2Q 2022 COMMENTARY

# CROMWELL MARKETFIELD L/S FUND

Portfolio Managers Michael Aronstein and Michael Shaoul, Ph.D. take a macro view of the world to identify global investments most affected by large scale, external economic forces. The commentary elaborates on the execution of this strategy.

## What advantages does the Fund's strategy provide to investors in the current environment?

We believe the Fund has two significant advantages:

1. **A long/short strategy.** The Fund has the ability to adjust its long market exposure based on our macro perspective. By design, we do not have to invest 100% net long in this market volatility. At the beginning of 2022, the Fund's net long position was approximately 70%, which is it at the high end of our range. By July 25, 2022, it was 35%–the lower end of our range–down from 44% at the end of the second quarter.

2. **Flexible, actively managed approach.** As an active manager, we can allocate to select areas of the global markets. For example, the Fund avoided Technology stocks in 2022. While the Fund never had a large position in this sector, we began removing certain holdings in the second half of 2021 and entered 2022 with a net short position in Technology.

Conversely, we increased the Fund's weighting in the Energy sector. At the end of 2021, the Fund had a 10-12% net long position in Energy which increased to approximately 20% by June 30, 2022—nearly the largest of any of the Fund's thematic investments. In this environment, we would consider adding to our Energy positions on down days.

In contrast, Energy only comprises 5% of the S&P 500 Index, which means that investors in passive investments may only hold a fraction of Energy in their portfolios and may miss the opportunity present in this area of the market.

## What are your thoughts on energy prices?

The price of energy in nominal terms appears to be somewhat expensive. In the first half of 2022, the price of a barrel of crude oil rose as high as $120, which was not that far off from its 2008 peak price of $147.

However, when compared to personal income, oil prices are not overly expensive as U.S. personal income is roughly double what it was in 2008. In addition, the ratio of a barrel of crude oil to U.S. personal income is roughly where it was in late-2004. Back then, crude oil hit $40 a barrel, which many considered, at that time, to be a number that caused recessions.

While energy may not be as affordable as it was in 2004, we believe these elevated prices are sustainable. However, many energy companies do not price it in as being sustainable.

CROMWELL FUNDS

## Overall Morningstar Rating

Investor Class

★★★★

Among 178 Long-Short Equity Funds based on risk-adjusted returns as of 6/30/22.

| CLASS | INCEPTION | TICKER |
|---|---|---|
| Investor | 10/5/12 | MFADX |
| Institutional | 7/31/07 | MFLDX |
| Class C | 10/5/12 | MFCDX |

## Fund Facts

Asset Class: **Long/Short Equity**

Net Assets: **$139.3 million**

Benchmark: **S&P 500 Index**

Holdings: **45**

## Portfolio Allocation

Equity Long: **67.7%**

Equity Short: **-23.5%**

*Excludes cash. The change in options are not reflected.*

## Sub-Advisor

MARKETFIELD ASSET MANAGEMENT

Founded in 2007 by Michael Aronstein and Michael Shaoul, Marketfield Asset Management is an independently owned firm headquartered in New York City.

**PORTFOLIO MANAGERS**

**Michael C. Aronstein**
President, CIO and Portfolio Manager

**Michael Shaoul, Ph.D.**
Chairman, CEO and Portfolio Manager

## Why does a long/short strategy make sense in an investor's portfolio?

It's challenging for investors to be disciplined in a market that seems to go only one way. While it may be easier to be a long/short fund than a long fund in a bear market, to be successful in both bull and bear market environments, we believe flexibility and decades of experience are required to filter market noise. While we do not know what lies ahead, we do have a sense of the general plot.

Historically we have attempted to form our investment theses ahead of events to position the portfolio to benefit while continuing to provide global diversification. For example, we identified early the extent of the inflationary environment and built a portfolio which we believed would benefit from rising prices, and had the patience and discipline to hold our position despite the delayed response from the market. As a result, the Fund has provided less risk than the S&P 500 Index, as measured by standard deviation.

### The Fund Had a Lower Standard Deviation Over all Time Periods

| | 3 YR | 5 YR | 10 YR |
|---|---|---|---|
| Fund (Institutional Class) | 14.78 | 13.27 | 10.52 |
| S&P 500 Index | 18.64 | 16.95 | 13.70 |
| **% Difference** | **20.7%** | **21.7%** | **23.2%** |

*Source: Morningstar*

## About Cromwell Funds

Headquartered in Baltimore, MD, the Cromwell Funds provide Financial Advisors with high-quality, differentiated and actively managed strategies in a mutual fund format. The Funds are sub-advised by asset managers who have built a national reputation managing their investment strategies.

## Contact Us

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***Investors should carefully consider the Fund's investment objectives, risks, charges and expenses before investing. For this and other information, please call 855.625.7333 or visit thecromwellfunds.com for a prospectus. Read it carefully before investing or sending money.***

Mutual fund investing involves risk. Principal loss is possible. The Fund regularly makes short sales of securities, which involves the risk that losses may exceed the original amount invested. The Fund may also use options and futures contracts, which have the risks of unlimited losses of the underlying holdings due to unanticipated market movements and failure to correctly predict the direction of securities prices, interest rates, and currency exchange rates. However, a mutual fund investor's risk is limited to the amount invested in a fund. Investments in absolute return strategies are not intended to outperform stocks and bonds during strong market rallies. Investing in ETFs are subject to additional risks that do not apply to conventional mutual funds, including the risks that the market price of the shares may trade at a discount to its net asset value (NAV), an active secondary trading market may not develop or be maintained, or trading may be halted by the exchange in which they trade, which may impact a Funds ability to sell its shares.

Foreign securities are subject to interest rate, currency exchange rate, economic, and political risks. These risks may be greater for emerging markets. Investing in smaller companies involves special risks, including higher volatility and lower liquidity. Investing in mid-cap stocks may carry more risk than investing in stocks of larger, more well-established companies. This risk is usually greater for longer-term debt securities. Investment by the Fund in lower-rated and non-rated securities presents a greater risk of loss to principal and interest than higher-rated securities. Investments in asset-backed and mortgage-backed securities involve additional risks such as credit risk, prepayment risk, possible illiquidity and default, and increased susceptibility to adverse economic developments. The Fund involves the risk that the macroeconomic trends identified by portfolio management will not come to fruition and their advantageous duration may not last as long as portfolio management forecasts. The Fund may invest in derivatives, which may increase the volatility of the Fund's NAV and may result in a loss to the Fund.

Standard deviation is a statistical measure of historical volatility. The S&P 500 Index is a capitalization-weighted index of 500 stocks. An investment cannot be made directly into an index.

The Morningstar Rating™ for funds, or "star rating," is calculated for mutual funds with at least a 3-year history. Open-ended mutual funds are considered a single population for comparative purposes. It is calculated based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a managed product's monthly excess performance, placing more emphasis on downward variations and rewarding consistent performance. The top 10% of products in each product category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars, and the bottom 10% receive 1 star. The Overall Morningstar Rating for a managed product is derived from a weighted average of the performance figures associated with its 3-, 5-, and 10-year (if applicable) Morningstar Rating metrics. The weights are: 100% 3-year rating for 36–59 months of total returns, 60% 5-year rating/40% 3-year rating for 60–119 months of total returns, and 50% 10-year rating/30% 5-year rating/20% 3-year rating for 120 or more months of total returns. While the 10-year overall star rating formula seems to give the most weight to the 10-year period,the most recent 3-year period actually has the greatest impact because it is included in all three rating periods. Ratings do not take into account the effects of sales charges and loads. Overall Morningstar rating based on Institutional class shares. MFADX received 4, 4, and 2 stars for the 3-, 5-, and 10-year periods among 178, 158, and 58 Long-Short Equity funds, respectively, as of 6/30/22. MFLDX received 4, 4, and 2 stars for the 3-, 5-, and 10-year periods among 178, 158, and 58 Long-Short Equity funds, respectively, as of 6/30/22. MFCDX received 4, 3, and 2 stars for the 3-, 5-, and 10-year periods among 178, 158, and 58 Long-Short Equity funds, respectively, as of 6/30/22. The overall Morningstar rating was 4, 3, and 3 stars for MFADX, MFLDX, and MFCDX, respectively, as of 6/30/22.



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