FUNDAMENTUM INVESTMENT MANAGEMENT

Fundamentum – October Trade Rationale

This October, we began to adjust the bond portfolios in our Fundamentum Tactical Models and other custom portfolios to reflect our views of the current market conditions – high but fading inflation risks offset by low but increasing recession risks. As a result of historically high inflation, the Federal Reserve aggressively raised the Fed Funds Rate and began to shrink its balance sheet – ending quantitative easing. Unfortunately, rising inflation and interest rates have been very detrimental to fixed-income returns. Although we believe the Fed will continue to raise interest rates, we now have confidence that the fixed-income markets and corresponding returns reflect much of the downside risk - hence our rationale for this trade – raising duration.

Remember in February 2021, we significantly lowered our interest rate risk by lowering the portfolio bond duration. Duration (a measure of the sensitivity of the price of a bond to a change in interest rates) was the investment technique used to implement this change. Prior to this month's trade, the Tactical Models' bond duration approximated 65% of the duration of the benchmark. Post-trade, the Tactical Models' duration increased to approximately 80% of the benchmark with potentially more actions to come given our expectations of continued high volatility.

As always, we appreciate your confidence in our team.

Fundamentum Investment Committee

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