

CAPSTONE NON-TRADITIONAL EQUITY POOL

Q4 Commentary

CAPSTONE
ASSET MANAGEMENT™

AT A GLANCE

DECEMBER 31, 2020

- Provides equity exposure to non-traditional markets
- Blend of cash flow strategies and real estate
- Low to no correlation to bond and equity markets
- \$51 MM AUM
- Current price: \$11.2499 (Series I)

MARKET & POOL UPDATE

The aim of the Capstone Non-Traditional Equity Pool has always been to provide equity like exposure that is not correlated to traditional stock markets and achieve a long-term annualized target rate of return of 6%. In a year such as 2020, however, there were inevitably some challenges. Some of our real estate investments experienced reductions in their valuations. One in particular (located in Texas) was impacted by a change in valuation methodology which now requires both fees and taxes to be considered in the appraised property value. This was one of our biggest detractors for performance but despite this, the Texas real estate market is holding up well with continuing strong markets in Austin and San Antonio.

Our rental properties in the US have shown resiliency in spite of COVID-19. In fact, due to an increase in tenant quality, we have realized almost 90% successful rent collection - which is high, particularly in the context of pandemic impacts. Our real estate venture in Atlanta where we have teamed with a firm specializing in community betterment has also done well. Although it was initially delayed, everything is now moving along as planned and we were able to recognize a write-up for this quarter. Lastly, in terms of US real estate holdings, our development project in Nevada experienced an uptick in sales during COVID-19, selling on average 2 to 2.5 homes per month. This project could complete in 2021, well ahead of schedule.

Among our Canadian investments, our manufactured home investment in the Okanagan is running ahead of target while paying out regular distributions. Our investment in private electricity generation in Ontario did experience some delays in power projects coming online due to COVID-19, but this did regain momentum in the last quarter. We will see this continue coming to fruition in 2021 as we acquire new projects, building out the power infrastructure and bringing them online. Despite the overall slowdown in the hospitality industry, our investment in Whistler rental condos held up surprisingly well. While the property was profitable and managed to cut costs owing to prudent management of expenses, there was a cut to the owners' distributions as well. At the end of September, we made new investments into two Private Equity Funds with direct and fund investments in North American private equities; this diversified approach to private equity investing significantly reduces risk and both were positive contributors for the quarter.

It is worth mentioning that the Pool currently has 15% in cash, some of which will be put to work in the upcoming months. Although a high cash position can create a cash drag on performance, it does allow us to be nimble and invest into new opportunities as they present themselves, which is an important consideration as we head into 2021. The Capstone Non-Traditional Equity Pool provides equity exposure outside of the more traditional markets and continues to serve as a complement to other equity holdings, reducing overall risk within a balanced portfolio.

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 December 31, 2020. Performance is annualized for periods longer than one year.



1 MO.	3 MO.	6 MO.	1 YR.	3 YR.	5 YR.	INCEPTION*
-0.01%	0.54%	1.64%	1.04%	4.05%	5.54%	5.62%

* Annualized as of first trade date May 2, 2014