CAPSTONE TRADITIONAL EQUITY POOL

Q1 Commentary

CAPSTONE
ASSET MANAGEMENT™

AT A GLANCE

MARCH 31, 2022

- Strategic global and domestic mandate
- Disciplined value and GARP philosophy
- Equity exposure with less risk than market indices
- $28 MM AUM
- Current price: $15.5484 (Series I)

MARKET & POOL UPDATE

Economic Context: It is fair to say that 2022 has been turbulent, plagued with geopolitical instability and high levels of uncertainty in terms of economic growth. Of course, one could argue that this has been the case going back to the emergence of Covid-19. And we should not discount the ongoing impacts and implications of the pandemic. After all, if we look at just the business recovery rates - varying depending on sector - the ramifications of Covid-19 will be far reaching. This variation alone could serve as a strong impediment to Canada's economic recovery. Likewise, the size of Canada's debt load - currently just over $1.1 trillion - will be an ongoing drag on longer term economic growth, especially as the latest federal budget does very little to address it.

On top of the economic challenges in Canada, the current situation in the Ukraine and the subsequent sanctions levied against Russia are causing significant economic turmoil there. As a result, we in North America will likely see our existing supply and demand issues further exacerbated. And moreover, this could lead to even worsened or extended inflationary pressures, particularly in relation to food and energy prices.

Altogether, this turbulence and geopolitical instability add to the levels of uncertainty already being felt on the home front and globally in traditional equity markets. Therefore, it is important to ensure that asset allocations are based on long-term risks rather than exclusively on expected 2022 returns.

The Traditional Equity Pool: Within the Pool's broad-based global exposure, our Asian equity positions lost value this past quarter and, amidst a falling yen, were negative contributors to the quarter's performance (historically we have not hedged currencies). In addition, contrary to their tendencies in similar economic environments, some of our small cap stocks were hit unexpectedly hard.

On the North American front, we divested two of our Fund positions which had been underperforming, including some tech names which were selling off in the earlier part of the year. On the positive side, the divestment of these underperformers has given us cash to invest in a market neutral position which should act as a hedge to the increase in market volatility.

All told, in this environment of uncertainty, diversification is the best way to protect investment portfolios. Conversely, trying to time the market is not a recommended investment strategy but rather, market exposure should remain commensurate given one's risk tolerance. A balance between both traditional and non-traditional equity investments will lower overall portfolio volatility and smooth out return profiles. As the outlook for equity markets continues to be uncertain, it is important to remember that exposure should be predicated on long-term risk and not based on short-term market fluctuations.

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

PERFORMANCE (Gross of Fees)

Performance figures are those of Series I units as of March 31, 2022. Performance is annualized for periods longer than one year.

1 MO.	3 MO.	6 MO.	1 YR.	3 YR.	5 YR.	INCEPTION*
1.48%	-6.87%	-8.22%	-0.07%	12.16%	7.77%	6.88%

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