FOSTER FAMILY OFFICE

2022 Year-End Update

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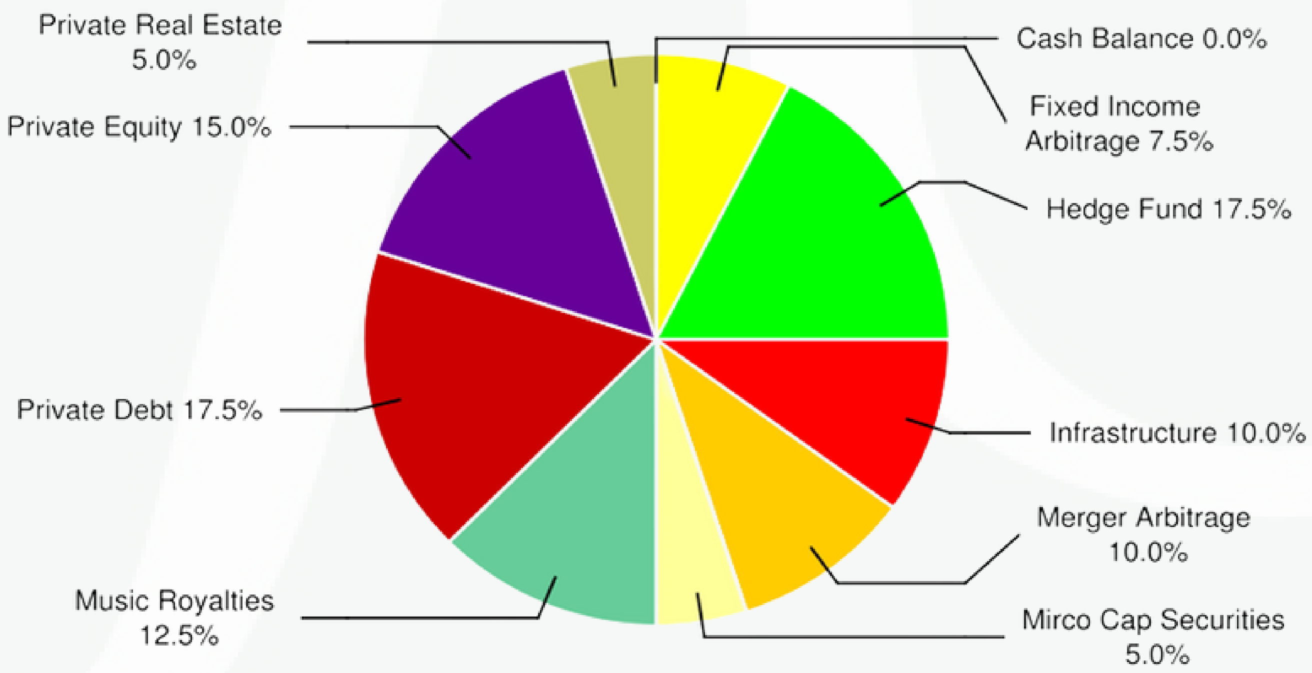
Alternatives Save the Day

The end of 2022 is approaching, and it can't come fast enough for global equity investors.

Fortunately for our Family Office clients, our Alternatives Portfolio saved the day, posting gains while the rest of our book was struggling.

In this summary, I'll provide details on changes to the portfolio, best and worst performers, and provide a couple of highlights of new positioning for 2023.

As of November 30th, the Alternatives Portfolio is up 5.61%*. Here is the current allocation:



It was evident early on in 2022 that the markets would be under some duress and strategically it was decided to be more "alternative" and reduce our correlation to the equity markets.

Waypoint Investment Partners, an all-cap Equity Strategy with an Option Overlay, was removed in January. As a replacement, we initiated a position in a Merger Arbitrage Strategy that has shown an extremely low correlation to equity markets.

As the year progressed, further risk mitigation changes were executed. Our Equity Long/Short position was reduced, along with one of our fixed-income credit strategies. Equiton, a private real estate equity holding, was reduced due to possible style drift. Lastly, we increased exposure to Music Royalties and Private Debt, the latter to take advantage of rising rates due to the loan portfolio having a heavy variable-rate component.

So what specifically worked and didn't in 2022? Three particular strategies that contributed a good portion of the return:

⬆ Starlight Global Private Infrastructure +20.88%
⬆ ICM Crescendo Music Royalties +14.41%
⬆ Equiton Residential Income +13.25%

The mandates that struggled:

⬇ EdgeHill Long/Short Equity - 5.39%
⬇ Algonquin Debt Opportunities - 3.30%
⬇ Picton Mahoney Fortified Income - 3.85%

Private Equity, Debt Lending, Merger Arbitrage and Multi-Strategy hedge funds performed in the range of +1.71% to +7.21% year-to-date and in line with expectations.

We were disappointed with Long/Short and Credit Arbitrage as we expected less volatility. We do, however, believe that credit arbitrage is positioned for strong performance in the new year when interest rates stabilize (hopefully....). We were thrilled with the performance from Music Royalties, a truly distinct strategy that was executed well. Many new catalogues have been purchased and music streaming has proved resilient during this inflationary environment.

The Year Ahead

Heading into the New Year, we believe we have accomplished our goal of reducing beta and being more defensive during extremely difficult market conditions. But we are now focused on adding some beta back to the portfolio.

Accordingly, we have decided to add a Mirocap strategy through Spartan's Teraz Fund. The holdings in this fund are "pseudo-private equity" and are positioned for major upside when/if the market turns, combined with what we believe to be limited downside as this sector of the market was already marked down sharply in 2022. We think the timing for this is ideal. As well, to improve our exposure to equity markets, we have removed our Equity Long/Short exposure since, if we are right, the short positions could significantly hinder performance.

Overall, we are very happy with the performance of the Alternatives Portfolio and have expectations for a prosperous 2023!

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