

CAPSTONE NON-TRADITIONAL EQUITY POOL

Q4 Commentary

CAPSTONE
ASSET MANAGEMENT™

DECEMBER 31, 2019

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
- \$53 MM AUM
- Current price: \$11.3582 (Class F)

MARKET & POOL UPDATE

Capstone's Non-Traditional Equity Pool provides investors with a truly unique investment solution. It is uncorrelated to traditional markets and provides access to investment options that typically have high barriers to entry. Capstone is pleased to announce that the Capstone Non-Traditional Equity Pool (CNTEP) won two prestigious industry titles at the 2019 Canadian Hedge Fund Awards:

1st Place – Global Macro/Managed Futures/Multi-Strategy: Best 5 Year Sharpe Ratio; and

2nd Place – Global Macro/Managed Futures/Multi-Strategy: Best 3 Year Sharpe Ratio.

CNTEP returned 3.73% to investors over this past quarter and 7.31% for the year 2019. Over the past quarter, we saw increasing returns as some of the building projects in the pool were nearing completion. This included a purchase and sale agreement we received for one of the buildings we had invested in within the Kitchener/Waterloo area for an internal rate of return (IRR) of 17.29%. Another project of our involvement for several years, located in Markham, Ontario, is now in the later stages of residents moving in, debt being repaid, and clearer outcome projection as we are now recognizing profits from that strategy. Over the past year, this pool has invested in real estate projects from Nevada to Whistler to Metro Vancouver.

The 7.31% (net) performance of CNTEP for 2019 has exceeded this pool's historical average return and met our target of 6% (net) for investors. The ratio of cash-flowing investments to real estate is attractive, and we continue to see the completion of projects that will likely begin adding to performance. In addition, the Investment Committee was enthusiastic to add the first community betterment strategy to this pool – wherein the real estate investment converted run-down neighborhoods into quality, affordable housing accommodations.

And finally, this past fall, Capstone launched a new strategy focused on the high yield, private debt market in both Canada and the US. While this is intended to further diversify the Non-Traditional Equity Pool and provide good cashflow, Capstone created a completely new pool for this strategy called the Capstone Private High Income Pool (see CPHIP fund commentary). As a new pool, investors have the opportunity to overweight this position assuming it meets their risk profile and investment objectives.

CNTEP performance continues to cluster around periods of time when we see the sale or completion of real estate projects. With the inclusion of 37% real estate equity positions in this Pool, this is likely to be a long-term trend, most suitable for those with medium to long-term time horizons.

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 December 31, 2019. Performance is annualized for periods longer than one year.



1 MO.	3 MO.	6 MO.	1 YR.	3 YR.	5 YR.	INCEPTION*
3.55%	3.73%	4.45%	7.31%	5.26%	5.39%	5.41%

*Launched June 6, 2014