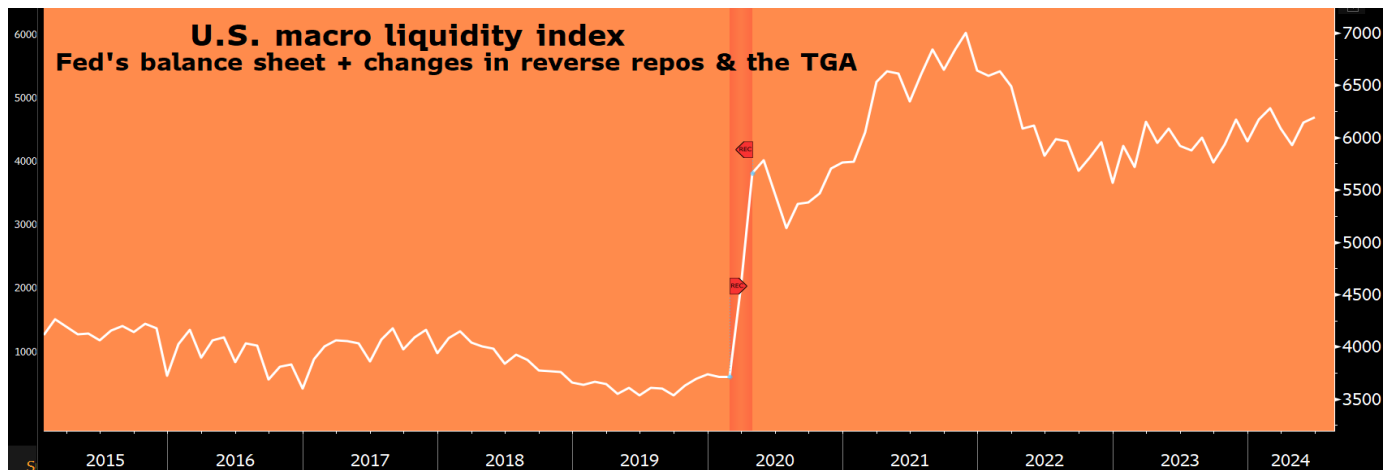


May 2024 Commentary

The worries of April were the source of investor happiness during the month of May as thanks to factors that served to stop the rise in U.S. government yields, the S&P 500 recaptured the majority of its April decline. First, the Federal Reserve tapered QT by more than expected, effectively boosting forward 12-month liquidity by US\$420B. On this point, we continue to contest Powell's notion that monetary policy is tight; phooey it is! Sure, rates have gone up but a) the U.S. economy is far less sensitive to interest rates than it was in the past, and b) the ten-year graph below confirms the U.S. continues to swim in a sea of liquidity (70% above pre-COVID levels). We believe this latter fact has played a significant role in boosting the price of assets and U.S. economic growth. Second, the U.S. Treasury's 'Quarterly Refinancing Announcement' (QRA) was in-line with expectations including nominal auction sizes expected to be stable for "at least" several quarters. Finally, U.S. April economic data released in May was softer on growth and inflation, a combination seen as being good for forward rate cuts yet within the context of an economy still growing enough to generate the profits requisite of a S&P 493 (ex-M7) trading at more than 19X forward EPS.



Source: Bloomberg

However, as implied by the graph below exhibiting the relative strength of the equal-weighted to the market-weighted S&P 500, now trading at its lowest level since 2009, the M7 were once again the key drivers of stocks last month. Despite Apple Inc. (AAPL.US) and Tesla Inc. (TSLA.US) being flat and down 28% YTD, the M7 still accounts for 62% of the YTD gains in this key equity index. In fact, exiting the month, only 24% of index members were trading above their 10-day moving average (MA) and 43% above their 50-day MA despite the index being near an all-time high. It seems anything that touches AI-driven capex growth from the 'cloud hyper-scalers' continues to be the dominant theme in equities.



Source: Bloomberg

Our two funds exhibited flat performance for the month of May 2024. The Series F of our Conservative Alternative Fund fell -0.07% net of fees as losses from Hedges, Consumer Non-Cyclicals, and Industrials offset gains from positions in winning sectors that included Technology, Utilities, Materials, and Financials. Consequently, year-to-date, this low volatility fund is up +4.51% net of fees and +10.22% for the trailing 12 months. One shift made by the fund during May was to reallocate a portion of our beta hedging to specifically target software companies as we believe AI is not only challenging their prospects for revenue growth but is also

becoming a growing expense item. The fund also increased its net credit exposure to 3-year duration investment grade Canadian public credit.

Towards the end of the month, gross exposure levels were reduced while the fund concurrently increased its allocation to longer dated, out-of-the-money derivatives-based asset protection. Delta-adjusted gross and net long exposure at month end sat at +136% and +30% respectively, with this net split between common equities (+19% net long less -9% in option strategies) and 20% in fixed income and preferred securities. Seeing beyond the near term, we expect the fund to generally hold higher delta-adjusted gross exposure reflective of the investment opportunities we see across asset classes and the continuing low level of the VIX which serves to lower the cost of protective hedges.

As of May 31, 2024	YTD	1-mo	3-mo	6-mo	1-year	2-year*	3-year*	5-year*	Since Inception*
Forge First Long Short Alternative Fund Series A	3.27%	-0.07%	1.37%	5.96%	9.55%	0.59%	1.96%	7.12%	6.50%
Forge First Long Short Alternative Fund Series F	3.65%	0.01%	1.59%	6.20%	10.18%	1.43%	2.82%	8.05%	7.41%
Forge First Conservative Alternative Fund Series A	4.10%	-0.15%	1.59%	7.28%	9.20%	4.46%	3.81%	7.09%	6.95%
Forge First Conservative Alternative Fund Series F	4.51%	-0.07%	1.84%	7.79%	10.22%	5.43%	4.77%	8.07%	7.91%
S&P/TSX Composite Total Return Index	7.58%	2.77%	5.07%	11.79%	17.55%	7.08%	7.35%	10.14%	9.05%
S&P 500 Total Return Index (C\$)	14.97%	4.10%	4.41%	16.85%	28.55%	19.36%	14.08%	16.01%	14.24%

*Annualized | Inception date: April 24, 2019

The Series F of our Long Short Alternative Fund squeaked out a +0.01% net gain during May, increasing its YTD net advance to +3.65% and trailing 12-month return to +10.18%. The Utilities sector generated the greatest gains for the fund during the month with honourable mentions to Energy, Materials, and Communications. Yet, these gains were mostly offset by losses from our various Hedges and positions in sectors that included Consumer Non-Cyclical, Industrials, Consumer Cyclical and Financials.

As we continue to be of the view that the Bank of Canada will continue to cut rates more frequently than the Fed, we see ongoing opportunities in REITs and selected Utility stocks. For example, REITs in Canada have underperformed their U.S. counterparts by 200 basis points during the past couple of weeks despite the increasingly dovish growth and inflation-related statistics being printed in Canada. The fund exited the month with delta-adjusted gross and net exposure of +162% and +36% respectively. Given that roughly half of this total net exposure resides in two leveraged loan ETFs that yield approximately 9%, we acknowledge that net equity exposure was lower than may have been desired during the month of May.

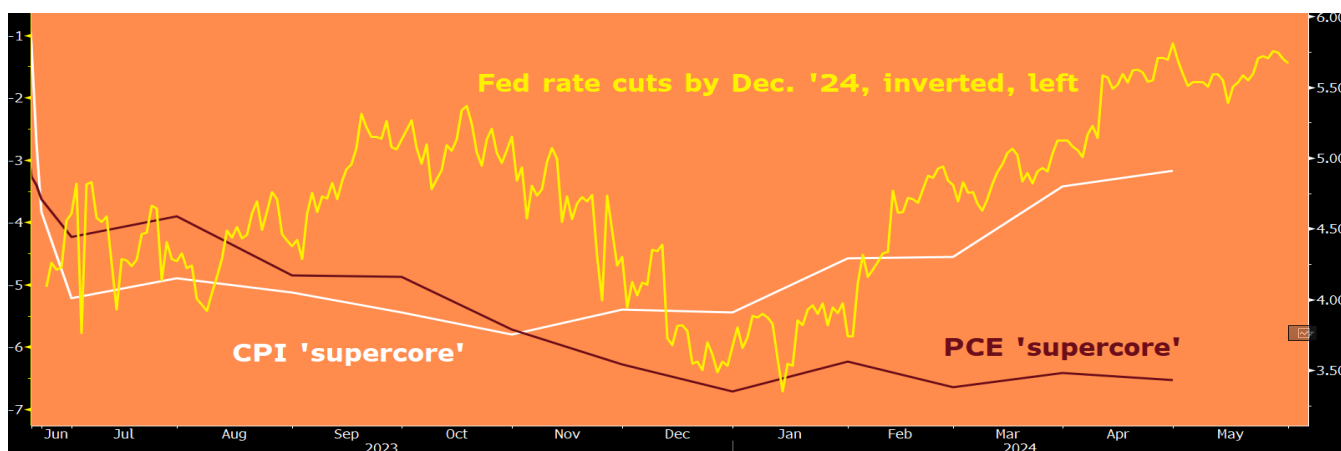
However, with the fund holding solid exposure to rate sensitive equities and a diversified hedge book, we believe the fund is well positioned for the near-term challenges markets could face as investors come to terms with a slowing U.S. economy (even more pronounced in Canada) and a Fed that demands further confirmation of slowing inflation before they start cutting rates.

One of our predictions entering 2024 was for a weaker Canadian dollar versus the USD. Surprised at the YTD resiliency of Canada's loonie, we expect reality will set in as the markets realize the BoC will move more aggressively than the Fed and as post Labour Day risks to Canada from the U.S. election becomes a greater focus for markets. Note the highlighted divergence (yellow oval) in the eight-year graph below between the Canadian dollar (white line, left axis) and the spread in two-year rates (red line, right axis). To us, a quote closer to \$0.70 per USD makes more sense for the Canadian dollar.



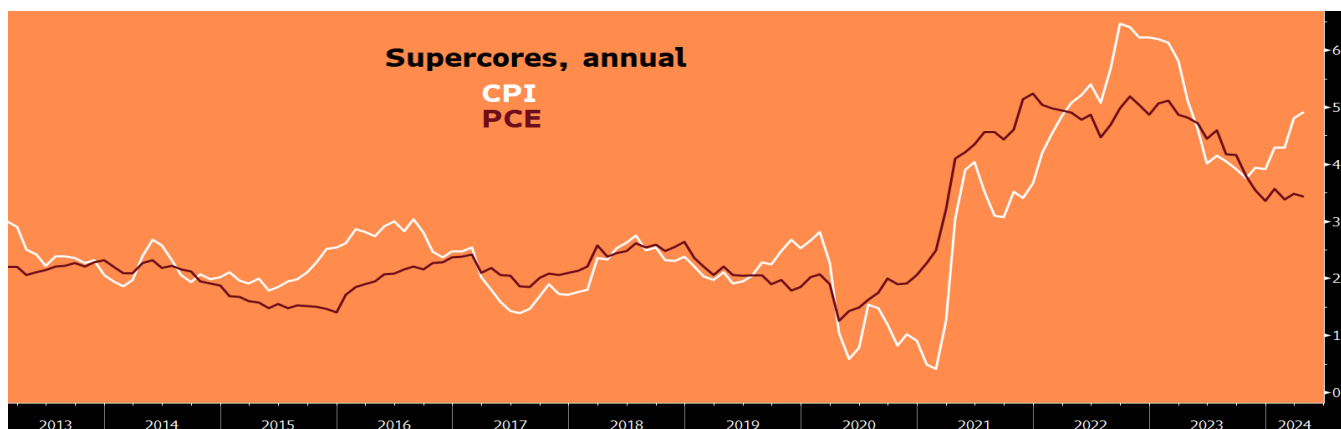
Source: Bloomberg

Meanwhile in the U.S., despite having been far too optimistic towards the timing and number of rate cuts during the past 18 months, now when labour markets are finally exhibiting signs of weakness, markets appear to have given up on the notion that an aggressive rate cutting cycle is forthcoming by the Fed. The one-year graph below compares the two 'supercores' (right axis), CPI (white line) and PCE (red line) against the number of rate cuts expected from the Fed by December 2024 (yellow line, left axis). One reaction is 'go figure' and the less flippant thought is that the constant reiteration from members of the FOMC of 'we need more proof (on inflation)' and 'higher for longer' has finally been heard by market participants.



Source: Bloomberg

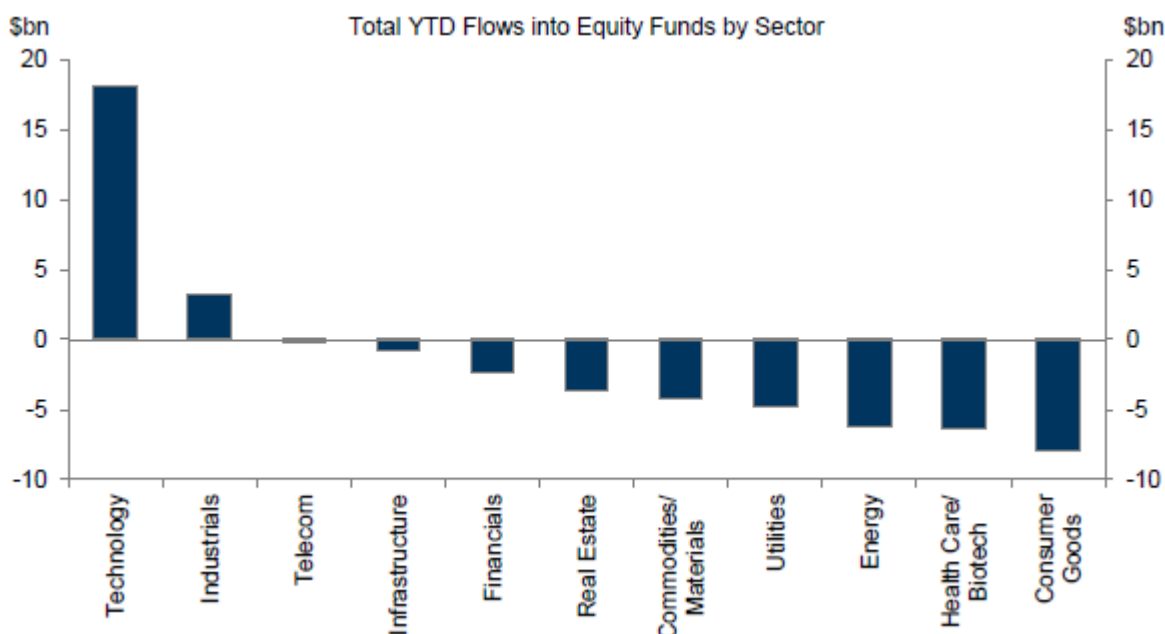
The graph below highlights the logic in the Fed's messaging. While there is a view the early 2024 spike in inflation prints has been confined to a few non-cyclical segments of the service sector, both the supercores, CPI (white line) and PCE (red line) are down markedly from their peaks but remain well above historical levels. In addition, what if the economy does weaken into 2025 as fiscal stimulus flattens out (can it be expected to grow from 7% of GDP this year?) and consumption slows due to tempered wage growth, a historically low savings rate, and credit quality, which while still manageable, shows signs of further deterioration.



Source: Bloomberg

Through the end of May, markets have focused on Powell's implicit messaging that the Fed put is alive and well plus the view that growth will remain decent. This 'thread the needle' scenario combined with the index weight of tech stocks has served to push equity

indices nicely higher. As you can see from the YTD graph below, courtesy of Goldman Sachs, aside from a little money flowing into Industrials, money has been exiting all other U.S. sectors.



Source: Goldman Sachs

Granted, earnings growth has been stellar for macro cap tech. According to Factset, M7 EPS growth (+28%) during 2024 is estimated to be 4X the level of the S&P 493 (+7%), yet as one Technology sector sales specialist recently pointed out, there's scant evidence to date of significant ROIs on the humongous spending the hyper-scalers are employing on their AI-related spending. In addition, while our funds continue to hold exposure to NVIDIA Corp. (NVDA.US), Broadcom Inc. (AVGO.US), and Taiwan Semiconductor Manufacturing Co. Ltd. (TSM.US), one must wonder whether companies such as Microsoft Corp. (MSFT.US), reported to be as much as 25% of NVIDIA's revenues in the most recent quarter, will remain comfortable affording NVIDIA gross margins of 75%-80% for any longer than they have to. It reminds me of past cycles when energy producers and energy service companies used to take turns stripping the hides from each other's backs at different points in the cycle. Clearly that's not today's story, but we all know that nothing goes up forever and our team will act accordingly.

We have several positions in the funds we're very excited about and look forward to reporting back to you next month.

Thank you for your business and interest in our funds. For more information, please visit our website at www.forgefirst.com, or call us at 416-687-6771 should you have any questions.

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