2022 Macro Opportunity Set

This commentary has been prepared by Graham Capital Management, the investment manager of the Graham Quant Macro strategy, the underlying strategy of the Ironbark GCM Global Macro Fund.

Going into 2022 market participants were reminded of the ongoing fragility of global markets as pockets of volatility emerged and global economic uncertainty persisted, further emphasizing the importance of diversified portfolios and disciplined, proactive risk management. In the current investment landscape, macro strategies present an important portfolio construction tool for investors seeking an alternative means to enhance portfolio returns, reduce volatility, and maintain diversification. Looking ahead, we believe central bank activity and ongoing macroeconomic developments will present significant opportunities for the strategy.

POTENTIAL MACRO TRADING THEMES IN 2022

Heightened market uncertainty and volatility on the heels of the pandemic make market forecasting even more challenging than usual, underscoring the need for diversification, tactical trading, and active risk management. We are optimistic about the current macro trading environment and believe that the below macroeconomic themes could present significant opportunities for macro trading.

Central Bank Hawkishness

With global central banks making fundamental changes to their policy, macro factors continue to be a strong catalyst for markets and could result in significant directional trading opportunities. Global central banks have signaled that they will be entering a hawkish regime. For the U.S. Federal Reserve, for example, this may include both tighter monetary policy and a potentially aggressive rundown of Fed asset holdings.

Supply and Demand Dynamics

Shifts in consumer demand and the remapping of global supply chains that have continued to evolve in the wake of the pandemic could present arbitrage opportunities for macro traders, whose broad investment mandate offer the flexibility to capitalize on brief market dislocations. For example, supply shifts have opened pockets of opportunity for trading commodities in 2021 and we see this continuing into 2022.

Inflationary Pressures

Generally, periods of higher inflation tend to coincide with large directional market moves.* With persistently high CPI reports going into 2022 and inflation expectations on the rise, the market environment is expected to be favorable for active, directional strategies such as macro.

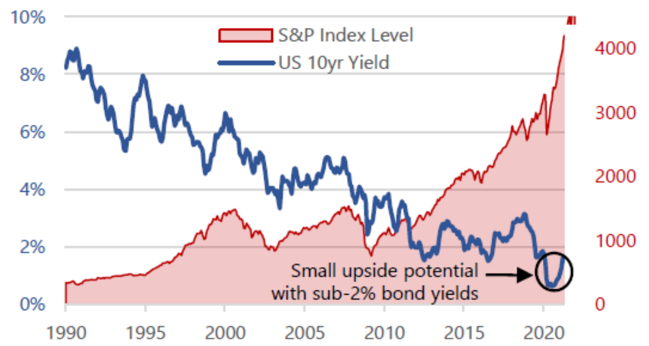
Geopolitical Shifts

The U.S. China relationship will remain an important development in 2022 and as the geopolitical dynamics of these two dominant economies shift, it opens the possibility for broader repositioning across various global economies. Macro is well placed to deploy capital opportunistically across geographies and asset classes.

THE CURRENT INVESTMENT LANDSCAPE

From a portfolio construction standpoint, heightened market uncertainty, low yields, and rising inflation point to an increased need for alternatives that offer both diversification to equities and bonds as well as positive returns.

Diminishing Return Potential of Bonds, Record Equity Valuations Jan-90 to Dec-21



Source: Graham Capital Management, L.P.

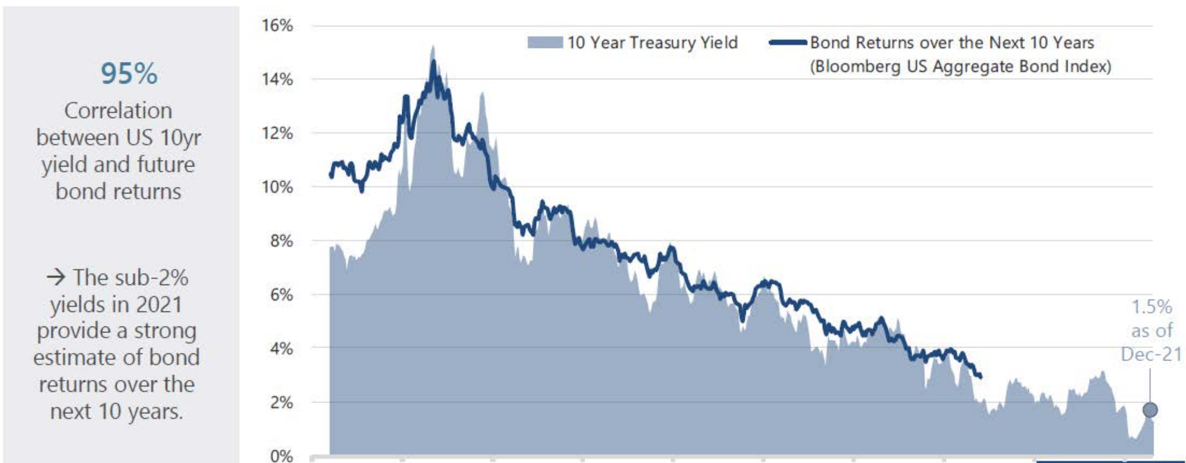
The continuation of an equity rally is marked with uncertainty as the global pandemic, supply chain issues, inflation, and tightened monetary policy are key downside risks in 2022. Meanwhile, with government bond yields at historic lows, the return potential of bonds has diminished.

Rising Inflation Expectations: 5yr, 5yr Forward Inflation Expectation Rate Feb-20 to Dec-21

Source: Graham Capital Management, L.P.

With inflation expectations on the rise, the value of holding bonds inevitably depreciates. Further, the combination of elevated inflation and a hawkish Fed presents a significant risk to stock/bond portfolios in terms of both asset valuation and positive stock/bond correlation, as discussed in [Macro-Economic Drivers of the Bond-Stock Correlation].

Yields and Bond Returns over the Next 10 Years Since Bloomberg US Aggregate Index Inception, Jan-76 to Dec-21



	1980	1990	2000	2010	2021
10yr Treasury Yield:	10.8%	8.2%	6.7%	3.7%	1.5%
Bond Returns over Next 10yrs:	12.4%	7.7%	6.3%	3.7%	?

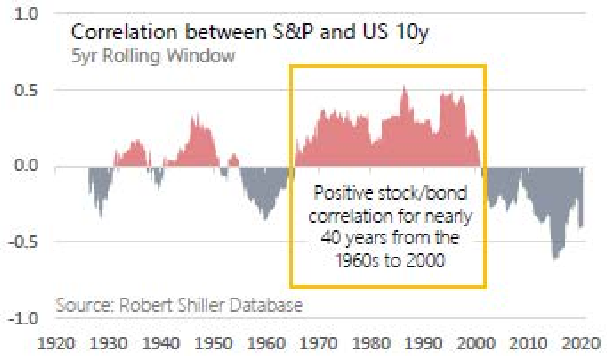
Source: Graham Capital Management, L.P.

Historically there has been a nearly one-to-one relationship between the starting bond yield and bond returns in the subsequent 10 years. In the current low rate environment, this suggests that the future return potential of bonds is low, as discussed further in [Bond Returns: Looking Back to the Future].

THE SEARCH FOR DIVERSIFICATION

With little yield and less scope perhaps for price appreciation, investors today may hold onto bonds for low-cost protection during crisis periods rather than for an impactful return. However, as discussed in Macro-Economic Drivers of the Bond-Stock Correlation, it is far from certain that negative stock-bond correlations will carry forward. From an asset allocation perspective, investors reevaluating the role of fixed income should consider allocations to alternative strategies that, ideally, have positive long-term return potential and diversifying characteristics during difficult equity environments.

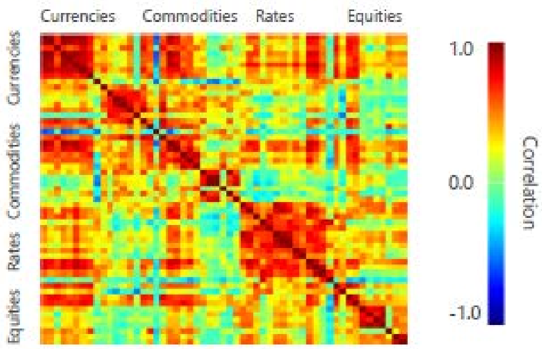
Bond Diversification Not Guaranteed:
Long-Term Stock/Bond Correlations



Source: Graham Capital Management, L.P.

Equity/bond relationships are not static, and bonds do not always diversify equity risk. There have been extended periods when stock/bond correlation is positive.

Periods of High Correlations Across Markets:
Market Correlation Heat Map as of 6/30/2021



Source: Graham Capital Management, L.P.

In 2021, there were periods of elevated correlations across a wide array of markets. Diversifying strategies with the ability to go long and short can help offset this risk concentration.

THE ROLE OF MACRO

Macro strategies can profit across a variety of market environments due to their ability to go long and short a diverse, generally liquid market universe and flexibility in trading evolving market themes. This results in low correlation to stocks and bonds over the long-term and the potential for positive returns. However, returns may be more modest in isolation and are meant to complement – rather than compete with – traditional assets such as equities. Ultimately, these strategies can have more muted returns and even a slight positive correlation to equities, yet still offer a significant diversification benefit. (For further reading, see The Whole is Greater than the Sum of the Parts.)

Low Correlation to Stocks/Bonds
January 2000 through December 2021

HFRI Macro Index Correlations	
S&P 500 Index	0.23
MSCI World Index	0.31
Bloomberg US Agg Index	0.21
Bloomberg Global Agg Index	0.36

Macro Performs Well Across the Market Cycle
January 2000 through December 2021

When MSCI World 12 Month Return is:	-30% or lower	-20% to -30%	-10% to -20%	0% to -10%	0% to 10%	10% to 20%	20% to 30%	30% or higher
MSCI World Index	-41.5%	-23.6%	-14.9%	-3.9%	6.2%	14.5%	23.6%	40.1%
Bloomberg Global Agg Index	-0.9%	9.0%	7.1%	4.5%	3.1%	4.5%	4.2%	7.6%
HFRI Hedge Fund Index	-16.0%	-1.8%	0.5%	0.0%	5.0%	9.4%	13.4%	24.0%
HFRI Macro Index	1.9%	6.9%	5.8%	1.9%	3.7%	4.6%	7.3%	12.9%

Source: Graham Capital Management, L.P.

Impact of Allocating to Macro Potential Benefits of Allocating to Macro January 2000 through December 2021	Increases Overall Returns Annualized Return	Improves Risk-Adjusted Returns Information Ratio	Lowers Overall Volatility Annualized Volatility	Reduces Drawdowns Worst Drawdown	Reduces Beta to Equities Beta to Equities
"Traditional" 60/40 Portfolio	5.74%	0.57	10.06%	-36.09%	0.64
HFRI Macro Index	4.58%	0.91	5.06%	-8.02%	0.10
Traditional Portfolio with 10% HFRI Macro Index	5.91%	0.69	8.55%	-31.38%	0.55

Source: Graham Capital Management, L.P.

Macro strategies are a potentially valuable portfolio construction tool that have the potential to lower the volatility and soften the drawdowns of an overall portfolio while adding to returns over the long run. And while it is unreasonable to expect the strategy to perform well at every discrete point in time, holding the strategy as a long-term, strategic allocation in a diversified investment portfolio offers the potential for significant benefits. As shown above, macro strategies can have more modest returns in isolation and even a slight positive correlation to equities, yet still offer a significant diversification benefit within an overall portfolio which serves to enhance overall returns.

THE BOTTOM LINE

- In the current investment landscape, there is a need for alternatives that can offer both positive returns and diversification to both equities and bonds.
- Macro is a diversifying strategy with the flexibility to capture moves across a variety of market environments.
- The current macroeconomic environment could present significant opportunities for macro trading.
- Macro strategies can potentially benefit from short-term market dislocations as well as longer-term macroeconomic shifts that will play a key role in markets over longer time horizons.
- Allocating to macro strategies as a strategic, long-term investment within a diversified portfolio can potentially enhance risk-adjusted returns and reduce overall volatility and drawdowns.

DISCLOSURES

Commentary as at January 2022. Source: Graham Capital Management, L.P. 40 Highland Avenue Rowayton, CT 06853, USA.

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Bloomberg Global Bond Index: The Bloomberg Global Aggregate Bond Index is a broad based market capitalization weighted measure of the global investment grade fixed rate debt markets. This multi currency benchmark includes treasury, government related, corporate and securitized fixed rate bonds from both developed and emerging markets issuers. There are four regional aggregate benchmarks that largely comprise the Global Aggregate Index The US Aggregate, the Pan European Aggregate, the Asian Pacific Aggregate and the Canadian Aggregate Indices. The Global Aggregate Index also includes Eurodollar, Euro Yen, and 144A Index-eligible securities, and debt from five local currency markets not tracked by the regional aggregate benchmarks (MXN, ZAR, ILS and TRY).

Bloomberg U.S. Aggregate Bond Index: The Bloomberg US Aggregate Bond Index is a broad based market capitalization weighted index used to represent investment grade bonds being traded in United States Most U S traded investment grade bonds are represented Municipal bonds, and Treasury Inflation Protected Securities are excluded, due to tax treatment issues The index includes Treasury securities, Government agency bonds, Mortgage backed bonds, Corporate bonds, and a small amount of foreign bonds traded in U.S.

HFRI Fund Weighted Composite Index: The HFRI Fund Weighted Composite Index is an equal weighted index that includes over 2000 constituent funds which have at least 50 M under management or have been actively traded for at least 12 months. There are no fund of funds included in this index All funds are reported in USD and returns are reported net of all fees on a monthly basis.

HFRI Macro Index: The HFRI Macro Index is a sub index of the HFRI Fund Weighted Composite Index and is composite index of over 900 Investment Managers which trade a broad range of strategies in which the investment process is predicated on movements in underlying economic variables and the impact these have on equity, fixed income, hard currency and commodity markets.

MSCI Word Index: A market cap weighted stock market index of 1,652 global stocks and is used as a common benchmark for 'world' or 'global' stock funds. The index includes a collection of stocks of all the developed markets in the world, as defined by MSCI. The index includes securities from 23 countries but excludes stocks from emerging and frontier economies.

S&P 500 Total Return Index: An unmanaged, market value weighted index measuring the performance of 500 U.S. stocks chosen for market size, liquidity, and industry group representation Includes the reinvestment of dividends. The S&P 500 index components and their weightings are determined by S&P Dow Jones Indices.

Traditional 60-40 Portfolio: Reflects a portfolio with a 60 allocation to equities and a 40 allocation to bonds as represented by the MSCI World Index and the Bloomberg Global Aggregate Bond Index, rebalanced monthly.

SOURCES

* Neville, Henry and Draaisma Teun and Funnell, Ben and Harvey, Campbell R and van Hemert Otto, The Best Strategies for Inflationary Times (May 25 2021). Available at SSRN https:://ssrn com/abstract=3813202 or http:://dx.doi.org/10.2139/ssrn.3813202

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