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Q1 Summary, Coyote One, Bermuda-based Small Cap Stock Fund, 05.07.2020

Q1 2021 performance was quite the road trip, and it looks like our mantra of recovery is coming true. The projection was based on logic and the assumption that science would prevail. Simply put, the pandemic was viral in nature. In January we noted that technology was sophisticated enough, and science would develop a cure. The unknown variable was the timing. After the Moderna vaccine came out it was a matter of time before competing brands would follow with EUA certifications. These factors formed our notion of an inevitable recovery.

The markets continue to go up due to this great pandemic, and subsequent economic recovery. The retail structure of economies across the globe have been fundamentally changed and socio-economic recovery is returning. Parks, entertainment, restaurants, events, and exercise are vital. People need people. The energetic exchange of communication, somewhere, outside of where we live will continue to drive the recovery.

The US economy and GDP growth are moving faster than expected. The IMF projects a 6.4% increase in 2021. This suggests consumer activity, spending, and consumption. Getting out and re-experiencing our surroundings, fueled by the benefits of economic stimulus. Money is available and it remains cheap. Treasury bond yields have remained under 2.4%. The US markets seem to be doing their part leading in the direction of strength and growth.

We are carefully watching the inflation variable. The Federal Reserve 10-year projected inflation rate keeps showing continued increases but returns and yields could outpace this hurdle. If so, markets could sustain for a longer period of time with less correction. Recently we've seen a slight pull back suggesting a reassessment of sector weights more so than a correction. After all, the economic indicators project more recovery to come. The USA's CPI report showed a higher level of inflation than expected, but this uptick should subside as the global supply chain reorganizes around the new economy. The markets responded with only a modest pullback.

Global markets seem to be having the same experience, but the rate of recovery should be linked to the expansion of vaccine availability and the accelerated stabilization of economies. Herd immunity is the mantra. USA Q1 earnings have been projected to double expert

estimates. Global GDP, if lagging from the USA recovery, will most certainly catch up. Jobs are growing.

Leisure and entertainment will return this summer with broader consumer participation and spending. Products we need will always be popular investments and anything linked to improvements in productivity remain investor friendly.

With fast moving markets, we stay the course with our small cap fund: stocks with valuations of \$200M to \$2B (USD) where we can react quickly to benefit from market demand and innovation. As well, if a market category or a stock in our portfolio flounders, we can reallocate our position quickly and replace with a newcomer that we already vetted and have been tracking for months, if not years.

The returns at Coyote One have exceeded our expectations, and our investors' as well. Our secret sauce is great analytics and due diligence following companies on the verge of explosive growth within our chosen sectors. Our customer base continues to grow, and our trading model suits the dynamics and expectations of Asian markets and clients. Steady growth over 5,7, and 10-year timelines exceeds 10% returns. The average Coyote investor stays in the Coyote One Small Cap for 12 years. Year-end performance exceeded 20% returns in 2020. It was a great year and our USA partnership with SPEA SCV Diversified earned a Fund Manager of the Decade award via Informa Financial Intelligence, PSN Top Guns.

Month over month, Coyote One continues to outperform by a significant percentage five large, USA-traded, small cap funds, 4 MSCI small cap indexes, and the Matthews Asia small companies fund.

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