all that exciting, it has completely outperformed the traditional Canadian bond index with its year to date performance of 1.91% (over 6 months). While the fund's traditional bond holdings have been impacted by the rate changes over the past year, the non-traditional component remains overweight at nearly 60% and will likely continue to provide a significant buffer against volatility in the future.

By the end of this past quarter, Capstone further decreased the traditional bond holdings to make room for a new non-traditional investment that will be implemented at the end of June. This new holding is exciting as it is only available to institutional investors, such as pension funds, and provides loans in the private debt arena. Interest distributions occur monthly and liquidity is readily available, which is attractive as this can sometimes be a hurdle in the non-traditional debt arena. The sub-advisor for this investment has been running the strategy for more than 10 years with investments of more than \$1.2B and historical returns have been 9%+ annually for the past six years. This investment provides an excellent portfolio diversifier, as it is uncorrelated to both the traditional fixed income market and other non-traditional holdings in the Capstone Fixed Income Pool.

Capstone continues to look for investment opportunities to complement the current portfolio and it is likely for the foreseeable future that the non-traditional component will remain overweight, to help mitigate bond price volatility within an increasing interest rate environment. Targeting 4% net of fees, the Capstone Fixed Income Pool provides an excellent fixed income solution within a very low interest rate environment.

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 (Net of Fees)

Performance figures are those of Class F units as of June 30, 2018. Performance is annualized for periods longer than one year.



1 MO.	3 MO.	6 MO.	1 YR.	3 YR	INCEPTION*
0.22%	0.77%	1.91%	3.78%	3.21%	3.37%

\*Launched December 6, 2013