



CAPSTONE
ASSET MANAGEMENT™

CAPSTONE
TRADITIONAL EQUITY POOL



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The Capstone Traditional Equity Pool seeks to provide return in the form of capital gains alongside dividends and interest. The Pool includes individual stocks of varying market capitalizations from micro to large cap, diversified throughout North America and globally.

The structure of the Pool can accommodate traditional equities, such as publicly traded common and preferred stocks, as well as sophisticated strategies, such as options and derivatives.

For many investors, domestic investments tend to be the primary focus for their portfolio's equity exposure. Strategic global exposure is often difficult to achieve due to lack of experience, expertise, expenses and other barriers of entry. The resulting "home bias" leaves untapped opportunities outside of North America where many undervalued investments may be found. When opportunities arise, the Capstone Traditional Equity Pool incorporates global equities with each security being assessed based on its own merits; this is referred to as a bottom up approach. In this way, the Pool's value and GARP (growth at a reasonable price) investing philosophy, combined with its exposure to multiple economies, diversifies this Fund and reduces its risk.

Value Investing is a strategy that seeks out stocks that are undervalued, meaning that their current trading price does not reflect their true worth. Their actual worth, known as the intrinsic value, is calculated using a number of financial ratios and underlying fundamentals. This evaluation may reveal an opportunity if the stock is being mispriced by the market. A value investor will attempt to take advantage of this mispricing by buying securities while they are undervalued.

Growth Investing, on the other hand, is a strategy that seeks out stocks that are expected to grow at an above-average rate when compared to other companies within their industry sector. The challenge lies in identifying companies that are poised for growth but whose price is still consistent with our search for value.

Traditional stock markets tend to experience volatility in response to moves in investor sentiment. A natural advantage to buying at a discount lies in the pricing-in of a 'buffer' so that market shocks may not be felt to the same degree, or possibly at all, depending on the circumstances. For this reason, active management using both a value and GARP approach has often provided positive returns, even during periods of volatility.

Since markets are naturally cyclical, a value approach will see periods of time when no opportunities exist such as in a relatively "expensive" market. During these phases, we are able to creatively utilize the undeployed cash within a pooled structure, enhancing yield while protecting against inflation. This strategy allows for a comfortable position on the sidelines of the market until valuations become more attractive. We firmly believe that an emphasis on quality over quantity has the greater probability of providing solid returns year after year.

THE CAPSTONE TRADITIONAL EQUITY POOL
EMPLOYS BOTH VALUE AND GROWTH
AT A REASONABLE PRICE (KNOWN
AS GARP) STRATEGIES. REGARDLESS
OF THE STRATEGY, EACH SECURITY IS
CHOSEN WITH HIGH CONVICTION.

THE FUND MANAGER

Established in 2004 and headquartered in Langley, British Columbia, Capstone Asset Management serves a broad client base including private clients, foundations, and institutions. Through Pooled Funds and Limited Partnerships, Capstone provides investors with effective portfolio diversification by offering a broad array of investments within and outside traditional markets.

Capstone is the Fund Manager and Portfolio Manager of the Capstone Traditional Equity Pool. Upon the identification of an investment opportunity, a rigorous due diligence process is completed by the Investment Management Team. The suitability is then assessed by the voting members of the firm's Investment Committee, and a full review is completed by the firm's Compliance Team.

ACCESSING THE POOL

The Capstone Traditional Equity Pool is a key component of many of our discretionary portfolios, but it can also be accessed as a standalone investment, subject to certain conditions. It is also available to institutional investors.

HOW RISKY IS IT?

Capstone has rated this Pool as medium to high risk. We consider the investment approval process to be disciplined and thorough with security of an underlying asset in most cases. Please see the Information Memorandum for further information on the specific risks of this Pool.

WHAT IS THE TARGET RATE OF RETURN?

The Pool seeks to provide a long-term annualized rate of return in excess of 6%.

DISTRIBUTIONS

- › Occur annually
- › Are reinvested as additional units unless requested as cash
- › Are comprised capital gains, dividend income and interest

BENEFITS

- › Pooled Fund structure enables funding of multiple diverse opportunities thereby reducing overall risk
- › Weekly valuation and liquidity
- › Equity exposure with lower risk than broad stock market indices
- › Active management following a disciplined high conviction philosophy





Capstone Asset Management Inc. is a Portfolio Manager, Investment Fund Manager and Exempt Market Dealer active in British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec, New Brunswick, Nova Scotia and Newfoundland & Labrador.

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