

CAPSTONE NON-TRADITIONAL EQUITY POOL

Q1 Commentary

CAPSTONE
ASSET MANAGEMENT™

MARCH 31, 2018

AT A GLANCE

- Provides equity exposure to non-traditional markets
- Blend of cash flow strategies and real estate
- Low to no correlation to bond and equity markets
- \$50MM AUM

MARKET & POOL UPDATE

The Capstone Non-Traditional Equity pool looks for equity investment solutions in the non-traditional market. A characteristic of this pool is its long-term approach due to the real estate component. As mentioned in previous commentaries, it is important for investors to recognize the long-term nature of investing in real estate as returns are often not recognized until the disposition or completion of a project. This means that short term returns do not always reflect the inherent value of the underlying investments. That said, this Pool returned 7.69% for the past 12 months and 2.40% over the last quarter.

The quarterly return of 2.40% was stronger than usual, mostly due to the high, positive performance of a hedge fund that comprises a portion of the Alpha Seeking Strategy in this portfolio. This position relies on the funds' manager to identify securities which present excellent value and are experiencing a catalyst, such as a merger/acquisition or implementation of new technology or management.

OUTLOOK & POSITIONING

While performance is on track to reach the target return of 8% this quarter, the Non-Traditional Equity Pool is still exhibiting a higher than typical amount of cash at 20%. While cash can drag down returns, it is important to remember that the due diligence required of Capstone's Investment Management Team for non-traditional investments is rigorous and time consuming. For this reason, it takes longer to review the soundness of these types of investments; we would rather be thorough in our analysis, than risk costly mistakes. Nevertheless, at the end of this past quarter, the Investment Committee decided to invest in a real estate opportunity in Vancouver and Whistler, which will comprise up to 3% of the Pool. This new position will add excellent regional diversification as this is the Pool's first real estate exposure in BC. As indicated last quarter, we are also still considering multiple projects in Texas and Nevada.

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 March 31, 2018. Performance is annualized for periods longer than one year.



1 MO.	3 MO.	6 MO.	1 YR.	3 YR	INCEPTION*
0.51%	2.40%	4.51%	7.69%	6.57%	6.21%

*Launched June 6, 2014