

AT A GLANCE

- Blend of traditional and non-traditional fixed income strategies
- Globally diversified
- Weekly liquidity
- Low correlation to bond markets
- \$35 MM AUM
- Current price: \$10.3013 (Series I)

MARKET & POOL UPDATE

In recent months, the monetary landscape in both Canada and the United States has shifted significantly, as both countries enter the early stages of monetary easing in response to cooling economic conditions and subdued inflation. The Bank of Canada lowered its key interest rate by 25 basis points at each of its last three meetings, reducing the rate by a total of 75 basis points to 4.25%. Simultaneously, the Federal Reserve initiated its first rate cut since 2020, reducing its overnight rate by 50 basis points last month. More reductions are anticipated through the remainder of this year and into 2025 as both central banks aim to engineer a "soft landing" and avoid recession. This coordinated easing has had a notable impact on bond markets, compressing yields and driving bond prices higher across North America.

The Capstone Fixed Income Pool (CFIP) has demonstrated resilience amidst these market shifts, with performance making a significant turnaround during the quarter. After contending with asset impairments and negative returns over the past two years, CFIP has successfully reversed prior setbacks and reported positive returns for this quarter. This recovery underscores the effectiveness of our active management strategy, which focuses on improving asset quality, refining our credit selection, and enhancing portfolio liquidity.

A key driver of this recovery has been our tactical adjustments to interest rate exposure and portfolio duration. By strategically positioning the portfolio to benefit from falling rates, we've been able to capitalize on opportunities that have arisen as central banks began to ease monetary policy. This has resulted in a marked improvement in both income generation and capital appreciation. We have strategically exited underperforming non-traditional investments, particularly those exposed to higher-risk private lending and complex structures, and reallocated proceeds toward traditional fixed-income assets. As a result, our exposure to traditional fixed income increased by 4% to 28% at the end of Q3 2024, up from 24% at the end of Q2 2024. We continue to seek opportunities to further reduce non-traditional exposures and bolster our positions in more stable, traditional assets.

With central banks signaling further rate cuts, the fixed income environment is becoming increasingly favorable. We remain vigilant and proactive in identifying opportunities that align with our investment objectives. We believe CFIP is well-positioned to sustain stronger performance in the coming quarters. Our disciplined approach, coupled with our focus on risk management, positions us to continue delivering consistent, value-driven outcomes for our investors.

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 September 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*
	-0.20%	1.61%	-0.04%	-1.98%	0.51%	3.06%	3.58%	3.64%

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

