

AT A GLANCE

- Blend of traditional and non-traditional fixed income strategies
- Globally diversified
- Weekly liquidity
- Low correlation to bond market
- \$60 MM AUM
- Current price: \$10.7867 (Series F)

MARKET & POOL UPDATE

This past September, the Bank of Canada (BOC) maintained its overnight rate at 0.25%. The overnight rate is the interest rate at which major financial institutions borrow and lend overnight funds and is also referred to as the policy interest rate. The fact that the overnight rate has remained at an all-time low is indicative of a “lower for longer” environment. The policy rate is how the BOC influences short-term interest rates, as this overnight rate trickles down to consumers through loans and mortgages. In addition, the BOC is engaged in large-scale purchases of Government of Canada bonds of ~\$5 billion a week and thus expanding its balance sheet as a form of monetary stimulus. For quite some time there has been speculation as to whether negative interest rates could be in Canada’s future. While technically in the monetary policy toolkit, BOC’s Governor Tiff Macklem has indicated that this is not currently on the table. The focus seems to be on managing the balance sheet in order to provide the necessary accommodation to aid the economic recovery.

The Capstone Fixed Income Pool is Capstone’s only pure hybrid strategy, selecting investments from both traditional and non-traditional sources. This Pool was up 2.42% over the past quarter. As interest rates were dropping, we experienced gains in some parts of the portfolio and losses in other parts. Overall, the traditional side of the portfolio which was hit in March has been recovering strongly, which was a positive contributor for the quarter. Our positions in investment grade bonds, private debt, and high yield have also come back strongly.

On the non-traditional side of the portfolio, we saw some recovery from our direct lending strategy, another positive contributor. The infrastructure investment within the Pool continues to perform as expected. As you may recall, we do have an investment in farmland within the California region. These farms were affected by the recent California wildfires. One of the properties saw fire right up to the dividing road and all around the vineyard the vegetation has been burned out. The vineyard, however, was spared any damage and remains green, lush and intact thanks to the fire break mechanisms. At this point in time, all the farm lands have navigated through any risk associated with the California wildfires. While there is always some potential for smoke damage, this does not appear to be an issue at this point. Lastly, it may be surprising to know that while flights are obviously not happening to the same degree as pre-pandemic levels, there are opportunities within the aviation leasing industry, and our initial investment has already done well. The overall market remains subdued, but the expectation is that the peak level of stress could be seen in the coming months and early 2021, which should provide good opportunities for investment. The strategy has 3 years to position money during the investment window, so there is plenty of time to be strategic with each investment.

We believe that by the end of 2020, the Capstone Fixed Income Pool will be performing around its target return of exceeding 4%.

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 Series F units as of September 30, 2020. Performance is annualized for periods longer than one year.



1 MO.	3 MO.	6 MO.	1 YR.	3 YR.	5 YR.	INCEPTION*
0.45%	2.42%	3.22%	5.75%	3.67%	3.64%	3.50%

* Annualized as of first trade date December 6, 2013