January 31st, 2022

Fund	Jan	Feb	Mar	April	May	June	July	Aug	Sept	Oct	Nov	Dec	YTD
2007	0.73%	0.21%	0.83%	2.06%	0.61%	0.40%	-0.22%	-0.79%	2.23%	1.29%	-0.42%	-1.50%	**5.44%**
2008	2.98%	-0.21%	0.32%	2.14%	-0.87%	-1.64%	-0.33%	1.26%	-2.14%	0.16%	0.83%	1.54%	**4.00%**
2009	-1.64%	0.68%	-0.09%	1.53%	2.27%	0.43%	3.23%	1.41%	2.44%	0.98%	0.91%	-0.65%	**11.98%**
2010	0.64%	0.34%	1.73%	-0.02%	1.01%	1.75%	-0.70%	2.09%	0.46%	1.47%	0.47%	0.37%	**10.00%**
2011	-1.47%	1.06%	0.53%	1.02%	0.51%	-0.37%	-0.02%	3.04%	-2.67%	1.57%	-1.16%	0.90%	**2.85%**
2012	2.73%	0.93%	-1.49%	0.19%	-0.13%	-0.01%	0.40%	0.67%	0.84%	0.36%	0.27%	0.58%	**5.40%**
2013	0.58%	-0.19%	0.04%	-1.01%	-1.28%	-0.86%	-1.44%	-0.99%	0.09%	1.17%	-0.88%	0.35%	**-4.37%**
2014	-0.42%	0.49%	0.43%	0.28%	-0.01%	-0.07%	0.48%	0.81%	-0.74%	4.01%	-2.62%	1.80%	**4.40%**
2015	1.90%	-3.19%	-0.40%	0.33%	-1.56%	-1.18%	-2.49%	4.73%	-0.34%	-1.30%	-2.79%	-1.47%	**-7.74%**
2016	6.79%	2.72%	0.79%	1.76%	-2.07%	1.24%	0.00%	-0.92%	-0.17%	0.68%	1.13%	-0.88%	**11.36%**
2017	-0.43%	-1.06%	-0.61%	0.13%	-0.05%	0.65%	0.32%	0.02%	-2.50%	-3,06%	- 0.38%	-0.31%	**-7.11%**
2018	-0.86%	1,63%	0,60%	-3.18%	-1.15%	-0.25%	-3.36%	0.98%	-0.74%	6.11%	-0.16%	1.74%	**1.04%**
2019	-0.46%	-2.27%	0.56%	-3.99%	6.17%	-0.84%	0.22%	5.22%	-4.68%	-0.37%	-2.86%	0.85%	**-2.99%**
2020	2.11%	2.89%	7.21%	3.09%	-2,81%	-044%	3.18%	-1.93%	-0.69%	0.82%	-3.97%	0.55%	**9.91%**
2021	-0.08%	-2.12%	-2.44%	-1.93%	1.30%	-3.44%	-1.24%	-2.44%	2.12%	-3.68%	-0.26%	-7.50%	**-19.97%**
2022	1.87%												**1.87%**

Lemanik Global Strategy Fund pro forma Class R data - Above performances are gross of any fiscal effect and are based on the last month end

Maurizio Novelli
Portfolio Manager Lemanik
Global Strategy Fund

The new financial year got off to a volatile start, demonstrating that the optimistic forecasts for the bull market are based on increasingly fragile assumptions. Economic growth in the coming months is expected to be weak and well below consensus forecasts, which, despite "forced" optimism, remain more supported by hope than by the facts. The IMF has begun to cut its world growth forecasts in accordance with the scheduled ritual, and these revisions will continue. Although no recessionary risks are visible now, it seems quite probable that -- after the strong rebound in world GDP following the pandemic crisis -- growth trajectory is destined to fall rapidly back to the levels of potential GDP that the world's various economies have traditionally achieved without emergency state and monetary supports.

Therefore, both the United States and Europe risk retreating -- if all goes well -- to growth levels around 2%, while China, in the grips of a deleveraging of the real estate sector, will continue to "pilot" the slowdown towards growth levels more compatible with the financial stability pursued by the political authorities. The Chinese have understood that financial stability is a priority to govern the economy, and do not want to end up in the trap of speculative bubbles like the United States.

Inflation will certainly begin to slow down sooner or later. Not because of any unexpected miracle, but simply because the growth cycle will peter out despite the "inflated" consensus expectations. Those who believe in slowing inflation cannot be positive about the outlook for the economy, while those who are positive about the economy cannot expect a rapid drop in inflation. From my point of view, the V-shaped recovery has been violent, but it will be short-lived. The expected US

consumption boom is already in trouble if it does not continue to be supported by "helicopter money" from the public coffers. The balance sheets of America's largest banks show that lending to the economy has been in constant contraction for three quarters now. The "Debt Driven Economy" model, without a constant expansion of debt, is destined to fold in on itself. Further expansionary fiscal plans are stalled due to the US political impasse, and I do not believe the economy will benefit from further stimulus in the run-up to the mid-term elections.

In the meantime, the Fed intends to fight inflation by blatantly staying "behind the curve," promising to make up for lost time with monetary maneuvers that I consider frankly not very credible, given that the financial and economic system could not withstand real restrictive policies. It seems more likely that the Fed's real intention is to deflate the speculative bubbles on financial assets, creating the conditions for a more restrictive monetary environment through the financial markets rather than through unworkable monetary policies. The advantage would be twofold. On the one hand, speculative bubbles would be deflated in an orderly manner and financial stability would be achieved. On the other hand, it would be possible to avoid triggering truly restrictive monetary policies that the US debt system is absolutely unable to withstand.

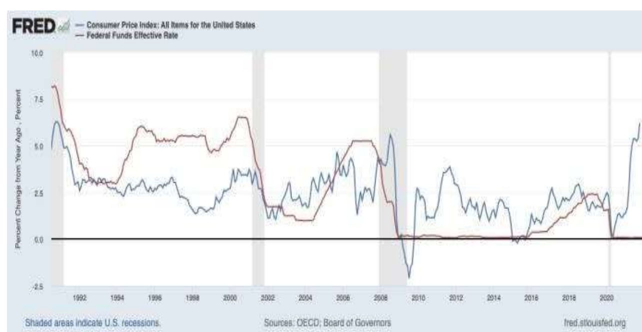
The goal of the monetary authorities is therefore to achieve a worsening of monetary conditions through the restrictive effect triggered by a "risk off" on financial markets, without raising interest rates, which could fatally strangle the "debt bubble." This strategy could therefore result in a deep correction on the value of equity and credit assets, produce the expected reset of valuations, and allow for low interest rates at the minimum levels required by the debt-ridden system. It is therefore probable that the correction, which has just begun, is destined to continue until the target is achieved. The target is to slow the economy down towards its potential rate of expansion at which growth no longer produces inflation. The fact that the Fed clearly states that the target is inflation and not growth confirms what I am saying. The operation certainly involves risks, given that if the "risk off" gets out of hand, the "landing" could be more violent than expected. But the alternatives of a truly restrictive monetary policy on a US system that is burdened by $80 trillion in debt (public and private) would perhaps be more dangerous. It is therefore evident that this is the only way to attempt to curb inflation.

At this point, it is legitimate to expect further declines on the main equity markets of around 10%-15%, with potential settlement levels at 3850/4000 on the SPX and around 14,000 on the DAX. The macroeconomic picture on the horizon is not conducive to profit growth -- something that the stock market has already discounted in the past months.

As far as 10y US Treasury yield pressures are concerned, I expect that the current downward phase in bond prices may end with the piercing of the 2% level of 10y US yields. The Fed certainly has curve control in mind and has already acted to curb a disorderly rise in long-dated yields during 2021. However, this way of doing things has destroyed returns for investors in US Treasuries. I believe that the strategy aims at producing a modest flattening, obviously trying to avoid reversal risks that could trigger an excessive downsizing of risk appetite, with possible risks of causing a financial crisis and recession.

It is therefore probable that long term yields will begin to price in a slowdown in the economy and inflation in the months to come, avoiding a rise above 2.5%. Short term yields may still rise according to the Fed's strategic objectives. If the markets were to enter a phase of unwelcome disorder, the statements would immediately become accommodating; while if there were a return of "risk on," the statements would be restrictive. The fact is financial conditions expressed by the markets must -- in any case -- be oriented towards the strategy being pursued by the central bank to contain inflation. All of this suggests that the strong Dollar is another tool for containing imported inflation and the current phase of strengthening can continue until the moment when the curve begins to flatten. This is the moment when the expectations of a return to inflation and growth will become more concrete, thus opening the way for the Dollar to fall against all currencies. A further push towards $1.10 vs the Euro cannot be ruled out, but I believe that the current strengthening phase should be seen more as an opportunity to exit long positions in Dollars.

Obviously, the whole scenario holds up if inflation can indeed be tamed with these tools, and the current trend of price pressure eases by the end of the summer. If this does not happen, let's prepare for the worst...because everything could descend into total disorder. Analyzing the inflationary picture is not as easy as one would have us believe. As I have written in previous notes, the Fed was not at all sure that inflation was temporary but tried to make people believe so in order not to disturb the financial variables. This is the first time in history that the Fed has been so late in counteracting inflation, because central banks are no longer independent in a system that is built on debt and speculative finance to the bitter end.



The Fed has never been so late in combating inflation.

Inflation has been caused in part by phenomena that were initially temporary. However, the energy transition is not a temporary phenomenon, and the current rise in wages in the United States risks triggering a cost dynamic that may be difficult to stop. If we start to see an inflationary wage dynamic, the only way to halt the trend is to bring about an increase in unemployment, which can only be achieved with a recession. The situation is therefore very difficult to manage, and volatility in the markets is bound to rise further. Another cause for concern is that the entire service sector is still "at half strength" due to Covid. If the whole economy reopens and the price increases extend to this most important sector of the economy (65% of GDP) there will be serious trouble. This is why today the Fed is much more worried about inflation than anything else...

The downward phase of the markets is therefore at the beginning, and the prospects of a return of volatility are becoming much more concrete and consistent with the very difficult macro scenario on the horizon. In the meantime, investors are still decidedly long on speculative bubbles and short on safe assets, exactly the opposite position taken in the portfolio allocation of the Global Strategy Fund.

Lugano, January 31st, 2022
Maurizio Novelli
Portfolio Manager Lemanik Global Strategy Fund

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