

CAPSTONE NON-TRADITIONAL EQUITY POOL

Q4 Commentary

DECEMBER 31, 2024

AT A GLANCE

- Provides equity exposure to non-traditional markets
- Blend of real estate, private equity and cash flow strategies
- Low to no correlation to bond and equity markets
- \$51 MM AUM
- Current price: \$11.1338 (Series I)

MARKET & POOL UPDATE

The Capstone Non-Traditional Equity Pool (CNTEP) delivered a return of -1.7% in the fourth quarter, resulting in a modest full-year return of -0.4%. CNTEP remains strategically diversified between private real estate equity investments and private equity interests, but both asset classes faced significant challenges in 2024. Commercial real estate (CRE), in particular, has struggled over the past few years due to persistently high interest rates and a constrained lending environment. This backdrop has impacted valuations across the industry, as evidenced by the NCREIF Fund Index - Open End Diversified Core Equity (NFI-ODCE), a widely referenced measure covering over \$USD 200 billion of CRE assets. After experiencing a sharp net decline of -12.7% in 2023, the index recorded a more modest, yet still negative, return of -2.3% in 2024. While CNTEP's real estate investments have not been immune to these headwinds, and we experienced additional valuation reductions during the fourth quarter, it is encouraging to see signs of stabilization within the broader CRE market.

Notably, central banks in Canada and the United States began to ease monetary policy in 2024, reducing rates for the first time since embarking on their tightening cycles. While we cannot rule out the possibility of further valuation adjustments to CNTEP's real estate holdings in the near term, we believe the most significant headwinds are now behind us. These improvements offer cautious optimism for the portfolio's real estate exposure going forward.


The private equity environment has been equally challenging in recent years, with higher interest rates compressing valuations, particularly for growth-oriented companies. Meanwhile, the IPO market, a traditional exit route for private equity backed businesses, has remained subdued. Despite this, CNTEP's private equity strategy, which emphasizes investments in the secondaries market, has proven resilient. Secondary private equity investments often capitalize on discounted purchase opportunities, and our largest holding in this space, the Mackenzie Northleaf Global Private Equity Fund (MNGPEF), continues to deliver exceptional results. In the fourth quarter, MNGPEF returned approximately 6%, driven by opportunistic acquisitions of discounted private equity interests and strategic transactions where core holdings were purchased at premiums. With a remarkable annual return of +22% in 2024, MNGPEF was the top contributor to CNTEP's performance and now represents roughly 23% of the pool's net asset value.

Looking ahead, we remain optimistic about the return potential within several of CNTEP's key investments. The anticipated realization of certain illiquid legacy investments in the coming quarters will enable us to redeploy capital into opportunities with higher prospective risk-adjusted returns. Our team is actively conducting due diligence on a range of promising new investments to further strengthen the pool's long-term performance potential.

For more information on this Pool, please contact your Portfolio Manager.

PERFORMANCE (Gross of Fees)

Performance figures are those of Series I units as of December 31, 2024. Performance is annualized for periods longer than one year.

	1 MO.	3 MO.	6 MO.	1 YR.	3 YR.	5 YR.	10 YR.	INCEPTION*
	-2.27%	-1.66%	-4.35%	-0.42%	0.14%	2.28%	4.38%	4.48%

*Annualized as of first trade date: May 2, 2014

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.

210 – 19923 80A AVENUE LANGLEY BC V2Y 0E2
T 604 546 1500 | E INFO@CAPSTONEASSETS.CA
CAPSTONEASSETS.CA

