

TITAN CAPITAL MANAGEMENT MONTHLY INVESTMENT REPORT

TCM BOND JANUARY 2022

Portfolio Managers: Brandon Bertnick & Ngoc Nguyen

PERFORMANCE SUMMARY

TCM Bond Statistics vs. Index as of January 31, 2023

Performance	1-month Return 1/31/2023	FTD Return starting 6/30/2022	3-Year starting 1/31/2020	Since Inception starting 10/31/2015	Sharpe Ratio (vs. 10yr Tsy) (3-year)	Information Ratio (3-year)	Weighted Average Statistics as of January 31, 2023	Duration	Credit Quality
TCM Bond Portfolio	2.78%	3.41%	-0.79%	1.80%	-0.73	0.40	TCM Bond Portfolio	4.81	A+
Barclays Aggregate Index	3.08%	0.02%	-2.35%	1.20%	-1.00	n/a	BAGG Index	6.33	AA
Difference:	-0.29%	3.39%	1.56%	0.60%	0.27		Difference:	-1.52	

Returns greater than 1 year are annualized

MONTHLY HIGHLIGHTS

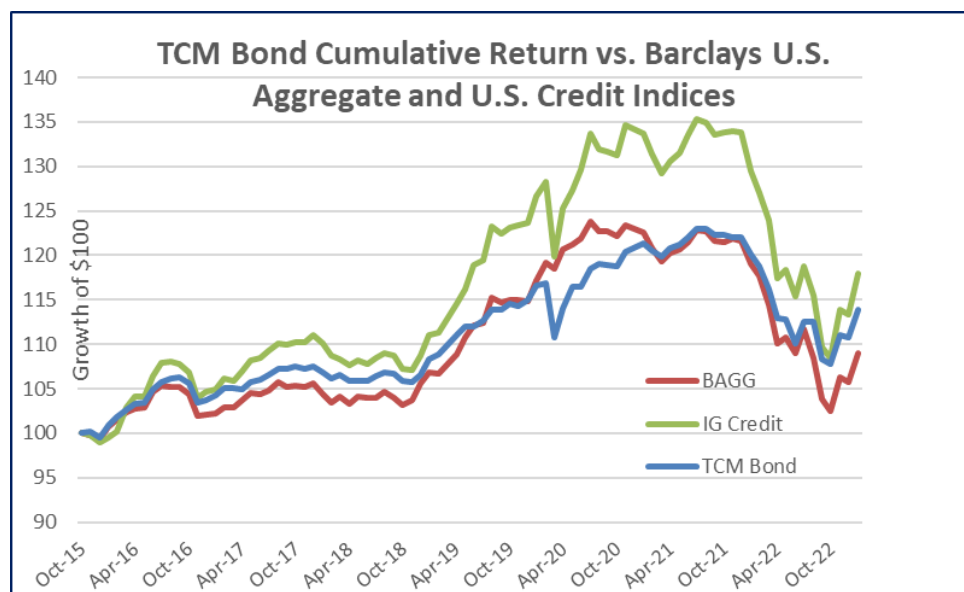
The TCM Bond portfolio underperformed the Bloomberg Aggregate Bond index in the month of January by -0.29% with a monthly return of 2.78% versus the benchmark return of 3.08%.

Contributors

- Our over-allocation to credits helped the portfolio returns as investment grade spreads tightened by 0.20% and high yield spreads tightened by 0.65% in January.
- Equity and fixed income markets rallied due to the expectations of a “dovish Fed.”

Detractors

- The TCM Bond portfolio’s lower duration contributed to its underperformance with longer duration securities outperforming.
- 10-year Treasury yield declined 0.36%, causing long-duration positions to outperform.



ECONOMIC/MARKET OVERVIEW

In January, the headline CPI for December showed a decrease in inflation levels to 6.5% from 7.1%, which caused markets to rally despite the inflation rate still being far from the Federal Reserve's target of 2%. Markets saw the slight decrease in inflation as a sign of hope that the Fed may be slowing down on its rate hikes and possibly even consider cutting rates this year. Markets have underestimated the extent the Fed is willing to go to fight inflation. This optimism caused 10-year Treasury yields to decline 0.36% in January as markets began to price in a more "dovish" stance from the Fed going forward. However, the Fed continues to remind that they are willing to take any necessary action to bring inflation to its target of 2%.

December's hiring and wage growth data showed signs of cooling, which began January's market rally. Moreover, the labor market remained tight with an unemployment rate of 3.5% in December. Spreads shifted into bull market territory with investment grade spreads tightening by 0.20% and high yield spreads tightening 0.65% in January. This decline in inflationary pressures is one of many factors that built hope for smaller, slower rate hikes and rate cuts in 2023. Currently, the Fed is playing a game of tug of war between a tight labor market and monetary policy.

In late January, the market's optimistic momentum declined due to several Fed officials expressing their anticipation of raising rates to slightly above 5% this year. Factory Orders from November fell by 1.8%, which was one of the few disinflationary economic releases in January. As inflationary pressures persist, the Federal Reserve will be more likely to remain hawkish and hold rates longer than the markets expect.

PERFORMANCE COMMENTARY AND INVESTMENT OUTLOOK

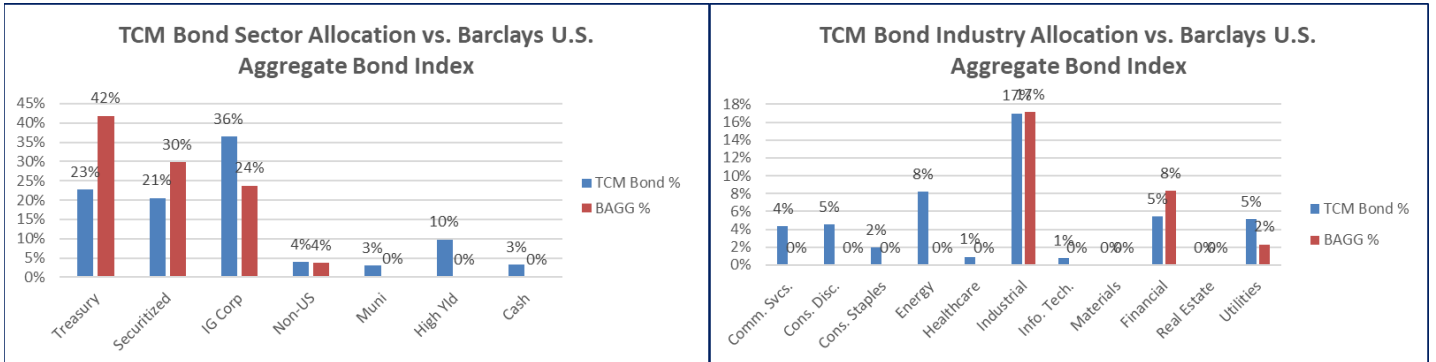
The TCM Bond portfolio underperformed the Bloomberg Aggregate Bond index by -0.29% in January with a monthly return of 2.78% versus the benchmark return of 3.08%. In January 10-year Treasury yield declined 0.37%, causing long-duration positions to outperform. Since the TCM bond portfolio's duration is about 1.52 years shorter than the index, our portfolio was not able to maximize and capture the benefits of the declining yield. Thus, our primary focus is to continue to raise the duration of our portfolio closer to the benchmark.

Our leaders in January were the 20-year Treasury bond returning +5.98%, Bank of America returning +4.67%, and Charter Communications returning +5.54%. All of the leading positions has longer duration which benefitted from the decline in interest rates in January. While both Bank of America and Charter Communications bonds were corporate, Charter yielded higher returns due to longer duration and corporate OAS spread declined 0.40% during the month starting January at 4.70% and ended the month at 4.30%.

Our laggards January were Walgreens returning -1.37% and Xylem returning -1.23%. Walgreens released their Q1 2023 results with data shown that their Q1 sales decreased 1.5% year-over-year. Further more Walgreens free cash flow was in negative \$117 million, a \$762 million decrease from prior year quarter which was primarily driven by lower earnings, phasing working capital, and increased capital expenditures in growth initiatives. The company raised more debt to fund their investment VillageMD footprint expansion. Xylem entered into a definitive agreement to acquire Evoqua in an all-stock transaction that reflects an implied enterprise value of approximately \$7.5 billion. Xylem was already carrying ~\$2.3 billion in debt, the acquisition of Evoqua will add ~\$880 million that Xylem will now assume.

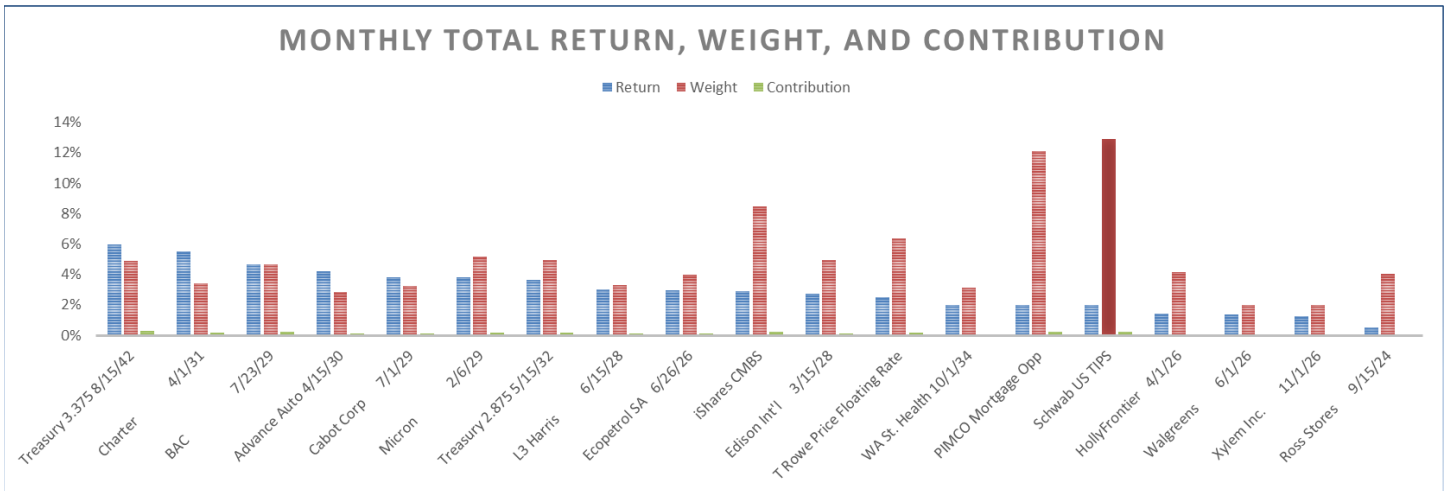
The TCM Bond portfolio still has a high allocation in investment corporates and ~10% in high yield securities. While we believe that the Fed is not done with rate hikes, we plan to continue to lengthen our portfolio's duration. We plan on continuing to sell off more of our corporate positions with lower credit quality tier (BBB and below) and allocate

proceeds into longer duration Treasuries or higher quality investment grade securities. The portfolio's duration is 4.81 years (77% of the index) in January, and we plan on raising our duration to at least 100% of the index or longer. The Fed remains data dependent as they search for more clues and consistent evidence that inflation will return to the Fed's target 2% level.



Weighted Average Statistics as of January 31, 2023	Duration	Credit Quality
TCM Bond Portfolio	4.81	A+
BAGG Index	6.33	AA
<i>Difference:</i>	<i>-1.52</i>	

JANUARY'S LEADERS AND LAGGARDS



LEADERS

20-year Treasury Bond (T 4.17% 08/15/42) [+5.98%]

- The yield for the 20-year treasury declined 0.28% in the month of January.
- Inflation expectations showed signs of softening combined with the Fed's quarter point rate hikes boosted the market's confidence.

Charter Communications Inc. (CHTR 6.26% 04/01/31) [+5.54%]

- The yield for the 10-year treasury declined 0.27% in the month of January.
- OAS spread for HY corporate bonds declined 0.40% in the month of January.

LAGGARDS

Walgreens (WBA 3.45% 06/01/26) [-1.37%]

- Negative \$117 million in free cash flow year-over-year.
- Raised more debt to fund investment in VillageMD.

Xylem Inc. (XYL 3.25% 11/01/26) [-1.36%]

- Entered a \$7.5 billion acquisition deal with Evoqua in an all stock position.
- Assume an additional ~\$880 million of Evoqua on top of their ~2.3 billion debt.

APPENDIX

WORK-IN-PROGRESS

- **BUY** Treasuries: Increase credit rating and portfolio duration
- **SELL** Charter Communications Inc. (161175BU7): 6.26% YTW, 04/01/2023 Maturity
- **SELL** Walgreens
- **SELL** Ross Stores
- **SELL** Schwab U.S. TIPS

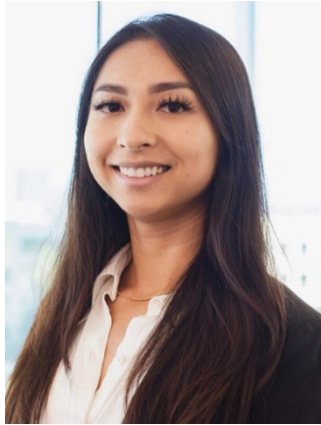
PORTFOLIO HOLDINGS

TCM Bond Portfolio as of 1/31/2023										Portfolio market value: \$480,836			
Diversified Mutual Funds													
Cusip/Ticker	Description	Coupon	Maturity	Quantity	1/31/2023	Purchase Price	Rating	Bond Sector	Sub-Sector	Duration	YTM	% Wgt	Mkt. Value
U.S. Government/Agency													
Cusip/Ticker	Description	Coupon	Maturity	Quantity	1/31/2023	Purchase Price	Rating	Bond Sector	Sub-Sector	Duration	YTM	% Wgt	Mkt. Value
SCHP	Schwab US TIPS	0.000	17-Nov-2029	1,177	52.810	57.728	AAA	Treasury	Treasury	6.80	4.01%	12.9%	\$ 62,157
91282CEP2	Treasury 2.875 5/15/32	2.875	15-May-2032	25,000	95.250	94.531	AAA	Treasury	Treasury	7.99	3.48%	5.0%	\$ 23,813
912810TK4	Treasury 3.375 8/15/42	3.375	15-Aug-2042	25,000	94.500	86.448	AAA	Treasury	Treasury	13.79	3.78%	4.9%	\$ 23,625
Securitized													
Cusip/Ticker	Description	Coupon	Maturity	Quantity	1/31/2023	Purchase Price	Rating	Bond Sector	Sub-Sector	Duration	YTM	% Wgt	Mkt. Value
CMBS	iShares CMBS	0.000	9-Jul-2027	864	47.250	50.570	AAA	Securitized	Mortgage	4.44	5.28%	8.5%	\$ 40,824
PMZAX	PIMCO Mortgage Opp	0.000	13-Apr-2025	6,093	9.540	11.050	AA	Securitized	Mortgage	2.20	5.06%	12.1%	\$ 58,127
Corporate - Investment Grade													
Cusip/Ticker	Description	Coupon	Maturity	Quantity	1/31/2023	Purchase Price	Rating	Bond Sector	Sub-Sector	Duration	YTM	% Wgt	Mkt. Value
778296AA1	Ross Stores	3.375	15-Jun-2024	20,000	97.268	99.090	BBB+	IG Corp	Cons. Disc.	1.31	5.47%	4.0%	\$ 19,454
595112BN2	Micron	2/6/29	6-Nov-2028	25,000	99.375	105.898	BBB-	IG Corp	Industrial	4.84	5.45%	5.2%	\$ 24,844
436106AA6	HollyFrontier	4/1/26	1-Jan-2026	20,000	100.188	106.852	BBB-	IG Corp	Energy	2.63	5.80%	4.2%	\$ 20,038
931427AQ1	Walgreens	6/1/26	1-Mar-2026	10,000	96.055	98.599	BBB	IG Corp	Cons. Staples	2.83	4.84%	2.0%	\$ 9,605
98419MAJ9	Xylem Inc.	11/1/26	1-Nov-2026	10,000	95.178	103.600	BBB	IG Corp	Industrial	3.44	4.67%	2.0%	\$ 9,518
281020AM9	Edison Int'l	3/15/28	15-Mar-2028	25,000	95.071	107.400	BBB-	IG Corp	Utilities	4.46	5.23%	4.9%	\$ 23,768
502431AM1	L3 Harris	6/15/28	15-Mar-2028	16,000	99.340	107.929	BBB	IG Corp	Industrial	4.46	4.54%	3.3%	\$ 15,894
127055AL5	Cabot Corp	7/1/29	1-Jul-2029	17,000	92.503	109.002	BBB	IG Corp	Industrial	5.52	5.40%	3.3%	\$ 15,726
00751YAE6	Advance Auto	4/15/30	15-Apr-2030	15,000	91.134	115.677	BBB-	IG Corp	Industrial	6.05	5.40%	2.8%	\$ 13,670
06051GHV4	BAC	7/23/29	23-Jul-2029	25,000	89.753	105.176	A-	IG Corp	Financial	5.71	5.07%	4.7%	\$ 22,438
Corporate - Below Investment Grade													
Cusip/Ticker	Description	Coupon	Maturity	Quantity	1/31/2023	Purchase Price	Rating	Bond Sector	Sub-Sector	Duration	YTM	% Wgt	Mkt. Value
PRFRX	T Rowe Price Floating Ra	0.000	8-Aug-2023	3,344	9.170	9.570	B+	High Yld	Diversified	0.52	7.14%	6.4%	\$ 30,662
161175BU7	Charter	4/1/31	1-Apr-2031	20,000	82.089	96.665	BB+	High Yld	Comm. Svcs.	6.97	5.56%	3.4%	\$ 16,418
Municipal													
Cusip/Ticker	Description	Coupon	Maturity	Quantity	1/31/2023	Purchase Price	Rating	Bond Sector	Sub-Sector	Duration	YTM	% Wgt	Mkt. Value
93978HGA7	WA St. Health	10/1/34	1-Oct-2034	15,000	100.009	102.544	A+	Muni	Municipal	9.12	4.00%	3.1%	\$ 15,001
International													
Cusip/Ticker	Description	Coupon	Maturity	Quantity	1/31/2023	Purchase Price	Rating	Bond Sector	Sub-Sector	Duration	YTM	% Wgt	Mkt. Value
279158AL3	Ecopetrol SA	6/26/26	26-Mar-2026	20,000	96.375	107.475	BB+	Non-US	Energy	2.78	6.67%	4.0%	\$ 19,275
Preferred Stock and Convertibles													
Cusip/Ticker	Description	Coupon	Maturity	Quantity	1/31/2023	Purchase Price	Rating	Bond Sector	Sub-Sector	Duration	YTM	% Wgt	Mkt. Value
Cash and Cash Equivalents													
Cusip/Ticker	Description	Coupon	Maturity	Quantity	1/31/2023	Purchase Price	Rating	Bond Sector	Sub-Sector	Duration	YTM	% Wgt	Mkt. Value
n/a	Accrued income											0.7%	\$ 3,195
n/a	Cash	0.100	31-Jan-2024	12,784	100.000	100.00	AAA	Cash	Cash	1.00	0.10%	2.7%	\$ 12,784
Portfolio Characteristics (weighted average):										A+	4.81	4.88%	\$ 480,836

PORTFOLIO MANAGEMENT TEAM



Brandon Bertnick



Ngoc Nguyen

REFERENCES:

https://www.wsj.com/articles/bright-start-for-bonds-to-new-year-eases-market-pressures-11673733463?mod=saved_content

https://www.wsj.com/articles/global-stocks-markets-dow-update-01-19-2023-11674130426?mod=saved_content

https://www.wsj.com/articles/top-fed-official-sees-inflation-decline-as-notable-improvement-11674152117?mod=article_inline

https://www.wsj.com/articles/december-jobs-report-unemployment-rate-economy-growth-2022-11672961227?mod=article_inline