

# CAPSTONE TRADITIONAL EQUITY POOL

## Q1 Commentary

MARCH 31, 2025

### AT A GLANCE

- Strategic global and domestic mandate
- Disciplined value and GARP philosophies
- Equity exposure with less risk than market indices
- \$36 MM AUM
- Current price: \$19.1451 (Series I)

### MARKET & POOL UPDATE

The Capstone Traditional Equity Pool ("CTEP") delivered a return of +0.8% in the first quarter of 2025, following a strong +19.0% gain for the full year 2024.

Investor enthusiasm ahead of President Trump's January 20 inauguration quickly gave way to mounting concerns over trade policies and tariff threats. Concerns about their potential impact on the economy — particularly inflation, employment, and consumer spending — soon became the market's dominant focus. Equities pulled back amid a surge in trading volume and pronounced negative breadth. Additional pressure came from government employment reductions initiated by the newly created Department of Government Efficiency (DOGE), along with a rise in private-sector layoffs. After peaking on February 19, the S&P 500 declined more than 10% over the following three weeks, technically entering correction territory, and ended the quarter down -4.2% in Canadian dollar terms.

Despite facing its own political turbulence — including the resignation of Prime Minister Justin Trudeau, the swearing-in of Mark Carney as his successor, and the announcement of a snap federal election — Canadian equities proved comparatively resilient. The S&P/TSX Composite Total Return Index rose +1.5% during the quarter, though notably, gains were heavily concentrated in the surging gold sector; absent this, the index would have posted a negative return. International markets were stronger still, with the MSCI EAFE Net Return Index (CAD) advancing +6.9%.

CTEP benefited from its strategic underweight exposure to US equities, but performance was negatively impacted by its overweight to small-cap stocks. Small-cap benchmarks, including the MSCI All Country World Small Cap Index (MSCI ACWI Small Cap; -4.0%) and the Russell 2000 Index (-9.5%), struggled meaningfully over the quarter.

The largest positive contributor to CTEP's performance was Brandes Investment Partners, whose value-oriented global small-cap strategy delivered a nearly +6% return for CTEP in Q1, significantly outperforming the MSCI ACWI Small Cap's decline. Since being added to the pool in early 2024, Brandes has returned over +35%, more than quadrupling its benchmark.

Within Brandes, key contributors this quarter included holdings in the aerospace and defense sector, such as Embraer, Rolls-Royce, and Montana Aerospace, as well as select communication services companies, including Magyar Telekom and Millicom International. These investments benefited from sector-specific tailwinds, such as end-market recoveries, improved earnings, and strategic business wins.

Overall, CTEP remains well-diversified across geographies, sectors, investment styles and managers. We believe CTEP is well positioned to continue navigating the rapidly evolving market environment.

For more information on this Pool, please contact your Portfolio Manager.

### PERFORMANCE (Gross of Fees)

Performance figures are those of Series I units as of March 31, 2025. Performance is annualized for periods longer than one year.

	1 MO.	3 MO.	6 MO.	1 YR.	3 YR.	5 YR.	10 YR.	INCEPTION*
	-0.86%	0.78%	2.60%	12.12%	7.18%	14.20%	7.09%	6.97%

\*Annualized as of first trade date: November 14, 2014

