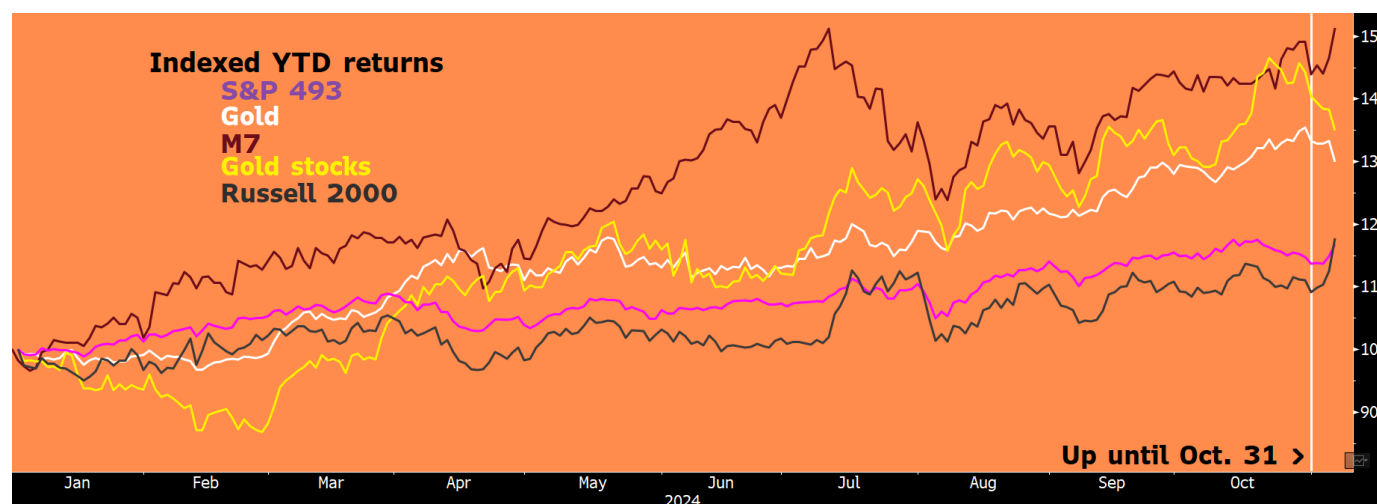


October 2024 Commentary

Thanks to the relative overweight in Resource stocks in the Canadian market, the S&P TSX index was able to buck the first losing month in U.S. markets of the past six months. While the monthly decline was attributable to a rough last day of the month, arguably the negative month was not unexpected given that 32% of the worst 25 trading days in index history have occurred during the month of October. Gold continued to shine while bonds were smacked, as yields on 10-year U.S. government bonds climbed more than 50 basis points. As for our funds, the Series F of our multi-asset Conservative Alternative Fund advanced +0.80% net of fees, boosting its year-to-date net gain to +8.68% while the Series F of our Long Short Alternative Fund squeaked out a +0.01% net gain such that its year-to-date net stood at +9.94%. But then the U.S. election happened. Hence, post some comments on key drivers for our funds and markets during the month, we'll offer up a few thoughts about the outlook for markets on this day after President Trump's historic non-consecutive second term victory.

First, note the year-to-date performance of Gold (white line) versus the M7 stocks (red line) in the indexed graph below; pretty much dollar for dollar gains as of the end of October. The data on the right side of the white vertical line on the right side of the graph highlight month-to-date price moves as of late morning on November 6th, the morning after the U.S. election. Gold and gold stocks (yellow line) were clobbered, M7 and Russell 2000 (dark grey) moved higher, and the S&P 493 (purple line) underperformed the latter two groups. With U.S. 10-year yields trading in the mid-440s (driven equally by break-evens and reals) post a strong 30-year auction, and the Fed expected to cut the overnight rate by a further 25 bps on Thursday, it will be interesting to watch whether these higher yields persist, and if they preclude further near-term gains in stocks. As always is the case, trading during the first couple of days post a big event is often driven more by positioning than fundamentals; next week is likely to be a better test.



Source: Bloomberg

Shifting back to our funds, the Conservative Alternative Fund benefited from roughly equal net gains in each of its common equity and public credit book while market hedges constituted a modest drag. Strong alpha was generated in a majority of the sectors in October notwithstanding a small deterioration during the last week of October. The strongest sectors were Financials, Industrials, and Materials while Energy and Consumer Non-Cyclicals were sources of losses.

We continue to view Canadian bank paper as offering a very attractive risk reward profile. Our low back end LRCN (limited resource capital notes) positions in Royal Bank (RY.CA) and TD Bank (TD.CA), purchased in September, performed very well despite the general back up in yields. In this environment where the banks can issue longer term paper at low back-end spreads into strong demand, we foresee a high probability that our low back-end issues will be called at par. From current prices, such a late '26 event implies attractive compound annual net returns approximating +9.8%. During 2025, we estimate there will be roughly \$6B of callable, CAD-priced Canadian bank LRCN issuance with reset spreads exceeding 400 bps. Hence, while we foresee a near 100% likelihood these issues will be called, not all will be re-issued, and we foresee a high probability that any reissuances will occur in USD, further improving the bid for our CAD off-the-run securities. Around 21% of our 26% net long exposure to public credit is in these Canadian bank notes.

Within Conservative's equity book, AtkinsRéalis Group Inc. (ATRL.CA) was a solid contributor as its share price climbed 22%, largely driven by the markets' increasing demand for equities exposed to the nuclear sector. Currently 15% and 20% of AtkinsRéalis' revenue and EBIT comes from the nuclear sector and we foresee further growth in the nuclear business of this company, in addition to another holding, Aecon Group Inc. (ARE.CA).

Sticking to positions in our thematic trade of grid expansion, MYR Group Inc. (MYRG.US) rallied 28%, filling the gap from its post Q2 earnings drop. Q3 results were stronger than anticipated and MYRG.US, the second largest electrical construction firm in the US

(behind PWR.US), is close to substantial completion on its two problem solar projects and the power infrastructure thematic is too strong not to own MYRG.US through near term challenges. MYRG.US is a well managed company with above average long-term revenue and earnings growth. MYR Group Inc., with a historical mid-teens ROE and ROIC, is a classic example of adding to quality names with attractive growth potential on short term issues.

The fund exited the month of October with delta-adjusted gross and net exposure of 145% and 50% respectively, with the net exposure split between multi-assets (31%) and common equities (19%).

As of October 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	9.12%	-0.06%	1.22%	5.60%	15.09%	6.87%	3.11%	8.40%	7.05%
Forge First Long Short Alternative Fund Series F	9.94%	0.01%	1.45%	6.07%	15.67%	7.71%	3.99%	9.34%	7.97%
Forge First Conservative Alternative Fund Series A	7.82%	0.72%	-0.44%	3.42%	11.88%	7.60%	4.19%	8.21%	7.08%
Forge First Conservative Alternative Fund Series AT**	7.82%	0.72%	-0.44%	3.42%	11.88%	7.65%	4.11%	N/A	4.23%
Forge First Conservative Alternative Fund Series F	8.68%	0.80%	-0.20%	3.92%	12.95%	8.59%	5.15%	9.18%	8.06%
Forge First Conservative Alternative Fund Series FT**	8.68%	0.80%	-0.20%	3.92%	12.95%	8.65%	5.14%	N/A	5.23%
S&P/TSX Composite Total Return Index	18.23%	0.85%	5.30%	12.95%	32.05%	15.16%	8.05%	11.33%	10.20%
S&P 500 Total Return Index (C\$)	27.53%	2.15%	4.52%	15.47%	38.45%	24.57%	13.39%	16.57%	15.23%

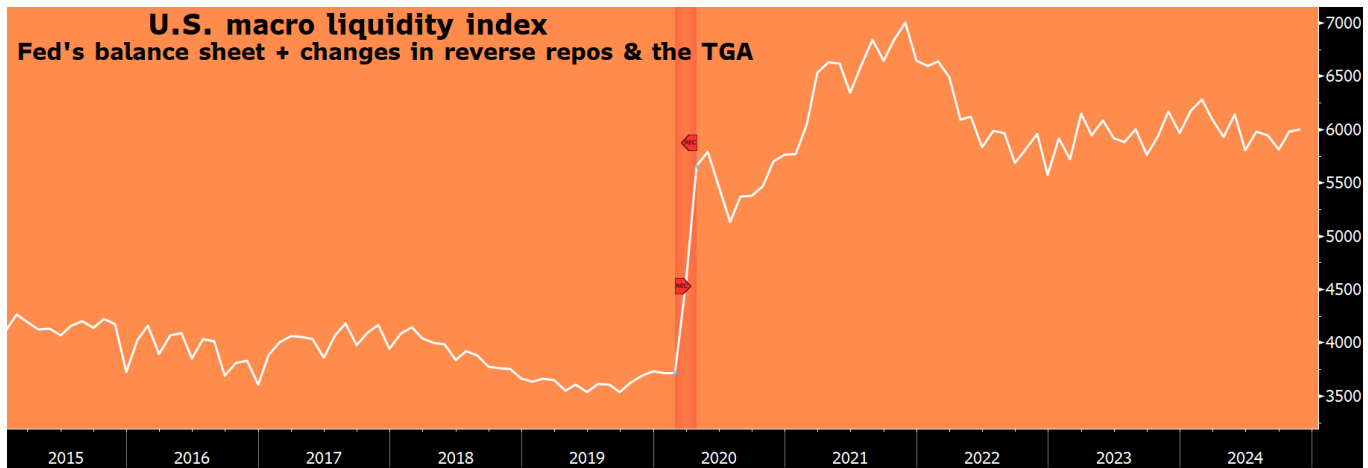
*Annualized | Inception date: April 24, 2019 | **Inception date: June 10, 2021

The Series F of our Long Short Fund eked out the tiniest of profits during the month of October, gaining +0.01% net, serving to boost its year-to-date net return to +9.94%. While the fund captured gains from positions in Financials, index hedges, Industrials, and Technology, losses were seen in the Energy book, along with Real Estate, Consumer Cyclical and Utilities sectors. While the net exposure of the fund to Energy was small, losing positions on both the long and the short side of the book generated the loss for the month. Our net long exposure to Real Estate suffered due to the rise in interest rates.

Shifting to the positive side of the ledger, positions in CI Financial Corp. (CIX.CA), Propel Holdings Inc. (PRL.CA), and U.S. Regional Banks all chipped in profits to our Financials book. Staying with Financials, we also remain constructive on our holding in Fairfax Financial Holdings Ltd. (FFH.CA). Looking at other sectors, similar to our Conservative Alternative Fund, E&C companies associated with nuclear power exhibited strong moves, helping the fund during October. As of October 31st, the fund held a delta-adjusted gross and net exposure of +117% and 39% respectively with Technology having net exposures in the low double-digits.

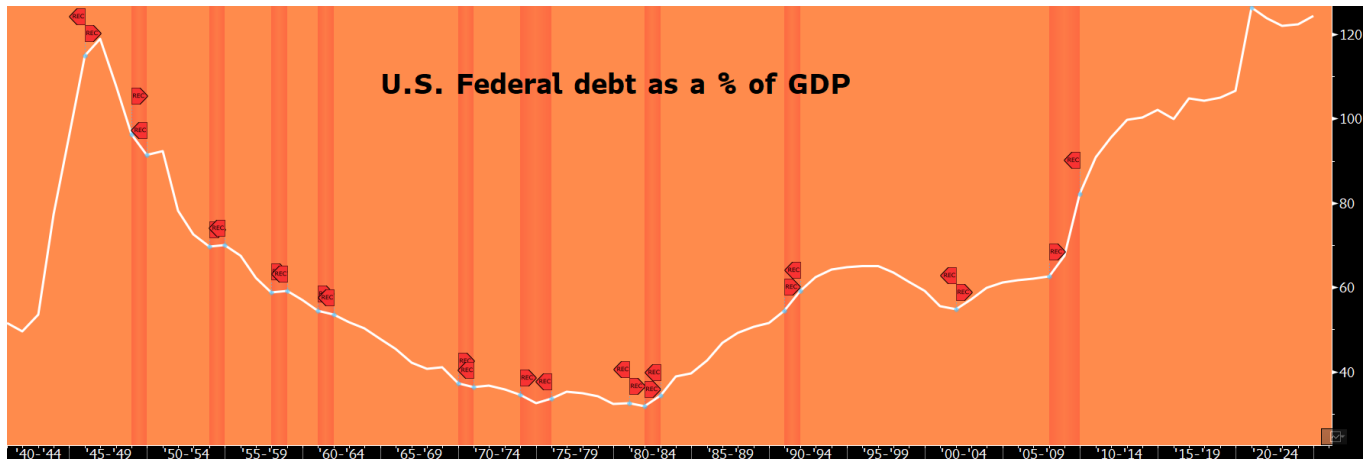
In assessing market drivers during October, we note that neither bond prices nor the outlook for interest rate cuts, as measured by Fed Funds futures, paid heed to the very soft October non-farm payroll print (+12k net change) due to perceived volatility driven by hurricanes and strikes and the lack of alignment with ADP and flash PMIs. Given the commentary from many corporates such as VISA Inc. (V.US), a holding in the funds, that purchasing value turned higher in October, we remained in the camp that yields on UST10s below 4% were merely a transient event.

Another noteworthy event was the Quarterly Refunding Announcement (QRA) from the U.S. Treasury Department. Janet Yellen's department reiterated that nominal quarterly auction sizes would remain stable for at least the next several quarters. According to J.P. Morgan, such news suggests auction sizes will be higher than previously expected, actually increasing through Q4'25 under stable fiscal deficit projections. This news serves to further push out the timeframe for which declining excess liquidity could negatively impact financial markets, a topic we'll discuss in our year ahead commentary to be published in early January. As you can see in the 10-year graph below, the post-COVID surge in our U.S. macro liquidity index remains 70% higher than pre-COVID levels. The effect (including on asset prices) this unexpected continuation of massive post-COVID liquidity combined with unprecedented (during a non-recessionary, time of peace) fiscal stimulus has had on the U.S. economy can not be overstated.



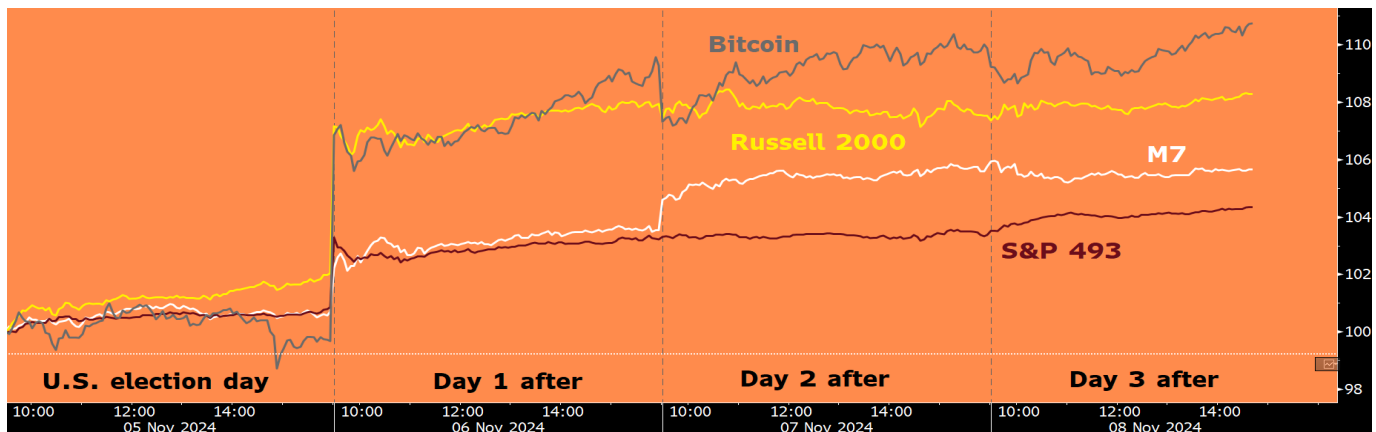
Source: Bloomberg

As for the U.S. election, President Trump not only won a resounding victory to move back into the White House, but it also appears to have been a clean sweep for the Republicans. Consequently, Trump may be in a position to enact his full wish list, including corporate tax cuts and deregulation, both of which should improve the competitiveness and profitability of U.S. businesses. Yet, as stated, his plans are expected to exacerbate the already growing debt problem of the U.S. (please see the 80-year graph below). Even today, the country spends more money on interest expense than it does on its defence budget! And how Elon Musk proposes to cut spending by US\$2T without touching entitlement programs is tough to imagine.



Source: Bloomberg

Consequently, while the four-day, intra-day graph below displays how risk assets have so far loved the results of the election, somewhat surprisingly more for the M7 (white line) than the S&P 493 (red line), it is possible that bigger deficits and higher tariffs push up U.S. inflation during 2025, forcing the Fed to keep interest rates higher for longer. Obviously, this could become problematic for equities currently trading at 23.3X forward 12-month earnings. Finally, it is interesting to note that the Russell 2000 (yellow line), expected to be the biggest winner from a GOP sweep, has so far moved sideways post its 'day one ramp'.



Source: Bloomberg

While headline U.S. economic growth remains robust, despite numerous pockets of weakness (think house construction, there builders boosted buying incentives during Q3 despite lower rates, and orders are only flattish), there is a divergence in earnings outlooks between large cap and mid-to-smaller cap U.S. companies. The graphs below, courtesy of Piper Sandler, display the calendar evolution of earnings estimates for 2024 through 2026 for large, mid, and small cap companies. Note the relative stability of estimates for the next two years for large cap stocks, but not so much for mid or small cap companies. These ongoing negative revisions are undoubtedly partially responsible for the ongoing relative outperformance of the M7 companies and explain our ongoing negativity towards small caps.



Source: Piper Sandler

The equity bull case depends on a proactive Fed, resilient tech EPS expectations, range-bound inflation, and stable growth. We remain in the camp these macro forces will remain risk positive in the near term. Of course, during the past few days, the discounting of successful pro-growth policies of Trump has also been built into equity prices. This bull has a little longer to run, especially since markets like round numbers! Yet, nothing goes straight up forever, and we suspect several challenges will present themselves during the next 12 months. The team at Forge First will stick to its discipline, slow and steady wins the race! Thank you for your business, and please let us know if you have questions.

Andrew McCreath
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Keenan Murray
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