
THIRD QUARTER 2020

Unprecedented Risk

The magnitude and duration of the market rally during Q2 and Q3 has surprised us. At the beginning of the year we felt the market was overvalued. The market has recovered to those levels in spite of a crisis that has continued far longer than most people predicted. The market is not currently priced to reflect the increased risk.

We are approaching Q4 with extreme caution. Uncertainty surrounding the election and the virus suggests that this is a very risky time for the market. We are focused on the long term effects that the pandemic will have on the U.S. economy. There will be lasting damage to the restaurant, retail and commercial real estate sectors, There will be many small businesses that do not survive.

Yet currently valuations remain extended based on hope for a quick recovery. We are realists - there has been deep damage to the foundation of the American economy with no end in sight. A speedy economic recovery is extremely unlikely in our view. Now is the time to take steps to protect portfolios.

Our approach is to be short US equities to take advantage of any sharp correction in the markets We will continue to avoid the US dollar as well as US fixed income. We also have a position in gold. Our hope is that clients who take these risks as seriously as we do will take steps to protect their savings.

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Portfolio Analysis

The Triboro Alternative strategy had an good start to the year. The strategy is +5.22% YTD (gross of fees) while the S&P 500 is up by 5.56%.

During the worst 10 days for the S&P 500 year to date the index was down -47.27%. Over those 10 days the Triboro Alternative Strategy was up +38.44%.

Our short S&P 500 position and our exposure to volatility hurt the performance of the portfolio in Q2 and Q3. We greatly underestimated the strength of the market recovery following the decline in Q1.

Executive Summary

- The strategy uses asset classes not correlated to the US markets to manage the risk in sharp downturns.
- The portfolio is positioned to protect against the possibility of continued underperformance in US equities and treasuries during Q4 2020 and beyond.

During this unprecedented time we are always available to assist you with any questions and to help you in any way we can.

Regards,

Philip Mendelsohn, CFA
Portfolio Manager

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