

CAPSTONE TRADITIONAL EQUITY POOL

Q2 Commentary

CAPSTONE
ASSET MANAGEMENT™

JUNE 30, 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

Over this past quarter, the stock markets in North America have seen quite a bit of volatility. Much of this has been in response to political trade tensions, causing negative performance, and a divergence in interest rate policy, having a positive effect.

Over the past couple of years, both the Bank of Canada and the U.S. Fed have been steadily working towards moving interest rates out of emergency rate territory by increasing them gradually. However, by the end of last year both the Bank of Canada and the Fed decided to hit pause on this progression and determined to wait out the next few months. What was once a season of strong interest rate increases, quickly became one of patience, and now there is serious talk of rate cuts. The markets on both sides of the border responded positively to this change of direction and buoyed higher.

The protectionist political agenda of the U.S. government has led to many trade disputes with China, Canada and Mexico. The markets moved down in May as threats lobbied back and forth, but some harmony was found when both Mexico and Canada pressed ahead to ratify the CUSMA, colloquially known as the "New NAFTA." Relations with China remain tense and uncertain, but by the end of June, both parties agreed to begin talks once again and stock markets were encouraged.

In the Euro zone, many threats to economic stability remain. These include Brexit, a slowing German economy, and serious political and financial issues in Italy, the EU's third largest economy. Over the past year, the Capstone Traditional Equity Pool has increased its EU holdings. While we recognize the risks in that region, we believe there are also many opportunities. For this reason, the pool's investments in this region are not blue-chip or broad-based, but rather smaller companies that are chosen with the highest conviction.

Capstone's Investment Committee has been deploying a number of changes to our Traditional Equity Pool over the past three quarters. These changes have improved the diversification of this investment and moved it further away from a North American bias. Within the next month, we will see additions to the European and Asian holdings, as well as a slight increase in the Canadian exposure. Once this is accomplished, we believe this pool will be better aligned with both our macro and micro view of investment opportunities, while also providing effective traditional stock market diversification.

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



1 MO.	3 MO.	6 MO.	1 YR.	3 YR.	INCEPTION*
0.15%	0.84%	3.89%	-5.34%	4.02%	2.68%

*Launched December 12, 2014