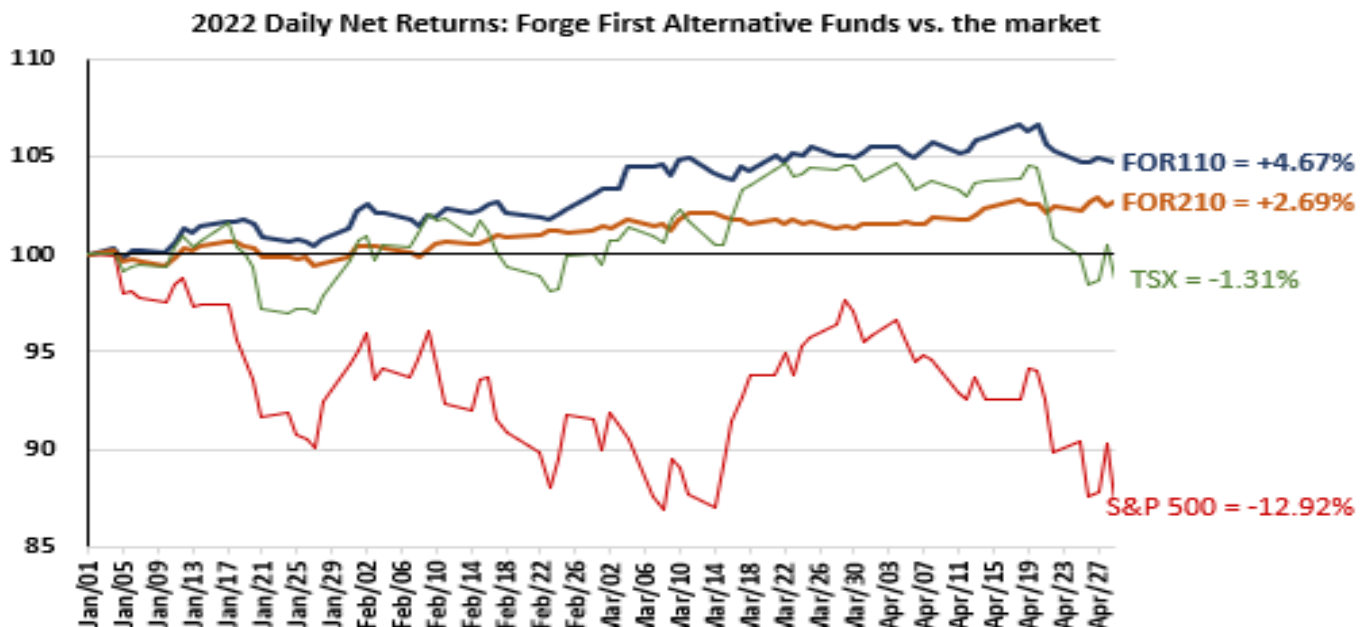


April 2022 Commentary

Long-only investors endured a rough April as stocks unwound 100% of their H2 March rip higher, while bonds remained in the proverbial woodshed. NASDAQ suffered its steepest one-month decline (-13.24%) since October 2008, with April ensuring the S&P 500 is off to its 3rd worst year to date (-12.92%), with only the auspicious years of 1932 and 1939 having been worse. Here at home, the total return loss of -4.96% pushed the TSX into the red for 2022. For investors, the timing could not have been worse given equities as a percent of U.S. household assets stood at an all-time high of 41.9% at year-end 2021. The combination of rich valuations and fears towards inflation and growth, catalyzed this rout.

Four items are driving these economic fears. First, financial conditions (rising USD, widening credit spreads, gapping bond yields) have tightened markedly since January 1st. Second, lacklustre Q1 U.S. bank commentary and results have triggered doubt towards the outlook for corporate profits. Third, the economic impact (especially for Europe) of the heinous war in Ukraine and fourth, fears that the Chinese economy, already slowing before the recent COVID-19 lockdowns, will grind to a halt. This commentary will touch on each of these points but first, let's recap the performance of our funds.

The graph below highlights the performance graph of our alternative mutual funds which utilize similar investment strategies to our two LPs, the Series F of the Forge First Long Short Alternative Fund and Series F of the Conservative Alternative Fund. Through the end of April, each of our two funds have exhibited stability and positive net returns. Sticking to the discipline of always having a diversified short book and a portfolio of listed put options not only serves to dampen volatility, but also protect capital when markets get rougher. As you know from reading past commentaries, we believe markets are going to be rocky for the next 18 plus months.



The Class F Lead Series of our growth-oriented Forge First Long Short LP lost -0.75% net during the month of April, cutting its year-to-date post-fee return to +5.35%. Hedges, including index puts and short positions, were the largest positive contributor to performance during the month. Other sectors generating gains included Utilities, Energy and Financials. Losing sectors included Industrials, Technology, Consumer, Materials and Real Estate. Obviously, a majority of our long positions fell in value but in many cases, these losses were offset by gains on the listed put options that we hold as part of our disciplined process of managing money. Gainers included Tourmaline Oil Corp. (TOU.CA), the fund's largest position, Meg Energy Corp. (MEG.CA) and Enviva Inc. (EVA.US). Losers included Cargojet Inc. (CJT.CA), Quanta Services Inc. (PWR.US) and Freeport-McMoran Inc. (FCX.US). This fund exited April with delta-adjusted gross and net exposure of 127% and 29% respectively.

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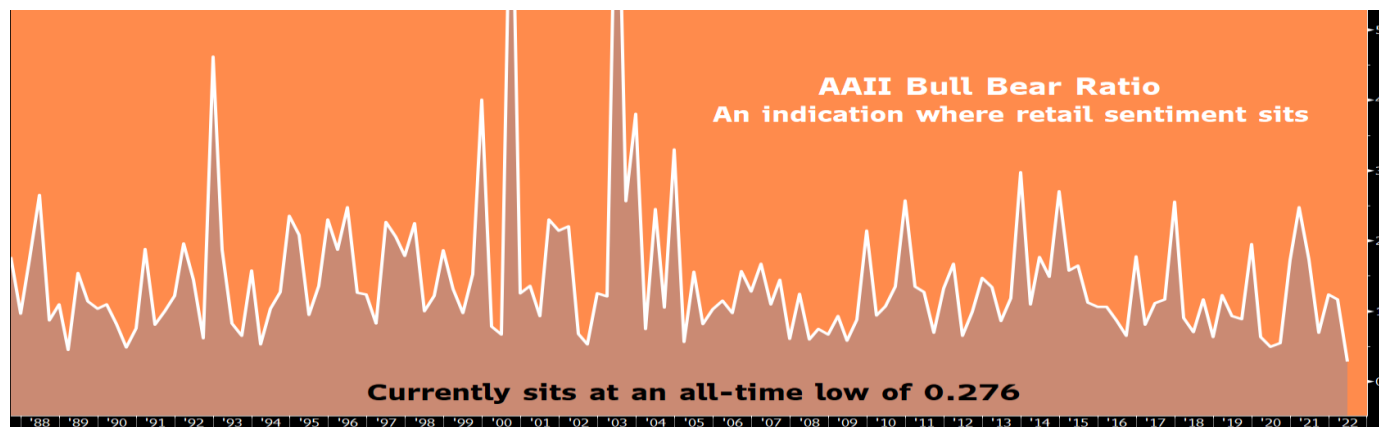
The Class F Lead Series of our multi-asset Forge First Multi Strategy LP gained +0.99% net during April, boosting its year-to-date net return to +2.49%. Managing with a net short common equity exposure for a majority of the month, it's little surprise that hedges, including index puts and short positions, played a very significant role in this fund's ability to generate such a positive net return during a truly terrible month for financial assets. In addition to always holding a larger notional index put and/or index put spread exposure than the Long Short LP, the Multi Strategy LP will also always hold a lower delta-adjusted common equity net exposure than the Long Short LP.

Targeting capital preservation-focused investors and a 6%-7% net return, this fund has been exhibiting an annualized standard deviation of 4.0% to 4.5% since Q1 of 2018 when the multi-asset sleeve was added to the fund. This sleeve is currently short government bonds and selectively owns rate-reset preferreds, high yield and convertible bonds. The Multi Strategy LP exited April with delta-adjusted gross and net exposures of 128% and 17%. The 17% net long exposure was split between equities (+7%) and alternative strategies (+10%).

	YTD	1 mo	3 mo	6 mo	1 year	3 year	5 year	Inception
Forge First Long Short LP (Class F Lead Series)	5.35%	-0.75%	3.82%	3.74%	9.54%	14.59%	11.93%	15.64%
Forge First Multi Strategy LP (Class F Lead Series)	2.49%	0.99%	2.82%	0.60%	3.99%	11.65%	8.68%	11.66%
TSX Total Return	-1.33%	-4.96%	-0.93%	0.04%	11.56%	11.05%	9.13%	9.32%
S&P 500 Total Return (US\$)	-12.92%	-8.72%	-8.17%	-9.65%	0.21%	13.85%	13.66%	14.13%

Note: Returns for the Forge First funds are based on the August 2012 Class F Lead Series and are net of all fees and expenses. In a year, up to 12 series can be created within a Class of units. Unitholders are advised to refer to their monthly statement for the net return of their respective Class and Series. All returns are in local currencies.

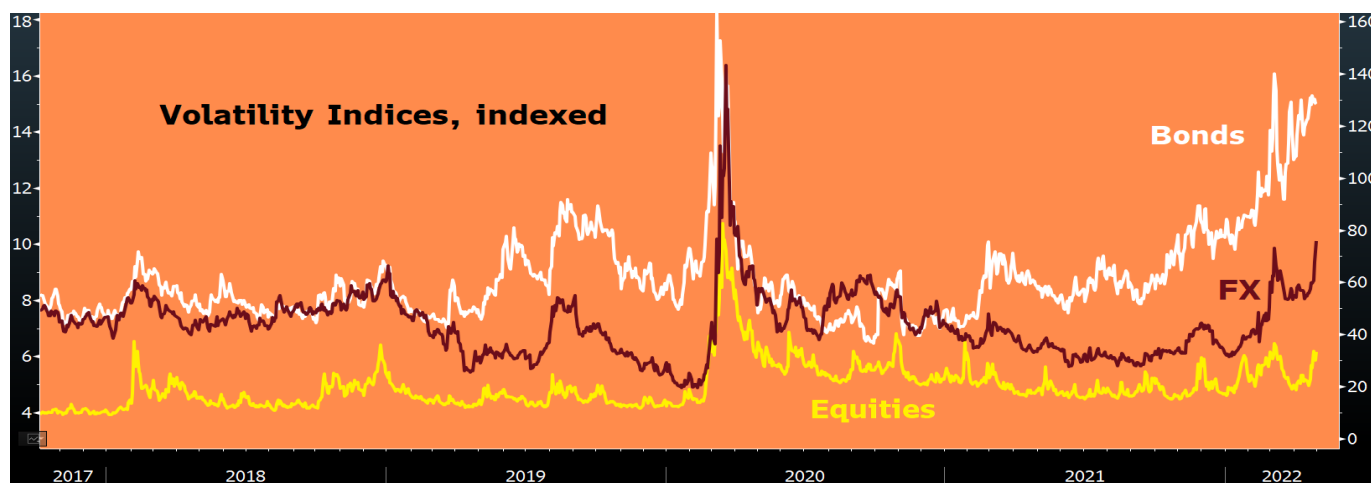
As we have written repeatedly, we don't like the risk/reward outlook offered by either stocks or bonds. Having said that, 'bear markets' always feature many vicious countertrend rallies. Consequently, given the degree and rapidity of the repricing of stocks year to date and the fact that investor sentiment is downright miserable (please see graph below), our team is tactically adjusting the structure and levels of our hedges and adding to beaten-up quality names including Alphabet Inc. (GOOG.US), Visa Inc. (V.US) and Microsoft Corp. (MSFT.US). We are also aware that it's highly probable the current quarter will mark the peak prints for inflation and hawkishness from central bankers. However, while these data points may catalyze trading opportunities for the "fast money" types versus our 'buy and hold' tax efficient style of investing, we continue to see many troubling issues that ensure the next couple of years will not mimic the care-free investing environment of much of the past five years.



Source: Bloomberg

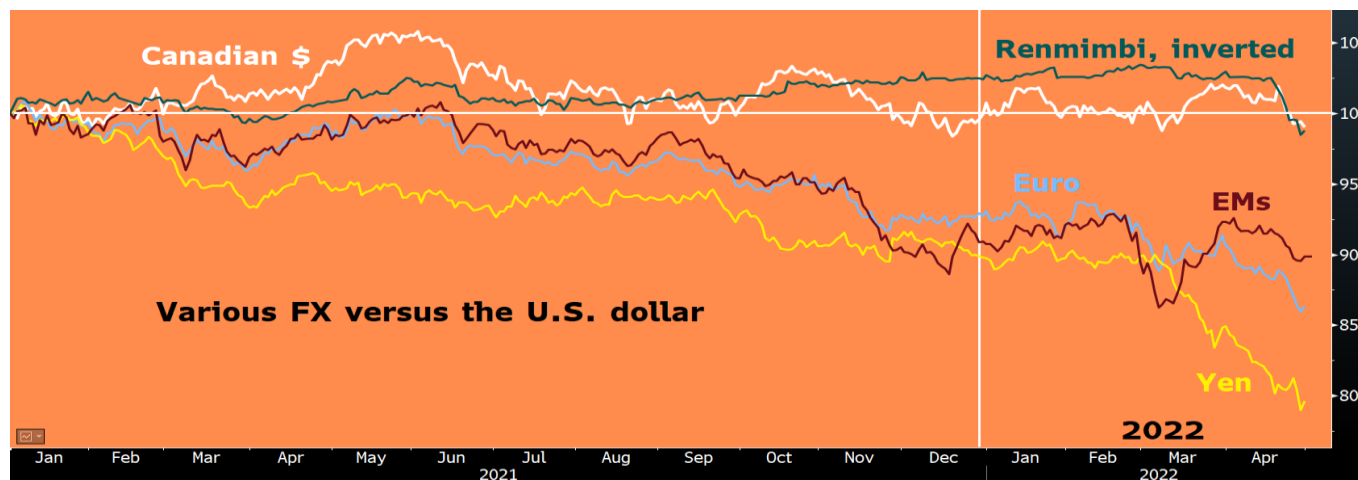
DISCLAIMER: This document is for information purposes only and does not constitute an offering memorandum. Readers of this information are expressly cautioned to seek the advice of a registered investment advisor or other professional advisors, as applicable, regarding the appropriateness of investing in any securities or any investment strategies, including those discussed above. Please review the most recent offering memorandum for a detailed description of Forge First's funds, the fund's strategies, objectives and risk factors. All information has been obtained from sources believed to be reliable; however, the information's accuracy cannot be guaranteed. The 2022 results are unaudited, net of all fees and expenses, and are based on our best estimates at the time of this report. All returns are in local currencies. Returns expressed in this commentary are "time-weighted" and are not the same as mandated "money-weighted" returns used in the production of client statements effective December 31, 2015. The return figures for the S&P 500 and the TSX are based on the "Total Return" figures of the associated index. Annualized Volatility, Correlation, Alpha, Beta, and Sharpe Ratio are calculated from monthly net returns for the Class F Lead Series of the Limited Partnerships since August 1, 2012. The Sharpe ratio is hypothetical and is calculated using monthly standard deviation and a 1% risk-free rate. Class F is the Founders Class and has a reduced fee structure. The Forge First Limited Partnerships are currently open to Canadian investors who meet certain eligibility requirements. Please contact Forge First Asset Management Inc. to request the offering documents and to speak with a registered dealing representative. Past performance is not indicative of future results.

Year to date, bond yields have exhibited their fastest rise since 1994. Since year-end, this repricing has pushed up the rate on a U.S. 30-year mortgage by 235 bps to 5.41%. Markets are currently pricing in ten 25 bps rate hikes by the Fed this year (implying more than one 50 bp hike during 2022), with another hike in 2023. Spreads on investment grade (IG) credits have widened beyond levels typically associated with a recession, likely due to fund flows and lousy investor sentiment. The five-year graph below displays the volatility of bonds (white line), currencies (red line) and stocks (yellow). The rising volatility in bonds and FX has often been a troubling forward indicator for equities.



Source: Bloomberg

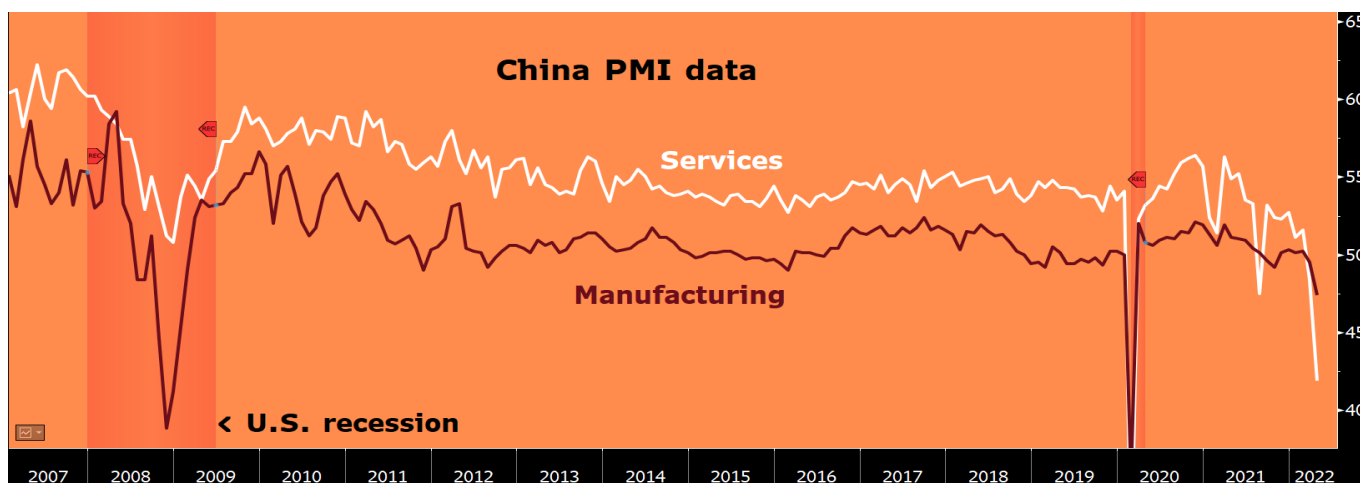
The other key variable driving the tightening of financial conditions is the surge in the US dollar. The indexed graph below of five currencies (EM being a basket of emerging market currencies) starts in January 2021. The white vertical line pegs the start of 2022. As you can see, our loonie has “just” held its own, despite an equally hawkish Central Bank (as the Fed), US\$100 oil and US\$7 natural gas! But look at the Yen, the Euro and the basket of EM currencies. The USD remains supported by growth risks in the EU and policy divergence in Japan. Its strength could become troubling for markets.



Source: Bloomberg

Shifting to China, while COVID-related lockdowns appear likely to ease by the end of May, the following 15-year graph looks downright nasty. The shaded vertical bars mark recessions in the U.S. COVID-related lockdowns have only exacerbated an existing slowdown in the Chinese economy, driven largely by government policy. The “go-go” years for China are in the rear view mirror. For example, China usually constitutes roughly 20% of total sales for Apple Inc. (AAPL.US). In its recently reported fiscal Q1, Apple’s rate of sales growth fell to 3.5% year-over-year from a 21% clip during

Q4. We expect the Chinese government to table more infrastructure stimulus and regulatory easing to try and boost growth, while at the same time slow the depreciation of its currency.



Source: Bloomberg

What hasn't been slowing down is inflation. Last week, our team discussed a report published by the U.S. Bureau of Labor Statistics on the pricing of basic goods in the average U.S. city. The year-over-year increases were staggering: ground beef up 14.9% since last March, bondless stew beef up 24.3%, bacon up 23.1%, bondless chicken breasts up 17.6%, eggs up 25.9%, milk up 17%, frozen orange juice concentrate up 18%, ground coffee up 15.8%. Meanwhile, we continue to believe that energy prices are going to remain high through at least 2023. We forecast oil and natural gas prices averaging US\$95 and US\$6.00 respectively during 2023 (please see 2023 price strips in the graph below), partially due to the war in Ukraine.



Source: Bloomberg

While bulls and bears will debate the near-term supply and demand for oil, our analysis remains focused on the continued medium-term mismatch in energy markets. The war aggravates this gap. As of May 15th, sanctions will limit the ability of a company to engage in financial affairs with Russia. While it's not an oil ban, the major oil trading houses have universally stated they will cease trading Russian oil after this date. In addition, if the EU were to put an embargo on the purchase of any of the 2.2M BOE/day it currently imports from Russia, there is minimal capacity to redirect this volume as the majority of this oil flows to Europe via a pipeline network called Druzhba. For example, there are no pipes to India, limited capacity to China and few available tankers. Available tanker capacity is further limited by the post-sanction inability of the owners to source insurance for tankers carrying Russian energy products.

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Unless the war in Ukraine takes a dramatic turn, we assume Russian production will drop by roughly 2M BOE/day into the Summer. In addition, the vacuum of western technology and talent seems likely to take a longer term toll on energy supply. Hence, while we acknowledge the near-term impact of lockdowns in China and the need to monitor the medium-term risk of slowing economic activity, oil markets appear poised to remain acutely undersupplied. Such an outcome implies further pressure on the pocketbook of the consumer.

While wage growth is strong, it's not nearly high enough for the majority of consumers to pay for the necessities of life. It is also likely too high for many companies to maintain corporate margins. The graph below starts in the year 2000. Note how the employment cost index (white line) has spiked, while continuing claims sit at 21st century lows. Consumer savings rates are the lowest in nine years, while the index of business inflation expectations stands at the highest level in more than two decades. Many companies are likely to not be able to hike prices to cover their rising costs. Most of these companies will have to cut earnings guidance, in turn becoming short sale candidates for the team at Forge First.



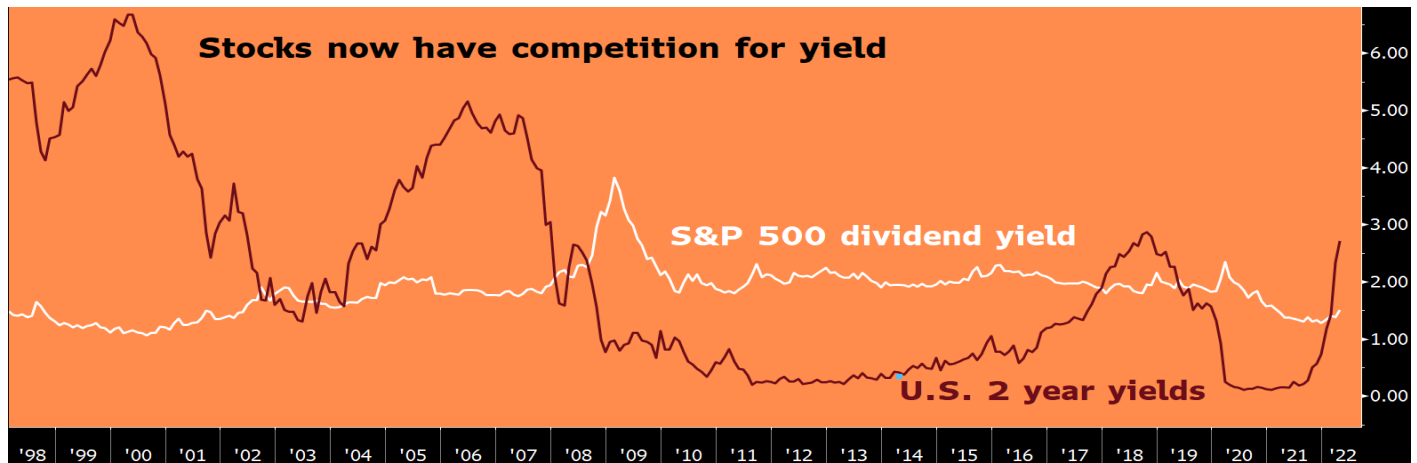
Source: Bloomberg

The six-year graph below summarizes the impact of the four variables identified on the first page of this commentary that have served to rock financial markets year to date. The white line displays the relative strength of cyclical over defensive stocks. The red line on the left vertical axis illustrates the breakeven yield on a 10-year U.S. government bond. Note on the right side of the graph, how the historical relationship has broken down. Other relative strength graphs (Industrials over Utilities, the Russell 2000 over the S&P 500) exhibit a similar decoupling. The market smells a recession, yet there are many signs that the rate of inflation will stay problematically high for central bankers. It is true the law of large numbers will cause reported inflation to decline from current levels; however, supply chain issues and tight labour markets are likely to keep the pressure on central bankers and corporate profit margins.



Source: Bloomberg

Finally, as shown in the graph below, the recent rise in rates has once again made GICs and other secure, short-term fixed income investments a competitive alternative to stocks. The bottom line is simple. It is highly probable that the next 18 months are going to be tough for long-only investors in stocks and bonds. The investment team at Forge First is adept at short selling and using listed options for both defence and offence. At the same time, our free cash flow, large cap, high-quality focused style of North American investing has stood the test of time.



Source: Bloomberg

Thank you for your business and interest in our funds. For more information, please visit our website at www.forgefirst.com or call us at 416-687-6771 should you have any questions.

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