GBW Alternative All-Weather Growth Fund

Defining Our Lane

GBW funds* are targeted towards advisors with individuals, family offices and foundations that are looking for stable growth with the expectation of withdrawing from their asset base in the future.

Many investors seek to avoid volatility. We face it head-on.

We use market volatility to our advantage to capture income or increase our protection from significant market corrections.

A straight-forward approach to managing risk can allow wealth to grow steadily over time. By employing a collar options strategy around a growing market, volatility can be reduced. Through time, we can raise the floor of protection and keep meaningful exposure to growth.

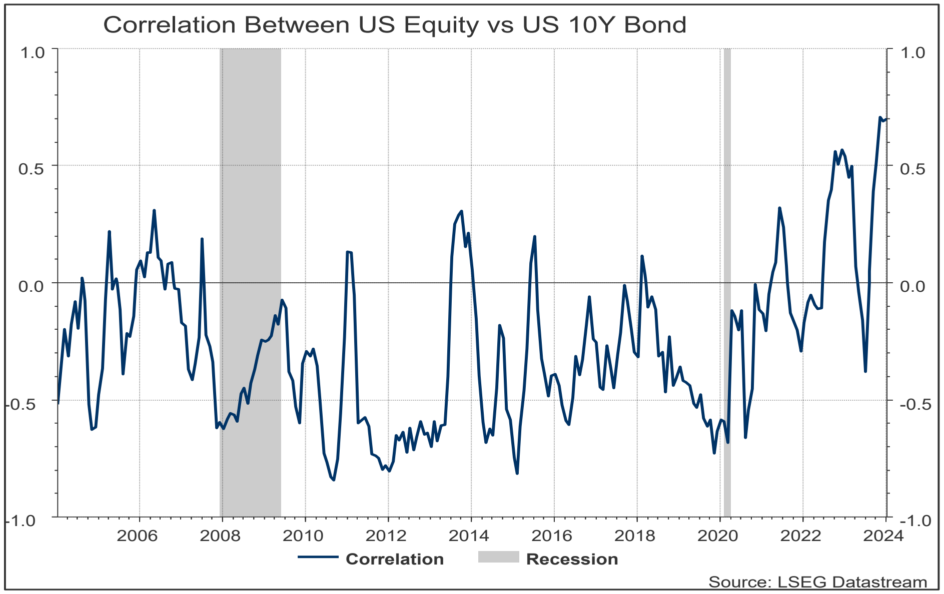
The result is what we call Fortified All-Weather investing.

During the quarter, the GBW Alternative All-Weather Growth Fund (Series F) posted returns of 6.83%.

The Challenges of Increasing Correlations

Q4 2023 can be divided into two distinct phases; both equity and bond markets were decidedly risk-off before flipping to risk-on by early November. A signal from the FED allowed bond and equity bulls to put high cash levels to work.

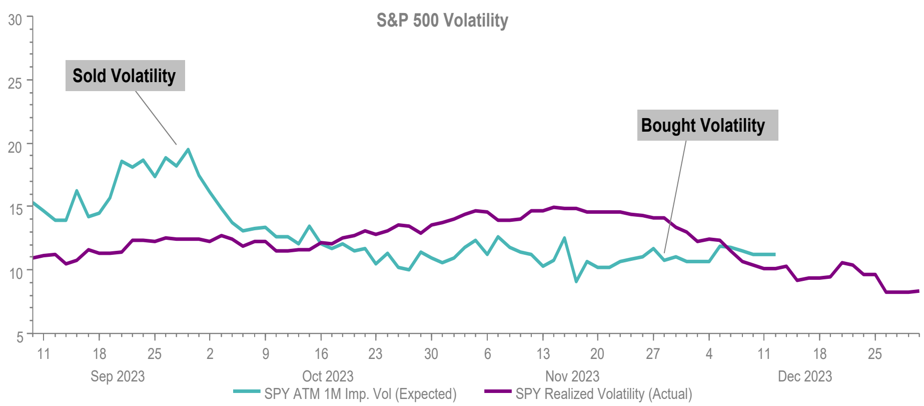
The weakness in bond yields spread to the equity market driving their correlations to new highs in recent history. Positive earnings from the tech sector were largely ignored as the S&P 500 Q3 earnings grew by 6.3% Y/Y and revenue by 1.4% Y/Y**. The upside surprise was 7.1% lead by consumer discretionary reflecting resilience of the US consumer. However, the reaction was muted given the rise in US 10-year yields. The evaporating benefit of diversifying across asset classes is creating a challenging environment for traditional balance mandates.

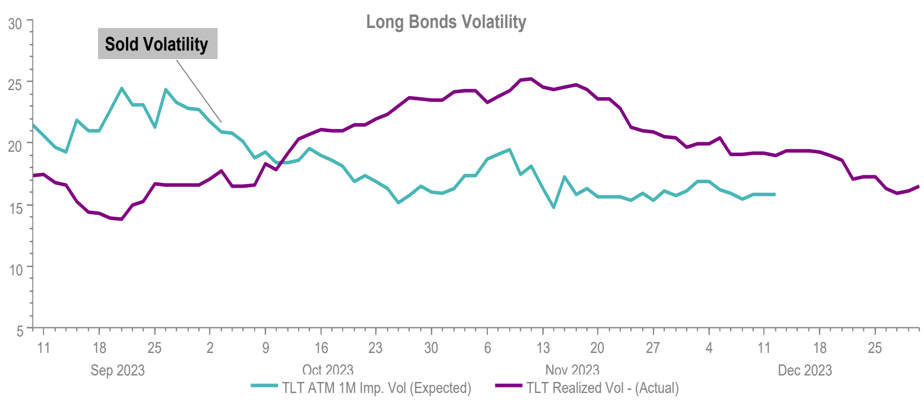


However, there were opportunities in the bond option market with elevated volatility in October by selling calls and puts to produce income against underlying bond holdings. Equity volatility was less attractive with intermittent opportunities within sectors.

As seen in the chart on the next page, equity volatility continued to fall from the end of October into early December. This shifted our approach to be net buyers of volatility to accumulate downside protection at cheaper levels.

GBW Alternative All-Weather Growth Fund





Source: LSEG Datastream

Headwinds & Tailwinds

FED activity was both a headwind and a tailwind in 2023 and that should persist in 2024. Now that the Fed Open Market Committee as suggested that the hiking cycle may be over, markets have priced a swift pivot to upwards of 6 rate cuts in 2024. If not realized this could be a headwind for markets despite being a tailwind as a cutting cycle. Several Fed governors are already dialing back dovish rate cut expectations.

With market breadth concentrated in some large-cap names, a headwind could develop for the overall market if earnings can't meet lofty priced in expectations.

A U.S. Presidential election year brings further uncertainty both at the polls and in the courts and we expect upside surprise on volatility.

Alpha Adds

Prior to the FED meeting in early November, the strategy was focused on protection as both equity and bond prices were falling. This created opportunities to sell calls which produced income against underlying bond holdings as bond volatility remained elevated compared to equity vol.

A relative value position to favour growth by adding long Nasdaq 100 shares versus short EAFE equity position proved beneficial. Within the Protected Equities sleeve, an overweight in S&P Communications and Technology sectors along with Canadian financials also added to performance.

Capitalizing on reduced volatility, low-cost options were available to both attain market exposure during crucial economic data releases and mitigate potential drawdowns.

Since the cost of downside protection has been low, our differentiated asset class of "protected equities" was a cost-effective way of remaining invested

GBW Alternative All-Weather Growth Fund

while waiting to see if the FED has gained the upper hand against inflation. This created an alternative diversifier to traditional bond holdings.

All-Weather Forecast Q1 2024

- We believe inflation will continue to ease in Q1 but may prove resilient through the 2nd half 2024.
- Strong labor markets and possible further wage concessions will put pressure on profit margins.
- Duration risk is expensive given that six rate cuts are priced into the market for 2024.
- We believe the first half of 2024 will see more bond volatility as investors push for rate cuts while the FED tries to balance expectations on the timing and size of rate cuts.

Charting Our Positioning into 2024

Entering Q1 2024, we still see volatility as relatively inexpensive for our 'protected equity' strategy by keeping downside floor protection as insurance. We will watch for negative earnings surprises that could coincide with slower action from the FED to cut rates.

Despite some forecasters' belief that the FED has created a 'Goldilocks' economy, we are not yet of this opinion and keep a moderate exposure to credit and prefer protected equities versus credit with duration seen as expensive.

We continue to favour the diversification benefits of 'Protected Equities' as a differentiated asset class. It is a cost-effective way of staying invested in growth assets with lower volatility. We remain over-weight yield-centric sectors in the equity market versus cyclicals. We prefer Canadian financials over US financials.

Overall, we see some initial adjustments to valuations with limited benefits from a 'January effect' as the market moves sideways. We will watch for confirmation of a soft-landing scenario unfolding, or a shift in the weight of the evidence.

GBW Alternative All-Weather Growth Fund

FOR DISTRIBUTION TO INVESTORS BY REGISTERED DEALERS ONLY.

*GB Wealth Alternative Funds are offered on a prospectus exempt basis to accredited investors, permitted clients and other qualified investors.

** Source: Refinitiv as at Dec 31, 2023

The foregoing reflects the thoughts, opinions and investment strategies of Bridgehouse and/or GB Wealth Inc. and is subject to change. Bridgehouse and GB Wealth Inc. have taken reasonable steps to provide accurate and current data. The data has been gathered from sources believed to be reliable, however, Bridgehouse and/or GB Wealth Inc. are not responsible for any errors or omissions contained herein. Indices are unmanaged and cannot be directly invested into. Securities mentioned herein are not to be construed as a recommendation to buy or sell. Past performance is not a reliable indicator of future results. This material has been provided by Bridgehouse and is for informational purposes only.

The words “may,” “could,” “should,” “would,” “suspect,” “outlook,” “believe,” “plan,” “anticipate,” “estimate,” “expect,” “intend,” “forecast,” “objective” and similar expressions are intended to identify forward-looking statements. Forward-looking statements are not guarantees of future performance. Forward-looking statements involve inherent risks and uncertainties about general economic factors, so it is possible that predictions, forecasts, projections and other forward-looking statements will not be achieved. You are cautioned to not place undue reliance on these statements as a number of important factors could cause actual events or results to differ materially from those expressed or implied in any forward-looking statement. Before making any investment decisions, you are encouraged to consider these and other factors carefully.

Published January 12, 2024

GB Wealth

on the BRIDGEHOUSE INDEPENDENT PLATFORM