

CAPSTONE TRADITIONAL EQUITY POOL

Q4 Commentary

CAPSTONE
ASSET MANAGEMENT™

DECEMBER 31 2018

AT A GLANCE

- Strategic global and domestic mandate
- Disciplined deep value philosophy
- Equity exposure with less risk than market indices
- \$20MM AUM

MARKET & POOL UPDATE

As 2018 drew to a close, investors were subjected to a dramatic drop in North American stock markets. The Canadian equity market (S&P/TSX Composite Index) fell to -8.89% and the U.S. S&P 500 Index to -4.38% for the year. While many factors contributed to this volatility, the most prominent issues were rising interest rates, Canadian oil price declines, trade tensions, and concerns about slowing global growth.

Many of these issues still persist as we move forward into 2019. The Bank of Canada and the Federal Reserve remain steadfast in their mandate to move interest rates away from emergency territory and into a more normal range. Many trade issues remain unresolved, particularly between China and the U.S., and there is no easy solution to Canada's pipeline infrastructure problems which are exacerbating Canadian oil price declines. We are certainly seeing a stronger focus on countries protecting their own people and economy, rather than opening their borders and trade agreements. From an economic perspective, these isolationist trends tend to increase investor uncertainty and stifle global growth expectations.

This year has marked a significant transition in the Capstone Traditional Equity Pool, as we have begun to focus more heavily on finding value outside of Canada. In fact, for the first time, our Canadian large cap stock exposure has dropped below our global exposure. While we still hold Canadian assets in the small/mid cap sector, the shift away from Canadian large cap equities is a significant change. Additionally, the first hedge fund has been introduced to this portfolio in the past quarter. This position is North American centric, and the managers seek to invest in companies where they believe they have identified fundamental value, or hidden value, plus an associated catalyst or event that will unlock that value.

With these allocation shifts over the past 3-6 months, the cash position in this portfolio has increased substantially. Capstone's Investment Committee will strategically trigger additional buys over time, or when the market hits various targets. As we move into 2019, we continue to seek out and diligently evaluate opportunities with the goal of maximizing investor return for the risk taken.

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, 2018. Performance is annualized for periods longer than one year.



1 MO.	3 MO.	6 MO.	1 YR.	3 YR.	INCEPTION*
-3.02 %	-8.42%	-8.88%	-4.42%	3.14%	2.04%

*Launched December 12, 2014