

CAPSTONE TRADITIONAL EQUITY POOL

Q3 Commentary

CAPSTONE
ASSET MANAGEMENT™

SEPTEMBER 30, 2020

AT A GLANCE

- Strategic global and domestic mandate
- Disciplined deep value philosophy
- Equity exposure with less risk than market indices
- \$21 MM AUM
- Current price: \$12.4525 (Series F)

MARKET & POOL UPDATE

It has been approximately 6 months since the World Health Organization declared COVID-19 a global pandemic, prompting major shutdowns of businesses throughout the country and across the globe. Since then, strong stimulus measures have been deployed by governments and central banks in Canada with the goal of putting money directly into the hands of households and businesses. Canada especially has supported household incomes through direct payments. As a result, we have had a much faster job recovery compared with the US. In fact, as of September, employment was just 4% away from its pre-recession highs. Indeed, job creation exceeded expectations by more than double, with 378K jobs versus an expected 150K jobs. This job creation was driven by the private sector and public employment while self-employment saw some small losses. The participation rate has also continued to go up. It currently sits at about 65%, which translated into a reduction of the unemployment rate from 10.2% to 9.0%, which is still notably high.

Overall, Canada's GDP registered another steep advance in July, growing 3.0% month-over-month, but this recovery has been highly uneven. While some sectors have fully recovered with output at or near pre-pandemic levels, other sectors are still struggling to recover, such as arts/entertainment as well as the accommodation and food services industry. While we do not yet have the data from August, advanced estimates suggest that production expanded another 1.0% for the month. However, we will continue to see a discrepancy between sectors for quite some time, so long as social distancing measures remain in place. Whether this recovery is sustainable through to the end of the year is yet to be seen, given the recent surge we have seen in COVID-19 cases across the country.

The Capstone Traditional Equity Pool returned 15% for the quarter and 2.79% for the month of September, marking the highest return to date per quarter since the inception of the Pool. Our overweight position in Asia has benefited the portfolio, in addition to our allocation within the US. Our three largest sectors include Information Technology at 27%, followed by Consumer Discretionary at 16%, and Financials & Healthcare, both at 12%. Although there are still concerns in the general marketplace with respect to impact on the traditional markets, we continue to be comfortable with the position that we established earlier in the pandemic cycle.

The Capstone Traditional Equity Pool invests in traditional stocks across market capitalizations and is global in nature. Its standard deviation is low compared to that of the S&P500 and S&P/TSX Composite Index, meaning that it is subject to less volatility than the broad market indices. 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 (Net of fees)

Performance figures are those of Series F units as of September 30, 2020. Performance is annualized for periods longer than one year.



1 MO.	3 MO.	6 MO.	1 YR.	3 YR.	5 YR.	INCEPTION*
2.79%	15.00%	27.18%	10.77%	4.83%	4.98%	4.04%

* Annualized as of first trade date December 12, 2014