February 28th, 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%	6.37%											**8.36%**

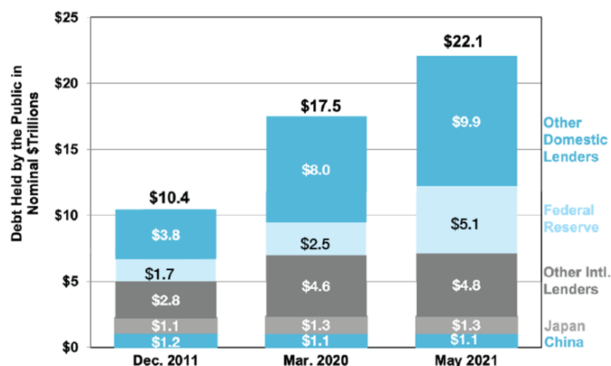
Lemanik Global Strategy Fund pro forma Class R data - Above performances are gross of any fiscal effect and are based on the last month end

Maurizio Novelli
Portfolio Manager Lemanik
Global Strategy Fund

The post-Covid scenario has become even more complicated now that geopolitical pressures have come into play. Energy prices will continue to drive inflation, which at this point risks triggering an energy shock that could send the world economy into a tailspin. The macroeconomic picture is therefore heading for a scenario worse than the one predicted at the end of 2021, and the world economy will face serious problems in maintaining economic growth in 2022.
Europe is at the epicenter of the geopolitical crisis triggered by the Russian invasion of Ukraine and is exposed to serious problems stemming from future energy costs -- just when investors overweighted European indices at the end of the year at the expense of American ones. The heady valuations reached by US stock markets induced many investors to rebalance their long positions in favor of EU markets. The explosion of the Russia-Ukraine crisis has definitely stepped up the pressure on energy prices for European companies and consumers, indirectly triggering a form of restrictive fiscal policy. Even if it is not clear how long the geopolitical crisis will continue, it was, however, already quite evident beforehand that the EU economy was at the center of a veritable "perfect storm" resulting from the surge in gas prices. At this point it is questionable whether the economic growth forecasts made at the end of last year are still valid or are all doomed. The same goes for profit growth forecasts of listed companies, which already seemed overly optimistic even before the Russian invasion. In the meantime, the world's main stock markets have decisively punctured all the main supports of long-term trends, and the technical picture seems to

indicate the end of the inflamed bull market that began in the spring of 2020.
It is quite difficult at this stage to understand how central banks will be able to counter this inflationary pressure, and whether the reduction of monetary stimuli is still relevant, given that the risks of recession are rising. The "speculative bubble" long positions are now being put to the test, and the market has psychologically switched from "buy on dips" to "sell on rallies." If the US Federal Reserve is forced to revise the monetary strategy in a manner that is less restrictive than the market is predicting, any positive effect will be temporary, since we are now all more concerned about inflation and the growth of the economy. The restrictive effect generated by energy costs will not be short-lived and will spread to all the economies of the planet, hitting an economic recovery that was already starting to show signs of weakening even before the Russian invasion in Ukraine. In the meantime, the Western financial system has decided to partly exclude Russia from the SWIFT payments system and to put the Bank of Russia "out of business". The implications of this decision will be immediately felt by the EU economy and all Eastern European countries, with heavy repercussions on the stock of liquidity in the European monetary system.
At this point, the ECB and the Fed will be forced to intervene to provide extraordinary credit lines to the Eurozone banking system. Russia will be forced to channel all its financial transactions to China and this mechanism will push the two countries to create an alternative monetary bloc to the dollar in order to circumvent sanctions. China already has its own alternative payment system to the Belgian SWIFT. The decision to exclude Russia from SWIFT is likely to create a strong push by the Chinese to accelerate the creation of this alternative currency bloc to the dollar. Although this event was already in the long-term plans of the Chinese government, the decision of Western governments to squeeze Russia in the vise-like grip of "financial war" has further demonstrated what can happen to countries that dare to go against the West.
Even if geopolitical tensions ease, it is clear that the consequences will remain. These will certainly not be positive for the world economy, which now risks facing a long period of instability. The more the economy remains exposed to instability, the less the central banks can effectively manage the required anti-inflationary policies. The risk is that it will no longer be possible to understand the real goals of monetary policy. Rising inflation and a contracting economy is certainly the worst-case scenario. In this context, financial speculation is focusing on long positions on commodities, energy and food products (wheat and cereals), accentuating pressure on prices and demonstrating once again that the financial sector is totally out of control. Investment funds are now the main players in the formation of prices on commodities of all kinds. This unregulated speculative activity (particularly on energy and food products) risks becoming a further factor in the destabilization of the world economic system.

Without making any difficult predictions of how the current conflict may evolve, what is evident is that the consequences will be sizeable, and not short term -- adding a further element of instability to the "speculative bubbles" created in recent years. Although many people are still convinced that central banks can keep the situation under control, I would like to remind you that central bank intervention on the markets is not a recent phenomenon: already in the 1970s and 1980s, the foreign exchange market was the main global arena for massive capital flows, and central banks were very active in trying to control the value of their currencies on the global market. In reality, that was when the dramatic currency crises of the dollar, sterling, lira, French franc etc. all took place, despite exasperated intervention on the part of all the main monetary institutions to avoid them. The problem is that when "sentiment turns" and an issuer is no longer credible, no central bank has enough firepower to withstand global currency movements.
Our investment strategy, after a long period of suffering produced by policies oriented to create "speculative bubbles" in all segments of the financial sector, is now well-positioned to navigate the future structural volatility on the horizon. We therefore remain decidedly negative on the outlook for equities and consider the current downturn phase to be the start of a bear market supported by high inflation and a slowdown in global growth. The dollar, initially supported by the geopolitical crisis, will soon find itself at the epicenter of the problem, and the American currency will begin to fall against "strong" currencies despite BOJ interventions. In fact, an environment of high inflation and low growth has never been a favorable scenario for the US currency in the past. The fact that the Fed will not be able to defend holders of US Treasuries against inflation to any great extent does not bode well for a continuous flow of capital into US debt securities.



Recent statistics tell us that foreign investors have been re-sizing their Treasuries portfolio for some time now, and the American banks have stepped up as buyers to absorb the lower demand from abroad. But this phenomenon makes the system vulnerable to another problem: if the US banking sector buys Treasuries instead of making loans to the economy, it is clear that the growth cycle was already destined to slow down even before all these events.

In addition, the growth dynamic of US public debt calls for the issue of an increasing amount of government bonds that were previously underwritten by the Fed but are now also purchased by the US banking system. In effect, this creates contraction of lending to the private sector in order to support credit to the public sector. I wonder how the Fed can start tapering in a situation like this without creating a recession in six months. Whatever happens, the exogenous factors at play (inflation and geopolitics) are totally out of the control of the monetary authorities. The "happy" monetary policies on which we have based the future of our economies have reached the end of their effectiveness.
If something cannot go on forever, it will stop, as Herbert Stein has said.

Lugano, February 28th, 2022
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