

# CAPSTONE TRADITIONAL EQUITY POOL

Q3 Commentary

CAPSTONE  
ASSET MANAGEMENT™

## AT A GLANCE

SEPTEMBER 30, 2022

- Strategic global and domestic mandate
- Disciplined value and GARP philosophies
- Equity exposure with less risk than market indices
- \$25 MM AUM
- Current price: 13.9621 (Series I)

## MARKET & POOL UPDATE

### Economic Context:

The quarter has been an eventful one with interest rates continuing to rise, increased stock market volatility, and continued trepidation regarding the economy both globally and within Canada. In addition, the United Kingdom recently announced a mini-budget which had a notable impact on its currency including volatility in the bond markets. As well, at the time of writing, sadly, the war in Ukraine continues.

In terms of monetary policy, this quarter the Bank of Canada (BOC) raised interest rates 75 basis points, increasing its policy rate to 3.25%, a level not seen since April 2008. Although this hike was expected, the BOC's hawkish stance - when indicating that rates would need to go higher still to fight against inflation - added volatility in the markets. Therefore, by September 30th, the U.S. stock market was down by 5% for the quarter, the Canadian stock market was down 1.5% and international stocks were down by just over 3%.

### Traditional Equity Pool:

The Capstone Traditional Equity Pool was down just over 3% in the quarter and, while our Canadian-equities-focused managers held up fairly well, the main detractors were primarily a few of our non-Canadian positions that were pulled down by the market rather indiscriminately. To provide a few examples, the holdings within the Pool include a couple of Property & Casualty Insurance companies which performed positively because investors view them as being largely recession-resistant. Conversely, as investors continued to eschew many emerging markets, including South Korea, due to global recession fears, some of our existing Korean holdings were adversely impacted.

This quarter, we have added a fund that will provide investors with exposure to global small cap stocks but with a focus that is unusually nimble, avoiding the inefficiencies often seen in this space. The firm with whom we are partnering to provide this strategy is considered one of the best equity managers in Canada with a long and strong track record across Canadian stocks, global stocks, and Canadian small caps.

In addition, the Pool has taken a relatively defensive posture throughout the quarter - including the choice to hold onto more cash-oriented investments than normal - that has succeeded in softening the impact of the current environment.

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 September 30, 2022. Performance is annualized for periods longer than one year.



	1 MO.	3 MO.	6 MO.	1 YR.	3 YR.	5 YR.	INCEPTION*
	-5.92%	-3.23%	-10.20%	-17.58%	7.45%	5.68%	4.99%

\* Annualized as of first trade date November 14, 2014