

CAPSTONE NON-TRADITIONAL EQUITY POOL

Q3 Commentary

CAPSTONE
ASSET MANAGEMENT™

AT A GLANCE

SEPTEMBER 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
- \$65 MM AUM
- Current price: \$12.3683 (Series I)

MARKET & POOL UPDATE

The Capstone Non-Traditional Equity Pool's year to date return is 5.03% (before management fees) versus the comparable Canadian and U.S. stock market indices which returned -11.14% and -17.18% respectively. This Pool's performance is correlated to neither 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.

It can be a challenge to navigate the kind of environment we've experienced this quarter and one of the Pool's detractors was our exposure to commercial real estate in the United States. Amidst adverse market conditions and due to both decreased occupancy levels and reduced net operating income, our equity valuation for a couple of our projects had to be written down. This, of course, had an adverse impact on performance. In contrast, one of our properties is located in Phoenix where economic growth is still strong and where some recent renovations and capital upgrades have led to continued strong leasing interest. This should translate into a higher occupancy rate of approximately 85% and increased cash flow to the Pool.

One of our other sub-advisory partners recently won the bid to build student residences at York University. In a marketplace with low vacancy, increasing interest rates and high property demand, this is clearly a positive. This quarter we also made a co-investment into an office property in Las Colinas, Texas which is currently well leased and includes additional undeveloped land which will likely be sold off for residential development. These types of opportunities provide stable cash flow with the additional potential for capital gains upon the sale of the separate parcel of land to developers.

We continue to include the Capstone private equity strategy in this Pool. Its performance has helped to mitigate market volatility while also increasing pricing power as a private equity deal moves through the various stages of financing and capital raising. In addition, our private debt position, also held in this Pool, has performed as expected. Though we will be completing a sale for this position at the end of 2022, this is not a reflection on the strategy, but an attempt to purify the holdings within this Pool and prevent overlap between Funds.

Worth mentioning as well is that more of our investments are having their capital called. This means that we have less dry powder sitting on our books and more money at work, decreasing the cash drag on performance.

Finally, this Pool is again a top contender this year for the Best 1 Year Return and Best 1 and 3 year Sharpe Ratio in the category of Global Macro/Managed Futures/Multi-Strategy and we will find out the results next month.

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



1 MO.	3 MO.	6 MO.	1 YR.	3 YR.	5 YR.	INCEPTION*
-0.16%	0.88%	2.53%	7.53%	6.79%	5.97%	6.28%

* Annualized as of first trade date May 02, 2014