

CAPSTONE TRADITIONAL EQUITY POOL

Q2 Commentary

CAPSTONE
ASSET MANAGEMENT™

JUNE 30, 2021

AT A GLANCE

- Strategic global mandate
- Disciplined value and GARP philosophies
- Equity exposure with less risk than market indices
- \$31 MM AUM
- Current price: 17.1326 (Series I)

MARKET & POOL UPDATE

The Capstone Traditional Equity Pool has undergone significant changes in its makeup since early 2020. At that time, our Investment Committee (IC) made various proactive decisions that have had an extremely profitable impact on the Pool's returns during this period, with the latest 1-year return at 56.73% before fees. From a geographic standpoint, we decided to target an exposure of one-third to each of Canadian, U.S. and Global investments to reduce home bias. Simultaneously, the IC decided to adjust the market cap weighting of the stocks within the Pool. We decreased our micro and small cap exposure while adding to our mega cap holdings, adding more breadth and diversity to our stock selections. In addition, we shifted our investment philosophy from one of purely deep value to one incorporating some growth at a reasonable price (GARP) assets while still adhering to our highly disciplined approach.

Within our generally broad-based global exposure, our Asian equity positions in South Korea and Japan have become more concentrated. Our Asian equities have been such positive contributors that exposure is now somewhat overweight. While we like to allow some room for portfolio drift, especially to the positive side, this overweighting may eventually be reduced as the Investment Committee looks to keep the geographic allocation in balance.

On the North American front, while we are pleased to have outperformed both the Canadian and U.S. traditional markets, more important is the fact that our Pool offers lower volatility. This means that we are also outperforming the indices on a risk-adjusted return basis which is a more valuable measure of performance. Contributing to this lower volatility is our current stock selection which is tilted somewhat toward the IT and health sectors and away from energy and oil and gas. While we do not follow a strict sector allocation policy, it is constantly reviewed as the Investment Committee considers the underlying investments. While some markets represented in the Pool are currently overvalued, this position is strategic and intended to seize valuable opportunities.

The Capstone Traditional Equity Pool is a broadly diversified global equity fund focused on traditional markets, but with lower volatility when compared to the S&P/TSX Composite Index and the S&P 500 Index.

If you would like to find out more about this Pool, 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 June 30, 2021. Performance is annualized for periods longer than one year.



1 MO.	3 MO.	6 MO.	1 YR.	3 YR.	5 YR.	INCEPTION*
3.17%	10.11%	16.91%	56.73%	13.74%	12.32%	9.28%

* Annualized as of first trade date November 14, 2014