

**Fundamentum – February Trade Rationale**

In February, we adjusted the bond portfolios of the Fundamentum Tactical Models and other custom portfolios to reflect the increasing risk of inflation and rising interest rates. 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 trade, the Tactical Models' bond duration was equivalent to the duration of the benchmark. Post trade, the Tactical Models' duration was reduced to approximately 80% of the benchmark's bond duration.

Our rationale for this trade was based upon rising expectations of inflation seen globally. Stronger economic growth, solid corporate earnings, continued central-bank accommodations, improved prospects for larger stimulus packages, better COVID case numbers, and vaccine optimism have elevated future growth and inflation expectations. Raised inflation expectations are now increasing long-term interest rates as reflected by U.S. Treasury yields. Given the historic, strong performance of fixed income and corresponding large inflows into bond funds, fixed income is susceptible to muted returns and increased volatility going forward. Hence, the lowering of Fundamentum Tactical Models' interest rate risk through decreased duration.

As always, we appreciate your confidence in our team.

**Fundamentum Investment Committee**

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