REFLECTION

3rd QUARTER 2021 REVIEW

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SUMMARY

AMETHYST ARBITRAGE FUND

Once again, the past quarter has demonstrated how the Amethyst Arbitrage Fund is well served by its diverse arbitrage strategies and the many positions it manages. Two of our three main strategies generated positive returns, resulting in a reasonable result overall.

On the other hand, some segments of our fixed income segment suffered as bond markets were dealt their fair share of chaos, to say the least. In keeping with our disciplined approach to risk management, we exercised caution, liquidating some positions where limited visibility prevented us from concluding that the risk was behind us.

As the last quarter of 2021 begins, we now find ourselves in a good position, convinced that the Fund will end the year profitably. Here follows a discussion of what happened in the third quarter and what we envision from now until the end of the year.

MARKET EVENTS

Although our actions in the third quarter were guided by caution, given the risk of a significant downturn in the stock market (a risk that we consider serious), we still posted a decent return. Transactions were limited in number, since we only took part in those we believed were the safest. We only took part in 31 transactions during the quarter, or 10 less than in the previous period, but we nevertheless picked up the pace during the quarter as market conditions improved.

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We now see the outlook improving. For example, we took part in a transaction involving Ganfeng Lithium, a Chinese company that is trying to acquire Millennial Lithium, a Canadian firm based in Vancouver. We had avoided transactions involving a Chinese buyer for several quarters due to the very real risk that any deal could be blocked by the regulatory authorities. The transaction has not yet closed, since another buyer has expressed an interest at a higher price, so we preferred to play it safe and take a healthy profit now and watch events unfold from the sidelines.

Soaring Oil Prices

Another phenomenon also seems destined to revive the M&A sector: a significant rise in the price of oil, combined with a desire expressed by several large investment funds, including the Caisse de dépôt et placement du Québec, to divest from this sector over the next few years. ***Canadian banks may also become increasingly uncomfortable carrying loans to the oil industry on their books, even though this represents an important business segment for them.*** The banks are also sensitive to the social acceptability of their clients. This will leave Canadian oil companies short on financing, a gap they will need to fill by making acquisitions through share exchanges, which will allow them to maintain liquidity. Crystalline knows this sector well, as we have benefited from it greatly at various times in our history. We will continue to take advantage of good opportunities in the oil and gas sector in the coming quarters.

FROM July 1998 to Sept. 2021	ANNUALIZED RETURNS (%) *Net of all fees*						Volatility	Correl.	% Mths > 0	Sharpe Ratio
	1 yr	3 yr	5 yr	10 yr	15 yr	Incep.				
Amethyst Arbitrage Fund	**5.2%**	**2.4%**	**2.6%**	**4.3%**	**5.3%**	**7.4%**	**8.1%**	**-**	**73%**	**0.65**
HFRI - Global Fund Weighted	21.1%	8.5%	7.3%	5.9%	4.9%	6.6%	7.0%	0.48	66%	0.64
S&P/TSX Composite (TR)	28.0%	11.1%	9.6%	8.8%	6.7%	7.1%	14.8%	0.49	63%	0.33
EAFE World Equity (TR)	23.4%	5.1%	6.1%	5.2%	1.3%	2.2%	16.7%	0.44	56%	0.01
FTSE CAN Long Term Bond	-8.1%	5.4%	2.7%	4.8%	5.7%	6.4%	7.2%	0.13	61%	0.59

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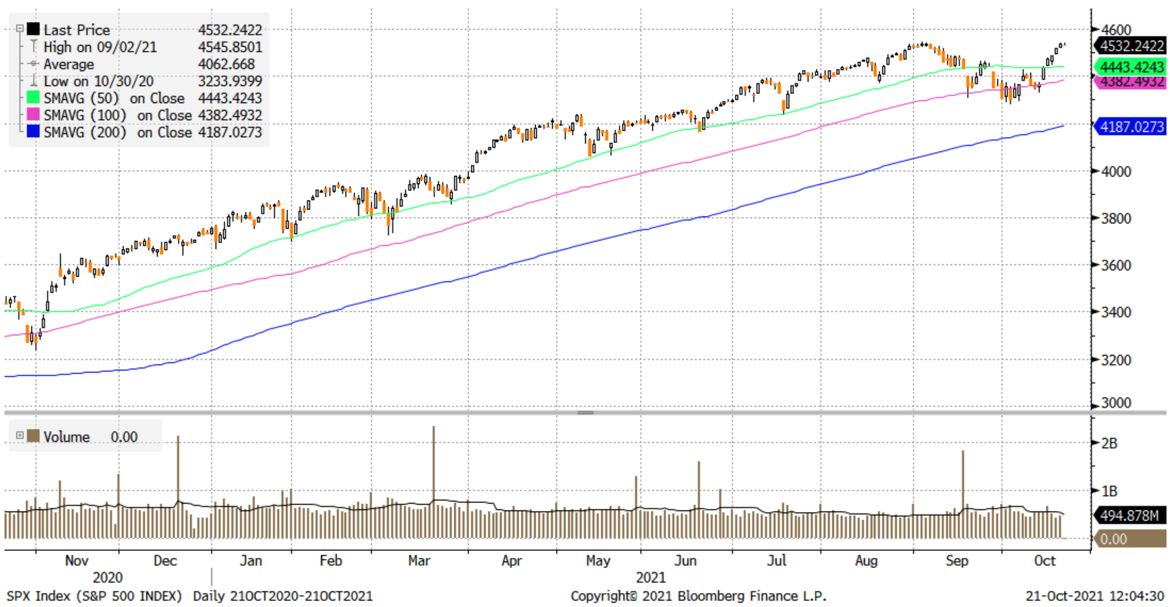
CANADIAN MANAGER OF ALTERNATIVE FUNDS, SINCE 1998

1002 Sherbrooke Street West
Suite 1525
Montreal (Quebec)
Canada H3A 3L6

TEL. +1 514 284 0248
info@cristallin.ca

S&P 500 Index



We are pleased with the results obtained to date this year on convertible securities, but we will continue exercising caution in the fourth quarter and hold the appropriate hedging positions.

CONVERTIBLE SECURITIES

After having added new positions in July and pruned them back in August, September was harvest time: we locked in some good profits by liquidating positions that delivered as we had expected. ***All in all, we added very few positions during the quarter, preferring instead to reduce or even liquidate those that had appreciated significantly.***

One of our strategies during the quarter consisted of shorting high-yield bonds that had become very expensive in the same companies whose convertible bonds we were already holding, in addition to our equity hedges. This proved very profitable when the time came to sell these securities at the end of the quarter.

We plan to continue this kind of rotation, which involves selling positions that have attained our objectives and replacing them with the bonds of companies seeking either to refinance through M&A transactions or simply replenish their liquidity before the end of the year. This approach will allow us to profit from the volatility that usually occurs in the fourth quarter of the year.

We are nevertheless well aware of the split mood in today's market. Many are rejoicing to see the pandemic coming to an end. But at the same time, we must keep in mind that governments will also be winding down the massive stimulus programs that have helped so many businesses and segments of the population stay afloat. The markets will need to deal with both of these factors. And let us not forget that the Federal Reserve (the Fed) will soon begin tapering its bond purchases and will eventually raise interest rates. We are pleased with the results obtained to date this year on convertible securities, but we will continue exercising caution in the fourth quarter and hold the appropriate hedging positions.

FIXED INCOME

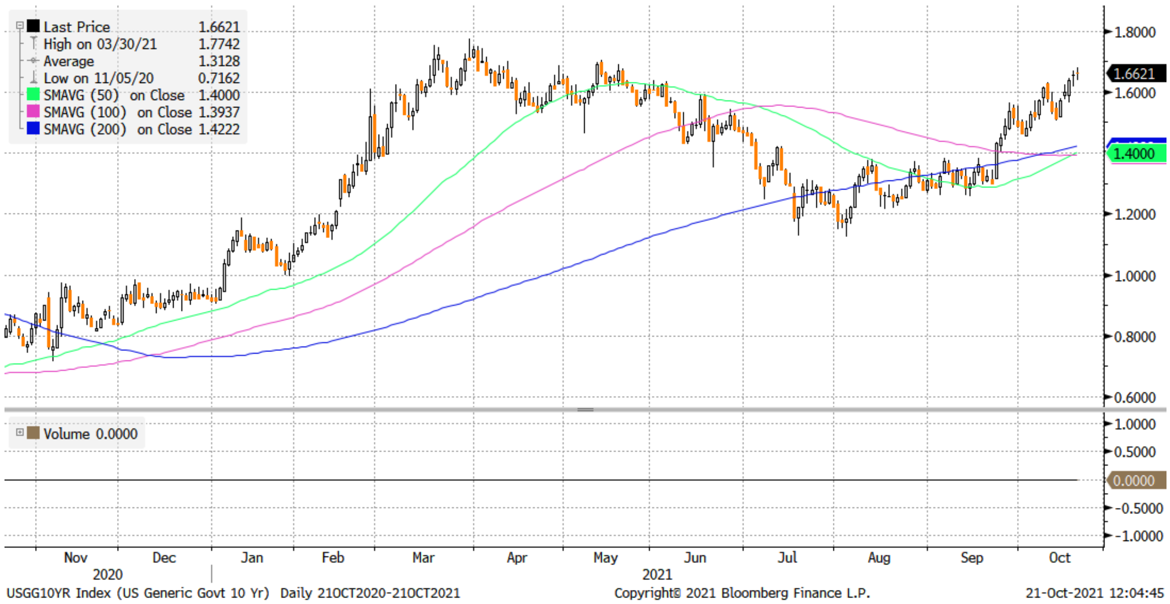
Our expectations around changes in the yield curve and credit spreads have not been borne out, at least for the time being. Given our conservative risk management rules, we therefore closed out some positions at a loss to avoid potential further deterioration. So, as in the previous quarter, two of our "alpha drivers" suffered losses on the quarter, but our arbitrage operations on duration delivered attractive gains that partly offset those losses.

Some market participants appear to believe that the Federal Reserve will begin hiking rates sooner than we expect. As a result, short-term bond yields have risen faster than the yields on longer-term securities. This has flattened the yield curve even more and worked against our strategy, which counted on the yield curve steepening. ***Even though we sold some of our arbitrage positions on the yield curve as a precautionary measure, we still believe that this flattening of the curve will prove to be only temporary.*** We will therefore pay close attention to this situation, looking for an appropriate time to re-establish our positions and wait for the curve to steepen.

Chaotic Credit Spreads

One situation that continues to surprise is in credit spread arbitrage. We know that spreads on the securities of federal government agencies (agency bonds) have been relatively undervalued since last fall. But this is still not reversing, even though we believe that the situation is unsustainable in the long term. Agency securities can still be bought at a premium to provincial securities with the same maturity, yet we know that the credit quality and liquidity of agency securities are superior to their provincial equivalents. For now, provincial securities are benefiting from a

U.S. Treasuries - 10 Year Yield



strong appetite among international investors and bank treasuries. We believe that our patience will ultimately be rewarded, even though our strategy is proving costly and is cutting into our performance for the year. The stock market fell 5% in September. Normally this would have placed pressure on credit spreads, but this did not happen, as spreads narrowed even more.

As the fourth quarter begins, we have taken a defensive position for our credit margin arbitrage operations through hedges. Our bias is relatively neutral on the yield curve and short on duration.

THE ECONOMY AND FINANCIAL MARKETS

Despite the strong post-pandemic economic recovery, it would appear that the major decision makers continue to have doubts about the sustainability of this upturn and prefer to exercise caution, at least for now. In fact, most central banks are pursuing highly expansionary policies, and governments are continuing their stimulus programs for businesses and individuals. However, we are increasingly seeing the kinds of imbalances that these policies appear to exacerbate. Markets may be awash in liquidity, but what are we to make of the labour shortages in some sectors, the derailment of many supply chains, the surprising increases in commodity prices, and the jumps in new housing prices and housing prices in general? It is clear that, while governments and central banks may control the circulation of money, they are nevertheless having problems managing its effects.

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Inflation at Last

One thing is certain: scarcity combined with very high demand is bound to be a recipe for inflation, and inflation is clearly now with us. Many observers believe that this situation is only temporary, but others are less sanguine. Given that persistent inflation could force the Fed to raise interest rates quickly and more than planned, there is still a strong risk of a sharp correction in the equity markets, and we must take this into account when developing and executing our strategies.

OUTLOOK

Biden, Powell and Yellen, a Trio in the Spotlight

Over the next few months, the President of the United States, the Chair of the Federal Reserve and the Secretary of the Treasury will each need to make decisions that will undoubtedly affect the direction taken by markets. Each faces a different set of dynamics, but their decisions will have major impacts on the economy and on markets in the short and medium term.

Biden

Installed in the Oval Office for the past nine months, President Joe Biden now appears to be facing his administration's greatest challenges. The centrepiece of his agenda, a massive infrastructure investment program, is still facing opposition from the majority of Republicans while support from Democratic representatives is fragmenting. With midterm elections only a year away, the political battle appears to be already well underway.

Powell

Jerome Powell, Chair of the Fed, will need to manage the tapering of monetary stimulus by gradually reducing purchases of U.S. Treasuries and corporate bonds, which are currently running at $120 billion per month, and by normalizing interest rates. ***At a press conference after the last meeting of the Federal Open Market Committee, Powell stated that the Fed could begin tapering its monthly securities purchases as early as November.*** However, his use of the conditional tense indicates that the decision is not yet final. We continue to believe that the Fed will need to substantially reduce its monthly bond purchases before it raises interest rates. However, not all market participants appear to share this view.

Regardless of how the Fed implements its policy change, given the uncertainties that this process will create, it is safe to expect market volatility to increase.

Janet Yellen

Janet Yellen, who is now Secretary of the Treasury and preceded Jerome Powell as Chair of the Fed, also has her work cut out for her. She inherits the coming post-pandemic environment where the market imbalances are more pronounced than ever. Demand problems, both among businesses struggling to secure production inputs and consumers looking to spend and make up for lost time, are already creating an alarming amount of pressure on prices for consumer goods and commodities. The financial markets will not be indifferent to the impacts of these imbalances.

The effects of the 2008-2009 financial crisis took a few years to fully subside and provoked considerable volatility in the financial markets during that time. The 2020-2021 health crisis risks having similar outcomes.