

# CAPSTONE TRADITIONAL EQUITY POOL

Q1 Commentary

CAPSTONE  
ASSET MANAGEMENT™

MARCH 31, 2019

## AT A GLANCE

- Strategic global and domestic mandate
- Disciplined deep value philosophy
- Equity exposure with less risk than market indices
- \$21MM AUM

## MARKET & POOL UPDATE

During the last quarter of 2018, the slowing of global growth and threat of interest rate hikes caused the global equity markets to experience significant downside volatility. In response, the E.U. and U.S. dramatically changed their rhetoric to that of holding rates steady. In the first quarter of 2019, we saw markets react positively with a very strong rally. Over this period of time, the Capstone Traditional Equity Pool also went through the market's paces and saw volatility that took some investors by surprise.

At the end of 2018, the Capstone Traditional Equity Pool began restructuring its asset base to decrease its Canadian bias and to build a more globally diversified portfolio. Although the U.S. is certainly not an economy without risks, this strategy also includes increasing our exposure south of the border. The first third of the restructuring was done last year, and the second third was implemented this past quarter. The remainder will be implemented according to predetermined volatility targets or timeline milestones. While broad market fluctuations will certainly influence this pool, investors should expect to see more divergence from the performance of the Canadian TSX Composite Index due to its increased global exposure.

A new, but short-term, feature in this pool is a small investment Capstone has made in China's equity market. The trade tensions between China and the U.S. have caused the Chinese market to experience significant downside volatility. With some motivation by all parties to see this resolved in a timely fashion, Capstone invested in the index broadly with the expectation that there will be a recovery over the next few months. If this play does not work out as expected, there are hedges in place to protect on the downside and Capstone will exit the position well protected against significant loss.

The global economy has been marked by weakness and uncertainty over the past few months and these have included growing trade tensions, Brexit negotiations, Germany's slowing economy, inverted bond yields and a stalling housing market. While we are not seeing clear signs of impending doom on the horizon, any one of these factors has the potential to tip equity markets toward instability. Investors with diversified portfolios who understand the risks they are vulnerable to will be better equipped to ride out any difficult periods that may arise.

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, 2019. Performance is annualized for periods longer than one year.



1 MO.	3 MO.	6 MO.	1 YR.	3 YR.	INCEPTION*
1.05%	3.03%	-5.65%	-1.91%	4.78%	2.63%

\*Launched December 12, 2014