

CAPSTONE FIXED INCOME POOL

Q2 Commentary

CAPSTONE
ASSET MANAGEMENT™

JUNE 30, 2021

AT A GLANCE

- Blend of traditional and non-traditional fixed income strategies
- Globally diversified
- Weekly liquidity
- Low correlation to bond markets
- \$65 MM AUM
- Current price: 11.1495 (Series I)

MARKET & POOL UPDATE

The Capstone Fixed Income Pool is Capstone's only hybrid strategy, selecting investments from both traditional and non-traditional sources. Due to increasing risk in the traditional bond market, the Pool continues to underweight traditional bonds and overweight private debt, infrastructure, and other alternative fixed income strategies. For the second quarter of 2021, Series I returned 1.40% with a 1-year return of 8.77%. This far exceeds the Canadian traditional bond market (represented by the iShares Core Canadian Universe Bond Index ETF) which actually lost 2.46% over the past 12 months.

Volatility in the traditional bond market should be expected for the foreseeable future. We have seen an increase in bond rates that coincided with the optimism of re-opening and high economic growth. Yet, simultaneously, fears of virus variants and re-closures could dampen recovery enthusiasm. Inflationary pressures are also playing a major role in interest rate projections, with many commentators insisting that rising prices are but transitory, due to reopening and supply issues. However, for the average person, higher prices are nearly impossible to ignore. Therefore, the question remains "what exactly do we mean by transitory?". Are we looking at months or years of inflationary pressures? And how quickly will central banks move interest rates to address these concerns? While it is impossible to give definitive answers to these questions today, certainly changes in employment levels, as the economy reopens, will play a massive role.

The Capstone Fixed Income Pool is very well positioned to take advantage of current and future opportunities in both the alternative and traditional fixed income markets. This investment is suitable for investors who are looking for a low risk fixed income solution that can leverage its access to a large variety of opportunities to find the best value. This approach has provided Capstone's investors with excellent fixed income diversification as well as an attractive risk adjusted return. Year to date, this portfolio has exceeded its target return and is very much on track for a solid 2021.

If you would like to find out more about this Pool, please talk to your Portfolio Manager.

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 (Gross of Fees)

Performance figures are those of Series I units as of June 30, 2021. Performance is annualized for periods longer than one year.



1 MO.	3 MO.	6 MO.	1 YR.	3 YR.	5 YR.	INCEPTION*
0.31%	1.40%	2.89%	8.77%	5.67%	5.43%	4.86%

* Annualized as of first trade date November 1, 2013