

CAPSTONE FIXED INCOME POOL

Q2 Commentary

CAPSTONE
ASSET MANAGEMENT™

JUNE 30, 2017

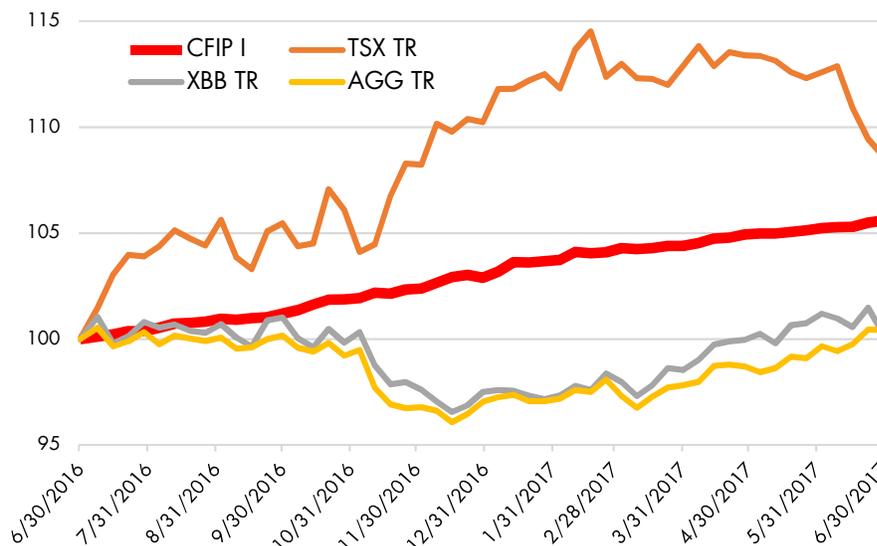
AT A GLANCE

- Blend of traditional and non-traditional fixed income strategies
- Globally diversified
- Weekly liquidity
- Eligible for registered investments
- \$38MM AUM

MARKET & POOL UPDATE

The Capstone Fixed Income Pool continues to perform under increasing pressuring of rising interest rates. US interest rates have risen 3 times since December of last year, and as of July 12th, Canadian rates have risen for the first time in 7 years. Because there is typically an inverse relationship between traditional bond prices and interest rates, the bond indices have struggled within this environment of rising rates since late 2016. However, over this same period, the Capstone Fixed Income Pool has remained stable and steadily moves forward. The dual strategy of incorporating both traditional fixed income with non-traditional fixed income (such as private debt or infrastructure financing) has really helped the pool maintain a consistent return while traditional bond prices have fluctuated. Above is a chart from the last year that illustrates the volatility in the traditional markets (XBB in grey represents the Canadian Bond market and the AGG in yellow represents the US bond market) compared with the steady nature of the Capstone Fixed Income Pool (in red). The standard deviation, a measurement of volatility, has been 1% for the Capstone Fixed Income Pool, compared to the Canadian bond benchmark of 4%. This means that since Capstone launched the Fixed Income Pool, the Canadian bond market has been four times more volatile. The Capstone Fixed Income Pool returned 4.60% net of fees over the past year while the Canadian bond market was

CFIP vs Stock and Bond Indices Since Inception (index at 100)



OUTLOOK & POSITIONING

It is our opinion that the days of increasing interest rates and bond volatility are going to continue. It is widely anticipated that both Canadian and US interest rates will continue to rise, but by how much and when remain unknown. Our intention with this pool has always been to preserve capital and to provide an excellent return for the risk taken. So far, this objective has been achieved for our investors, and we will strive to ensure it continues. We are also convinced that the dual strategy of non-traditional combined with traditional fixed income investments will mitigate market volatility in the future.

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 June 30, 2017. Performance is annualized for periods longer than one year.



1 MO.	3 MO.	6 MO.	1 YR.	3 YR	INCEPTION*
0.11%	0.73%	2.19%	4.60%	3.34%	3.33%

*Launched November 1, 2013