

CAPSTONE NON-TRADITIONAL EQUITY POOL

Q2 Commentary

CAPSTONE
ASSET MANAGEMENT™

JUNE 30, 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: \$11.0621 (Class F)

MARKET & POOL UPDATE

The Capstone Non-Traditional Equity Pool is down 1.13% in the first half of the year, but we are pleased to report that the Fund continues to exhibit low correlations to the more traditional markets while still providing equity exposure. Although some of the global real estate investments held have been impacted by COVID-19, which has affected short-term performance to a certain degree, the diversification within the Fund has provided a measure of protection and we expect this to continue. We successfully exited an office building venture located in Ontario with great profitability to the Fund and our real estate development project in Nevada continues to show strong sales. Additionally, our manufactured home investment located in the Interior of BC continues to perform above expectations. We also have over a third of the Pool invested across private debt assets, producing strong and stable yields in the region of 8%. As mentioned in our last quarterly commentary, we did have exposure to some investments in Vietnam as well as some commodity exposure. These were small detractors to performance this quarter and both of these positions have now been fully exited.

This past quarter, our Investment Management Team reviewed and repositioned a large number of private investments. This repositioning in tandem with a couple of projects that are maturing has led to the Fund having a cash position of about 15%. This is an advantageous condition to be in, allowing us to reposition a reasonable portion of the portfolio into new opportunities, assessing where we want to be both in the COVID and post-COVID world. It also allows us to take advantage of presenting opportunities amidst the market place disruption. Stressed markets often pave the way for opportunistic buys. There are many reasons for this; sometimes, for example, companies are in a liquidity crunch and/or sometimes a firm will need to reduce the leverage on their balance sheets. Whatever the case, it presents an opportunity for us to invest or co-invest at a time where there is less competition in the marketplace. Some of these compelling opportunities that we are currently evaluating include partnering with experts who specialize in Tier 1 lending to major participants seeking liquidity. We are also assessing another real estate deal in Ontario for an investor seeking a partner for the site plan approval process.

One question we have frequently been asked over the past quarter is whether or not there are still opportunities in this current environment. This has indeed proved to be a favourable time for seeking out some excellent options that have come our way. We will continue to evaluate both global real estate and development deals as well as steady cash yielding opportunities which balance out the longer-term investment nature of the real estate cycle. Overall, this Fund remains stable in the face of COVID volatility.

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, 2020. Performance is annualized for periods longer than one year.



1 MO.	3 MO.	6 MO.	1 YR.	3 YR.	5 YR.	INCEPTION*
0.27%	0.09%	-1.13%	3.27%	3.89%	4.35%	4.76%

*Launched June 6, 2014