

Alternatives Trade Rationale:

Over the last six months, given Fundamentum's view of inflation and its impact upon the economy, interest rates and the financial markets, we began a Due Diligence review of our asset allocations and the alternative investment space. Due to rising inflation and interest rate expectations, the historical "protection" bonds have provided in the past is in question. Therefore, our goal was to diversify our strategies and portfolios away from traditional bonds and low-yielding cash but maintain some of the same "defensive" characteristics these asset classes possess. Our due diligence included a review of fund/manager tenures, historical returns, stress period performances, maximum drawdowns, upside/downside ratios, leverages, financial Greek ratios – (alpha, beta, sharpe, sortino), volatilities, and correlations with other alternative funds and the markets. Finally, we met with the portfolio managers of the leading funds – discussing their Philosophy, Process, Performance and People (the 4PS).

As a result of this detailed due diligence, we introduced into our strategies and portfolios selected Alternative 40Act Funds during February. The risk-reward profile of Fundamentum's alternative sleeve should allow for continued upside participation in the markets with improved downside protection given increased volatility due to elevated inflation expectations and rising interest rates.

As always, we appreciate your confidence in our team,

Fundamentum Investment Committee:

John Nichol, CFA® - Investment Committee
Robert Armagno - Investment Committee
Trevor Forbes - Investment Committee