

# CAPSTONE FIXED INCOME POOL

Q2 Commentary

JUNE 30, 2024

## AT A GLANCE

- Blend of traditional and non-traditional fixed income strategies
- Globally diversified
- Weekly liquidity
- Low correlation to bond markets
- \$37 MM AUM
- Current price: \$10.1803 (Series I)

## MARKET & POOL UPDATE

Over the past several months, the economic divergence between Canada and the United States has become increasingly noticeable. Canadian consumers and businesses have shown a cautious approach to spending, which has moderated the pace of economic activity and led to a more restrained job market. This, in turn, has resulted in four consecutive months of easing in core inflation. Responding to these dynamics, the Bank of Canada adjusted its monetary policy by lowering its key interest rate by 25 basis points to 4.75% on June 5. This marks the first rate cut since March 2020, reflecting a strategic move to support the Canadian economy.

Anticipation of further rate cuts in the second half of 2024 has led to a rally in the iShares Core Canadian Universe Bond Index ETF, which rose over 2% in the last 32 days of the second quarter, reversing the underperformance observed during the first five months of 2024. This movement also underscores the significant volatility experienced in the public market. Conversely, American consumers and businesses have demonstrated robust spending patterns, contributing to stronger economic growth and a resilient job market south of the border. While this robust spending has bolstered the U.S. economy, it has also led to persistently elevated inflation rates, a phenomenon often observed at the peak of an economic cycle. Market expectations suggest that the pace of rate cuts in the U.S. will be much slower than in Canada.


In this environment of continued market volatility, Capstone's Investment Management Team is committed to providing predictable monthly income through a diversified portfolio of high-yield income and risk mitigation strategies. Our strategic focus has enabled us to navigate the complexities of the current market effectively. The private credit markets have presented some challenges, and the Capstone Fixed Income Pool (CFIP) was no exception. Although write-downs in the valuations of a few investments influenced the portfolio's performance in the past quarter, we remain strategically focused on strengthening our asset quality and improving liquidity. The remaining portfolios performed as anticipated, partly offsetting the impact of the asset write-downs.

The Investment Management Team is actively evaluating its asset allocations to ensure continued strength and stability. By rebalancing our portfolio, we aim to enhance asset quality and improve overall liquidity, positioning CFIP for sustained success. We remain committed to adapting our strategies to the evolving economic landscape, ensuring that our clients' investments are well positioned for future growth.

For more information on this Pool, please contact your Portfolio Manager.

## PERFORMANCE (Gross of Fees)

Performance figures are those of Series I units as of June 30, 2024. Performance is annualized for periods longer than one year.

	1 MO.	3 MO.	6 MO.	1 YR.	3 YR.	5 YR.	10 YR.	INCEPTION*
	-1.30%	-1.62%	-1.10%	-3.50%	0.35%	2.55%	3.55%	3.57%

\*Annualized as of first trade date November 1, 2013

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.

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