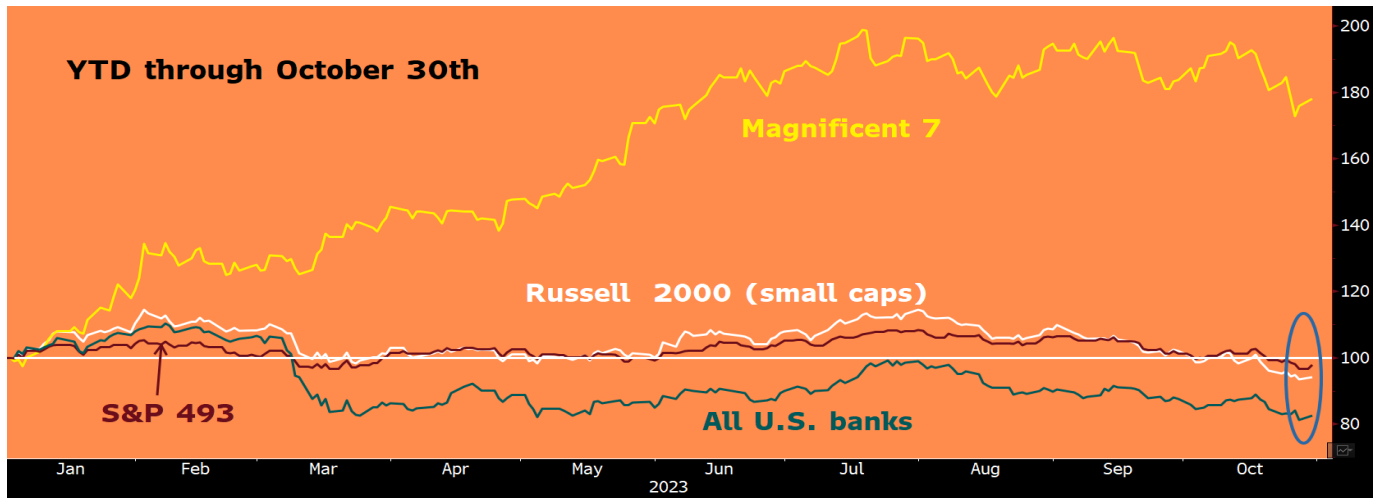


October 2023 Commentary

The tug of war between bulls and bears continued during the month of October. Fueled by a still strong jobs market and resilient consumer spending, the U.S. economy sustained its leadership position in global growth. This reality caused markets to increasingly price in the Fed's 'higher-for-longer mantra', although there's little question that Washington's relentless bill and coupon issuance has played a significant role in pressing longer term yields higher; another fact not helpful for stocks last month.

As marked by the oval in the bottom right corner of the year-to-date indexed graph below of M7 (yellow line), small cap stocks (white line), the S&P 493 (red line), and U.S. banks (green line), only M7, which has traded sideways since mid-June, has delivered a positive return, and yes, a very large one!



Source: Bloomberg

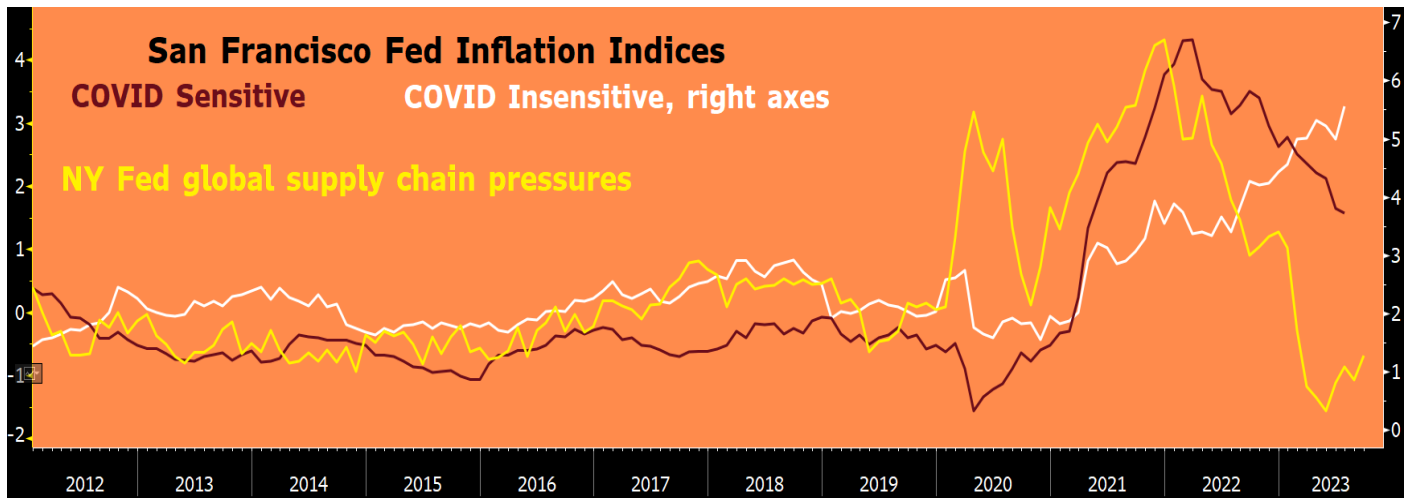
Arguably, the source of the confusion in the minds of investors as whether to be bullish or bearish is driven by the fact that U.S. economic growth has been far stronger than anyone anticipated given the unprecedented, accelerated rate hikes by the Fed. During prior business cycles, aggressive hiking sequences crushed both inflation (intended consequence) and the economy (innocent bystander). The difference experienced in this cycle is highlighted by the yellow circle in the 10-year graph below.



Source: Bloomberg

The red line represents our estimation of the liquidity available in the U.S., comprising the size of the Fed's balance sheet plus changes in the balances of each of the Fed's Reverse Repo Program and Treasury Secretary Yellen's Treasury General Account (TGA). The white line is the deficit of the Federal Government of the U.S. as a percent of nominal GDP.

The combination of Biden’s gargantuan fiscal stimulus, several programs that will boost growth into 2026, and the continued sea of liquidity that exists, appear to have delayed the full impact on the broader economy of the Fed’s rate hikes.



Source: Bloomberg

Yet, while growth has been ‘stronger for longer’, inflation, while far from tamed, has improved markedly. The above graph suggests the component of inflation catalyzed by COVID-19 has slowed right down. The New York Fed’s Global Supply Chain Pressure Index (yellow line, left axis) sits at decade lows and the COVID-19 sensitive elements (red line, right axis) of the San Francisco Fed’s (“SFF”) inflation indices have dropped from near 7% during the spring of 2020 into the 3% range. We assumed relief from supply chain issues was mostly just a matter of time. The key now is what happens to the white line. Notice it’s still rising and represents the SFF’s index of COVID-insensitive inflation. In our mind, this index includes wage-influenced price pressures, especially in the service-oriented sectors of the economy.

Intuitively, solid economic growth is a good thing, but only if inflation keeps marching lower to enable the Fed to cut rates. Otherwise, interest rates will stay ‘higher for longer’, markedly increasing the potential of problems in credit, housing, and private equity beyond the start of 2025. As posted many months ago in one of our commentaries, the question is what is going to happen first, the marked slowing in the economy, or further declines in inflation. Obviously, the answer will determine what happens to the price of stocks and bonds. Before opining on that topic, let’s review the performance of our two funds.

As of October 31, 2023	YTD	1-mo	3-mo	6-mo	1-year	2-year*	3-year*	Since Inception*
Forge First Long Short Alternative Fund Series A	1.63%	-0.70%	0.98%	0.07%	-0.77%	-2.40%	5.54%	5.37%
Forge First Long Short Alternative Fund Series F	2.55%	-0.60%	1.26%	0.62%	0.30%	-1.40%	6.57%	6.36%
Forge First Conservative Alternative Fund Series A	1.85%	-1.06%	0.65%	1.41%	3.48%	0.54%	6.63%	6.06%
Forge First Conservative Alternative Fund Series F	2.63%	-0.98%	0.88%	1.88%	4.39%	1.46%	7.61%	7.02%
S&P/TSX Composite Total Return Index	0.06%	-3.21%	-7.72%	-7.00%	0.43%	-2.27%	9.85%	5.93%
S&P 500 Total Return Index (C\$)	13.55%	0.31%	-3.28%	3.83%	12.08%	2.62%	11.83%	10.70%

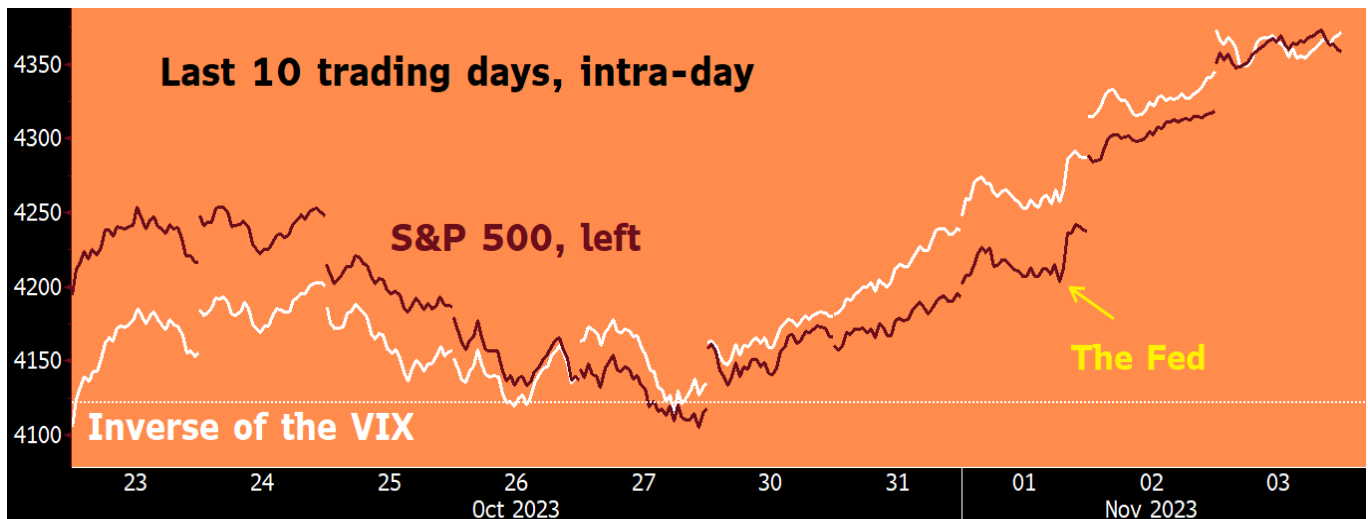
*Annualized | Inception date: April 24, 2019

While each of our two funds lost money during the month of October, our funds markedly outperformed the local currency returns of financial markets, largely due to the significant gains generated from our short books. The Series F of our Long Short Alternative Fund declined -0.60% net of fees, cutting its year-to-date net return to +2.55%. From a sector

perspective, gains generated in ETFs, Energy, Financials and the Consumer Non-Cyclical areas were more than offset by losses in Utilities, Real Estate, Consumer Cyclical, Technology and Industrials. The Fund exited October with delta-adjusted gross and net exposure of 149% and 9% respectively.

The Series F of our low volatility, multi-asset Conservative Alternative Fund posted a net loss of -0.98%, cutting its year-to-date net return to +2.63%. During the month, the positive contributions from each of the multi-asset and asset protection sleeves were overwhelmed by losses in the capital growth sleeve or common equity book. The most significant detractors from performance were securities in the Consumer Cyclical, Industrials and Technology sectors. Winning sectors included Financials, ETFs and Energy. At month end, the delta-adjusted gross and net exposure were 105% and 8% respectively, with the net exposure being split between a -6% net short position in common equities and a 14% net long position to securities in the multi-asset sleeve of the portfolio.

As happens from time to time, month end occurred the day before last week's Fed meeting and this commentary was written this past weekend. Obviously, there was a material reaction to the Fed's meeting and arguably, even more so to the announced auction sizes and maturity schedule of Washington's forthcoming bill and coupon issuance, and Friday's jobs data. Having said that, to us the biggest driver of the roughly 45 basis point decline in bond yields and rip higher in stocks during the first three trading days of November, was the decline in the VIX Index. As you can see from the 10-day, intra-day trading graph below of the VIX Index (white line, inverted) against the S&P 500 (red line, left axis), the VIX began to decline on the 30th of October, accelerating its decline from 21 to less than 15 post-the Fed meeting on the 1st of November.



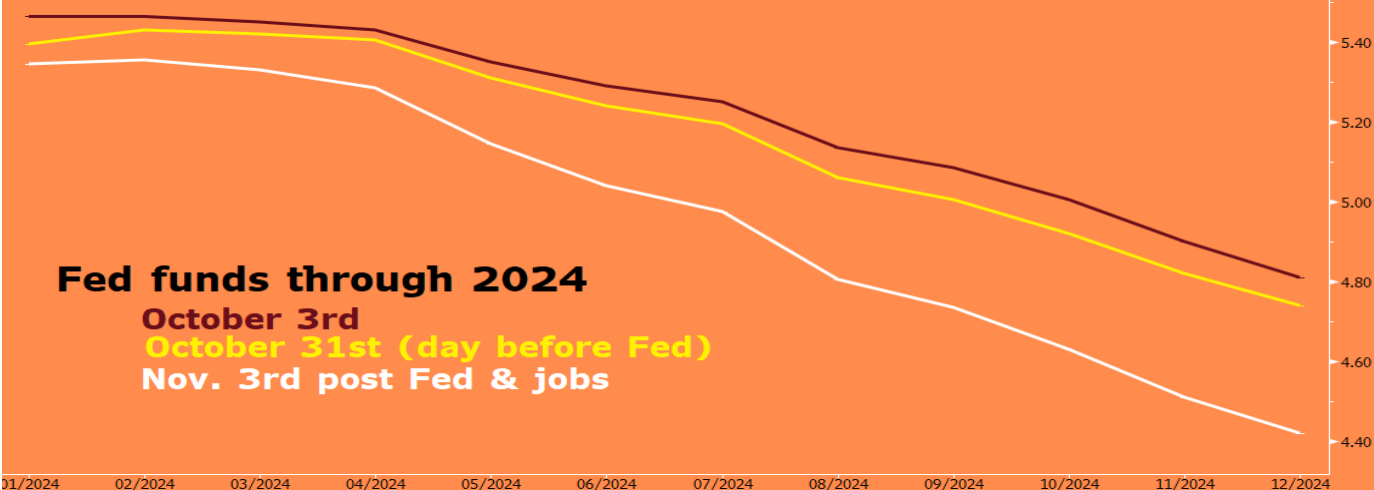
Source: Bloomberg

In turn, the decline in the VIX catalyzed large program buying by the highly leveraged CTA and Risk Parity fund management community and other investors who believed Chairman Powell had pivoted to the dovish side of the fence. Regardless as to why the move happened, all of last month's index losses for the S&P 500 and Dow Jones were erased while Canada's TSX Index and bonds went to fresh four-week highs. While we don't speak of the current month's performance of our funds in these commentaries, we are pleased to report that each of our two funds participated in this month-to-date rally. Of course, this triggers the proverbial question of where markets go from here!



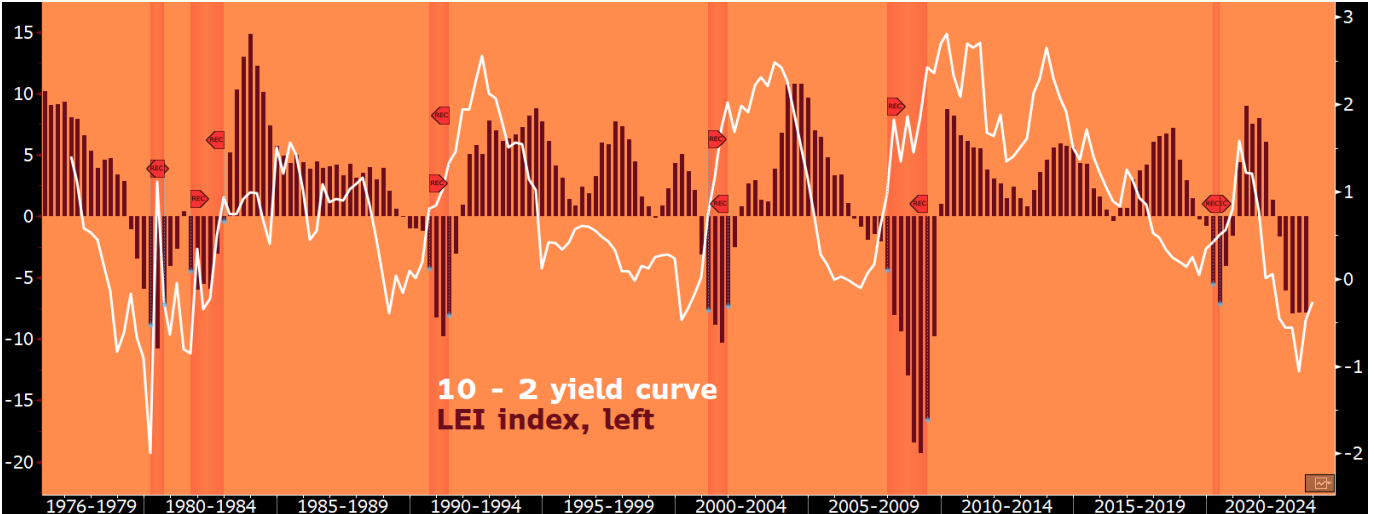
Source: Bloomberg

As of the end of last week, while it is true the move in markets served to loosen financial conditions, excluding the 18 months of exceedingly loose conditions post COVID-19, the graph above illustrates that conditions remain much tighter than they've averaged during the past five years. As shown at the bottom of page one, the reason we believe financial conditions are not 'biting' the economy to the degree they could is the impact of the still massive amount of liquidity circulating within the U.S. Sure it's been likely since the last rate hike on July 27th that the Fed is done increasing interest rates, yet we foresee additional tightening as the Fed continues to shrink its balance sheet. Last week, Chair Powell stated the Fed isn't even thinking about cutting interest rates nor adjusting its 'QT on autopilot' program that's set to shrink its balance sheet by US\$1T over the next year.



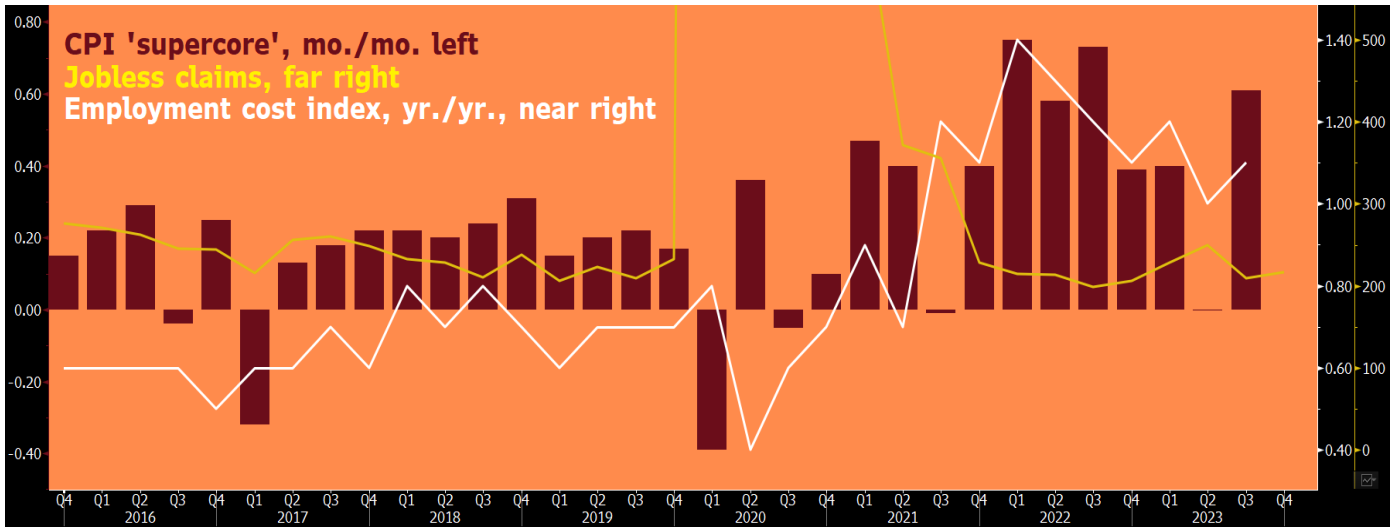
Source: Bloomberg

Based on the magnitude of the shift lower in the implied rate for Fed Funds through calendar 2024 (from left to right) from October 31st (yellow line) to the end of last week (white line), shown on the graph above, clearly the market does not believe Chair Powell. Markets are now back to pricing in the first rate cut next summer and a total of four cuts by the end of next year. If the economy takes a deep dive, markets could be right as a recession would likely accelerate the timeframe within which inflation data would approach the Fed's 2% goal. The question is whether this scenario will unfold.



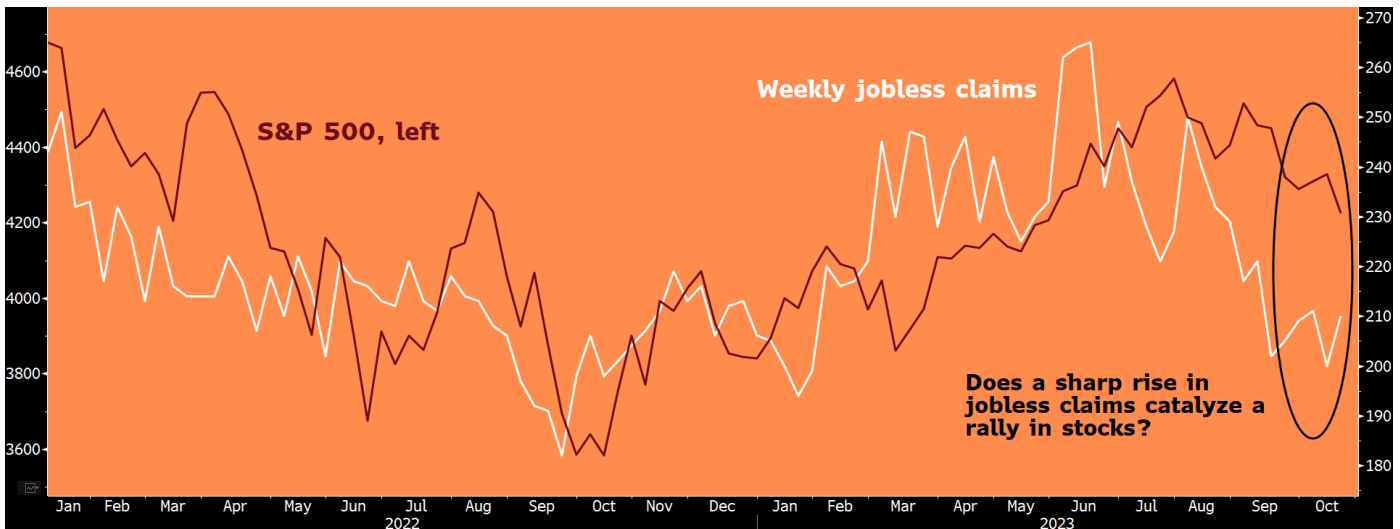
Source: Bloomberg

The almost 50-year graph above of the Leading Economic Indicators Index (red vertical bars, left axis) versus the 10-2 yield curve (white line, right axis) suggests a recession is inevitable, yet once bitten twice shy, we're not the only ones to have been fooled by the resiliency of the U.S. economy. While various economic indicators are slowing down, the 'legs' of Biden's capital spending-focused stimulus combined with the three data points highlighted in the following graph, leave the 'no landing' scenario as a distinct possibility.



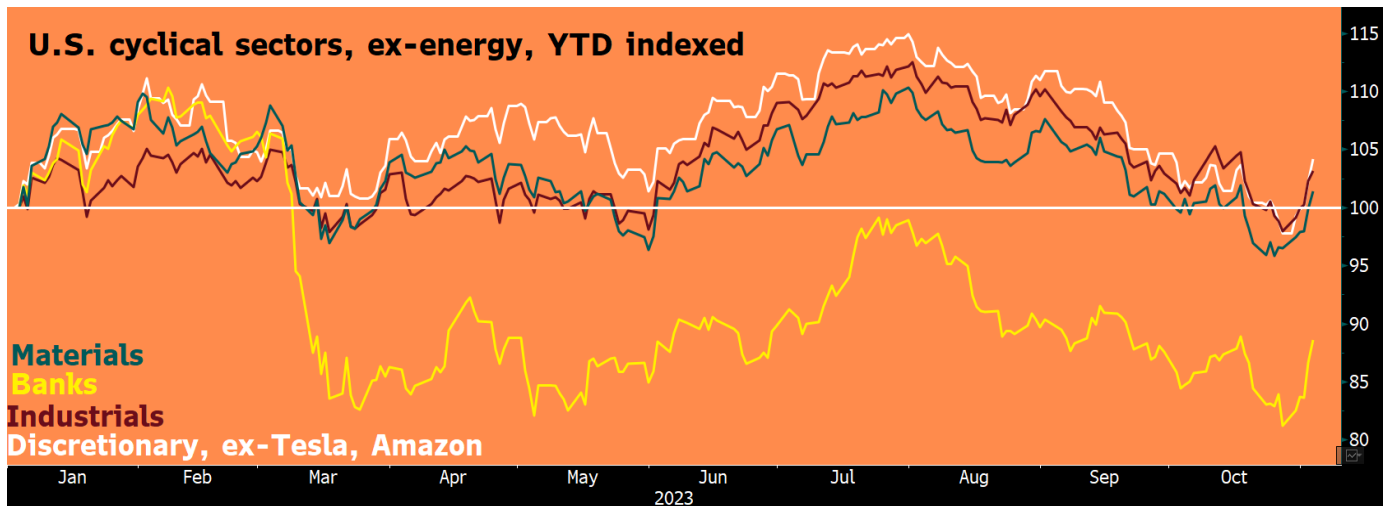
Source: Bloomberg

Last month's move higher in the CPI supercore (red vertical bars, left axis) metric, combined with a similar advance in the Employment Cost Index (white line, near right) and the ongoing lack of a break higher in Jobless Claims (yellow line, far right), imply we are unlikely to see a recession near term in the U.S. Six months further out, we absolutely expect the cumulative impact of a softening job market, tightened lending standards at banks, and the (finally) used up excess savings to combine to markedly slow down consumer spending. In fact, it's likely December holiday spending will be the first sign that this downward shift is pending. Speaking of jobless claims, look at the linkage in the graph below between changes in jobless claims (white line, right axis) and the price of the S&P 500 (red line, left axis); provocative but of course far from being a fact.



Source: Bloomberg

Given the poor performance of sectors characterized as being cyclical in the year-to-date, indexed graph below, equity markets appear to have been expecting the economy to soften during the past few months. We expect that equity markets will continue to oscillate between discounting a recession and a 'no landing' scenario, so in the near term, we expect the S&P 500 to consolidate around current levels. Thereafter, we're aware the combination of seasonals and technical could enable equities to enjoy the proverbial Santa Claus rally. Having said that, any end-of-year challenge to year-to-date highs is likely to be tested given our belief monetary policy will remain restrictive for longer while the economy is bound to weaken in 2024. Consequently, we will stick to our value-oriented, GARP-focused security selection complemented with a good-sized short book and index put options. For now, we have modestly increased our net exposures to common equities with most of the incremental net exposure being allocated to rate-sensitive securities, especially Real Estate and Utilities in our Long Short Alternative Fund and Technology stocks in our Conservative Alternative Fund.



Source: Bloomberg

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.

We wish to inform you of an important update within Forge First Asset Management Inc.

After the recent birth of his second child and a period of time spent with his family, Dan Lloyd has made the decision to step away from his role as Portfolio Manager at Forge First, shifting his focus towards his young family. Dan was a great partner and remains a valued friend of the firm. The team at Forge First wishes Dan and his family the very best!

Keenan Murray has resumed Portfolio Management duties on the Long Short Alternative Fund. Given the collaborative team approach we've emphasized since the inception of Forge First, it remains business as usual.

Andrew McCreath
CEO, CIO

Keenan Murray
Portfolio Manager

Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the prospectus before investing. The indicated rates of return are the historical annual compounded total returns including changes in unit value and reinvestment of all distributions and do not take into account sales, redemption, distribution or optional charges or income taxes payable by any security holder that would have reduced returns. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated.

This material has been published by Forge First Asset Management Inc. It is provided as a general source of information; it is subject to change without notification and should not be construed as investment advice. This material should not be relied upon for any investment decision and is not a recommendation, solicitation or offering of any security in any jurisdiction. The information contained in this material has been obtained from sources believed reliable. The 2023 results are unaudited, net of all fees and expenses, and are based on our best estimates at the time of this report. Index statistics use total return indices. The statements contained herein that are not historical facts are forward-looking statements, which are based on current expectations and estimates about particular markets. These statements are not guarantees of future performance and involve certain risks, uncertainties, and assumptions which are difficult to predict. Therefore, actual outcomes and returns may differ materially from what is expressed in such forward-looking statements. The information contained herein is subject to updating and further verification and may be amended at any time without notice and we are under no obligation to update this information at any particular time. **PAST PERFORMANCE IS NOT INDICATIVE OF FUTURE RESULTS.** The information about the performance of the Funds is not, and should not be construed to be, an indication about the future performance of the Funds or any other portfolio advised by us. This information is presented solely for illustrative purposes and should not be construed as a forecast or projection. No assurance can be given that any portfolio advised by us will maintain similar performance as that depicted. The composition of the Funds' portfolio could differ significantly from an index due to the investment strategy employed, and includes differences such as use of equal weight positions, use of short positions and varying fund net exposure. Source for all index data: Bloomberg.