

# CAPSTONE FIXED INCOME POOL

Q3 Commentary

CAPSTONE  
ASSET MANAGEMENT™

SEPTEMBER 30, 2019

## AT A GLANCE

- Blend of traditional and non-traditional fixed income strategies
- Globally diversified
- Weekly liquidity
- Low correlation to bond market
- \$43MM AUM
- Current price: \$10.4032 (Class F)

## MARKET & POOL UPDATE

This past year has seen a number of risk factors within both domestic and global markets that have increased investor uncertainty and pulled down growth expectations. The most notable examples of domestic and global disruptions include the U.S. trade war with China, Brexit, Canadian and U.S. election issues, pipeline disputes and slowing manufacturing numbers.

While there is little room for central banks to stimulate markets by lowering rates any further than they already are, we did see our neighbours south of the border experience two rate cuts, with the Fed rate falling 50bpts since June. For the past several years, the Bank of Canada has had a clear agenda to increase interest rates in order to move away from "emergency rate" territory. After several seasons of interest rate hikes, this past year has seen renewed pressure towards a decrease in rates to stimulate an economy that appears to be slowing. When interest rates go down, bond prices go up. In this case, while rates did not actually move in Canada, the market appears to have factored in a rate cut, demonstrated by benchmarks such as the iShares Canadian Universe Bond Index returning 7% over the past 6 months.

Within the Capstone Fixed Income Pool, the duration of bonds continues to be very short and this means that changes in interest rates are less likely to have a dramatic impact on the Pool's return. That said, this past quarter has been particularly difficult on the global, traditional side of the portfolio as we have seen much higher than typical volatility negatively impact the overall return. As a result, Capstone's Investment Committee has determined to replace this position with another opportunity more in line with the Pool's mandate of stability. Going forward, we expect this Fund's performance to settle down and come back in line with its historical annual average of 3-4% (net).

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 September 30, 2019. Performance is annualized for periods longer than one year.



| 1 MO.  | 3 MO.  | 6 MO. | 1 YR. | 3 YR. | 5 YR. | INCEPTION* |
|--------|--------|-------|-------|-------|-------|------------|
| -0.25% | -1.14% | 0.64% | 2.36% | 3.25% | 3.00% | 3.12%      |

\*Launched December 6, 2013