

CAPSTONE NON-TRADITIONAL EQUITY POOL

Q2 Commentary

CAPSTONE
ASSET MANAGEMENT™

AT A GLANCE

JUNE 30, 2022

- Provides equity exposure to non-traditional markets
- Blend of cash flow strategies and real estate
- Low to no correlation to bond and equity markets
- \$66 MM AUM
- Current price: 12.3531 (Series I)

MARKET & POOL UPDATE

The Capstone Non-Traditional Equity Pool returned 4.11% in the first half of 2022 (before fees) which is on track with our long-term target of 8% annually. Both the private equity component of the portfolio as well as the real estate side contributed positively over this period. This Pool's performance is neither correlated to the stock nor the bond markets in Canada and investors have experienced a far more stable return year to date when compared to traditional investment markets such as the TSX Composite Index or S&P 500.

About 45% of the Capstone Non-Traditional Equity Pool is invested in real estate equity. These holdings are very well diversified in both Canada and the U.S. (currency is hedged) and many are income producing. It is worth noting that the values of income producing real estate tend to remain more stable during recessionary periods and also tend to provide a good hedge against inflation. In fact, some of these holdings are trending towards their best year ever - not just since the pandemic. In addition to rental and vacation properties, there is also a component of real estate construction equity within this portfolio. If sales were to drop off due to a housing correction, our backup plan for this property is to convert it into rental units. The location of this project is ideal for rentals as it is right beside the technology park in Nevada – close to a Tesla plant – and this area has persistently maintained no rental vacancy.

The private equity portion of the portfolio - approximately 20% - continues to do well and much of these holdings, since they are private in nature, have not experienced much volatility during the traditional stock market correction over this past quarter. While recessionary concerns could still impact these businesses over time, the breadth of holdings is extensive, and this diversification should help to mitigate any wholesale correction if the economy in Canada and the U.S. were to go into recession.

Finally, this portfolio continues to maintain a significant position of 15% in the Capstone Private High Income Pool. Although this holding will be phased out by the end of 2022, it continues to positively impact performance. Since its inception 3 years ago, this position has provided a stable performance of 8.32% annually.

If you are interested in investing in the Capstone Non-Traditional Equity Pool, please contact your Portfolio Manager directly.

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 June 30, 2022. Performance is annualized for periods longer than one year.



1 MO.	3 MO.	6 MO.	1 YR.	3 YR.	5 YR.	INCEPTION*
0.46%	1.64%	4.11%	9.51%	6.83%	6.22%	6.36%

* Annualized as of first trade date May 02, 2014