

# CAPSTONE FIXED INCOME POOL

Q4 Commentary

CAPSTONE  
ASSET MANAGEMENT™

DECEMBER 31, 2019

## AT A GLANCE

- Blend of traditional and non-traditional fixed income strategies
- Globally diversified
- Weekly liquidity
- Low correlation to bond market
- \$68 MM AUM
- Current price: \$10.8288 (Class F)

## MARKET & POOL UPDATE

This past year, we have seen several risk factors within the domestic and global markets that have increased investor uncertainty and decreased growth expectations. The most notable examples of global disruptions include high tensions with Iran, the continuous U.S. trade war with China, and the impeachment proceedings of President Trump, to name a few. Looking ahead to 2020, in light of a softening economy, we are poised for a lower and longer interest rate environment. This past December, the Bank of Canada maintained its interest rate at 1.75%, citing signs of a stabilizing global economy with language indicating they would hold rates until at least early 2020. Meanwhile, the yield on the 10-year Treasury declined from 2.7% to 1.9% in 2019, and the bond index returned 7.27% at the end of the year.

For the Capstone Fixed Income Pool, performance throughout the second and third quarters of 2019 was slow and at times negative, and this was primarily due to a significant increase in the volatility of a global credit asset. The increased volatility exceeded our risk comfort and we responded by liquidating this security in favour of another strategy that was more in line with the pool's mandate of stability. Despite this setback, we are pleased to have exceeded our annual target rate of return for the year by ending 2019 at 5.84%. In fact, Q4 was the strongest quarter on record due to the restructuring of a private debt position.

On the non-traditional side, we continue to seek strategic infrastructure opportunities to integrate into the pool, as the nature of these returns tend to be long-term and stable. In our pursuit of adding into the agriculture sector, we are pleased to initiate our first acquisition of farmland, which is discussed further in this quarter's Investors' Journal newsletter. The search for higher yielding and uncorrelated products also led us to another new investment this quarter: an aviation leasing strategy. These investments provide good examples of Capstone's ability to find unique fixed income opportunities to provide investors with stable streams of income with low to no correlation to the traditional risks of interest rate changes.

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 December 31, 2019. Performance is annualized for periods longer than one year.



1 MO.	3 MO.	6 MO.	1 YR.	3 YR.	5 YR.	INCEPTION*
4.45%	4.09%	2.91%	5.84%	4.15%	3.85%	3.67%

\*Launched December 6, 2013