

CAPSTONE NON-TRADITIONAL EQUITY POOL

Q3 Commentary

CAPSTONE
ASSET MANAGEMENT™

SEPTEMBER 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
- \$43MM AUM

MARKET & POOL UPDATE

While the traditional markets were adjusting to the recent interest rate changes, the Non-Traditional Equity Pool continued to perform steadily. Returning 1.84% net of fees over the past quarter, the Non-Traditional Equity Pool benefitted specifically from its real estate holdings. Last quarter, this commentary explained the impact of the real estate holdings on the pool, and returns may be recognized over the course of a year. Until there is a sale, appraisal, or completion of a project, real estate growth often remains unrecognized.

In August, this pool experienced a significant return lift from a development project that is currently in process. Located in Markham, Ontario, this multi-family development is 100% sold out and most expenses are clear. After evaluating the financial picture of this project, our Investment Management Team and Fund Accountant recommended that the pool begin accruing a return of 19% annually. Although the completion timeline is still approximately 18 months, we believe it is fair for long term investors to be compensated for a portion of the growth over time, rather than a large amount on a single valuation date.

OUTLOOK & POSITIONING

A very important feature of the Non-Traditional Equity Pool is its lack of correlation to the traditional equity and fixed income markets. This makes it an excellent portfolio diversifier, but the lack of market correlation comes at the cost of reduced liquidity and uneven returns. While we find many opportunities to invest in, finding the right asset mix within the pool is always a challenge as we seek to smooth out risks and returns.

Over this past quarter, cash reserves have been between 8-11% and this entire amount is earmarked for new projects. One existing real estate project will likely be increased in very short order and the remaining cash position will be used to participate in the new Capstone Real Estate Pool, launching Oct 31, 2017. Please visit our website, www.capstoneassets.ca for further information on this exciting new investment opportunity.

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



1 MO.	3 MO.	6 MO.	1 YR.	3 YR	INCEPTION*
-0.06%	1.84%	3.04%	6.10%	5.91%	5.76%

*Launched June 6, 2014