



TIMBER POINT  
CAPITAL MANAGEMENT

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**ALTERNATIVE INCOME STRATEGY**

**SEPTEMBER 2023**

# FIRM OVERVIEW

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Timber Point Capital Management, LLC is a New York based, boutique asset management firm providing multi-asset investment solutions to a wide range of clientele, including direct investors, institutional investors, financial advisers and registered funds.

*The investment team at Timber Point Capital Management has successfully worked together since 2004.*

# TIMELINE

## Investment Team Timeline

19 years working together

### David Cleary, CFA - Founder, Portfolio Manager

Timber Point  
Capital Management

UBS Asset Management

Lazard Asset Management

Crow Point Partners

'92 '93 '94 '95 '96 '97 '98 '99 '00 '01 '02 '03 '04 '05 '06 '07 '08 '09 '10 '11 '12 '13 '14 '15 '16 '17 '18 '19 '20 '21 '22 '23

A.B. Laffer/V.A. Canto & Assoc

La Jolla  
Economics

Lazard Asset  
Management

Crow Point Partners

### Victor Canto, PhD - Macroeconomic Advisor

Timber Point  
Capital Management

# STRATEGY OVERVIEW

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## DESCRIPTION

- Fixed income diversification strategy that seeks to outperform high grade fixed income by investing in unique, higher yielding investments while mitigating structural interest rate risk

## OBJECTIVE

- Seeks superior risk-adjusted returns within fixed income universe
- Targeted annualized 5-year net return of Barclays Aggregate plus 150bps
- Targeted risk similar to high-grade fixed income

## UNIVERSE

- Corporate credit including high yield bonds, asset and mortgage-backed securities, emerging market debt including local and hard currency, bank loans, dividend oriented equities, select private investments and other income generating securities
- Category: Morningstar Non-Traditional Bond

## ACCESSIBILITY

- The strategy is accessible via Mutual Fund and Separately managed account

# ROLE IN PORTFOLIO

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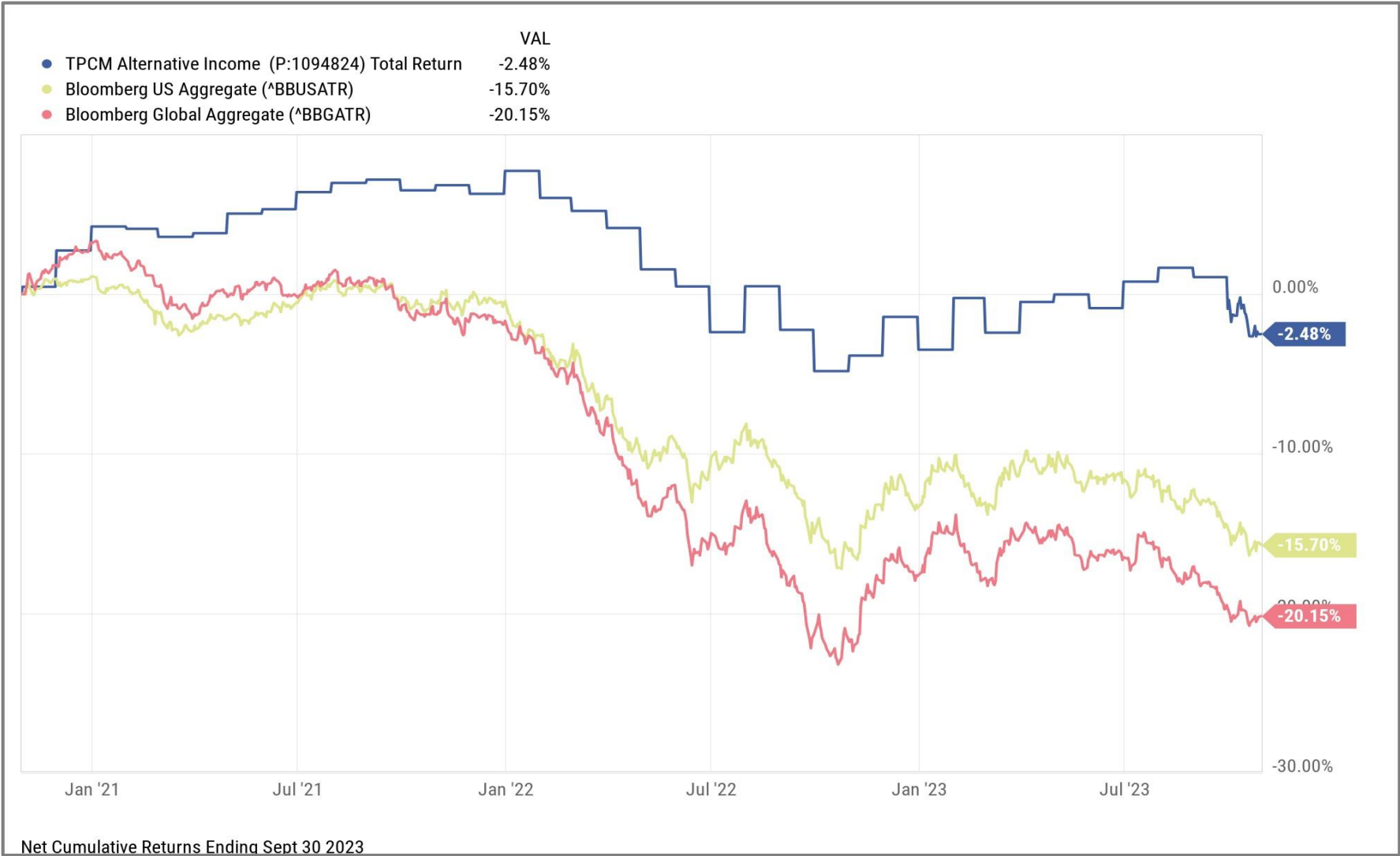
*Volatility within bonds and other income investments has sharply increased. Investors will require an opportunistic strategy within portfolios to diversify risk and take advantage of opportunities.*

- Fixed Income diversification strategy designed to complement traditional bond portfolios
- Aims to diversify return streams beyond traditional fixed income investments
- Seeks to achieve volatility that is similar to traditional bond investments and lower than equity investments

# TPCM ALT INCOME vs BOND MARKET

## Timber Point Alternative Income Strategy vs Bloomberg Aggregate Bond Indices

3 Year Net Cumulative Returns

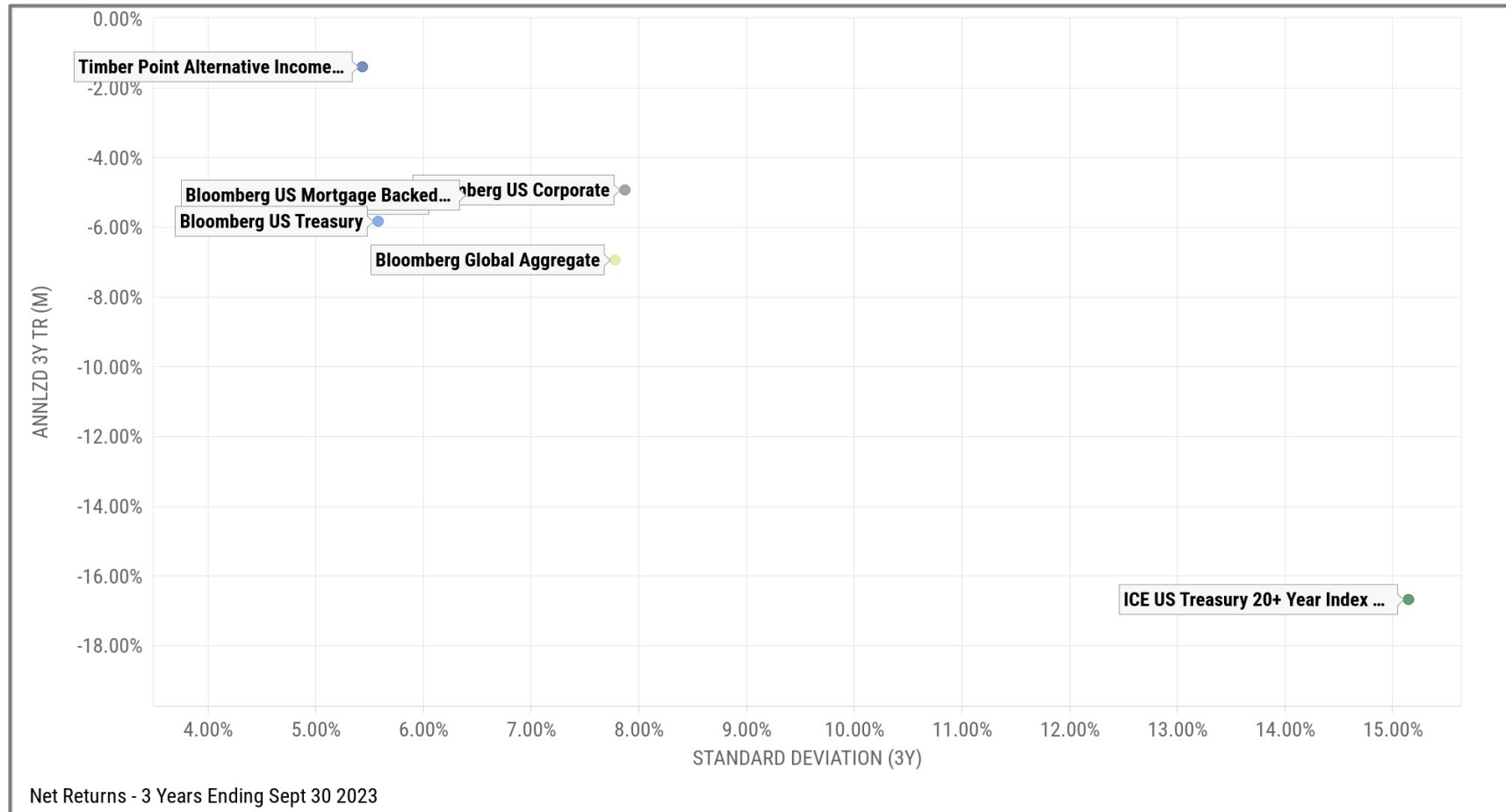


*\*Past performance is not indicative of future results. Returns are presented Net of management fees and include the reinvestment of all income. Source: Longspeak Advisory Services. & YCharts. Please see appendix for full disclosure.*

# RISK & RETURN PROFILE

## Timber Point Alternative Income Strategy vs Traditional Bond Sectors

3 Year Annualized Ending September 30, 2023



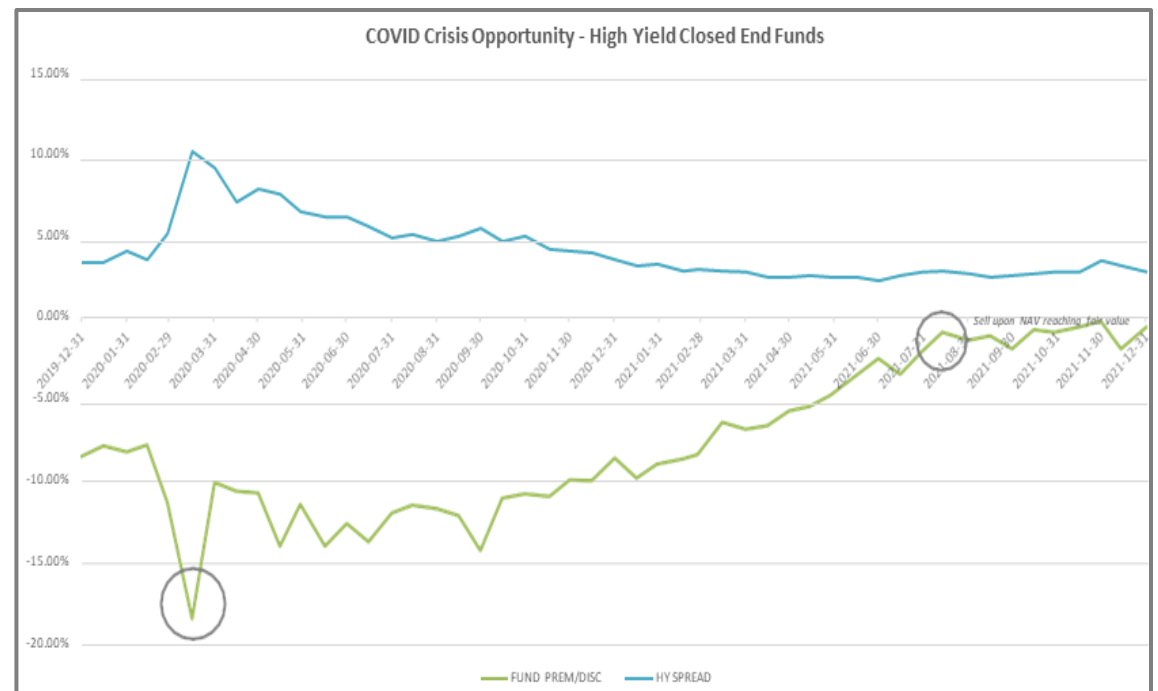
- Bonds and other income investments have suffered due to increasing inflation and monetary policy
- Opportunities have become more attractive as rates have normalized
- Strategy goal: Enhance income and return without structurally changing portfolio risk profile

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# INVESTMENT PROCESS

## Security Selection

- Macro Investment Trade
- On the back of COVID-19 crisis, high yield credit spreads widen to levels not seen since 2008 Global Financial Crisis
- Company specific fundamentals deteriorate sharply with shutdown of the economy
- Federal Reserve initiates expanded quantitative easing program increasing the balance sheet to \$7 Trillion including corporate bonds, as assets available to purchase
- Trade: purchase high yield credit closed end funds trading at significant discount to NAV, yielding 13%, in anticipation of high yield market improvement and a narrowing of the discount to NAV



Any information is for illustrative purposes only and is not intended to serve as investment advice since the availability and effectiveness of any strategy is dependent upon individual facts and circumstances. Past performance is no guarantee of future results.



# INVESTMENT PROCESS

## Security Selection

- Apple Corporation is one of the world's leading technology companies and is the largest publicly traded market company in the world, by market capitalization
- Apple has \$122 billion in outstanding debt and \$193 billion in cash on the balance sheet. The company is expected to generate over \$70 billion in free cash flow in 2021
- Apple debt is rated AA+ by Moody's despite having credit and cash flow metrics that justify AAA rating
- Trade: purchase AAPL 2.4% 8/20/50 @ 100bps over US Treasuries in anticipation of 40 to 50bps of credit tightening

### APPLE INC (AAPL US) - ADJ HIGHLIGHTS

In Millions of USD 12 Months Ending	Current / LTM 06/27/2020	FY 2020 Est 09/30/2020	FY 2021 Est 09/30/2021
Market Capitalization	1,889,146.1		
- Cash & Equivalents	193,617.0		
+ Preferred & Other	0.0		
+Total Debt	122,186.0		
Enterprise Value	1,817,715.1		
Revenue, Adj	273,857.0	272,650.3	308,362.6
Growth% YoY	5.7	4.8	13.1
Gross Profit, Adj	104,580.0	104,070.6	119,114.3
Margin %	38.2	38.2	38.6
EBITDA, Adj	79,784.0	76,660.5	88,215.3
Margin %	29.1	28.1	28.6
Net Income, Adj	58,412.9	57,145.8	65,003.9
Margin %	21.3	21.0	21.1
EPS, Adj	3.29	3.23	3.84
Growth % YoY	12.0	8.7	18.8
Cash from Operations	80,008.0		
Capital Expenditures	-8,302.0	-9,003.2	-11,295.3
Free Cash Flow	71,706.0	68,162.5	73,085.9

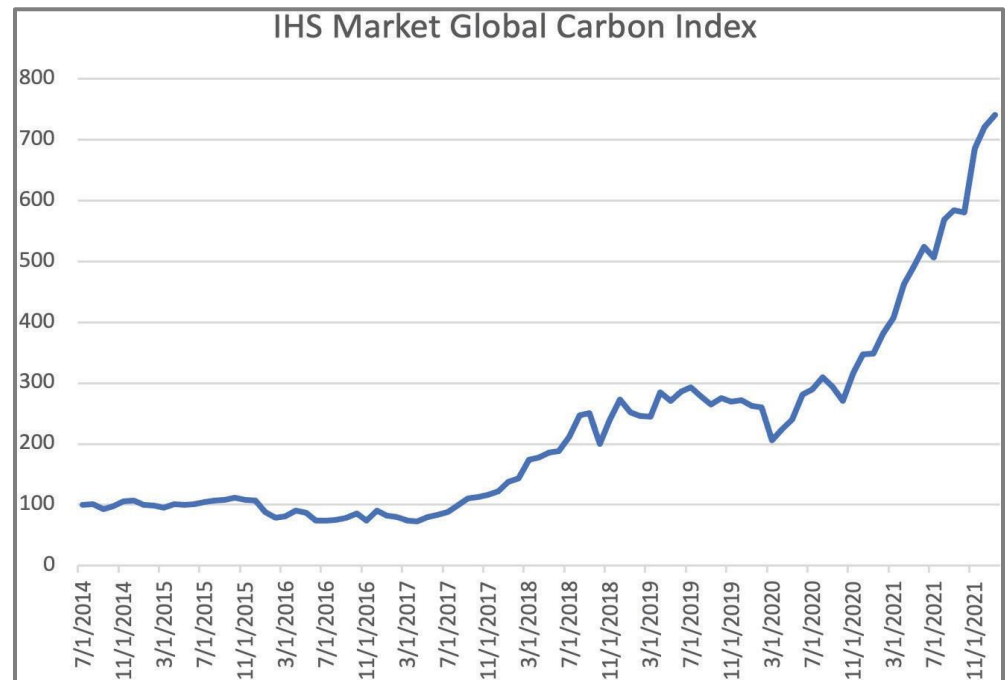
Source: Bloomberg

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# INVESTMENT PROCESS

## Security Selection

- Under the 2005 Kyoto Protocol 170 countries agreed that market mechanisms could be adopted to mitigate the growth of greenhouse gases and to lower corporate carbon footprints
- Carbon Credit Markets have developed in order to facilitate that goal; growing in acceptance and utility
- The market size for carbon credit trading now exceeds \$300 billion per year
- High emission companies purchase credits to offset emissions inherent in their general business activities and to adhere to government standards
- Trade: Purchase global carbon credit ETN to participate in this secular trend and to diversify portfolio in an asset uncorrelated to traditional equity or debt markets

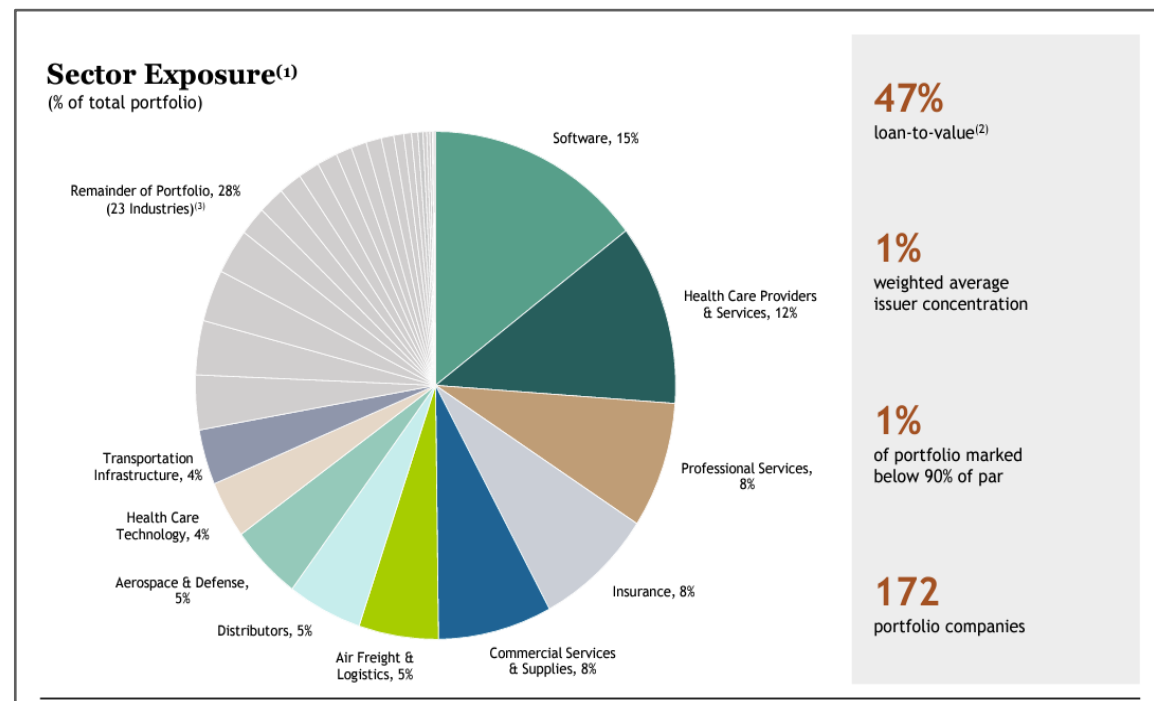


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# INVESTMENT PROCESS

## Security Selection

- Alternative Lending – Secured Loan Portfolio
- A diversified pool of unique, non-public, income generating secured loans
- Niche sectors with attractive yield profiles
- Low correlation to traditional bond investments
- Rigorous sourcing, due diligence and risk management processes
- Not heavily influenced by leverage, macro variables or equity risks



Managed through Blackstone

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# HOLDINGS & STATISTICS

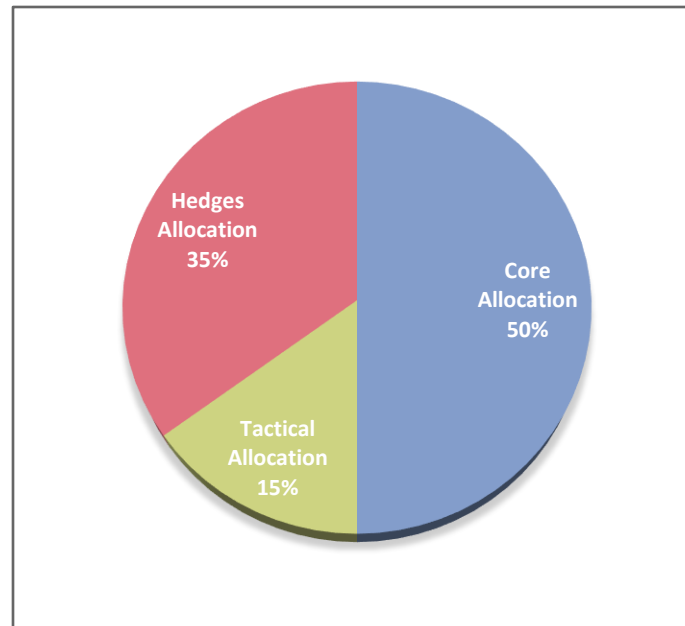
## TOP HOLDINGS IN EACH CATEGORY

	Long/Short	% of Allocation
<b>Core Allocation</b>		<b>50%</b>
High Yield Corporate Bonds	Long	18%
Short Term Corporate Bonds	Long	17%
Core Bonds	Long	15%
<b>Tactical Allocation</b>		<b>15%</b>
Income Oriented Equities	Long	8%
Closed End Funds	Long	4%
Business Development Loans	Long	2%
<b>Hedges Allocation</b>		<b>35%</b>
Short Duration Treasuries	Long	16%
Long Duration Treasuries	Long	13%
Cash	Long	6%

## KEY STATISTICS

Exp Risk	5.6
Exp Beta to Fixed Income	0.7
Exp Beta to Equities	0.3
Gross Yield	6.2%
Avg Duration	4.8
Avg Credit Quality	A

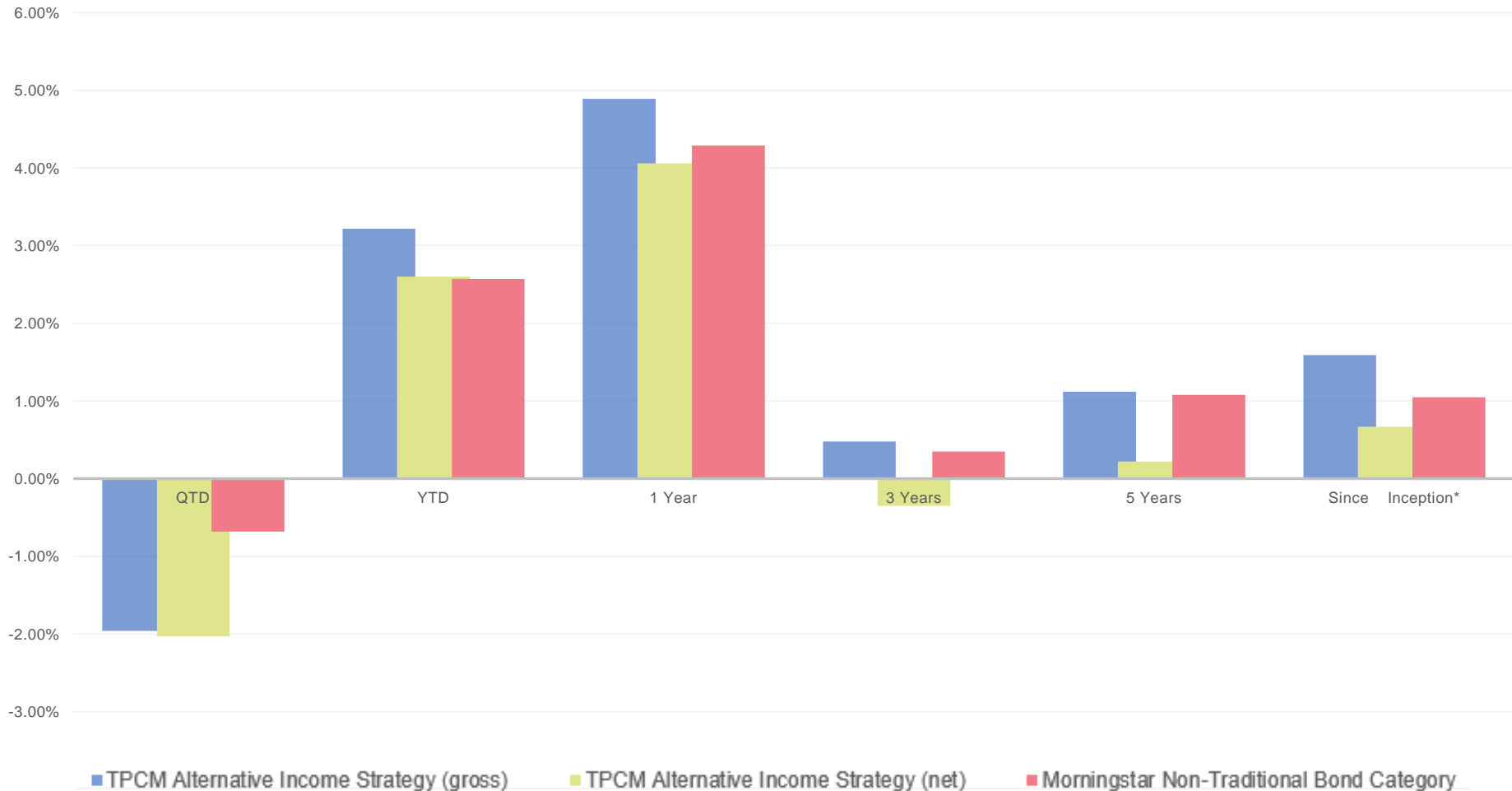
## PORTFOLIO ALLOCATIONS



Source: Bloomberg PORT, TPCM

# COMPOSITE PERFORMANCE

## ALTERNATIVE INCOME STRATEGY RETURNS (as of 09/30/23)



	<u>QTD</u>	<u>YTD</u>	<u>1 Year</u>	<u>3 Years</u>	<u>5 Years</u>	<u>Since Inception*</u>
TPCM Alternative Income Strategy (gross)	-1.96%	3.22%	4.89%	0.48%	1.12%	1.59%
TPCM Alternative Income Strategy (net)	-2.03%	2.60%	4.06%	-0.35%	0.22%	0.67%
Morningstar Non-Traditional Bond Category	-0.68%	2.57%	4.29%	0.35%	1.08%	1.05%

\*Inception Oct 1 2017. Past performance is not indicative of future results. Returns are presented Net of management fees and include the reinvestment of all income.  
Source: Longspeak Advisory Services. & Morningstar Direct. Please see appendix for full disclosure.

# COMPOSITE PERFORMANCE

## MONTHLY & CALENDAR YEAR RETURNS (net of fees)

		<u>JAN</u>	<u>FEB</u>	<u>MAR</u>	<u>APR</u>	<u>MAY</u>	<u>JUN</u>	<u>JUL</u>	<u>AUG</u>	<u>SEP</u>	<u>OCT</u>	<u>NOV</u>	<u>DEC</u>	<u>YEAR</u>
<b>2023</b>	TPCM Alternative Income (Net)	3.36%	-2.18%	1.98%	0.54%	-0.86%	1.68%	0.93%	-0.51%	-1.96%				3.22%
	Morningstar® Non-Trad Bond	2.17%	-0.83%	0.20%	0.43%	-0.31%	0.80%	0.87%	-0.58%	-2.03%				2.60%
<b>2022</b>	TPCM Alternative Income (Net)	-1.58%	-0.77%	-1.02%	-2.49%	-1.06%	-2.85%	2.95%	-2.72%	-2.65%	1.03%	2.53%	-2.09%	-10.38%
	Morningstar® Non-Trad Bond	-0.89%	-0.97%	-0.72%	-1.38%	-0.40%	-2.48%	1.64%	-0.63%	-2.18%	0.13%	1.75%	-0.20%	-6.24%
<b>2021</b>	TPCM Alternative Income (Net)	-0.16%	-0.51%	0.20%	1.16%	0.27%	1.02%	0.55%	0.20%	-0.63%	0.31%	-0.51%	1.36%	3.29%
	Morningstar® Non-Trad Bond	0.27%	0.21%	-0.04%	0.67%	0.35%	0.35%	-0.01%	0.28%	-0.32%	-0.09%	-0.66%	0.54%	1.55%
<b>2020</b>	TPCM Alternative Income (Net)	0.43%	-0.73%	-9.17%	2.41%	2.10%	0.95%	2.90%	0.08%	-0.99%	0.44%	2.24%	1.46%	1.56%
	Morningstar® Non-Trad Bond	0.25%	-0.65%	-7.36%	1.93%	2.12%	1.25%	1.91%	0.71%	-0.26%	0.15%	2.02%	1.28%	3.01%
<b>2019</b>	TPCM Alternative Income (Net)	3.58%	0.32%	0.81%	2.00%	-0.03%	0.79%	0.32%	-0.50%	0.32%	0.67%	0.20%	1.05%	9.88%
	Morningstar® Non-Trad Bond	1.79%	0.66%	0.28%	0.77%	-0.24%	1.01%	0.43%	-0.22%	0.31%	0.30%	0.27%	1.16%	6.70%
<b>2018</b>	TPCM Alternative Income (Net)	1.03%	-1.91%	-0.16%	0.20%	1.04%	-0.27%	0.08%	1.04%	-0.39%	-3.23%	0.45%	-1.88%	-4.02%
	Morningstar® Non-Trad Bond	0.67%	-0.41%	-0.16%	0.09%	-0.47%	-0.13%	0.71%	-0.29%	0.42%	-0.62%	-0.41%	-0.68%	-1.29%
<b>2017</b>	TPCM Alternative Income (Net)										0.69%	0.92%	0.67%	2.30%
	Morningstar® Non-Trad Bond										0.19%	0.02%	0.24%	0.45%

*\*Inception Oct 2017*

*All returns are in US Dollars (\$)*

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*Source: Longspeak Advisory Services & Morningstar Direct. Please see appendix for disclosure.*

# TEAM BIOGRAPHIES

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**DAVID CLEARY, CFA**

**David Cleary, CFA** is the President and Chief Investment Officer at Timber Point Capital Management, LLC. Prior to founding TPCM, David served as the Chief Investment Officer at Crow Point Partners. Before Crow Point, Mr. Cleary spent 23 years at Lazard Asset Management where he held a series of senior portfolio management roles over multi-asset and global fixed income strategies. Additionally, he served as the firm's global head of fixed income, a \$26 billion platform. Prior to Lazard, David worked at UBS and IBJ Schroder, mostly in fixed income asset management roles. He began working in the asset management field in 1987 upon his graduation from Cornell University, with a BS in Business Management and Applied Economics. Mr. Cleary holds a Chartered Financial Analyst (CFA) designation.



**VICTOR CANTO, PHD**

**Victor Canto, Ph.D.** is the economic consultant to Timber Point Capital Management. Victor founded La Jolla Economics Inc., an economics consulting firm. From 2004 to 2016 he was an adviser to the Lazard Capital Allocator Series. From 1993 to 1998, he was Chief Investment Officer, Director of Research and portfolio manager at Calport Asset Management. From 1989 to 1997 he was President and Director of Research at A. B. Laffer, V. A. Canto and Associates. Victor has been an adviser to governments and a tenured finance and economics professor at the University of Southern California. He received his doctorate in Economics and a Master of Arts degree in Economics from the University of Chicago and his Bachelor of Science degree in Civil Engineering from the Massachusetts Institute of Technology in 1972.



**PATRICK MULLIN, CFA**

**Patrick Mullin, CFA** is a Partner and Managing Director at Timber Point Capital Management, LLC. Mr. Mullin is the Founder and CIO of Ardara Capital, a small and mid capitalization hedge fund founded in 2011. From 2013 through 2017, Mr. Mullin served as a consultant at DeepDive Automated Research, a financial technology company, where he fostered client and strategic relationships. Prior to Ardara Capital, Mr. Mullin spent 10 years at Lazard Asset Management where he was the Portfolio Manager for the \$3 billion AUM U.S. Small Cap Product in addition to his analytical coverage of the energy, technology and healthcare industries. Patrick is a graduate of Trinity College, has an M.B.A. from The University of North Carolina at Chapel Hill and holds a Chartered Financial Analyst (CFA) designation.

# DISCLOSURES

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**TIMBER POINT ALTERNATIVE INCOME STRATEGY** includes all institutional portfolios that invest in the firm's Alternative Income strategy. The strategy seeks superior risk-adjusted total returns by allocating capital across a wide variety of income-oriented asset classes and investments and will actively adjust exposures based on the manager's fundamental views. The strategy is implemented utilizing a process that seeks to balance risks within the strategy framework. The strategy primarily invests in Exchange Traded Funds, Closed-end Funds and Open-end Funds, but may also utilize individual stocks and bonds. The composite benchmark is the Morningstar® Non-Traditional Bond Category includes portfolios and funds that pursue strategies that are different from conventional practice in the broader bond strategy universe.

From inception until March 2020, the track record represents the investment team's performance while at Crow Point Partners. From April 2020 until present the track record represents the investment team's performance at Timber Point Capital Management.

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All returns are in US Dollars (\$)

Past performance is not indicative of future results.

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