

# CAPSTONE NON-TRADITIONAL EQUITY POOL

Q1 Commentary

CAPSTONE  
ASSET MANAGEMENT™

MARCH 31, 2020

## 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
- \$50 MM AUM
- Current price: \$11.2200 (Class F)

## MARKET & POOL UPDATE

Capstone's Non-Traditional Equity Pool (CNTEP) provides investors with a truly unique investment solution. It is uncorrelated to traditional markets and provides access to investment options that typically have high barriers to entry. CNTEP returned 5.31% to investors over the past year. The Pool has stayed true to its typically low standard deviation, meaning that we have not seen any big swings in value in either direction. Some volatility would not be out of character, and we have seen this as some of the smaller global positions felt the strain from COVID-19 and sold off slightly in March.

This quarter, we made the decision to divest our holdings in Vietnam, to reduce our exposure to the emerging markets during this period of increased volatility. Although our thesis for holding these assets has not changed, we felt that it was a prudent approach, given our desire to reduce volatility within the Pool. We may look to re-enter this market in a calmer environment down the road. Back in July 2017, we entered into a joint venture to build commercial office space near Northfield Station in Waterloo, Ontario. The two office buildings were completed and a high percentage of the leases were taken up by the Federal Government, who have signed 10-year leases for their office space. Ultimately, it is not in Capstone's mandate to run or operate commercial office space, so we sold our stake in this project to the joint stakeholder and have received our first payout. The cumulative rate of return was 42%, giving an annualized internal rate of return of 17%. We also had a couple of capital calls over the past few months. This means that funds that had been held aside for particular investments have now been put to work. This has reduced the cash position within the portfolio. CNTEP also has investments in our recently launched Capstone Private High Income Pool and in our Capstone Fixed Income Pool. If you would like more information on those two Pools, you may view those commentaries separately, as we provide specific updates on each Pool or Fund quarterly.

Our non-traditional investments have proven to have low correlations to the more traditional asset classes. Nevertheless, our global real estate exposure will be impacted by COVID-19 in the short and medium term. As such, certain tactical adjustments have been made, including reducing our office and retail real estate exposure. Since this portfolio is almost entirely non-traditional in nature, it is important to remember that these types of investments are not priced daily. It is characteristic of this Pool to reflect returns in an irregular manner. This means that a lot of performance is not yet attributed to the portfolio. While this may raise eyebrows given the current market conditions, we have contacted the issuer of each underlying holding and are watching their results very closely. At present, we have no reason to be alarmed, as all the investments are maintaining their value and riding out this storm.

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



1 MO.	3 MO.	6 MO.	1 YR.	3 YR.	5 YR.	INCEPTION*
-0.68%	-1.22%	2.47%	5.31%	4.27%	4.96%	4.95%

\* Annualized as of first trade date June 6, 2014