



ABRAHAM  
TRADING COMPANY

# Fortress Fund Market Commentary

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Dear Investors and Friends,

We wanted to provide an update on the Fortress Fund and its response to the Russian invasion of Ukraine.

We always try to have diversifying positions in Fortress. Over the past several months, we have had 10% long exposure to gold because of concerns about inflation and because gold can often help during a stock market crisis. We believed a Russian invasion of Ukraine was likely. On January 14th, we added 3% long exposure to Brent Crude oil because of the potential for crude oil to rise due to an invasion. This is a small position, but it is designed to further diversify the portfolio. Additionally, we have our exposure to diversifying strategies, which also helps lessen our reliance on the stock market for returns. By the end of January, the threat of Fed interest rate hikes and a looming Russian invasion were producing market volatility and negative pressure on stocks. This prompted us to lighten our stock position from 50% to 42.5% on January 25th.

On the evening of February 27th, we realized it was becoming a prolonged invasion with the potential to expand geographically, economically, and politically. As a result, we further reduced our stock position to 35% and increased our crude oil position from 3% to 6% as an inexpensive hedge against our stock exposure. The portfolio has remained largely unchanged since February 27th. The mutual fund's profits have stemmed from the long exposure to gold, crude oil, and its diversifying strategies. The diversifying strategies found profits in grains, metals, energy, and currency markets. Of course, the fund's stock exposure caused losses, while fixed income exposure contributed small gains.

Diversification never guarantees profits, but it remains the top priority for the Fortress Fund. So far, we are pleased to see our risk management and diversification philosophy providing some shelter in this market storm. Our performance (see page 2) over the last few weeks does not guarantee that we will avoid losses in the weeks ahead. However, we believe our emphasis on diversification and risk management is more important now than ever.

Abraham Trading has navigated market situations like this before. Our team traded in the highly volatile futures markets for 35 years. We traded in the Crash of '87, the Iraq Invasion of Kuwait, the bankruptcy of Long Term Capital, the Tech Bubble market, and the subsequent Tech Crash. We traded through the 9/11 Terrorist Attacks, the Invasion of Iraq in 2003, and the Great Recession in the late 2000s. Most recently, we traded through the Covid Pandemic.

I have listed all of these because I believe my team and I are capable of trading our way through market events of this magnitude. Our team's experience in the futures markets gave us risk management skills that are particularly useful when constructing portfolios. You can learn a lot about how to safely drive a car at 70 mph when you've driven race cars at 220 mph. Furthermore, it taught us the importance of adjusting asset class exposure when markets become volatile. Many advisors and investment managers still drive the speed limit even when roads ice over. They maintain consistent stock exposure regardless of the increased volatility. We wish them luck on that adventure. We will try to identify a less exciting path.

On a personal note, we support the Ukrainian people, and we hope for a swift end to the conflict. The human and economic cost of the invasion is catastrophic for that region and the global community. It is a completely unnecessary loss. Until the situation resolves, we will look for ways to assist those who are affected, and we invite you to do the same.

We hope this provides some insight into our team's dynamic approach to risk management. Anyone can sail in calm seas. It takes an experienced crew to safely sail through the storms. Disasters are not always the same, but they do seem to rhyme. We hope our decades of experience continue to guide us until the turmoil subsides. It's always a good time to be diversified. We appreciate your investment with us. We look forward to navigating the market opportunities ahead.

Sincerely,



Salem Abraham, President

## Fortress Fund Returns<sup>1</sup> – reflects Class K Shares fees

	MTD (as of 03/07/22)	YTD (as of 03/07/22)	1 Year (through 12/31/21)	3 Year (through 12/31/21)	Since Inception (07/01/18 to 12/31/21)
<b>Fortress Class K Shares</b>	<b>4.18%</b>	<b>1.09%</b>	<b>9.87%</b>	<b>10.63%</b>	<b>8.32%</b>
<b>70/30 Blended Index<sup>2</sup></b>	-3.80%	-9.71%	12.25%	15.85%	11.51%
<b>MSCI ACWI Index<sup>3</sup></b>	-5.31%	-12.29%	18.54%	20.38%	14.09%
<b>U.S. Aggr. Bond Index<sup>4</sup></b>	-0.28%	-3.52%	-1.54%	4.79%	4.58%

*Performance data quoted represents past performance; past performance does not guarantee future results. Investment return and principal value of an investment will fluctuate; therefore, you may have a gain or loss when you sell your shares. Current performance may be higher or lower than the performance data quoted. For the most recent month-end performance information, please visit our website at [www.abrahamtrading.com](http://www.abrahamtrading.com). Performance figures include the reinvestment of all dividends and any capital gains distributions. All returns are net of expenses unless otherwise noted. Returns over one year are annualized. The gross expense ratio for the Fund's Class K Shares is 0.74%, and the net expense ratio\* is 0.65%. Please review fees and expenses in the prospectus. Actual expenses may differ. You may pay fees, such as commissions, which are not reflected in this table. \*The Fund has contractually agreed to waive its fees and/or pay for operating expenses of the Fund to ensure that total annual fund operating expenses do not exceed 0.65% for K shares. This agreement is effective until 10/13/23.*

<sup>1</sup>Performance between 7/1/2018 and 10/13/2021 is from the Abraham Fortress Fund, LP, a Delaware Limited Partnership (the "Predecessor Fund"). Performance beginning on 10/14/2021 is for the Abraham Fortress Fund, an SEC-registered open-end mutual fund (the "Fund"). The Fund's objectives, policies, guidelines, and restrictions are materially equivalent to those of the Predecessor Fund. The Fortress Fund, LP performance reflects proprietary performance from 7/1/2018 through 04/30/2021, when Salem Abraham's proprietary investments represented over half of the fund's assets. <sup>2</sup>70/30 Portfolio uses 70% MSCI ACWI Index and 30% US Aggregate Bond Index, and its statistics used in the tables above reflect no deductions for fees, expenses, or taxes. <sup>3</sup>MSCI ACWI is the MSCI ACWI Index (All Country World Index), a free float-adjusted market capitalization-weighted index that is designed to measure the equity market performance of developed and emerging markets. Its statistics used in the tables above reflect no deductions for fees, expenses, or taxes. <sup>4</sup>US Aggregate Bond Index is the Bloomberg Barclays US Aggregate Bond Index, a broad-based flagship benchmark that measures the investment grade USD-denominated fixed-rate taxable bond market, and its statistics used in the tables above reflect no deductions for fees, expenses, or taxes.

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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](http://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.

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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