

CAPSTONE

ASSET MANAGEMENT™

FORMERLY COVENANT CAPITAL MANAGEMENT

STRATEGIC INVESTMENT SOLUTIONS



Capstone Fixed Income Pool



THE FIXED INCOME LANDSCAPE

Over the past few decades, the fixed income landscape has changed substantially. Throughout this period of time, we have experienced interest rates at extremely high levels as well as sustained periods of very low rates compared to historical norms. In addition, strong negative correlation between the fixed income and equity markets has shifted to weak negative or, in some cases, positive correlations. Such changes prove the uncertainty of the fixed income marketplace. It is imperative, therefore, that portfolios be both diversified and flexible to mitigate risks while remaining adaptable to future investment opportunities as they present themselves.

Fixed income investors in the traditional arena typically focus on bonds and often limit themselves to domestic markets. Exposure to only traditional fixed income risks under-diversifies a portfolio and overlooks many non-traditional opportunities with the potential for strong yields and negative correlation to their peers. Integrating global options also adds to portfolio diversification, and together with the multi-strategic approach of combining traditional and non-traditional opportunities, investors can apply a robust fixed income solution with reliable yield.

The Capstone Fixed Income Pool was launched in November 2013 as a response to an ever increasing need to create a flexible, diversified fixed income option for our clients. The Pool targets a rate of return of 5%+ after fees and its multi-strategy approach seeks to generate interest income with some opportunity for capital growth by providing global access to both the traditional and non-traditional fixed income markets.

It is imperative that fixed income portfolios be both diversified and flexible to mitigate risks while remaining adaptable to future investment opportunities as they present themselves.

THE CAPSTONE FIXED INCOME POOL

The Capstone Fixed Income Pool is a global, multi-strategy fund that combines traditional and non-traditional fixed income instruments to create a flexible and diversified fixed income investment option. The structure of the Pool allows investors to aggregate their funds in order to provide access to opportunities not commonly available to retail investors due to limited availability, high minimums, onerous expenses or complexity.

Traditional fixed income options may include municipal, provincial and federal government bonds, real-return bonds, floating rate bonds, global corporate bonds, asset backed securities, and high yield bonds. These investments may be acquired through exchange-traded funds with very low management costs, actively managed funds with wholesale pricing, or as individual securities where the purchasing power of the Pool ensures attractive pricing.

Non-traditional fixed income options are typically institutional and highly specialized assets not available to individual investors. These assets may include: private debt, global credit hedge strategies, secured bridge financing, and large-scale infrastructure projects.

A multi-strategy approach of implementing both traditional and non-traditional fixed income options, coupled with a global market perspective, provides an effectively diversified fixed income option that is typically insulated from the extremes of traditional market volatility.

The non-traditional component of the pool diversifies risk across a broad range of opportunities to provide excellent security, low volatility and reliable yield.





ACCESSING THE FUND

The Capstone Fixed Income Pool forms a key component of our discretionary portfolios, but it can also be accessed as a standalone product, subject to certain conditions. Institutional investors have access to this pool as well.

HOW RISKY IS IT?

Capstone has rated this fund as low to medium risk. Please see the Information Memorandum for further information on the specific risks of this fund.

WHAT IS THE TARGET RATE OF RETURN?

The pool seeks to provide a long-term annualized rate of return in excess of 5%.

DISTRIBUTIONS

- Occur quarterly
- Are reinvested, unless otherwise requested
- Are primarily comprised of interest income

BENEFITS

- Valued weekly
- Allows access to institutional products not available at the retail level
- Diversified to include non-traditional fixed income holdings

THE CAPSTONE FIXED INCOME POOL IS A GLOBAL, MULTI-STRATEGY INVESTMENT PROVIDING EXPOSURE TO A DIVERSE RANGE OF FIXED INCOME HOLDINGS IN ADDITION TO TRADITIONAL BONDS.

THE FUND MANAGER

Capstone Asset Management, formerly Covenant Capital Management, is the fund manager of the Capstone Fixed Income Pool. Capstone's Investment Management Team, in conjunction with the Investment Committee, exercise a rigorous due diligence process to ensure eligible investments meet the criteria of this fund. When underlying investments are actively managed, suitability is determined through the evaluation of management by the following criteria: track record, strategy, fee structure, and alignment with Capstone's objectives for the fund. Since the fund is global in nature, currency exposures may be hedged.

Headquartered in Langley, British Columbia, Capstone Asset Management provides discretionary portfolio management and individual investment mandates to clients in BC, Alberta, Manitoba, Ontario and Quebec. Capstone seeks to provide a holistic wealth management perspective which takes into consideration a client's global net worth. With a focus on capital preservation, Capstone Asset Management strives to keep costs minimal and transparent, while giving clients peace of mind and eliminating the stress associated with managing their own wealth.





CAPSTONE ASSET MANAGEMENT

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Capstone Asset Management (formerly Covenant Capital Management) is a Portfolio Manager, Investment Funds Manager and Exempt Market Dealer serving clients in British Columbia, Alberta, Manitoba, Ontario and Quebec.

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- This document does not constitute an offer to sell securities. Important information is included in the subscription documents and Information Memorandum for the fund, which should be read carefully before making any decisions. In particular, the Information Memorandum discloses important facts about risks, liquidity, costs, and the possible consequences of early redemption.
- Past performance is not always indicative of future performance.
- Capstone Fixed Income Pool is an exempt market product. No prospectus has been filed with any securities regulator.