

CAPSTONE NON-TRADITIONAL EQUITY POOL

Q4 Commentary

CAPSTONE
ASSET MANAGEMENT™

AT A GLANCE

DECEMBER 31, 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
- \$64 MM AUM
- Current price: 12.2928 (Series I)

MARKET & POOL UPDATE

The Capstone Non-Traditional Equity Pool has been constructed using a diversified portfolio of Canadian and foreign assets with low correlations to traditional domestic and global equity markets. Given the broad nature of non-traditional investments, assets contained in the pool can offer the potential for capital appreciation or high cash flows, or both. The Pool returned 0.14% for the quarter and 5.17% for the year 2022, before fees.

Our private equity positions experienced some downward pressure this year, highlighting the need to maintain effective diversification. One position - an online personalized jewelry company - was written down in the quarter while in contrast, a Toronto-based supply chain technology company in which we co-invested, was revalued significantly higher. Overall, a number of potential catalysts could provide a small tailwind to performance in the first half of 2023, and we are still optimistic about the opportunities being presented in the private equity space.

As of the end of the year, close to 50% of the Capstone Non-Traditional Equity Pool was invested in well diversified real estate holdings in Canada and the U.S., with many being income producing. Unfortunately, one of our real estate investment strategies has been extremely challenged through 2022 with pandemic-related disruptions. These lead to decreased valuations across most of the office investments held as well as one multi-family investment. Not surprisingly, office buildings have seen a significant reduction in demand due to the emergence of the work-from-home movement and this is being reflected in decreased valuations. Yet, within this strategy there have been pockets of outperformance in some of the smaller 'Tier 2' cities.

In contrast, other Pool strategies have performed strongly which speaks to the breadth of the industry and the strength of good diversification. Our investment in student housing has performed well as growth in Canada's domestic and international student population has created a significant gap in inventory. Significant responsive growth is expected in this space. In addition, our position with several hotel units in Whistler Village has continued to perform well with all dividends - which were put on hold during the pandemic - caught up by the end of the year. The hotel property has gone up significantly in valuation and is in fact outperforming pre-pandemic, 2019 numbers. No less, our community betterment project focused on affordable housing in Atlanta, Georgia is outperforming due to its low vacancy rates and increased net operating income. Lastly, our manufactured home asset focused on the 55+ community and overlooking the lake in Summerland, is performing in line with our expectations.

Throughout 2022 the Pool has divested its private debt allocation with the goal of purifying its focus. Part of that process included selling out of some performing assets that we are working to replace with high-performing strategies more in line with our goals. While the exercise can take time, it will set up the Pool to better reflect its target allocation.

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 December 31, 2022. Performance is annualized for periods longer than one year.



1 MO.	3 MO.	6 MO.	1 YR.	3 YR.	5 YR.	INCEPTION*
0.00%	0.14%	1.02%	5.17%	5.45%	5.51%	6.11%

* Annualized as of first trade date May 02, 2014