

CAPSTONE NON-TRADITIONAL EQUITY POOL

Q2 Commentary

JUNE 30, 2024

AT A GLANCE

- Provides equity exposure to non-traditional markets
- Blend of real estate, private equity and cash flow strategies
- Low to no correlation to bond and equity markets
- \$57 MM AUM
- Current price: \$11.8162 (Series I)

MARKET & POOL UPDATE

The Capstone Non-Traditional Equity Pool (CNTEP) returned +2.3% during the second quarter, bringing the Pool's YTD return to +4.1%. The biggest driver of CNTEP's Q2 return was the Pool's largest position in Forum Real Estate Income and Impact Fund (REIF). REIF invests principally in institutional-quality, multi-family rental apartments, and purpose-built student accommodations (PBSA). REIF, which was held at a roughly 20% weight within CNTEP, generated an excellent total return of almost 6% this past quarter. This return was fueled by fair value gains from specific holdings in Ontario-based PBSA properties. Ahead of the upcoming fall school term, strong leasing activity across REIF's PBSA assets indicates a growing demand for high quality student housing. We do not expect future quarterly returns to continue at this high level, but we do expect that REIF should provide CNTEP with average annual returns of 10% or more with fairly low downside risk.

CNTEP's core investment in Mackenzie Northleaf Global Private Equity Fund (MNGPEF) also contributed positively to the Pool's return this quarter. MNGPEF provides CNTEP with diversified exposure to mid-market buyout and growth-stage private equity investments. These investments are sourced via Northleaf Capital Partners' global private equity platform. Although the private equity markets continue to be hampered by slower-than-average exit activity (e.g., global IPO activity declined in the first half of 2024 for the third straight year), the underlying performance of Northleaf's private company holdings continues to improve. For instance, the top 20 private companies in the MNGPEF portfolio have seen revenue growth of 20% and EBITDA growth of 18% over the last year.

Higher interest rates and reduced transaction activity in Canada's real estate market have negatively influenced valuations of CNTEP's private real estate investments over the past quarter, though overall performance in this sector has been varied. Notably, a BC-based mobile home property investment, held by CNTEP for several years, successfully sold earlier than anticipated and at a higher valuation than what CNTEP was holding it at. This transaction will generate cash proceeds for the Pool in the upcoming months, which we plan to reinvest into other potential high return opportunities.

Our Investment Management Team continues to seek high quality holdings that meet the mandate of this fund. The Capstone Non-Traditional Equity Pool continues to provide excellent diversification by asset type and geography, primarily within the private markets, making it an excellent addition to a balanced portfolio.

For more information on this Pool, please contact your Portfolio Manager.

PERFORMANCE (Gross of Fees)

Performance figures are those of Series I units as of June 30, 2024. Performance is annualized for periods longer than one year.

	1 MO.	3 MO.	6 MO.	1 YR.	3 YR.	5 YR.	10 YR.	INCEPTION*
	0.53%	2.31%	4.11%	-1.09%	3.36%	4.21%	5.26%	5.16%

*Annualized as of first trade date May 2, 2014

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.

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