

## Market Overview

For the year 2021, it is interesting to note that despite the media coverage technology stocks received this year; it was not a good year for the sector. Some might even call it a hidden crash. While the attention has certainly been on this sector over the last few weeks as the spectre of interest rate hikes has taken its toll on some high-flyers, the names have been in a correction for quite some time. The Nasdaq Composite Index is comprised of 3,675 names, and, as a whole, the index was up approximately 21% for the year. However, if you remove the top five largest names, the remaining 3,670 securities combine to post 20% down for the year. In fact, without these five stocks, the index has been steadily declining since the beginning of February.

## Quarter in Review

The quarter was challenging, but the improvements made to the WALLACE system throughout the year began to show through. Earlier in the quarter, losses in overweight positions in Europe and U.S. Small Caps were offset by an overweight position in U.S. dollars. This reversed in December when the U.S. Dollar retreated against its Canadian counterpart as oil gained. Overweight positions again in Europe (specifically Switzerland and the U.K.) and Australia outperformed U.S. equities. Within the U.S. exposure, overweight small- and mid-caps and technology companies weighed down the portfolio as these positions were unable to keep up with the U.S. indices, dominated by a small group of stocks.

## Outlook & Positioning

While 2021 was generally difficult for many alternative strategies, Castle Ridge continues to be a thought leader in the space. The WALLACE platform keeps improving with strong risk-management, A.I. research and investment processes in place. Castle Ridge is already seeing higher Fitness Function scores in the system – a sign of better days to come.

Investors who have been with Castle Ridge a while know how powerful WALLACE's return runs can be when the system is dialed in. We look forward to 2022 and returning to our winning ways, building on all the lessons and progress this year.

