

# CAPSTONE NON-TRADITIONAL EQUITY POOL

## Q1 Commentary

MARCH 31, 2025

### AT A GLANCE

- Provides equity exposure to non-traditional markets
- Blend of real estate, private equity and cash flow strategies
- Low to no correlation to bond and equity markets
- \$49 MM AUM
- Current price: \$11.1502 (Series I)

### MARKET & POOL UPDATE

The Capstone Non-Traditional Equity Pool ("CNTEP") returned +0.9% during the first quarter of 2025, performing generally in line with expectations. Investor optimism ahead of President Trump's January 20 inauguration quickly gave way to concerns over trade policies and tariff threats. Fears about their impact on inflation, employment, and consumer spending soon dominated market sentiment. Public equities pulled back sharply amid surging trading volumes and pronounced negative breadth. After peaking on February 19, the S&P 500 fell more than 10% over the following three weeks—officially entering correction territory—and finished the quarter down -4.2% in Canadian dollar terms. Government employment reductions initiated by the newly established Department of Government Efficiency (DOGE), combined with rising private-sector layoffs, added further pressure.

Uncertainty around the new administration's policies also weighed heavily on M&A and IPO activity—important liquidity events for private equity investments—posing a potential headwind to parts of CNTEP's portfolio. Several well-known companies, including Klarna and StubHub, reportedly shelved their near-term IPO plans.

Amid this turbulence, CNTEP's diversified portfolio generated a modest but positive return. Core positions in the Mackenzie Northleaf Global Private Equity Fund and Forum Real Estate Income and Impact Fund (REIF) each posted approximately 2% returns for the quarter. At the end of 2024, Forum completed the acquisition of Alignvest Student Housing REIT, expanding its gross asset value to over \$2.4 billion and growing its national portfolio to nearly 10,500 beds. Separately, positive appraisal adjustments on select properties in January and February further supported REIF's quarterly return.


CNTEP also benefited from exposure to secondary private equity vehicles managed by Overbay Capital, one of which holds a meaningful position in SpaceX. During the quarter, SpaceX's valuation rose as the company and its investors completed a secondary share sale at a premium to prior marks, positively impacting Overbay's valuations. Additionally, a legacy real estate fund holding (2014 vintage) experienced a significant revaluation as one of its core assets, a 141,000-square-foot business park in Orange County, California, was marked up in response to buyer interest.

Detracting from performance was CNTEP's liquidity sleeve, invested in a diversified portfolio of Canadian and US REITs. Several holdings, particularly in the lodging sector, saw valuation declines during the quarter. Lodging REITs were especially hard hit as hotels prepared for softening travel demand amid trade war concerns and weakening consumer sentiment. The Dow Jones U.S. Hotel & Lodging REITs Index fell -19% over the quarter.

While volatility in the public markets and broader global economy could exert pressure on some of CNTEP's assets, we remain confident that the pool is well-structured to weather market turbulence and deliver attractive and relatively uncorrelated returns over the long term.

### PERFORMANCE (Gross of Fees)

Performance figures are those of Series I units as of March 31, 2025. 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%	0.90%	-0.77%	-1.25%	-0.36%	2.67%	4.37%	4.46%

\*Annualized as of first trade date: May 2, 2014

