MULVIHILL PREMIUM YIELD

Q1 2023

5.5%
Current Yield

Monthly Distributions

MPY Highlights

Total Distributions Paid Since Inception $1.72

11.1% annualized return over past 3-years

Growth in NAV net of distributions paid

Lower volatility & drawdowns

ROC Distributions

The Mulvihill Premium Yield Fund "MPY" (Class I) returned -0.7% in the first quarter vs the benchmark return of 0.1%.

The fund was able to generate substantial premium from our option strategies to fund the three monthly distributions paid during the first quarter totaling $0.14. Since inception of the fund, MPY has returned 5.3% per annum, paid $1.72 in ROC distributions, and achieved these results with approximately half the volatility of Canadian Dividend strategies.

Strong performance from a handful of stocks was enough to lift equity markets in the first quarter and provide a sense of relief to investors' portfolios after a difficult 2022. The reality is that most investors that outperformed last year likely missed the bounce over the past three months. Simply put, what didn't work in 2022 has worked so far in 2023. We have not been secretive of our views on the market and the Fed, and not much has changed to move us into the bull camp. Inflation remains stubbornly high and recent cuts by OPEC will not help alleviate this situation. The banking crisis in the U.S. has hopefully opened the eyes of Fed officials to the self induced pickle they find themselves in as they now attempt to tightrope between containing inflation and systemic bank failures (good luck). We remain cautious on equity markets throughout 2023 as the lagged effects of tighter policy begin to emerge in corporate earnings and economic data.

Inception 11/29/2019
Data is for Mulvihill Premium Yield Fund - Class I
Call Writing Benchmark = 50% S&P/TSX60 Covered Call Index (2% OTM), 50% CBOE S&P 500 BuyWrite Index (CAD)

BANK RUN

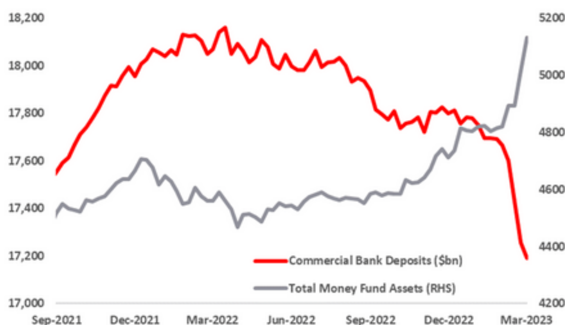
Portfolio Manager Commentary

Fed's Williams Dismisses Link Between Rapid Rate Hikes and Bank Stress

As we sat down to put pen to paper on our quarterly commentary, the above headline crossed the Bloomberg terminal. To their credit, policy makers acted decisively and the immediate panic surrounding the banking crisis appears to have subsided. However, the comments from Williams and other Fed officials continue to show they are blind to the repercussions of their singular focus of fighting inflation. The basic problem exists in that people are still incentivized to move out of low yielding bank accounts. To see this in action, I encourage you to head to your local bank. Bank tellers are as aggressive to move you into GICs as those friendly telemarketers are to clean your air ducts. Further rate hikes will continue to exacerbate this issue as 5+% money market funds will cause a continuation in the trend in the chart below. Compounding the problem is the speed and ease of mobile banking to facilitate these moves.

Commercial Bank Deposits vs Total Money Fund Assets

Commercial bank deposits have declined over $470bn since the beginning of March and nearly $1trn since the peak around a year ago

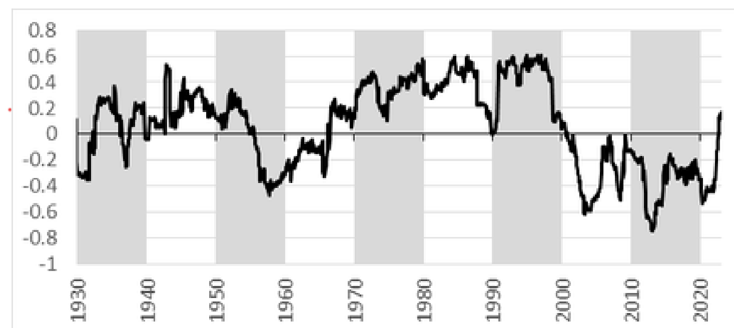


Source: Federal Reserve, Scoiete Generale

One thing the U.S. regional banking crisis did accomplish was pulling forward expectations for interest rate cuts. The market is pricing in one more potential rate hike in May, followed by a Fed pivot and a large easing cycle starting in the back half of 2023. This shift in sentiment reverberated across asset classes. The 2-year Treasury yield posted its biggest weekly decline in more than three decades. Lower interest rates and a flight to quality balance sheets caused mega-cap Technology stocks to rally aggressively, and propel the broad market averages to impressive gains in the first quarter.

It is well covered in the media at this point that a handful of technology centric stocks were responsible for 80% of the gains of the S&P500 in the first quarter. What is often left out is that these same stocks contributed over 60% of the decline in the market last year. With the Technology sector accounting for 27% of the S&P 500, the direction of these mega-cap stocks is increasingly important. This remains troubling for investors as the group continues to trade like bonds (inversely to interest rates) causing stock and bond correlations to turn positive for the first time in over 20 years.

3Y Trailing Monthly Stock-Bond Correlations, 1929–2023



Source: Verdad Research, SBBI Ibbotson US Large Stocks and US LT Govt until 1989. Bloomberg thereafter.

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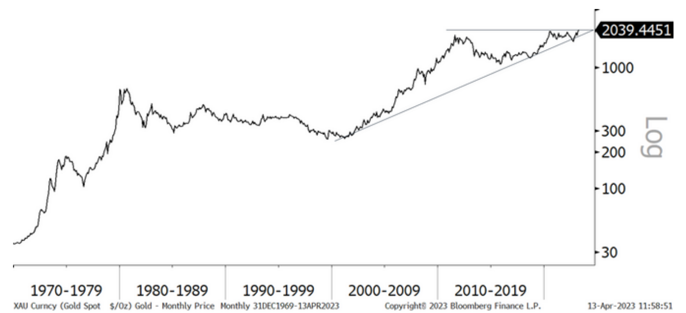
Gold price at all-time highs



Source: Bloomberg, Mulvihill Capital Management

This puts the market and the Fed in a precarious position. Continue to raise rates to fight inflation and you risk more deposit outflows, financial stress and declining equity and fixed income markets. Pause or cut rates and you risk higher inflation becoming entrenched. The worst case scenario is one where both stickier inflation , slower growth and financial instability persist together. This would ultimately result in looser policy, bailouts and a return to quantitative easing.

The price action of Gold is telling us the probability of this scenario is on the rise. It looks poised to benefit from either scenario, higher inflation or crisis. We continue to highlight in meetings the asymmetric nature of this trade. As the chart below suggests, a breakout to all-time highs likely wont see gold move slightly higher, but rather explode higher. While we don't wish for such a scenario to unfold, we have significantly increased our exposure to this group over the past few months.

With correlations on the rise, the Mulvihill Premium Yield Fund (MPY) continues to offer investors a hybrid solution between dividend stocks and bonds. Since inception, MPY has delivered total returns closer to stocks, with risk closer to fixed income investments. It continues to utilize the capital loss carryforwards to shelter capital gains income generated from our option strategies to provide tax-efficient ROC distributions to unitholders. Looking at the negative 4.5% return of bonds (see table below) since MPY was launched in November 2019 highlights the challenges for this asset class in a rising rate environment. While higher interest rates are tempting investors into fixed income, one cannot forget their is a capital appreciation / depreciation component to these investments. The capital losses incurred from rising rates can be enough to offset the income received, resulting in negative total return.

Performance (as of 3/31/2023)	Total Return	Volatility (Std Dev)	Yield	Tax Treatment	Sharpe Ratio
Mulvihill Premium Yield Fund	18.8%	11.7%	5.5%	ROC	.38
S&P/TSX Dividend Aristocrats Index	24.9%	19.6%	4.4%	Dividend	.31
Canada Aggregate Bond Index	-4.5%	6.4%	3.9%	Interest	-ve

Since Inception of MPY on 11/29/2019
Class I Total returns net of fees and expenses and annualized for periods longer than 1 year
Source: Bloomberg, Mulvihill Capital Management

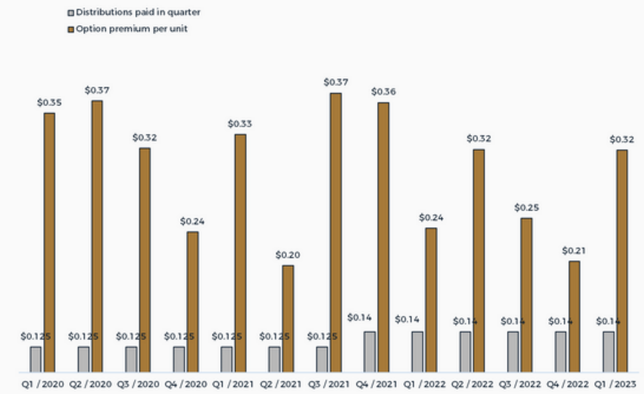
Enhanced Tax-efficient Yield:

Delivering tax-efficient income to unitholders is the primary objective of MPY. Our goal is to achieve a minimum of 50bps in option premiums per month (6% per year) to fund the targeted 5% distribution per annum.

Market volatility ("VIX Index") traded in a wide range of 17.9 to 26.5 in the first quarter. Our option strategies were able to capitalize on this elevated volatility, generating 3.1% in option premiums in the quarter. Since inception, the fund has generated, on average, 1.0% per month, nearly double the 50bps objective.

In aggregate, MPY unitholders have received distributions totaling $1.72 per unit since inception. The income generated in the portfolio through our active option strategies have more than covered the distributions paid.

MPY distributions remain well funded from option premiums



Source: Bloomberg, Mulvihill Capital Management

Performance (as of 3/31/2023)	1 Yr	3 Yr	Since Inception
Mulvihill Premium Yield Fund	-7.1%	11.1%	5.3%
Call Writing Benchmark**	-5.8%	11.9%	3.6%

Inception 11/29/2019
Class I Total returns net of fees and expenses and annualized for periods longer than 1 year
**Call Writing Benchmark = 50% S&P/TSX60 Covered Call Index (2% OTM), 50% CBOE S&P 500 BuyWrite Index (CAD)
Source: Bloomberg, Mulvihill Capital Management

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