

CAPSTONE TRADITIONAL EQUITY POOL

Q2 Commentary

JUNE 30, 2024

AT A GLANCE

- Strategic global and domestic mandate
- Disciplined value and GARP philosophies
- Equity exposure with less risk than market indices
- \$26 MM AUM
- Current price: \$17.3308 (Series I)

MARKET & POOL UPDATE

The Capstone Traditional Equity Pool (CTEP) experienced its third quarter in a row of positive returns (+1.5%), performing roughly in line with its global passive benchmark (+1.8%). CTEP's benchmark of one-third Canadian equities (S&P/TSX Composite Total Return Index), one-third US equities (S&P 500 Total Return Index in \$CAD terms) and one-third international equities (MSCI EAFE Net Return Index in \$CAD terms) was driven this quarter by the US stock market's exceptionally strong performance (+5.4%). At the same time, both the Canadian and international stock market indices posted near flat returns (-0.5% and +0.7%, respectively).

The story of the global equity markets this past quarter, as it has been for a while, was the ongoing tremendous performance of the US stock market. More specifically, the performance of a handful of the biggest technology stocks in the US like NVIDIA (+37% total return in the quarter), Apple (+23%), and Broadcom (+22%). Despite these top performers, 60% of the constituents of the S&P 500 Index actually saw their stock prices fall in the quarter, with the median total return (stock price change, plus dividends) being -3%. Considering the top-heavy nature of the equity markets so far in 2024, we are pleased with CTEP's performance, which was driven by several underlying managers and investments.

Some of the most noteworthy contributors to performance this quarter were Canadian Western Bank, Greencore Group and Yue Yuen Industrial. In June, National Bank of Canada (NBC) announced that it was acquiring Edmonton-based Canadian Western Bank (CWB), sending the stock price up 54% in the quarter. CTEP continues to hold these shares both directly through the Capstone Canadian Equity Income Strategy, and indirectly through CTEP's investment in Calgary-based QV Global Small Cap Fund.

CTEP's newest manager, value specialist Brandes Investment Partners of La Jolla, California, generated an excellent return for the Pool, returning more than 5% this quarter. Greencore Group, an Ireland-based manufacturer of convenience foods, is one of Brandes' core holdings. Greencore saw its stock price jump 39%, in part because a well-known Hong Kong-based activist fund has built an equity stake in the company, raising the prospect of a corporate shake-up. Shares of Yue Yuen, the world's largest manufacturer of branded athletic and casual footwear, had another good quarter for Brandes. This stock rebounded another +38% after having hit a multi-year low earlier in the year.

As global and domestic economies face continued pressure post-pandemic, equity investing requires careful planning. The Capstone Traditional Equity Pool continues to provide excellent diversification by sector, market cap and geography within the global equity market, while maintaining lower volatility than the broad market indices.

For more information on this Pool, please contact your Portfolio Manager.

PERFORMANCE (Gross of Fees)

Performance figures are those of Series I units as of June 30, 2024. Performance is annualized for periods longer than one year.

	1 MO.	3 MO.	6 MO.	1 YR.	3 YR.	5 YR.	INCEPTION*
	0.58%	1.49%	8.55%	12.53%	0.38%	9.24%	6.42%

*Annualized as of first trade date November 14, 2014

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.

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