

CAPSTONE TRADITIONAL EQUITY POOL

Q1 Commentary

CAPSTONE
ASSET MANAGEMENT™

MARCH 31, 2021

AT A GLANCE

- Strategic global mandate
- Disciplined value and GARP philosophies
- Equity exposure with less risk than market indices
- \$27 MM AUM
- Current price: \$15.5595 (Series I)

MARKET & POOL UPDATE

Although we are not yet out of the woods, there are reasons to be optimistic. In spite of the Canadian vaccination campaign trailing that of the U.S., forcing several large provinces to restrict activities again, labour markets continue to show resilience alongside the government programs aimed at supporting households and businesses, which have now been extended through the summer. In fact, Canadian employment numbers came in stronger than expected in March. The sectors most affected by social distancing recovered strongly, accounting for more than half of the job gains in the month; however, we are still 7.6% below pre-crisis levels. It is worth noting that the participation rate also improved markedly during this time, suggesting that previously sidelined workers are now making their way back into the labour force. Having said that, as several provinces have re-introduced strict physical distancing rules this quarter, more job losses are likely in store for April and so it will be a while yet before employment recovery can resume. A healthy workforce drives our economy and will support an economic recovery so the effects on the rate of unemployment should not be underestimated.

Inflationary pressure is being felt in some segments of the economy, and relative to the impacts of the economic realities this time last year, there will likely be some inflation just based on a year over year comparison. However, there are sectors where inflationary fears struggle to get a foothold due to high unemployment, slow wage growth and consumer spending patterns during the pandemic. Savings growth increased in 2020 and if that money makes its way into the economy as businesses re-open this will only contribute to a temporary growth in GDP if unemployment and wage growth don't improve and replace the government handouts. This is of particular concern in Canada where our perceived success early on with controlling COVID 19 is now highlighting that how you finish the race has equal or greater importance. With the current scenario facing our country, both unemployment rates and wages need to be monitored carefully as both present headwinds to inflation.

While markets were volatile throughout February and March, we have now seen global markets equity rising to new highs in April with gains widespread amongst sectors and geographic regions. The Capstone Traditional Equity Pool continues to show strong performance into 2021 with all underlying strategies contributing positive performance year to date; one of our subadvisors achieved a staggering 1-year return of 71.4%. Our focus has been on finding new ways to mitigate overall risk without sacrificing upside capture, alongside sourcing additional opportunities to contribute to performance.

If you would like to find out more about this fund, please talk to your Portfolio Manager.

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 March 31, 2021. Performance is annualized for periods longer than one year.



1 MO.	3 MO.	6 MO.	1 YR.	3 YR.	5 YR.	INCEPTION*
2.65%	6.17%	23.43%	57.85%	11.88%	10.91%	8.01%

* Annualized as of first trade date November 14, 2014