

# CAPSTONE TRADITIONAL EQUITY POOL

Q1 Commentary

CAPSTONE  
ASSET MANAGEMENT™

MARCH 31, 2018

## AT A GLANCE

- Strategic global and domestic mandate
- Disciplined deep value philosophy
- Equity exposure with less risk than market indices
- \$22MM AUM

## MARKET & POOL UPDATE

2017 was an exceptionally strong year for the Canadian economy and its growth clocked in at 3%. As a result, interest rates steadily increased throughout the end of 2017 and into early 2018 and settled at 1.25% in January. Solid economic numbers throughout the end of 2017 made the last hike in January an easy decision and depending on the data, we may be seeing further rate increases later in the year.

Interest rates in the U.S. are trending along the same lines as those in Canada as they respond to a stronger labor market and inflation creeping closer to the Fed's target of 2%. However, while economic data has been encouraging, the S&P 500 index was down over the past quarter by -2.21%. This is primarily due to the impact of proposed new regulations for large technology companies and the very real threat of a trade war with China.

While Canada's data has shown positive economic performance, the TSX closed the quarter down -4.52%. Concerns have weighed over the possible re-negotiation of NAFTA, minimum wage hikes, policy changes on the housing front, and controversy between BC, Alberta and the federal government over oil transportation and pipelines. Furthermore, Canada more recently implemented stiffer taxation rules for small business owners and only time will tell how this will affect the labour market and corporate expansion plans in the future.

## OUTLOOK & POSITIONING

While the Capstone Traditional Equity Pool provides investors with equity exposure in North America, it is also globally diversified. This global allocation, primarily to Japan and Korea, has provided the best return this past quarter. Although the pool returned 0.38% overall for the past 3 months, its exposure in Asia provided 11.80% return for a weighting in the pool of approximately 12%. We believe that further diversifying globally will help insulate this pool against risks in the North American market.

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 March 31, 2018. Performance is annualized for periods longer than one year.



1 MO.	3 MO.	6 MO.	1 YR.	3 YR	2015	2016	2017	INCEPTION*
-0.13%	0.38%	4.34%	2.78%	3.68%	-3.41%	12.7%	1.85%	4.05%

\*Launched December 12, 2014