

CAPSTONE TRADITIONAL EQUITY POOL

Q4 Commentary

CAPSTONE
ASSET MANAGEMENT™

DECEMBER 31, 2019

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: \$11.8156 (Class F)

MARKET & POOL UPDATE

2019 marked a banner year for both the Canadian and U.S. stock markets from a return perspective. The TSX Composite reached new highs this past September and the S&P returned over 30%, its best year since 2013. However, this past year has seen several risk factors within the domestic and global markets that have increased investor uncertainty and decreased growth expectations. The most notable examples of market disrupting events include high tensions with Iran, the continuous U.S. trade war with China, and the impeachment proceedings of President Trump, to name a few. Looking ahead to 2020, we have increasing doubts about the sustainability of a bull market, putting equities at risk.

In response to growing concerns about an economic slowdown, central banks have been keeping rates low in the hopes of stimulating economic activity. Lower rates can boost investor confidence, which causes markets to strengthen. Looking forward, we expect loose central bank policies to support markets as far as they are able. Despite these efforts, pundits are poised for a correction within the next few years and although we do not have a clear timeline or certainty on when this could occur, investors need to ensure their portfolios are adequately diversified given the rise of uncertainties.

With this backdrop, Capstone's Investment Committee has been deploying several changes to the Capstone Traditional Equity Pool (CTEP) over the past year. As a result, at December 31, CTEP had a 4.0% cash position, one of the lowest levels of cash CTEP has ever held. Likely the most significant change is the global exposure, which is at the highest level in the pool's history. We believe this is not only defensive, but also opportunistic given the current environment and the inefficiencies that the market presents. Market inefficiencies can mean that certain stocks are mis-priced or undervalued, which represents an opportunity for the long-term value investor. This quarter, we increased both European and Asian holdings and slightly increased our Canadian exposure. We believe this pool is now best aligned to our macro and micro view of investment opportunities, while providing effective traditional stock market diversification.

Capstone is pleased to report that this past quarter CTEP returned 5.10%, which brought the 2019 total return to 10.02%. As new traditional equity opportunities emerge, we will continue to evaluate them and re-position the pool as appropriate.

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 December 31, 2019. Performance is annualized for periods longer than one year.



1 MO.	3 MO.	6 MO.	1 YR.	3 YR.	5 YR.	INCEPTION*
2.95%	5.10%	5.90%	10.02%	2.31%	3.12%	3.57%

*Launched December 12, 2014