

# CAPSTONE NON-TRADITIONAL EQUITY POOL

Q1 Commentary

CAPSTONE  
ASSET MANAGEMENT™

MARCH 31, 2021

## 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: \$11.4063 (Series I)

## MARKET & POOL UPDATE

The Capstone Non-Traditional Equity Pool provides non-traditional equity opportunities, allowing clients to diversify and find a balance between traditional (publicly traded) and non-traditional equity asset exposure. To reap the benefits of non-traditional opportunities, it is essential to recognize the nature of the strategies behind the mandate. This fund continues to be an effective complement to our Traditional Equity Pool by focusing primarily on four non-traditional asset categories: Private Equity, Real Estate, Infrastructure and Other, which would typically include hedge strategies.

We have recently been particularly focused on expanding the private equity component of the portfolio and made a few additions in this space at the end of 2020 and early in 2021. We expect to make at least one more acquisition in the coming months in this portion of our portfolio. Private equity holdings are already making a very positive contribution to the portfolio with one such position gaining over 11% last month.

Additionally, some of our existing real estate projects have matured and we are excited by the new opportunities that we are considering in real estate. The assets we are currently reviewing in the US are showing a potentially much better risk adjusted return than many Canadian opportunities; this, coupled with some strategic structuring should allow the strategy's performance to contribute meaningfully in the short term. One such project is located in the state of Nevada where we currently hold an existing position. Homes there continue to sell quickly and within this new opportunity we have the potential to structure the investment in such a way as to bring value to both the Non-Traditional Equity Pool and Fixed Income Pool, meeting the needs of both groups of unit holders at the same time. This opportunity, similarly, will be focused on single family homes with the layout being leveraged off of our existing Fallon investment, piggybacking off the major industrial centre between Reno and Fernley where several tech firms are relocating. This region continues to experience a housing boom. This project is already at the site-servicing stage and the expectation is that capital will be deployed within the next month and the buildout of close to two dozen homes likely completed within 18 months. The USD currency exposure will be hedged.

It is important to remember that we believe there to be great benefit in combining traditional and non-traditional assets for both fixed income and equity exposure. As an illustration, a client that held a balanced 50% mix of our Non-Traditional and Traditional Equity Pools would have realized a 6-year annualized return of 6.56% compared to the S&P/TSX Composite Index at 6.06% and experienced both a fraction of the volatility and a significantly higher risk adjusted return. The Capstone Non-Traditional Equity Pool returned 2.16% for the quarter ending March 31<sup>st</sup> and we remain positive on its outlook.

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 (Gross of fees)

Performance figures are those of Series I units as of March 31, 2021. Performance is annualized for periods longer than one year.



1 MO.	3 MO.	6 MO.	1 YR.	3 YR.	5 YR.	INCEPTION*
1.51%	2.16%	2.71%	4.22%	3.88%	5.40%	5.74%

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