

CAPSTONE TRADITIONAL EQUITY POOL

Q3 Commentary

CAPSTONE
ASSET MANAGEMENT™

SEPTEMBER 30, 2017

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

The Capstone Traditional Equity Pool seeks to buy excellent quality investments at prices below their intrinsic value. Target sell prices are established, and when reached, the security is sold. This disciplined approach is known as value investing and typically protects investors on the downside while allowing them to participate in the upside swings. In addition to paying close attention to the price paid for each security, the investment mandate of this Pool is unconstrained by sector, location, and market-cap. Whenever opportunities may arise, we will happily take advantage of them.

Over the past quarter, the Capstone Traditional Equity Pool is up 2.85%. A good portion of the Canadian holdings is exposed to both the Canadian energy sector (19%) and Canadian Banks (15%). While oil price fluctuation tends to add volatility to this pool, the banks, with their particularly attractive dividend yields, assist in stabilizing the portfolio.

OUTLOOK & POSITIONING

With high valuations and risk metrics, the current North American market is a difficult place to find good quality companies trading at attractive prices. For this reason, the pool has a 19% cash position that will be used to buy investments when the broad market, or any specific sector, experiences a correction. Additionally, by venturing into small and mid cap securities, as well as global positions focused outside of North America (specifically targeting Japan and Korea), the pool has diversified more broadly.

The Traditional Equity Pool will continue to seek investment opportunities in the traditional market space. While this provides investors with access to a specific part of the market, this pool is certainly not immune to volatility. Large swings in return and security prices are to be expected as various issues play out in the market place. Specifically, interest rate changes, oil price volatility, and the general growth expectations of the Canadian economy will all influence the performance of this portfolio.

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 September 30, 2017. Performance is annualized for periods longer than one year.



1 MO.	3 MO.	6 MO.	1 YR.	INCEPTION*
3.67%	2.85%	-1.50%	2.85%	3.21%

*Launched December 12, 2014