



ABRAHAM
TRADING COMPANY

Fortress Fund Letter to Shareholders

Salem Abraham, President
Abraham Trading Company
2nd & Main St, Canadian, TX 79014

January 20, 2022

Dear Investors,

Happy New Year from all of us at Abraham Trading. We are thankful for your partnership and friendship, and we look forward to the markets ahead of us this year.

The main highlight of 2021 was the conversion of the Abraham Fortress Fund from a hedge fund to an SEC-registered mutual fund in October. This conversion was the result of almost 5 months of diligent work by every member of our team. We believe the mutual fund structure is a positive change for our investors. With increased transparency, daily liquidity, and enhanced regulatory oversight, the structure provides our clients with greater flexibility, more information, and a standardized investment vehicle. We are happy with this new structure, and we hope our investors are as well. We realize that change can create questions or confusion. If you ever have any feedback or questions about the mutual fund, please call Russell Fry, our Director of Operations, at our Texas office.

Our team was pleased with the performance of the Fortress Fund over the 2021 calendar year. The fund's equity exposure and diversifying strategies produced positive returns, with the fixed income allocation finishing down slightly for the year. Stock performance was clearly supported by fiscal and monetary policy in 2021. Recent inflation has placed the Federal Reserve in an interesting dilemma, especially after a decade of shying away from sustained interest rate hikes. With higher interest rates on the way, a less enthusiastic stock market seems inevitable. We also believe this year will bring more market volatility to portfolios versus last year. With a volatility of around 9% in 2021, stocks were roughly 60% of their normal volatility. It was a uniquely smooth and positive ride for equities. However, you cannot drive fast and push the brakes at the same time. The markets will have to adjust to the pain of rising interest rates.

During 2021, the Fortress Fund had approximately 45-50% exposure to stocks. It's common to see both individual and institutional portfolios that have closer to 70-80% stock exposure, a weighting that our team believes is too high. We continue to agree with Nobel Prize winning economist Harry Markowitz that diversification is the one free lunch in investing. It is the bedrock principle of the Fortress Fund. We believe investors and advisors with 70-80% stock exposure are like motorcyclists driving at 100mph without helmets. Being on the open highway with the wind blowing through your hair is a lot of fun, until it's not. Stocks can bite, and a portfolio overflowing with equity could drown investors that are not adjusting.

Low yields in the bond market have led investors to shift that exposure to more of what they know: equities and investments correlated with equities. What used to be a balanced investing meal is now a plateful of stocks, a spoonful of fixed income, and rarely any non-correlated investments. We agree that fixed income has become an asset class with little appeal, but we feel strongly that there are other options beyond the beloved stock/bond duo. Although interest rates and volatility present risks for equities, the diversifying strategies in the Fortress portfolio can benefit from market dislocation and may prove instrumental in navigating market turbulence. With our 30 plus years of experience in the alternatives space, we believe our team can provide insight and guidance to investors that want to diversify their investments beyond stocks and bonds.

Anytime you drive a car, you should be looking out the front windshield, not staring at the rearview mirror. Many investors and advisers are chasing investments and portfolio strategies that worked over the past two decades instead of adapting to this new market environment. Surrendering your portfolio to the stock/bond investment mantra is fighting the last investment war instead of the next one. The landscape is changing. Is your investing approach adapting?

It's always a good time to be diversified, and any battle is fought more successfully with veterans. We appreciate your investment with us. We look forward to navigating the market opportunities and perils ahead.

Sincerely,



Salem Abraham, President



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RISKS OF INVESTING

The fund's investment objectives, risks, charges, and expenses must be considered carefully before investing. The prospectus contains this and other important information about the investment company, and it may be obtained by calling (806) 323-8000, or visiting www.abrahamtrading.com. Read it carefully before investing.

There is no guarantee that any investment will achieve its goals and generate profits or avoid losses. Investors should carefully consider investment objectives, risks, charges, and expenses of the investment company and the Abraham Fortress Fund before investing. Diversification does not assure a profit nor protect against loss in a declining market.

Mutual fund investing involves risk; principal loss is possible. Investments in debt securities involve credit risk and typically decrease in value when interest rates rise. Investments in lower rated and non rated securities involve greater risk. Investments in foreign securities involve political, economic, and currency risks, greater volatility, and differences in accounting methods. Derivatives may involve certain costs and risks such as liquidity, interest rate, market, credit, management, and the risk that a position could not be closed when most advantageous. Investing in derivatives could lose more than the amount invested. The Fund may use leverage which may cause the effect of an increase or decrease in the value of the portfolio securities to be magnified and the Fund to be more volatile than if leverage was not used. The Fund invests in small and mid-cap companies, which involve additional risks such as limited liability and greater volatility than large-cap companies. Investments related to gold are considered speculative and are affected by a variety of worldwide economic, financial, and political factors. The price of gold may fluctuate sharply over short periods of time, even during periods of rising prices. Full descriptions of risk factors can be found in the fund's prospectus at this link.

Shares of the Fund are only offered by current prospectus and are intended solely for persons to whom shares of the US registered funds may be sold. This document shall not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of shares of the Fund in any jurisdiction in which such offer, solicitation, or sale would be unlawful. The SEC and the Commodity Futures Trading Commission have not approved or disapproved these securities or passed upon the accuracy or adequacy of this information. Any representation to the contrary is a criminal offense. There can be no assurance that the Fund will achieve its investment objectives.

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RISKS OF INVESTING CONTINUED

Correlation in the investment industry, is a statistic that measures the degree to which two securities move in relation to each other. Before you decide to invest in the Fund, carefully consider these risk factors (described in the prospectus at this [link](#)), which may cause investors to lose money:

- Government-sponsored entities risk
- Foreign sovereign risk
- Interest rate risk
- Market risk
- Equity risk
- Fixed income securities risk
- Indirect fees and expenses risk
- Tax risk
- Leveraging risk
- Derivatives risk
- Cybersecurity risk
- Limited operating history
- Asset segregation risk
- Subsidiary risk
- Recent market events
- Currency risk
- ETF risk
- Gold risk
- Government-sponsored entities risk

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