

# CAPSTONE NON-TRADITIONAL EQUITY POOL

Q2 Commentary

CAPSTONE  
ASSET MANAGEMENT™

JUNE 30, 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 opportunities in the non-traditional market. A characteristic of this Pool is its long-term approach; it is important for investors to recognize the long-term nature of investing in assets such as 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.

This past quarterly return of -0.57% was weaker than usual due to negative performance from both the hedge fund position and global equity position. While the hedge fund returned -3.8% this past quarter, its return is still averaging 9% since its acquisition in 2014. The global equity position was down -9.3% this past quarter, but its 1-year return is still a strong 19.5%. Although the long-term performance in these investments remains strong, their short-term impact is particularly noticeable this quarter in the context of positive performance in the real estate holdings that has yet to be realized and so cannot be reflected in pricing and performance.

The most recent addition to the Pool is a global real estate fund, which provides exposure to Europe and other developed markets. This security is not correlated to other holdings in the Pool and has a target return of approximately 9%. Real estate holdings now account for approximately 50% of the Pool's underlying assets and these are well diversified by type, geography and manager.

At the end of the quarter, the Pool's cash level remains fairly high at 15%. While the entire cash position is currently earmarked for new investments or contributions to current holdings, we continue the delicate balance of taking the time for appropriate due diligence, while also striving to ensure investors' capital is working as efficiently and quickly as possible.

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



1 MO.	3 MO.	6 MO.	1 YR.	3 YR.	INCEPTION*
-0.12%	-0.57%	1.82%	5.83%	5.30%	5.67%

\*Launched June 6, 2014