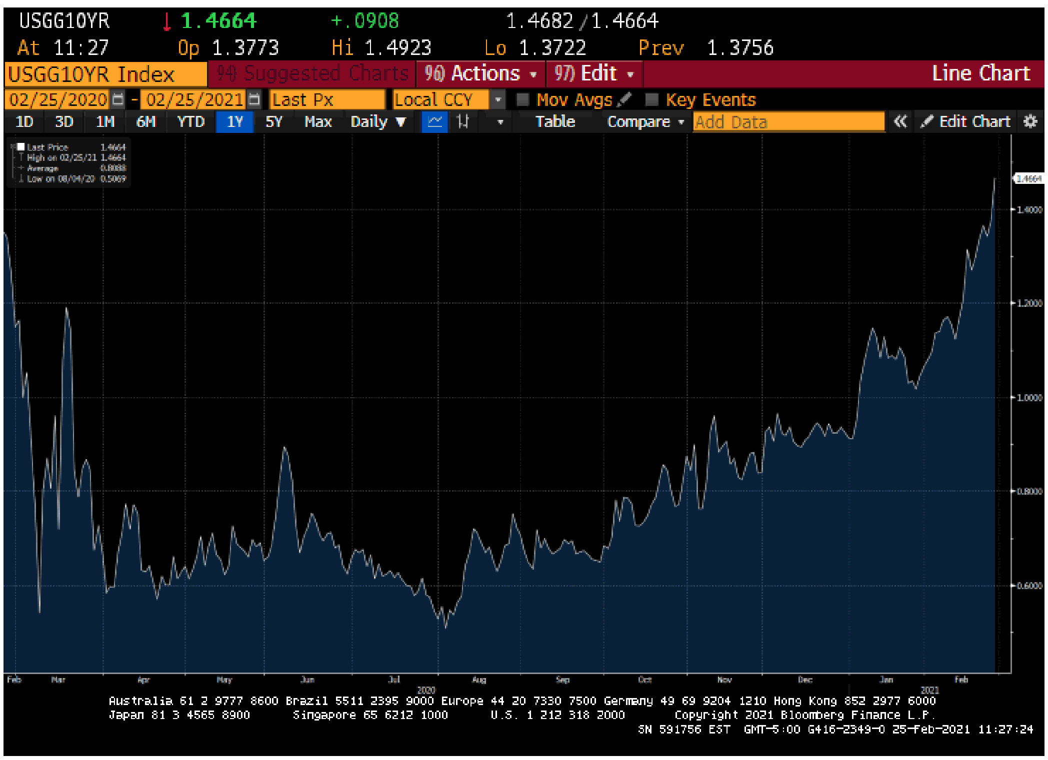
CORE ALTERNATIVE
CAPITAL

Recent market movements have begun to cause some concern among investors in both equity and fixed income markets, and we wanted to highlight a few key points and charts that might be useful in explaining what is driving the market action.

Over the last six months, we have seen a stark increase in bond yields, illustrated below with the 10-year US Treasury yield rising from 0.5% in early August 2020 to approximately 1.5% now in late February 2021. Though the Federal Reserve has said that inflation and employment targets are well below their expectations, and they will continue their accommodative policies, the rising rates have had ripple effects across many parts of the market.



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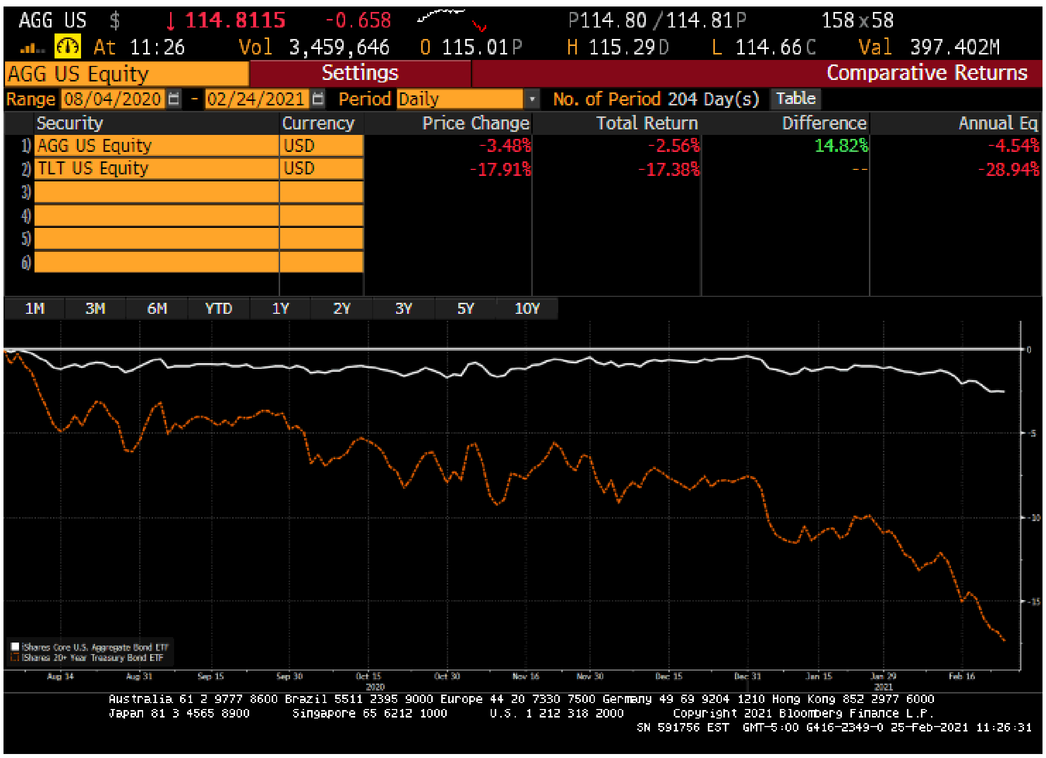
As rates have risen, we have seen the first real losses experienced by fixed income investors in several years, as the Barclays US Aggregate Index has declined over -2.5% since August, and the TLT ETF (long term treasuries) has declined approximately -17.5% over that time. Both marks come close to equaling the largest drawdowns for those since the financial crisis of 2008.



Finally, the rising rates have begun to also affect the equity markets as well. As the 10-year reached 1.5%, it crossed above the dividend yield of the S&P 500, currently about 1.48%, giving equity investors less reason to hold those stocks for the income benefits they had sought previously. Additionally as rates rise and inflation fears increase, high growth names especially in technology, have been hit harder as rising rates and inflation are seen as a headwind to the growthier companies. We have seen relative strength shift drastically in the last few days with value outperforming growth on both up and down days.

We don't know if rates will continue their recent upward trend, or how economic and monetary policy may be modified to adjust to changing conditions. But we do know that our flagship Core Alternative Strategy was designed for and utilized by investors in exactly this type of environment. Should rates continue to rise, we would expect bond returns to be lackluster, and if investors think that rising rates and inflation will be a headwind to stocks as well, then perhaps both sides of investor's 'traditional' allocations may not produce the desired returns. The Core Alternative Strategy has the ability to generate returns regardless of prevailing market conditions, and we think it may be a good fit for those looking for an uncorrelated source of independent performance in their portfolios.