

CAPSTONE TRADITIONAL EQUITY POOL

Q2 Commentary

CAPSTONE
ASSET MANAGEMENT™

JUNE 30, 2018

AT A GLANCE

- Strategic global and domestic mandate
- Disciplined deep value philosophy
- Equity exposure with less risk than market indices
- \$23MM AUM

MARKET & POOL UPDATE

While Canada's data has shown positive economic performance for the year thus far, the S&P/TSX Composite Index has struggled to reflect this as its return over the past six months was only 1.9%. Concerns continue to weigh on investors and they are closely watching the impact of minimum wage hikes, policy changes on the housing front, and controversy between BC, Alberta and the federal government over oil transportation and pipelines. Additionally, any renegotiation of NAFTA could strike a heavy blow to Canada's manufacturing industry and the ripple effect could be very serious.

The Capstone Traditional Equity Pool has outperformed with a return of 4.90% for the first half of 2018, compared to the index at 1.9%. Two major contributors to this better return are the international sector as well as the small/mid cap Canadian component. The international positions (15% of the fund), focus on value investing in Asia, particularly Japan, and returned 14.7% over the past six months. In addition, the small/medium cap Canadian equity exposure outperformed the market at 14.5% year to date. These two components have added excellent diversification away from the concerns and volatility affecting both the Canadian and US large cap stock markets.

Capstone is actively looking for investments that can further improve the diversification of the fund while holding to the value investing mandate. This likely means a further expansion of the international aspect of the fund and, while this will likely better protect against some of the prevailing risks on the home-front, it may also introduce new issues such as political and currency risks. While some risks can be further mitigated if necessary through tools such as hedging, others will simply need to be accepted or mitigated through diversification. Capstone continues to work hard to select quality investments to complement the overall portfolio and to choose partnerships with experienced managers, who provide proven expertise within their targeted region.

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 June 30, 2018. Performance is annualized for periods longer than one year.



1 MO.	3 MO.	6 MO.	1 YR.	3 YR	2015	2016	2017	INCEPTION*
2.46%	4.50%	4.90%	12.14%	4.83%	-3.41%	12.70%	1.85%	5.06%

*Launched December 12, 2014