

CAPSTONE TRADITIONAL EQUITY POOL

Q2 Commentary

CAPSTONE
ASSET MANAGEMENT™

AT A GLANCE

JUNE 30, 2023

- Strategic global and domestic mandate
- Disciplined value and GARP philosophies
- Equity exposure with less risk than market indices
- \$27 MM AUM
- Current price: \$15.4011(Series I)

MARKET & POOL UPDATE

On June 7th, the Bank of Canada (BOC) announced another 25 basis point interest increase, bringing the rate up to 5%. This was in response to the continued high inflation that the central banks had hoped to see decrease. The BOC cited the surprisingly strong consumer demand in both Canada and the U.S. despite the ongoing rise in mortgage rates and interest rates on credit cards and auto loans. Undeterred by wage inflation and an increase in the other costs of producing goods and services, higher customer demand has resulted in revenue and earnings expectations for many firms and publicly traded companies remaining positive. In the U.S., as an example, earnings expectations for publicly traded companies fell throughout 2022 and finally, by the end of March 2023 began to level off. While many investors had been worried, earlier in the year, that interest rate increases would push the economy into a recession, some are now hopeful that, instead, we may be in for a soft landing where inflation retreats to the 2% range, interest rates stop increasing, and a contraction in GDP is avoided. As a result, this quarter saw global stocks, as defined by the MSCI World Index, up almost 5% in Canadian dollar terms. Yet the biggest driver of the global stock market was the technology-heavy U.S. market, where the S&P 500 Index returned 6% in Canadian dollar terms. Canadian and international stocks in contrast, increased only 1% or so in aggregate.

The year-to-date return for the Capstone Traditional Equity Pool was 1.11%, which is below the return of the broad equity markets. This was primarily due to the Pool's current tilt towards small cap stocks which can mean more Pool volatility due to the increased vulnerability and risk in the sector as a whole. This was felt both in our Asian core holdings and Canadian small cap assets which were performance detractors over the quarter. Conversely, our large cap growth stocks, particularly those in the U.S., performed quite positively, returning 5.4% over the quarter. As a reminder, although Capstone's philosophy is one of pursuing value, the Pool employs both value and Growth at a Reasonable Price (GARP) strategies. Regardless of the strategy, each security is chosen with high conviction. Additionally, the Pool's recent addition of the Capstone Canadian Equity Income Strategy contributed positively to its quarterly return as a number of core holdings - including Sleep Country, Cogeco Communications and Stella-Jones - propelled the strategy to a 3.1% return. Consumer Discretionary was the best performing sector in Canada with Utilities being the worst.

The Capstone Traditional Equity Pool seeks to provide return in the form of capital gains alongside dividends and interest by investing in individual stocks of varying market capitalizations from micro to large cap, diversified throughout North America and globally. 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, 2023. Performance is annualized for periods longer than one year.



1 MO.	3 MO.	6 MO.	1 YR.	3 YR.	5 YR.	INCEPTION*
1.62%	-0.75%	1.11%	6.74%	12.10%	5.76%	5.74%

* Annualized as of first trade date November 14, 2014