

# HEDGED CORE SLEEVE | DECEMBER 2022

## The Importance of Low Correlation

Diversifying a portfolio with low-correlating assets has the possibility of offering long-term benefits to an investor. A portfolio incorporating these assets has the potential to generate returns that are non-correlated with traditional stock and bond investments and may help to mitigate risk and improve long-term returns.

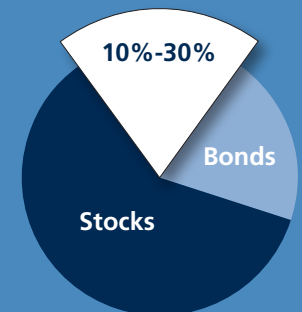
## December 2022 Overview from LoCorr Funds Research

The S&P 500 Index resumed its downward trend in December, dropping -5.76% and capping off its largest annual loss since 2008, down -18.11% for the year. In addition, bonds failed to protect investor capital, selling off -0.45% during the month and finishing the year down -13.01%, which was the worst year on record for the Bloomberg U.S. Aggregate Bond Index. Negatively impacting equity and fixed income markets was pessimism surrounding potential Federal Reserve policy missteps in the central bank's pursuit to stifle elevated inflation. The U.S. Dollar, which had gained for much of the year, but reversed course in October, continued to slide, down over -2%, bringing its year-to-date return to just over +7.50%.

## Hedged Core Sleeve Performance Highlights

The LoCorr **Hedged Core** sleeve (equal weighting of Macro Strategies Fund and Long/Short Commodities Strategy Fund, rebalanced monthly), was up **10.79%** in 2022. We believe this Fund pairing may be well-positioned to be a meaningful buffer against inflation as both funds have the ability to go long and short and seek to profit in up and down markets. The Macro Strategies Fund can short fixed income and trade currency markets which can be affected by inflation and interest rate changes. These strategies have been historically low in correlation to both stocks and bonds, therefore the blend can potentially create a different stream of returns for real portfolio diversification.

## Low-Correlating Sleeve Allocation



The addition of a **low-correlating sleeve** provides the potential for a return stream independent of equities and fixed income and a more balanced portfolio. The **Hedged Core Sleeve** has performed well YTD and has a long-term track record of delivering positive returns.

*The pie chart above represents a hypothetical allocation of 10-30% away from stocks and bonds to low-correlating assets.*

## Performance Summary | As of December 31, 2022

								Since Common Inception*		
	Monthly	4Q22	YTD	1-Year	3-Year	5-Year	10-Year	Since Inception	Correlation to S&P 500	Beta
<b>LoCorr Hedged Core Sleeve</b> (LFMIX 50 / LCSIX 50)	0.78%	-0.61%	10.79%	10.79%	8.68%	6.75%	6.40%	4.68%	-0.08	-0.04
BBg US Aggregate Bond Index	-0.45%	1.87%	-13.01%	-13.01%	-2.71%	0.02%	1.06%	1.34%	0.24	0.07
LoCorr Macro Strategies (LFMIX)	0.67%	-3.79%	15.40%	15.40%	6.88%	5.49%	5.00%	3.97%	0.05	0.03
LoCorr L/S Commodities Strategy (LCSIX)	0.88%	2.61%	6.06%	6.06%	10.20%	7.75%	7.54%	5.13%	-0.19	-0.10

**LFMIX performance since Fund inception (3/24/11) through 12/31/22 was 3.12%.** \*Since common inception 1/1/12. 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. Gross expense ratios; LFMIX 1.90%, LCSIX 2.22%. Performance as of 12/31/22, S&P 500 Total Return Index: -18.11% 1-Year, 9.42% 5-Year, 10.61% since inception. Correlations to bonds (BBg Aggregate Bond Index) since Fund inceptions through 12/31/22 are; LFMIX (3/24/11) 0.09, and LCSIX (12/30/11) 0.02. Correlation of Hedged Core Sleeve to bonds through 12/31/22 is 0.07. **Past Performance is not a guarantee of future results.** Source: Morningstar and LoCorr Funds

## Calendar Year Returns | As of December 31, 2022

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011*
LoCorr Hedged Core Sleeve (LFMIX 50 / LCSIX 50)	10.79%	7.26%	8.01%	3.09%	4.77%	4.74%	2.01%	12.92%	19.03%	-6.59%	-11.06%	-
BBg US Aggregate Bond Index	-13.01%	-1.54%	7.51%	8.72%	0.01%	3.54%	2.65%	0.55%	5.97%	-2.02%	4.21%	7.25%
LoCorr Macro Strategies (LFMIX)	15.40%	0.08%	5.70%	12.72%	-5.08%	2.96%	6.69%	3.72%	15.56%	-5.28%	-5.75%	-6.50%
LoCorr L/S Commodities Strategy (LCSIX)	6.06%	14.82%	9.91%	-5.97%	15.40%	6.19%	-2.67%	22.61%	22.36%	-8.11%	-16.20%	-

\*Time period 3/25/11-12/31/11. Returns are annualized for periods greater than one year. Performance data quoted represents past performance; past performance does not guarantee future results.

### Help your clients further diversify their portfolios with a sleeve of alternative investments that seeks to provide:

- Low correlation to traditional investments
- Reduced risk in portfolios
- Profit in both up and down markets
- Enhanced returns
- A buffer against inflation

## LoCorr Funds - Hedged Core Sleeve

### Why LoCorr?

LoCorr Funds offers alternative investments designed to be significantly non-correlated to traditional investments such as stocks and bonds. With the continued uncertainty in the financial markets, we believe the time is now to consider adding low correlating strategies to any portfolio holding a majority of traditional asset classes. Our investment solutions are designed for investment professionals and individual investors who are seeking to achieve better diversification and reduced risk within their portfolios.

For more information contact your LoCorr wholesaler or call our sales desk at 888.628.2887

*Each Fund's investment objectives, risks, charges, and expenses must be considered carefully before investing. The summary and statutory prospectuses contain this and other important information about the investment company, and it may be obtained by calling 1.855.LCFUNDS, or visiting [www.LoCorrFunds.com](http://www.LoCorrFunds.com). Read it carefully before investing.*

Mutual fund investing involves risk. Principal loss is possible. 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. Investments in debt securities typically decrease in value when interest rates rise. This risk is usually greater for longer-term debt securities.

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 asset-backed, mortgage-backed and collateralized mortgage-backed securities include additional risks that investors should be aware of, such as credit risk, repayment risk, possible illiquidity and default, as well as increased susceptibility to adverse economic developments. Investments in lower-rated and non-rated securities present a greater risk of loss to principal and interest than higher-rated securities. Investments in small- and medium-capitalization companies involve additional risk such as limited liquidity and greater volatility. 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. 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, dilution risks, and risks related to the general partner's limited call right. The Fund's portfolio will 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.

Diversification does not assure a profit nor protect against loss in a declining market. Correlation measures how much the returns of two investments move together over time. BBg US Aggregate Bond Index is a broad-based bond index comprised of government, corporate, mortgage and asset-back issues rated investment grade or higher that have at least one year to maturity. This index includes net dividends. S&P 500 Total Return Index, is a stock market index tracking the stock performance of 500 large companies listed on stock exchanges in the United States. Beta -measures the sensitivity of a stock's return relative to the return of a selected market index. When beta is greater than one, it means a stock will rise or fall more than the market.

The performance of various indices is shown for comparison purposes only. The performance of those indices was obtained from published sources believed to be reliable but which are not warranted as to accuracy or completeness. Unless noted otherwise, index returns do not reflect fees or transaction costs and reflect reinvestment of net dividends. One cannot invest directly into an index.

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