# The Impact of Adding a Sleeve of Low-Correlating Strategies

Modernizing the traditional 60/40 portfolio to a 60/20/20 portfolio by including a sleeve of low-correlating strategies can provide the opportunity to generate positive returns, while also mitigating drawdowns.

**60/40 Portfolio versus 60/20/20 Portfolio** – June 1, 2013 - December 31, 2022

| | Return | Max Drawdown |
|---|---|---|
| **60/40 Portfolio** | **7.52%** | **-20.10%** |
| **60/20/20 Portfolio** | **8.52%** | **-16.89%** |
| S&P 500 Index | 11.47% | -23.87% |
| Bloomberg U.S. Aggregate Bond Index | 1.20% | -17.18% |
| Low-Correlating Sleeve | 6.12% | -5.00% |

Source: Morningstar. Calculated using monthly data. The 60/40 Portfolio represents a 60% allocation to the S&P 500 Index and a 40% allocation to the Bloomberg U.S. Aggregate Bond Index, rebalanced monthly. The Low-Correlating Sleeve is equally weighted between LoCorr Macro Strategies Fund (LFMIX), LoCorr Long/Short Commodities Strategy Fund (LCSIX), and LoCorr Dynamic Opportunity Fund (LEQIX), rebalanced monthly. The 60/20/20 Portfolio represents a 60% allocation to the S&P 500 Index, a 20% allocation to the Bloomberg U.S. Aggregate Bond Index, and a 20% allocation to a Low-Correlating Sleeve which is equally weighted between LoCorr Macro Strategies Fund (LFMIX), LoCorr Long/Short Commodities Strategy Fund (LCSIX), and LoCorr Dynamic Opportunity Fund (LEQIX), rebalanced monthly. Past performance is not a guarantee of future results.

*Returns are annualized for periods greater than one year. Performance data quoted represents past performance; past performance 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. Current performance of the fund may be lower or higher than the performance quoted. Performance data current to the most recent month end may be obtained by calling 888.628.2887. Investment performance reflects fee waivers in effect. In the absence of such waivers, total return would be reduced.*

### Key Takeaways

- A 60/20/20 portfolio has historically increased returns and reduced drawdowns versus the 60/40.
- The 60/20/20 portfolio reduced the maximum drawdown by over 300 basis points.
- Drawdowns can be devastating to a portfolio and take years to recover.

*Performance as of 12/31/22, LoCorr Macro Strategies Fund - I Share: 15.40% 1-Year, 5.49% 5-Year, 3.12% since inception (3/24/2011); LoCorr Long/Short Commodities Strategy Fund - I Share: 6.06% 1-Year, 7.75% 5-Year, 5.13% since inception (12/30/2011); LoCorr Dynamic Opportunity Fund - I Share: -8.80% 1-Year, 1.56% 5-Year, 3.20% since inception (5/10/2013); Gross expense ratios; LFMIX 1.90%, LCSIX 2.22%, LEQIX 3.66%. Index performance as of 12/31/22, S&P 500 Index: -18.11% 1-Year, 9.43% 5-Year, 12.56% 10-Year; Bloomberg U.S. Aggregate Bond Index: -13.01% 1-Year, 0.02% 5-Year, 1.06% 10-Year.*

**Bloomberg Capital U.S. Aggregate Bond Index** is the most common index used to track the performance of investment grade bonds in the United States. **S&P 500 Total Return Index** is an index of 500 large capitalization companies in major industries. This total return index includes net dividends and is calculated by adding an indexed dividend return to the index price change for a given time period. Fees and/or transaction costs are not reflected. **Max drawdown** is an indicator of the risk of a portfolio chosen based on a certain strategy. It measures the largest single drop from peak to bottom in the value of a portfolio (before a new peak is achieved).

*The Funds' investment objectives, risks, charges, and expenses must be considered carefully before investing. The prospectus contains this and other important information about the investment company, and it may be obtained by calling 1.855.LCFUNDS, or visiting www.LoCorrFunds.com. Read it carefully before investing.*

**Mutual fund investing involves risk. Principal loss is possible. Non-diversified investments may concentrate assets in fewer individual holdings than diversified investments. Therefore, the investments are more exposed to individual stock volatility than diversified funds. The Funds invest in foreign investments and foreign currencies which involve greater volatility and political, economic and currency risks and differences in accounting methods. These risks are greater for emerging markets. The Funds may make short sales of securities, which involves the risk that losses may exceed the original amount invested. Investing in commodities may subject the Funds to greater risks and volatility as commodity prices may be influenced by a variety of factors including unfavorable weather, environmental factors, and changes in government regulations. The Funds may invest in derivative securities, which derive their performance from the performance of an underlying asset, index, interest rate or currency exchange rate. Derivatives can be volatile and involve various types and degrees of risks, and, depending upon the characteristics of a particular derivative, suddenly can become illiquid. Investments in debt securities typically decrease in value when interest rates rise. This risk is usually greater for longer-term debt securities. Investments in Asset-Backed, Mortgage-Backed, and Collateralized Mortgage-Backed Securities include additional risks that investors should be aware of such as credit risk, prepayment risk, possible illiquidity and default, as well as increased susceptibility to adverse economic developments. Investments in small- and medium-capitalization companies involve additional risks such as limited liquidity and greater volatility. Investments in lower-rated and non-rated securities present a greater risk of loss to principal and interest than higher-rated securities. ETF investments are subject to investment advisory and other expenses, which will be indirectly paid by the Funds. As a result, the cost of investing in the Funds will be higher than the cost of investing directly in ETFs and may be higher than other mutual funds that invest directly in stocks and bonds. ETFs are subject to specific risks, depending on the nature of the ETF. A Fund's real estate portfolio may be significantly impacted by the performance of the real estate market generally, and the Fund may be exposed to greater risk and experience higher volatility than would a more economically diversified portfolio. Property values may fall due to increasing vacancies or declining rents resulting from economic, legal, cultural, or technological developments. Investments in Limited Partnerships (including master limited partnerships) involve risks different from those of investing in common stock including risks related to limited control and limited rights to vote on matters affecting the Limited Partnership, risks related to potential conflicts of interest between the Limited Partnership and the Limited Partnership's general partner, cash flow risks, tax risk, dilution risks and risks related to the general partner's limited call right. Underlying Funds are subject to management and other expenses, which will be indirectly paid by the Fund. Investments in Real Estate Investment Trusts (REITs) involve additional risks such as declines in the value of real estate and increased susceptibility to adverse economic or regulatory developments. Past performance is not a guarantee of future results. Diversification does not assure a profit nor protect against loss in a declining market.**