

# CAPSTONE FIXED INCOME POOL

Q4 Commentary

CAPSTONE  
ASSET MANAGEMENT™

## AT A GLANCE

DECEMBER 31, 2021

- Blend of traditional and non-traditional fixed income strategies
- Globally diversified
- Weekly liquidity
- Low correlation to bond markets
- \$84 MM AUM
- Current price: 11.3621 (Series I)

## MARKET & POOL UPDATE

The Capstone Fixed Income Pool is Capstone's hybrid strategy, with investments selected from both traditional and non-traditional sources. The Pool returned 5.59% in 2021 while the Canadian traditional bond market (represented by the iShares Core Canadian Universe Bond Index ETF) was down 2.80% over the same period. Our biggest positive performance contributions for the year came from a strategy focused on non-investment grade, high-yield bonds, our infrastructure strategy and our own First Mortgage Fund (see separate Commentary). At the end of the year, we increased exposure to our global distressed credit position, which has proven to be another positive contributor.

The non-traditional component of the Pool performed well despite a volatile environment, with particularly strong results from our private debt positions. As it continues to grow, we recently added a couple of mortgage opportunities to the Pool. They represent a different segment of the mortgage market - residential mortgages, which will add the stability of their stable income flow and low volatility. They will also be less sensitive to interest rate moves and inflation which is helpful in current circumstances.

After experiencing record-low interest rates for many years, continued inflation fears and stronger employment numbers may lead to several interest rate hikes in 2022. While we can predict neither the timing nor the number of interest rate hikes to come, we do predict that there will be some. A likely consequence thereof would be continued volatility in the traditional bond space as increases in interest rates lead to a drop in bond prices. For this reason, we believe maintaining a well diversified fixed income portfolio remains all the more important. With each new investment acquisition, we seek a low correlation to the existing assets to ensure the diversification is effective in reducing risk within the Pool.

The Capstone Fixed Income Pool is very well positioned going into 2022 with the recent additions and adjustments made by the Investment Committee. This investment is suitable for investors who are looking for a low risk fixed income solution that is able to access a wide variety of opportunities to find the best available value. This approach provides investors with excellent fixed income diversification and an attractive risk adjusted return.

If you would like to find out more about this Pool, please talk to your Portfolio Manager.

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

Performance figures are those of Series I units as of December 31, 2021. Performance is annualized for periods longer than one year. Series I units do not include Management Fees.



1 MO.	3 MO.	6 MO.	1 YR.	3 YR.	5 YR.	INCEPTION*
0.67%	1.51%	2.63%	5.59%	6.01%	5.37%	4.89%

\* 1st trade date November 1, 2013