securian ASSET MANAGEMENT®

SECURIAN AM EQUITY STABILIZATION FUND Q3 2022 MARKET COMMENTARY

MARKET SECTOR UPDATE

The market returns of Q3 were largely a continuation of the carnage of the first half of the year. Once again, nearly every asset class delivered a loss:

Q3 2022			
Total Return (%)		Change (bps)	
S&P 500	-4.88	6M UST	151
Nasdaq 100	-4.42	10Y UST	79
Russell 2000	-2.18	30Y UST	61
MSCI EAFE	-9.26	IG Credit Spreads	4
Bloomberg US Aggregate Bond	-4.75	HY Credit Spreads	-17

Source: Bloomberg

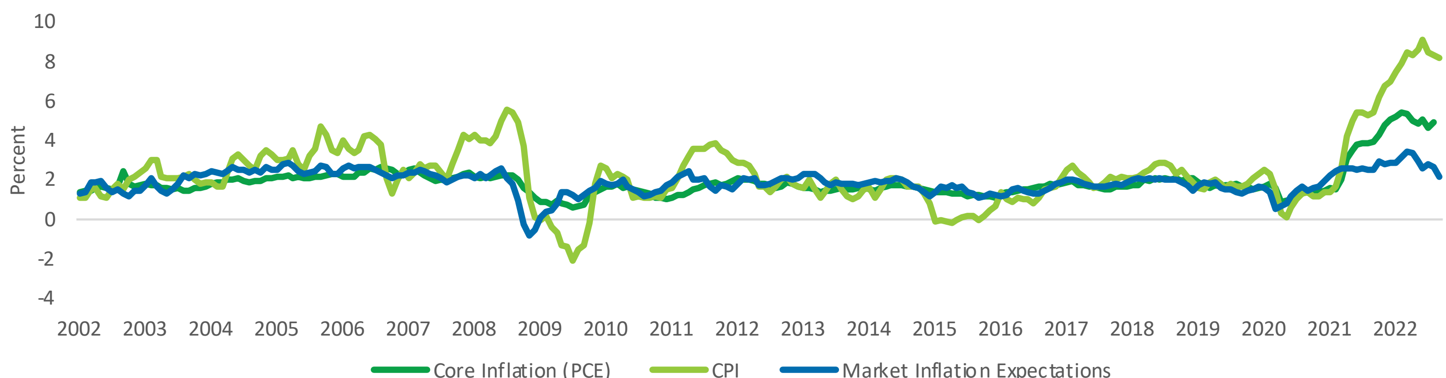
Commodities, which were strong performers in Q1, continued their Q2 slide into this quarter as the Bloomberg Commodity Index posted -4.75% return for the reporting period. Fixed income once again suffered historic losses; the -4.75% return on the Bloomberg U.S. Aggregate Bond Index (Agg) was its fourth-worst quarter ever. In fact, Q1, Q2, and Q3 are all in the bottom five quarters for the Agg, in terms of performance:

1. Q1, 1980: -8.71%
2. Q3, 1980: -6.56%
3. Q1, 2022: -5.93%
4. Q3, 2022: -4.75%
5. Q2, 2022: -4.69%

At the risk of stating the obvious, Q1-Q3 of 2022 is far and away the worst start of any year for fixed income in the history of the Agg; the -14.61% Year-to-date (YTD) loss for 2022 is over ten points larger than the next-worse return of -3.92%, seen in the first three quarters of 1981. 2022 has truly been a historically bad fixed income market, and it has clearly demonstrated how exposed portfolios are when diversification is the only method of defense.

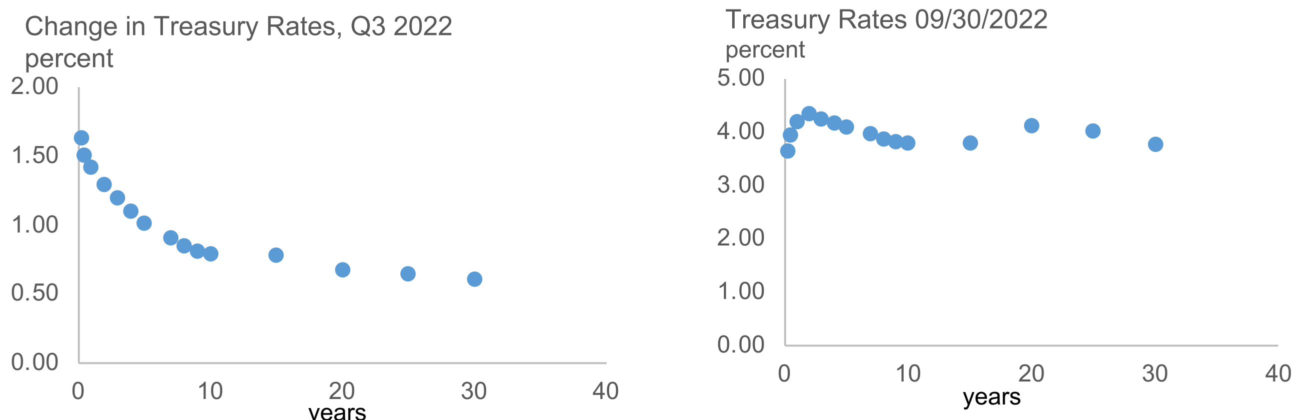
The continued hawkishness of the Federal Reserve (Fed), and of essentially all developed-market central banks, was, in our view, the primary driver of the continued risk asset rout. The Fed enacted two 75 basis points (bps) rate hikes during the quarter, on 07/27 and 09/21. Recall that its normal step is 25 bps.

The reason for the aggressive monetary tightening across the globe is the persistent inflation being seen in most developed markets throughout late 2021 and 2022. Both Core Personal Consumption Expenditures (PCE) and Consumer Price Index (CPI) remained close to the recent highs they ascended to earlier this year:



Source: Bloomberg. As of 9/30/2022.

The current levels of PCE and CPI are 4.91% and 8.20% year-over-year respectively; while down very modestly from the 2022 highs, they still represent a pace of inflation that hasn't been seen since the 1980s. Given that, and given the myriad other geopolitical conditions exacerbating inflation—the Russian attack on Ukraine and its gas-supply disruption, China's zero-COVID policy and escalating tensions with the West, The Organization of the Petroleum Exporting Countries (OPEC+)'s recent decision to cut oil production, etc.—we are somewhat skeptical of the recent decrease in market inflation expectations across the curve. Inflation calls aside, the market is expecting another 1.25% of rate hikes from the Fed by March of 2023. We anticipate that this will finally fully invert the 10Y-3M portion of the yield curve, as rate behavior in Q3 largely rhymed with Q2:



Source: Bloomberg. As of 9/30/2022.

In response to Fed action, the 3-month point of the Treasury curve increased by 163 bps over Q3. The 10-year point only increased by 79 bps. Again, in Q2, the long end of the yield curve saw an increase that was roughly half of the increase on the short end. If this relationship holds into 2023, the Fed action currently priced in by the futures markets would put the 3-month and 10-year yields around 4.90% and 4.40%, respectively. While 10Y-3M is, technically speaking, the portion of the curve we have historically watched for inversion as a leading indicator of recessions, it is worth noting that the 1Y rate has been materially higher than the 10Y rate since July of this year.

PORTFOLIO STRATEGY

Equity volatility is what guides the asset allocation of this strategy. When equity volatility is low, the equity exposure of this strategy will be high. Conversely, when equity volatility is high, the equity exposure of this strategy will be low.

Realized volatility was down from last quarter, 21.22% in Q3 vs 28.09% in Q2. This 21.22% realized volatility is an 83rd percentile value historically. The CBOE Volatility Index (VIX) averaged 24.73% for the quarter, and the average difference between the VIX and realized S&P 500 20-day volatility was 3.11 points. In light of the presumed direction of monetary policy in the near term, and the fact that the S&P 500 saw a -16.71% drawdown from its intra-quarter peak to reach its final return of -4.89%, we are surprised that neither realized nor implied volatility were higher in Q3.

Realized 20-day volatility ranged from a low of 16.56% to a high of 29.60% over Q3. The VIX ranged from a low of 19.53 to a high of 32.60 over the same time period. Consequently, the Equity Stabilization Fund equity exposure was underweight for the quarter, averaging 77.80%. The maximum equity exposure of the Fund was 92.96%, and the minimum was 54.03%. The Fund closed out the quarter at 56.00% equity exposure.

OUTLOOK

Arguably, the Federal Reserve faces a worse situation than what we described in our previous commentary. While inflation has remained unacceptably high, we have seen negative Gross Domestic Product (GDP) growth in the first two quarters of 2022; in other words, we are already in a technical recession. While the consensus prediction for Q3's GDP number is positive, it is possible that the Fed is already tightening monetary policy in a stagflationary environment. As a result, the bond market is currently quite volatile; one month volatility for investment-grade spreads and the 10Y US Treasury yield ranked in the 89th and 90th percentiles, respectively, at the end of the reporting period. In addition to elevated rate, spread, and equity volatility, three-month correlation

between the S&P 500 and the 10Y UST yield finished the reporting period at -0.31. This is firmly negative, meaning that equity and bond prices have been rising and falling together. This bond behavior is the opposite of what balanced portfolio investors typically desire from a stabilizing asset.

The market is currently pricing in another 125 bps of rate hikes through Q4, 2022 and Q1, 2023. Given prevailing levels of inflation, we see no reason to expect the Fed to tighten monetary policy less aggressively than market expectations. Recent history clearly shows what effect this action has on risk asset pricing. And, based on recent GDP contraction, it seems the Fed runs a high risk of forcing the economy into a full-blown recession for the sake of quelling inflation. With this macroeconomic backdrop, we reiterate a point from our prior quarterly commentary: for any investor still bullish on equities, in our view this seems an ideal time to consider a Stabilization strategy that provides equity exposure while simultaneously managing volatility and downside risk.

While we see little to be bullish about in late 2022 and early 2023, we do think the ultimate nadir of this current selloff could be a real buying opportunity—perhaps the best in years. But we believe it has not arrived yet.

Ordinarily, this strategy carries high equity exposure in low volatility periods, and low equity exposure in high volatility periods. In terms of linear exposure, this approach will continue. But in times like the ones we currently find ourselves in, we will endeavor to have additional downside risk management positions in place.

PERFORMANCE AS OF 9/30/2022

	Q3 2022	YTD	1 Year	3 Year	5 Year	Ann ITD*	*Inception
Institutional Class	-7.03%	-16.37%	-11.58%	-2.45%	0.74%	3.38%	9/28/2015
MSCI ACWI Index	-6.82%	-25.63%	-20.66%	3.75%	4.44%	7.63%	
S&P 500 Index	-4.88%	-23.87%	-15.47%	8.16%	9.24%	11.72%	

Performance data quoted represents past performance and does not guarantee future results. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Fund performance current to the most recent month-end may be lower or higher than the performance quoted and can be obtained by calling 800-207-7108. *Returns showing less than one year are cumulative. The gross and net operating expense ratio for the Institutional Shares are 1.73% and 1.13% respectively. The Fund's advisor has contractually agreed to waive its fee and/or pay operating expenses so that total annual fund operating expenses do not exceed 0.95%. The contractual agreement is in effect until December 31, 2023. Without the contractual agreement, performance would have been lower. Net expenses are applicable to the investor. Because of ongoing market volatility, Fund performance may be subject to substantial short-term changes.*

Before investing you should carefully consider the Securian AM Equity Stabilization Fund's investment objectives, risks, charges and expenses. This and other information in the prospectus and summary prospectus, a copy of which may be obtained by calling 800 -207-7108 or by visiting the Fund's website at www.libertystreetfunds.com. Please read the prospectus or summary prospectus carefully before investing.

RISK AND OTHER DISCLOSURES:

An investment in the Fund is subject to risk, including the possible loss of principal amount invested and including, but not limited to, the following risks: **Market Turbulence Resulting from COVID-19:** The outbreak of COVID-19 has negatively affected the worldwide economy, individual countries, individual companies and the market in general. The future impact of COVID-19 is currently unknown, and it may exacerbate other risks that apply to the Fund**. Managed Volatility Strategy Risk:** The securities used in the strategy are subject to price volatility, and the strategy may not result in less volatile returns for the Fund relative to the market as a whole, and they could be more volatile. **Derivatives Risk:** Derivatives involve special risks including leverage, correlation, counterparty, liquidity, operational, accounting and tax risks. These risks, in certain cases, may be greater than the risks presented to more traditional investments. **Liquidity Risk:** The Fund may invest in illiquid securities which involve the risk that the securities will not be able to be sold at the time or prices desired by the Fund, particularly during times of market turmoil. **Short Sales Risk:** In connection with establishing a short position in an instrument, the Fund is subject to the risk that it may not always be able to borrow the instrument, or to close out a short position at a particular time or at an acceptable price. **ETF Risk:** The market price of an ETF fluctuates based on changes in the ETF's net asset value as well as changes in the supply and demand of its shares in the secondary market. It is also possible that an active secondary market of an ETF's shares may not develop and market trading in the shares of the ETF may be halted under certain circumstances. **Futures Contracts Risk.** The price of a futures contract may change rapidly in response to changes in the markets and the general economic environment. **Options Risk.** When the Fund purchases an option on a security or index it may lose the entire premium paid. There is also the possibility that the counterparty will default in the performance of its obligations. **Leverage Risk.** Using futures, swaps and other derivatives creates leverage, which can magnify the Fund's potential for gain or loss and, therefore, amplify the effects of market volatility on the Fund's share price.

The Fund may not be suitable for all shareholders. We encourage you to consult with appropriate tax and financial professionals before considering an investment in the Fund.

The MSCI ACWI Index captures large and mid-cap representation across 23 Developed Markets (DM) and 24 Emerging Markets (EM) countries. The Index covers approximately 85% of the global investable opportunity set. The returns are shown net of foreign dividend withholding taxes. **The S&P 500 Index** consists of 500 large cap common stocks which together represent approximately 80% of the total U.S. stock market. It is a float-adjusted market-weighted index (stock price times float-adjusted shares outstanding), with each stock affecting the index in proportion to its market value. **The Bloomberg Aggregate Bond Index** measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, mortgage-backed securities, asset-backed securities and commercial mortgage-backed securities. **The Nasdaq 100 Index i**s a basket of the 100 largest, most actively traded U.S companies listed on the Nasdaq stock exchange. **The Russell 2000 Index** is a small-cap stock market index that makes up the smallest 2,000 stocks in the Russell 3000 Index. **The MSCI EAFE Index** is a stock market index that is designed to measure the equity market performance of developed markets outside of the U.S. & Canada**. Bloomberg Commodity Index** is a broadly diversified commodity price index distributed by Bloomberg Index Services Limited. **One cannot invest in an index.**

Basis Point: One basis point is equal to 1/100th of 1%, or 0.01%, or 0.0001 **Yield:** A return measure for an investment over a set period of time, expressed as a percentage. **Core Personal Consumption Expenditures:** is a measure of the prices that people living in the United States, or those buying on their behalf, pay for goods and services**. Consumer Price Index (CPI):** measures the overall change in consumer prices based on a representative basket of goods and services over time. **The Chicago Board of Options Exchange(CBOE) Volatility Index (VIX):** is a real-time market index representing the market's expectations for volatility over the coming 30 days. **Consumer Sentiment Index:** is a monthly survey that gathers information on American consumer expectations regarding the overall economy. **Gross Domestic Product (GDP)**: the total monetary or market value of all the finished goods and services produced within a country's borders in a specific time period.

The views in this material were those of the Fund's Sub-advisor as of the date written and may not reflect its views on the date this material is first disseminated or any time thereafter. These views are intended to assist shareholders in understanding the Fund's investment methodology and do not constitute investment advice.

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