

CAPSTONE TRADITIONAL EQUITY POOL

Q4 Commentary

CAPSTONE
ASSET MANAGEMENT™

AT A GLANCE

DECEMBER 31, 2020

- Strategic global mandate
- Disciplined value and GARP philosophies
- Equity exposure with less risk than market indices
- \$25 MM AUM
- Current price: \$14.6546 (Series I)

MARKET & POOL UPDATE

2020 was a difficult year for obvious reasons; COVID-19 was declared a global pandemic by the World Health Organization early in the year, prompting governments to lockdown and effectively shutdown many businesses around the globe. Although there has been a strong commitment from the Government of Canada to support affected businesses and consumers through various stimulus measures, it could be quite some time before we see a turnaround; to date, the recovery has been uneven across sectors. The Bank of Canada has kept its policy rate at 0.25% and the expectation is that this will remain until at least sometime in 2023. Similarly, Quantitative Easing (QE) will remain in place until recovery is well underway. Here in BC while many parts of the province remain locked down in response to a surge in COVID cases, there is a general sense of optimism with the recent approval and subsequent rollout of two vaccines which is underway and will continue throughout 2021. For the quarter ending December 31, 2020, the S&P/TSX Composite Total Return Index returned 8.97% and 5.60% for the year 2020.

In the US, uncertainty over the elections led to swings in the traditional markets especially through the month of October. With the anticipation of more generous stimulus, the S&P 500 Index had a strong quarter with a return of 12.15% and 18.40% for the year 2020. Throughout both Canadian and US markets, it was perhaps not surprising to see Information Technology, Consumer Discretionary and Materials sectors take the lead for the year.

The Traditional Equity Pool returned 6.98% for the month of December, 16.25% for the quarter and 23.52% for the year 2020, outperforming both the TSX and S&P indices. Our overweight position in Asia has contributed significantly to the portfolio as did our allocation to the US which we increased back in April; both of these strategies rebounded quite strongly from earlier on in the year. Even though we divested some of our small cap exposure, we have maintained a reasonable focus there and that has paid off. We also allocated a little more into some mega cap categories which has added some strength to the portfolio, especially in the Information Technology sector. Our Canadian equities also performed in the double digits and our minimal exposure to resources and energy has been of benefit.

The Capstone Traditional Equity Pool invests in traditional (publicly traded) stocks across market capitalizations and is global in nature. Its standard deviation is low compared to that of the S&P500 and TSX indices meaning that it is subject to lower volatility than the broad markets. If you would like to find out more about this fund, 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 December 31, 2020. Performance is annualized for periods longer than one year.



1 MO.	3 MO.	6 MO.	1 YR.	3 YR.	5 YR.	INCEPTION*
6.98%	16.25%	34.06%	23.52%	9.90%	9.26%	7.30%

* Annualized as of first trade date November 14, 2014