

# CAPSTONE NON-TRADITIONAL EQUITY POOL

Q2 Commentary

CAPSTONE  
ASSET MANAGEMENT™

JUNE 30, 2017

## 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
- \$42MM AUM

## MARKET & POOL UPDATE

The Non-Traditional Equity Pool continued to move steadily ahead this past quarter. Because it is totally uncorrelated to traditional Canadian and US stock markets, the performance has been entirely reliant upon its underlying investments rather than influenced by market sentiment. This lack of correlation can protect the portfolio from a downturn in the traditional markets where we believe the risk of capital loss is currently high. Over this past quarter the pool sold a hedge fund position (Alpha Seeking Strategy) which realized a return of 5.7% over 6 months. This investment held a risk profile similar to a bond fund and once we felt the opportunity had exhausted itself, it was sold.

The standard deviation, which measures volatility, continues to remain very low at 1.9% (the TSX's standard deviation was 12.3% over the same period). Although this pool is primarily comprised of equities, it is worth noting that even the Canadian bond market (XBB) has been more than two times as volatile at 4.3% over the same period.

## OUTLOOK & POSITIONING

This past quarter the Capstone Non-Traditional Equity Pool returned 1.18% between March 30 – June 30 and its 12 month return is currently 5.47% net of fees. The distribution yield on this pool is currently 2.5%. Overall, the Non-Traditional Equity Pool continues to target an annualized return of 8% net over the long term. Real estate positions continue to hold a significant weighting of the portfolio at 42%, and most properties have a 2-4 year time horizon, which makes this pool only suitable for investors who have a medium to long investment timeline. When there is activity in these real estate positions, such as the completion of a project or the sale of property, a significant gain in a short period of time can be added to the pool. But until there is a transaction, the real estate positions will not contribute significantly to short term performance. At present, many of the projects and properties are entering their second or third year, which could lead to some activity in this arena soon.

Overall, we feel that the Capstone Non-Traditional Equity Pool is well positioned to be an excellent portfolio diversifier. The returns are not correlated to the stock or bond markets and this pool really does provide investors access to a broad range of investment options that would otherwise be difficult to access individually.

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 June 30, 2017. Performance is annualized for periods longer than one year.



1 MO.	3 MO.	6 MO.	1 YR.	3 YR	INCEPTION*
0.12%	1.84%	3.76%	5.55%	5.71%	5.74%

\*Launched May 2, 2014