

**ABRAHAM**  
TRADING COMPANY

*Follow our fund  
symbols  
FORTX and FORKX*

# Diversifying Your Portfolio

Salem Abraham, President of Abraham Trading

[www.abrahamtrading.com](http://www.abrahamtrading.com)

For institutional use only; not for distribution to the public. All rights reserved © Abraham Trading Company, 2022.

**PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS.**

**This presentation is for use with institutions only, not for use with retail investors. Please read the following carefully.**

**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.**

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 nonrated 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](#).

Diversification does not assure a profit or protect against loss in a declining market.

The Abraham Fortress Fund is distributed by IMST Distributors, LLC.

© 2022 Abraham Trading Company, LP. All rights reserved.

Investment Products: Not FDIC Insured – No Bank Guarantee – May Lose Value.

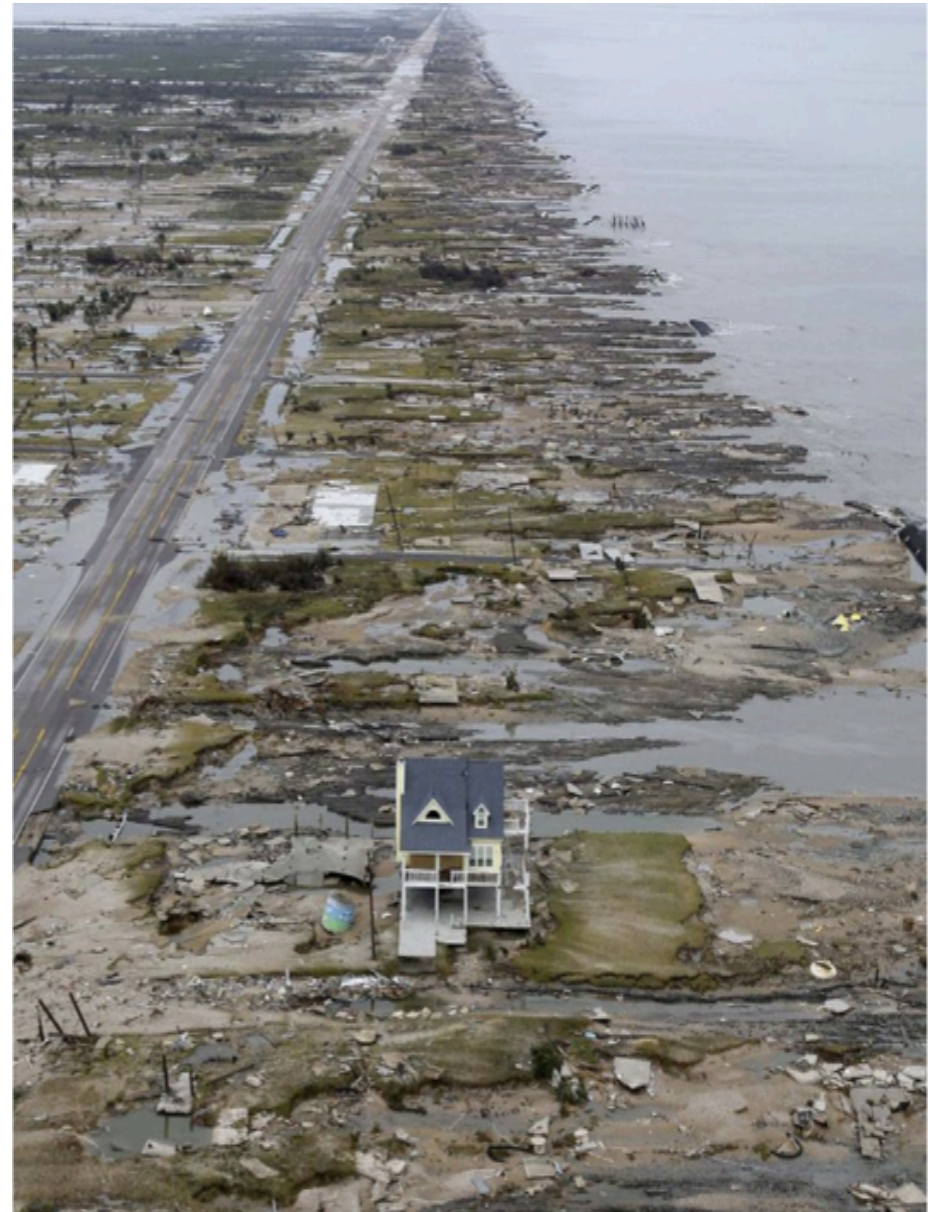
---

# Risks of Investing



---

# What good is shelter if it doesn't protect you in a storm?

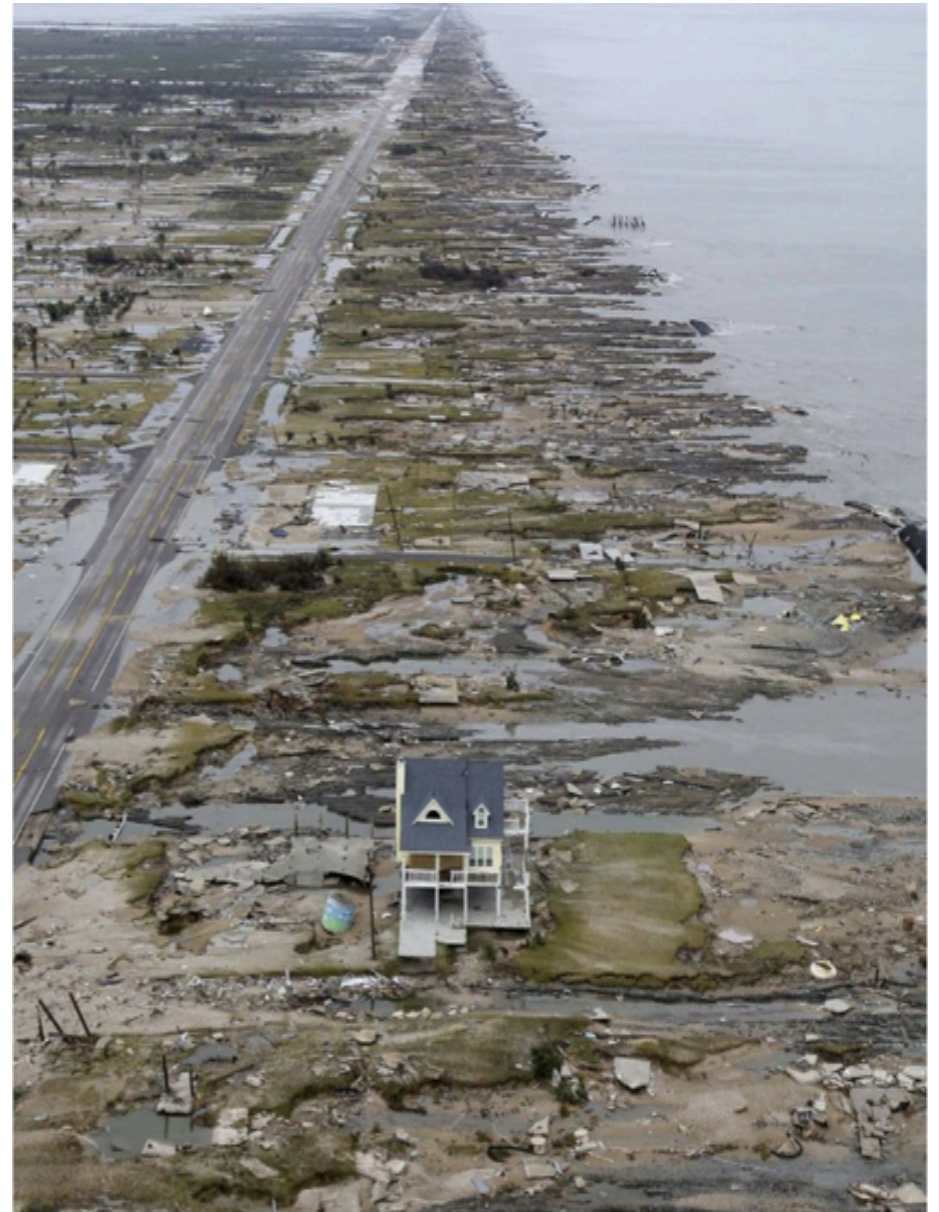


A picture of the coast near Gilchrist, Texas, after Hurricane Ike in 2008.

---

# What good is shelter if it doesn't protect you in a storm?

- Why should we diversify?
- History of diversification
- How to find real diversification



A picture of the coast near Gilchrist, Texas, after Hurricane Ike in 2008.



Photos source: [www.unsplash.com](http://www.unsplash.com)  
All rights reserved © Abraham Trading Company, 2022.

# Volatility and market crashes are always a problem.

## Bull, Bear, and In-Between Markets as of 06/30/22

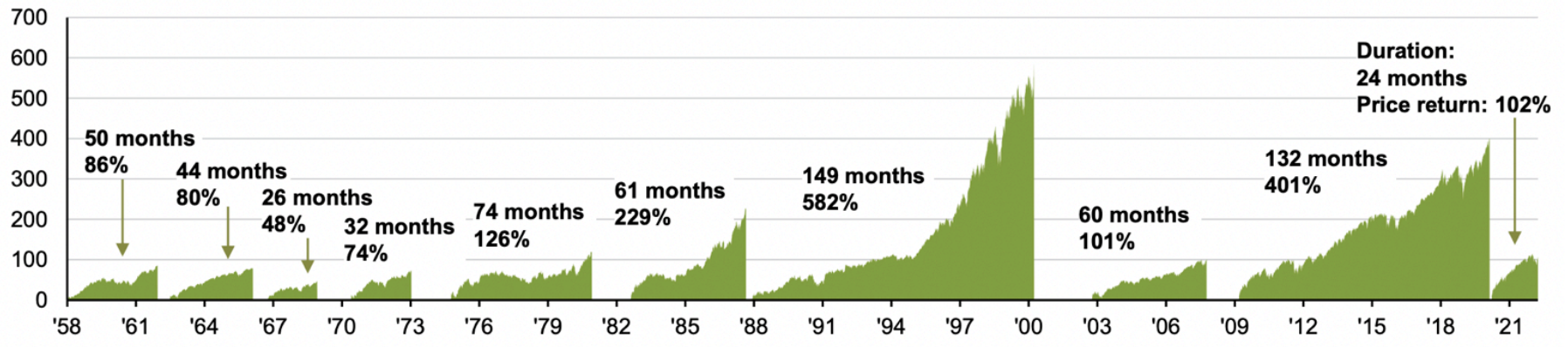
Bull markets			Bear markets		
Bull begin date	Bull return	Duration (months)	Market peak	Bear return*	Duration (months)*
Jul 1926	152%	37	Sep 1929	-86%	32
Mar 1935	129%	23	Mar 1937	-60%	61
Apr 1942	158%	49	May 1946	-30%	36
Jun 1949	267%	85	Aug 1956	-22%	14
Oct 1960	39%	13	Dec 1961	-28%	6
Oct 1962	76%	39	Feb 1966	-22%	7
Oct 1966	48%	25	Nov 1968	-36%	17
May 1970	74%	31	Jan 1973	-48%	20
Mar 1978	62%	32	Nov 1980	-27%	20
Aug 1982	229%	60	Aug 1987	-34%	3
Oct 1990	417%	113	Mar 2000	-49%	30
Oct 2002	101%	60	Oct 2007	-57%	17
Mar 2009	401%	131	Feb 2020	-34%	1
Mar 2020	114%	21	Jan. 2022**	-24%	5
<b>Averages</b>	<b>162%</b>	<b>51</b>	<b>-</b>	<b>-41%</b>	<b>20</b>

Source: JP Morgan Q3 2022 Guide to the Markets [www.jpmorgan.com](http://www.jpmorgan.com). Source: FactSet, NBER, Robert Shiller, Standard & Poor's, J.P. Morgan Asset Management. The current peak of 4797 was observed on January 3, 2022. The current market level as of June 30, 2022 is 3785. A bear market is defined as a 20% or more decline from the previous market high. The related market return is the peak to trough return over the cycle. Bear and bull returns are price returns. \*\*The bear market beginning in January 2022 is currently ongoing. The "bear return" for this period is from the January 2022 market peak through the current trough. Averages for the bear market return and duration do not include figures from the current cycle. Guide to the Markets— U.S. Data as of June 30, 2022.

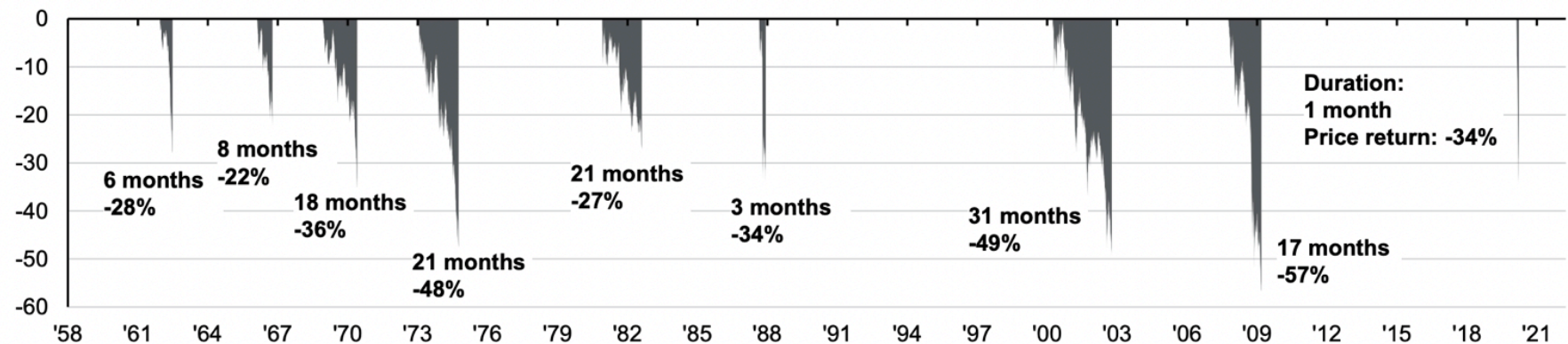


# S&P 500 Bull and Bear Markets

**S&P 500 bull markets, %**



**S&P 500 bear markets, %**

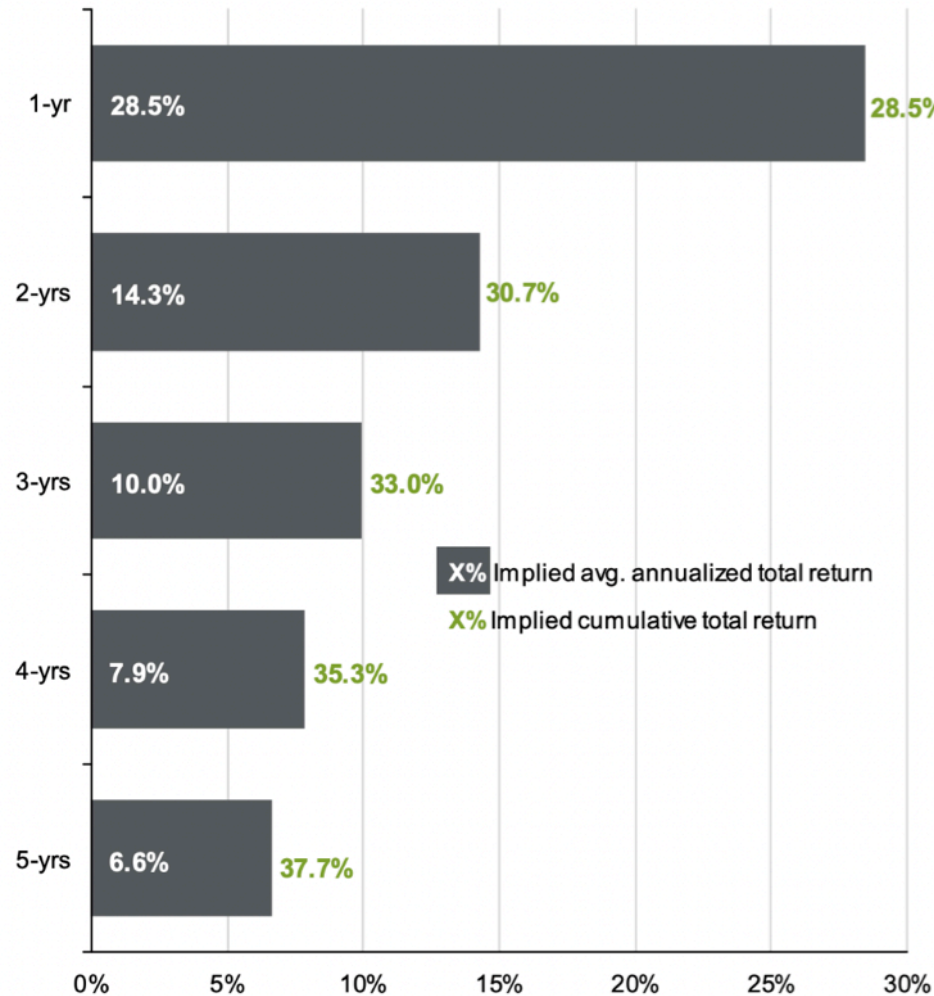


Source: JP Morgan Q2 2022 Guide to the Markets [www.jpmorgan.com](http://www.jpmorgan.com). Source: (All charts) Bloomberg, Refinitiv Datastream, Standard & Poor's, J.P. Morgan Asset Management. A bear market represents a 20% or more decline from the previous market high; a bull market represents a 20% increase from a market trough. Charts and labels refer to price return. Past performance is not a reliable indicator of current and future results. Guide to the Markets - Europe. Data as of 31 March 2022.

# Where is your portfolio this year? How long will it take to

## Return needed to reach January 2022 peak

Current S&P 500 peak is 4797



Source: JP Morgan Q3 2022 Guide to the Markets [www.jpmorgan.com](http://www.jpmorgan.com). Source: FactSet, NBER, Robert Shiller, Standard & Poor's, J.P. Morgan Asset Management. The current peak of 4797 was observed on January 3, 2022. The current market level as of June 30, 2022 is 3785. A bear market is defined as a 20% or more decline from the previous market high. The related market return is the peak to trough return over the cycle. Bear and bull returns are price returns. \*\*The bear market beginning in January 2022 is currently ongoing. The "bear return" for this period is from the January 2022 market peak through the current trough. Averages for the bear market return and duration do not include figures from the current cycle. Guide to the Markets— U.S. Data as of June 30, 2022.



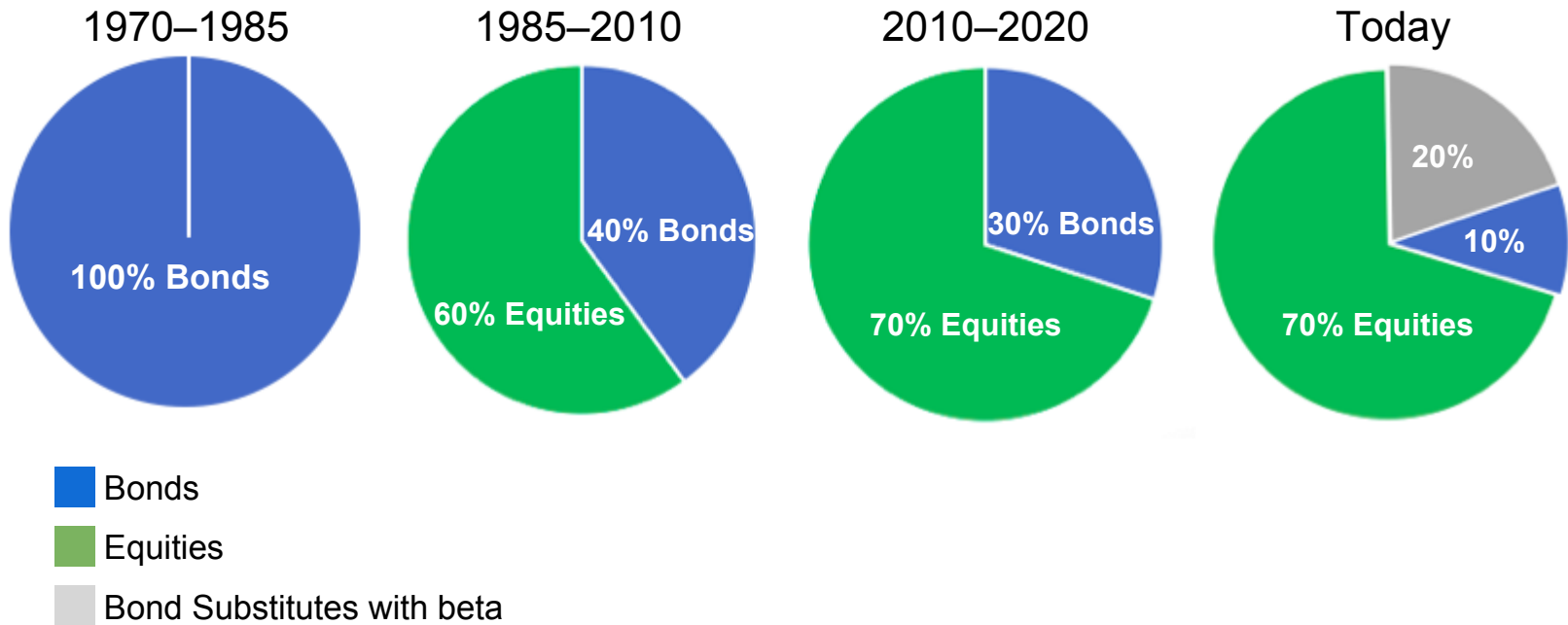
---

**Hope is a bad strategy.**

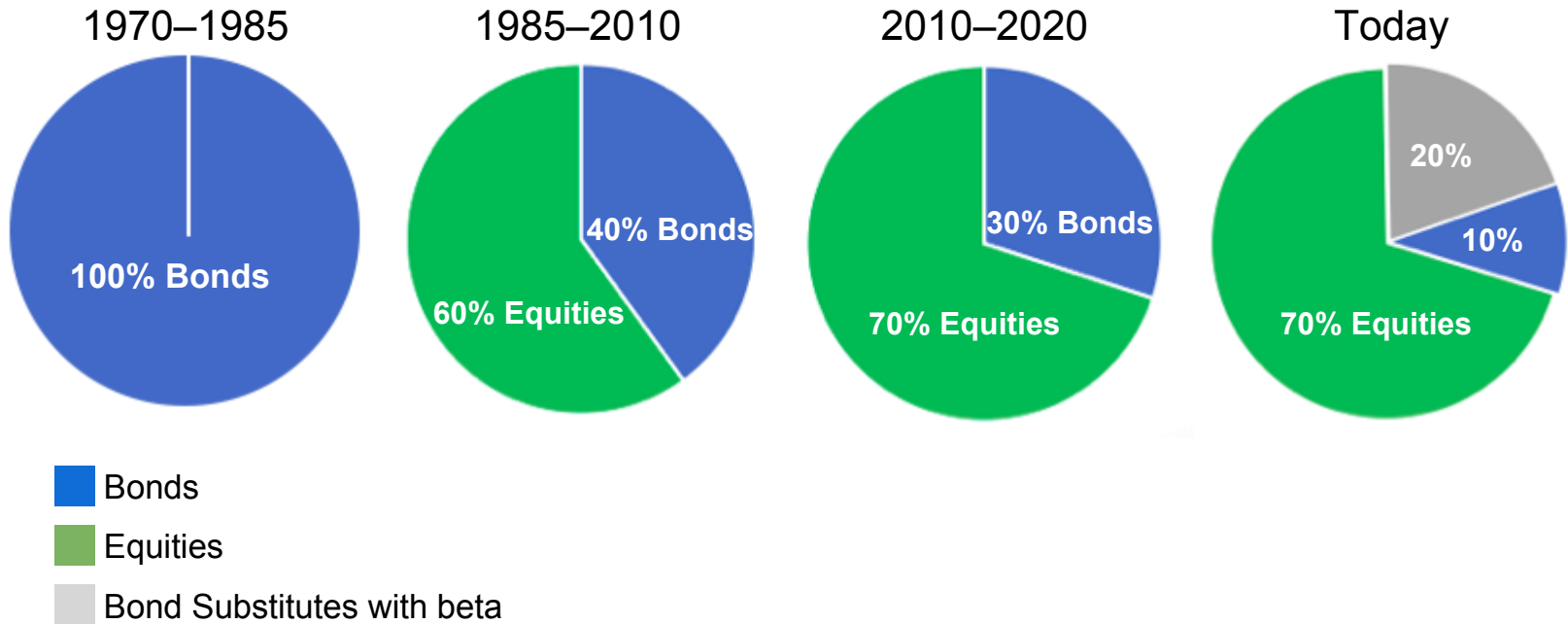


A picture of the coast near Gilchrist, Texas, after Hurricane Ike in 2008.

# Portfolio Drift



# Portfolio Drift



**Low Rates** → **Higher Stock and Equity-Correlated Investments** → **Higher Risk, Less Diversification**

---

“I would never be 100% in stocks  
or 100% in bonds or cash.”

*–Harry Markowitz, Nobel Prize-Winning Economist*

Source: <https://www.cbsnews.com/news/harry-markowitz>

---

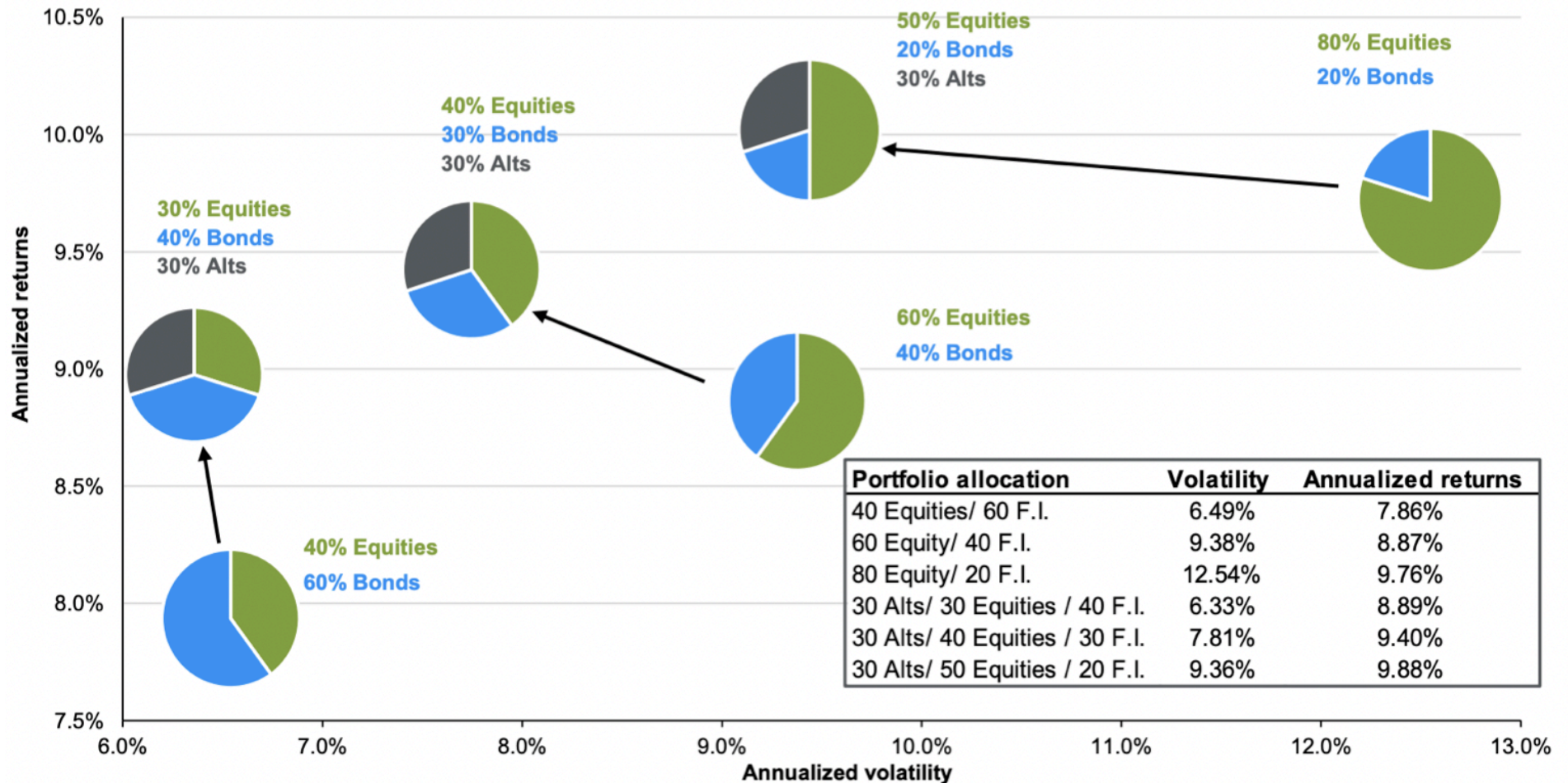
“You should have a strategic asset allocation mix that assumes that **you don’t know what the future is going to hold.**”

*–Ray Dalio, Investment Manager and Billionaire*

Source: <https://books.google.com>

# The Power of Diversification & Alternatives

## Alternatives and portfolio risk/return Annualized volatility and returns, 1989 – 1Q22



Source: Bloomberg, Burgiss, HRFI, NCREIF, Standard & Poor's, FactSet, J.P. Morgan Asset Management. Alts include hedge funds, real estate, and private equity, with each receiving an equal weight. Portfolios are rebalanced at the start of the year. Data is based on availability as of August 31, 2022

# Many alternative investments don't add diversification

## Public and Private Market Correlations (Quarterly Returns)

2008 - 1Q22		Global Bonds	Global Equities	U.S. Core RE	Europe Core RE*	APAC Core RE	Global Core Infra	Transport**	Timber	Direct Lending	Venture Capital	Private Equity	Equity Long/Short	Relative Value	Macro	Bitcoin
Financial assets	Global Bonds	1.0														
	Global Equities	0.3	1.0													
Global real estate	U.S. Core RE	-0.2	0.1	1.0												
	Europe Core RE*	-0.3	0.2	0.8	1.0											
	APAC Core RE	-0.1	0.1	0.8	0.7	1.0										
Real assets	Global Core Infra	-0.1	-0.1	0.3	0.1	0.2	1.0									
	Transport**	-0.2	0.0	0.6	0.5	0.6	0.0	1.0								
	Timber	-0.2	-0.1	0.3	0.2	0.2	0.2	0.1	1.0							
Private markets	Direct Lending	0.0	0.7	0.3	0.4	0.3	0.2	0.3	-0.1	1.0						
	Venture Capital	0.0	0.6	0.3	0.5	0.3	0.1	0.2	0.1	0.5	1.0					
	Private Equity	0.2	0.9	0.3	0.5	0.4	0.0	0.2	-0.1	0.8	0.8	1.0				
Hedge funds	Equity Long/Short	0.2	0.9	0.0	0.2	0.0	0.0	0.2	-0.1	0.7	0.7	0.9	1.0			
	Relative Value	0.2	0.9	-0.1	0.2	0.0	0.0	0.0	-0.2	0.9	0.5	0.8	0.9	1.0		
	Macro	0.1	0.4	0.0	0.1	-0.1	0.0	-0.2	0.1	0.2	0.3	0.3	0.4	0.3	1.0	
Crypto	Bitcoin	0.1	0.1	0.2	-0.2	0.1	0.5	0.1	0.0	0.1	0.1	0.2	0.1	0.1	0.0	1.0

Source: MSCI, Bloomberg, Burgiss, NCREIF, Cliffwater, HFRA, J.P. Morgan Asset Management. \*Europe Core RE includes continental Europe. \*\*1Q22 Transport returns are an estimated based on average quarterly returns from 2020-2021. Private Equity and Venture Capital are time weighted returns from Burgiss. RE – real estate. Global equities: MSCI AC World Index. Global Bonds: Bloomberg Global Aggregate Index. U.S. Core Real Estate: NCREIF Property Index Open End Diversified Core Equity component. Europe Core Real Estates: MSCI Global Property Fund Index – Continental Europe. Asia Pacific (APAC) Core Real Estate: MSCI Global Property Fund Index – Asia-Pacific. Global infrastructure (Infra.): MSCI Global Quarterly Infrastructure Asset Index (equal-weighted blend). U.S. Direct Lending: Cliffwater Direct Lending Index. Timber: NCREIF Timberland Property Index (U.S.). Hedge fund indices include equity long/short, relative value, and global macro and are all from HFRI. Transport: returns are derived from a J.P. Morgan Asset Management index. All correlation coefficients are calculated based on quarterly total return data for the period 06/30/2008 - 03/31/2022, except correlations with Bitcoin which are calculated over the period 12/31/2010-03/31/2022. Returns are denominated in USD. Data is based on availability as of August 31, 2022. Hyperlink: JP Morgan Q3 2022 Guide to the Markets [www.jpmorgan.com](http://www.jpmorgan.com).



# Many alternative investments don't add diversification

## Public and Private Market Correlations (Quarterly Returns)

2008 - 1Q22		Global Bonds	Global Equities	U.S. Core RE	Europe Core RE*	APAC Core RE	Global Core Infra	Transport**	Timber	Direct Lending	Venture Capital	Private Equity	Equity Long/Short	Relative Value	Macro	Bitcoin
Financial assets	Global Bonds	1.0														
	Global Equities	0.3	1.0													
Global real estate	U.S. Core RE	-0.2	0.1	1.0												
	Europe Core RE*	-0.3	0.2	0.8	1.0											
	APAC Core RE	-0.1	0.1	0.8	0.7	1.0										
Real assets	Global Core Infra	-0.1	-0.1	0.3	0.1	0.2	1.0									
	Transport**	-0.2	0.0	0.6	0.5	0.6	0.0	1.0								
	Timber	-0.2	-0.1	0.3	0.2	0.2	0.2	0.1	1.0							
Private markets	Direct Lending	0.0	0.7	0.3	0.4	0.3	0.2	0.3	-0.1	1.0						
	Venture Capital	0.0	0.6	0.3	0.5	0.3	0.1	0.2	0.1	0.5	1.0					
	Private Equity	0.2	0.9	0.3	0.5	0.4	0.0	0.2	-0.1	0.8	0.8	1.0				
Hedge funds	Equity Long/Short	0.2	0.9	0.0	0.2	0.0	0.0	0.2	-0.1	0.7	0.7	0.9	1.0			
	Relative Value	0.2	0.9	-0.1	0.2	0.0	0.0	0.0	-0.2	0.9	0.5	0.8	0.9	1.0		
	Macro	0.1	0.4	0.0	0.1	-0.1	0.0	-0.2	0.1	0.2	0.3	0.3	0.4	0.3	1.0	
Crypto	Bitcoin	0.1	0.1	0.2	-0.2	0.1	0.5	0.1	0.0	0.1	0.1	0.2	0.1	0.1	0.0	1.0

Source: MSCI, Bloomberg, Burgiss, NCREIF, Cliffwater, HFRA, J.P. Morgan Asset Management. \*Europe Core RE includes continental Europe. \*\*1Q22 Transport returns are an estimated based on average quarterly returns from 2020-2021. Private Equity and Venture Capital are time weighted returns from Burgiss. RE – real estate. Global equities: MSCI AC World Index. Global Bonds: Bloomberg Global Aggregate Index. U.S. Core Real Estate: NCREIF Property Index Open End Diversified Core Equity component. Europe Core Real Estates: MSCI Global Property Fund Index – Continental Europe. Asia Pacific (APAC) Core Real Estate: MSCI Global Property Fund Index – Asia-Pacific. Global infrastructure (Infra.): MSCI Global Quarterly Infrastructure Asset Index (equal-weighted blend). U.S. Direct Lending: Cliffwater Direct Lending Index. Timber: NCREIF Timberland Property Index (U.S.). Hedge fund indices include equity long/short, relative value, and global macro and are all from HFRI. Transport: returns are derived from a J.P. Morgan Asset Management index. All correlation coefficients are calculated based on quarterly total return data for the period 06/30/2008 - 03/31/2022, except correlations with Bitcoin which are calculated over the period 12/31/2010-03/31/2022. Returns are denominated in USD. Data is based on availability as of August 31, 2022. Hyperlink: JP Morgan Q3 2022 Guide to the Markets [www.jpmorgan.com](http://www.jpmorgan.com).





# Many alternative investments don't add diversification

## Public and Private Market Correlations (Quarterly Returns)

2008 - 1Q22		Global Bonds	Global Equities	U.S. Core RE	Europe Core RE*	APAC Core RE	Global Core Infra	Transport**	Timber	Direct Lending	Venture Capital	Private Equity	Equity Long/Short	Relative Value	Macro	Bitcoin
Financial assets	Global Bonds	1.0														
	Global Equities	0.3	1.0													
Global real estate	U.S. Core RE	-0.2	0.1	1.0												
	Europe Core RE*	-0.3	0.2	0.8	1.0											
	APAC Core RE	-0.1	0.1	0.8	0.7	1.0										
Real assets	Global Core Infra	-0.1	-0.1	0.3	0.1	0.2	1.0									
	Transport**	-0.2	0.0	0.6	0.5	0.6	0.0	1.0								
	Timber	-0.2	-0.1	0.3	0.2	0.2	0.2	0.1	1.0							
Private markets	Direct Lending	0.0	0.7	0.3	0.4	0.3	0.2	0.3	-0.1	1.0						
	Venture Capital	0.0	0.6	0.3	0.5	0.3	0.1	0.2	0.1	0.5	1.0					
	Private Equity	0.2	0.9	0.3	0.5	0.4	0.0	0.2	-0.1	0.8	0.8	1.0				
Hedge funds	Equity Long/Short	0.2	0.9	0.0	0.2	0.0	0.0	0.2	-0.1	0.7	0.7	0.9	1.0			
	Relative Value	0.2	0.9	-0.1	0.2	0.0	0.0	0.0	-0.2	0.9	0.5	0.8	0.9	1.0		
Crypto	Macro	0.1	0.4	0.0	0.1	-0.1	0.0	-0.2	0.1	0.2	0.3	0.3	0.4	0.3	1.0	
	Bitcoin	0.1	0.1	0.2	-0.2	0.1	0.5	0.1	0.0	0.1	0.1	0.2	0.1	0.1	0.0	1.0

Source: MSCI, Bloomberg, Burgiss, NCREIF, Cliffwater, HFRA, J.P. Morgan Asset Management. \*Europe Core RE includes continental Europe. \*\*1Q22 Transport returns are an estimated based on average quarterly returns from 2020-2021. Private Equity and Venture Capital are time weighted returns from Burgiss. RE – real estate. Global equities: MSCI AC World Index. Global Bonds: Bloomberg Global Aggregate Index. U.S. Core Real Estate: NCREIF Property Index Open End Diversified Core Equity component. Europe Core Real Estates: MSCI Global Property Fund Index – Continental Europe. Asia Pacific (APAC) Core Real Estate: MSCI Global Property Fund Index – Asia-Pacific. Global infrastructure (Infra.): MSCI Global Quarterly Infrastructure Asset Index (equal-weighted blend). U.S. Direct Lending: Cliffwater Direct Lending Index. Timber: NCREIF Timberland Property Index (U.S.). Hedge fund indices include equity long/short, relative value, and global macro and are all from HFRI. Transport: returns are derived from a J.P. Morgan Asset Management index. All correlation coefficients are calculated based on quarterly total return data for the period 06/30/2008 - 03/31/2022, except correlations with Bitcoin which are calculated over the period 12/31/2010-03/31/2022. Returns are denominated in USD. Data is based on availability as of August 31, 2022. Hyperlink: JP Morgan Q3 2022 Guide to the Markets [www.jpmorgan.com](http://www.jpmorgan.com).



# Some alternatives diversify, and some don't.

Private Equity

Venture Capital

Long-Short Equity Funds

Merger/Convertible Arbitrage

Event-Driven Funds

Credit Funds

Direct Lending

Fixed Income Arbitrage

Quantitative Funds

Utility Stocks

Real Estate

Energy

Commodities

Short-Only Funds

Equity Market Neutral Funds

Managed Futures Funds

Global Macro Funds

# Callan Periodic Table of Investment Returns as of August 31, 2022

Annual Returns				Monthly Returns								
2018	2019	2020	2021	Jan 2022	Feb 2022	Mar 2022	Apr 2022	May 2022	Jun 2022	Jul 2022	Aug 2022	YTD 2022
U.S. Fixed Income	Large Cap Equity	Small Cap Equity	Large Cap Equity	Emerging Market Equity	Small Cap Equity	Real Estate	High Yield	Dev ex-U.S. Equity	U.S. Fixed Income	Small Cap Equity	Emerging Market Equity	U.S. Fixed Income
0.01%	31.49%	19.96%	28.71%	-1.89%	1.07%	4.47%	-3.56%	0.83%	-1.57%	10.44%	0.42%	-10.75%
High Yield	Small Cap Equity	Large Cap Equity	Real Estate	Global ex-U.S. Fixed Income	High Yield	Large Cap Equity	U.S. Fixed Income	U.S. Fixed Income	Global ex-U.S. Fixed Income	Large Cap Equity	Small Cap Equity	High Yield
-2.08%	25.52%	18.40%	26.09%	-1.96%	-1.03%	3.71%	-3.79%	0.64%	-4.50%	9.22%	-2.05%	-11.22%
Global ex-U.S. Fixed Income	Dev ex-U.S. Equity	Emerging Market Equity	Small Cap Equity	U.S. Fixed Income	Global ex-U.S. Fixed Income	Small Cap Equity	Real Estate	Emerging Market Equity	Emerging Market Equity	Real Estate	High Yield	Large Cap Equity
-2.15%	22.49%	18.31%	14.82%	-2.15%	-1.11%	1.24%	-5.48%	0.44%	-6.64%	7.96%	-2.30%	-16.14%
Large Cap Equity	Real Estate	Global ex-U.S. Fixed Income	Dev ex-U.S. Equity	High Yield	U.S. Fixed Income	Dev ex-U.S. Equity	Emerging Market Equity	High Yield	High Yield	High Yield	U.S. Fixed Income	Small Cap Equity
-4.38%	21.91%	10.11%	12.62%	-2.73%	-1.12%	1.16%	-5.56%	0.25%	-6.73%	5.90%	-2.83%	-17.16%
Real Estate	Emerging Market Equity	Dev ex-U.S. Equity	High Yield	Dev ex-U.S. Equity	Dev ex-U.S. Equity	High Yield	Dev ex-U.S. Equity	Large Cap Equity	Small Cap Equity	Dev ex-U.S. Equity	Large Cap Equity	Emerging Market Equity
-5.63%	18.44%	7.59%	5.28%	-4.41%	-1.56%	-1.15%	-6.57%	0.18%	-8.22%	4.97%	-4.08%	-17.49%
Small Cap Equity	High Yield	U.S. Fixed Income	U.S. Fixed Income	Large Cap Equity	Real Estate	Emerging Market Equity	Global ex-U.S. Fixed Income	Small Cap Equity	Large Cap Equity	U.S. Fixed Income	Dev ex-U.S. Equity	Dev ex-U.S. Equity
-11.01%	14.32%	7.51%	-1.54%	-5.17%	-2.47%	-2.26%	-6.83%	0.15%	-8.25%	2.44%	-4.67%	-18.70%
Dev ex-U.S. Equity	U.S. Fixed Income	High Yield	Emerging Market Equity	Real Estate	Emerging Market Equity	U.S. Fixed Income	Large Cap Equity	Global ex-U.S. Fixed Income	Real Estate	Global ex-U.S. Fixed Income	Global ex-U.S. Fixed Income	Global ex-U.S. Fixed Income
-14.09%	8.72%	7.11%	-2.54%	-5.75%	-2.99%	-2.78%	-8.72%	0.01%	-8.69%	1.92%	-4.99%	-19.13%
Emerging Market Equity	Global ex-U.S. Fixed Income	Real Estate	Global ex-U.S. Fixed Income	Small Cap Equity	Large Cap Equity	Global ex-U.S. Fixed Income	Small Cap Equity	Real Estate	Dev ex-U.S. Equity	Emerging Market Equity	Real Estate	Real Estate
-14.57%	5.09%	-9.04%	-7.05%	-9.63%	-2.99%	-3.20%	-9.91%	-4.35%	-9.41%	-0.25%	-6.49%	-19.96%

Sources: ● Bloomberg Aggregate ● Bloomberg Corp High Yield ● Bloomberg Global Aggregate ex US ● FTSE EPRA Nareit Developed  
 ● MSCI World ex USA ● MSCI Emerging Markets ● Russell 2000 ● S&P 500

Callan Institute 2022 at <https://www.callan.com/periodic-table/>



# Simple Investment Stress Tests

How did the investment do during very bad stock market periods?

2000-2002      2008-2009      Q4 2018      Q1 2020      2022

How did the investment do during very good stock market periods?

Q1 2019      April 2020-April 2021

If the correlation of an asset class to stocks is above 0.5, it's probably not the best diversification option.

**You can't predict which investments will do good or bad, so diversify.**

**You can't predict which investments will do good or bad, so diversify.**

**Pensions are lifeboats during a crisis. Will the lifeboat go down with the rest of the ship in a market storm? How long will it take to recover?**

---

“Diversification is the only  
free lunch in investing.”

–*Harry Markowitz, Nobel Prize-winning Economist*

Source: <https://books.forbes.com/author-articles/>

# Learn more at [abrahamtrading.com](http://abrahamtrading.com)



## Texas Office

124 Main Street, Moody Building, Suite 200  
Canadian, Texas 79014  
(806) 323-8000

Contact: Russell Fry  
Email: [russell@abrahamtrading.com](mailto:russell@abrahamtrading.com)



## Colorado Office

319 Main Street, Suite 300  
Carbondale, Colorado 81623  
(970) 305-5000

Contact: Kate Abraham  
Email: [kate@abrahamtrading.com](mailto:kate@abrahamtrading.com)

