Dear Investors,

What a first half of the year! We have had a black swan event with COVID-19 that nobody could have predicted. The past number of months have been challenging for every single business in ways that were unimaginable. Those who realized the world was changing quickly have adapted to video meetings and working from home. Designing and implementing systems and procedures that ensured what needed to be done was actually done has been crucial to each organizations success.

Some industries saw the demand for products and services drop by up to 90%. Unfortunately, the travel, entertainment and hospitality businesses will not be what they once were as management teams will be pivoting their companies for the new way forward. Energy companies have slashed budgets, deferred capital spending or even, as Chesapeake Energy did, declared bankruptcy. Office REITs will face a challenging atmosphere for when companies choose to return to the office or if others will even ever come back (such as Twitter).

However, not is all doom and gloom, as some CEOs of office and mall REITs will tell you on their earnings calls:

"Our strategic position as New York's commercial real estate sharpshooters means that we are better prepared to not only weather difficult times but thrive in the aftermath as things recover…"

"What we are hearing from our tenants is that employees definitely will want to return once the restrictions are lifted. Work from home is proven serviceable at best. However, businesses are currently operating far below total capacity and capability and there is simply no substitute for working in purpose-built environments, free of home life distractions in a collaborative setting, which nurtures creativity, comradery and collaboration. Count me out as someone who believes the future of work will be at home in a bedroom, with a laptop computer and spotty WiFi, connections with family members doing video bumps."

- Mark Holliday CEO of SL Green Realty during its Q1 2020 earnings call

Of course, it is every CEO's mandate to project confidence to their investors, stakeholders and employees, however the blanket statement on the inefficiencies of working from home sounds to me like wishful thinking. The improvement in lifestyle and work-life balance should not be underestimated as entire organizations have adapted perfectly fine to the new home office environment.

What is happening in the markets is a price to value dislocation. Hot tech stocks are soaring to new all-time highs as investors show little regard to valuations. Zoom Technologies, a market leader in video conferencing, has seen demand skyrocket along with its share price. Given the stock is trading at forward price-to-earnings ratio of 193x, I will pass on investing in this great company. It would take you 193 years of current earnings to buy one share of Zoom! Unsophisticated investors using the free Robinhood trading app will be in the crosshairs when the market exuberance ends and a new market cycle begins.

What are we to do when the world has been sideswiped by an extended lockdown and lingering fears of a second wave of COVID-19? Businesses are either adapting or failing and the Federal Reserve has indicated that it is not even considering raising interest rates until 2022. Currently, it is an opportune period for corporations to raise capital by issuing bonds, as we have seen many corporations do with ease. Ultra-low interest rates, combined with the Federal Reserve buying corporate bonds in the market, has reduced the yield that a fixed-income investor can earn. Also, it raises the question of where to put your hard-earned capital. I do not know anyone who has become wealthy with cash in a savings account nor anyone who lends Apple 5-year-money at a coupon interest rate of just 1.125%. You can spend and enjoy money, although even this has become difficult to do with travel and leisure activities restricted. This leaves investing your cash into the market. I suspect we will see markets experience volatility but generally trend higher over the medium-term. While the strongest companies have become stronger, the weaker companies have become weaker and could perhaps disappear as we know them today.

The Standard Wealth strategy has been opportunistic in adding to investments that are undervalued with strong competitive advantages. We have also sold out of our gold positions as in past market cycles they have been an ideal counterbalance to when we have drawdowns and volatility in the equity markets. This was not the case during the previous quarter and so have replaced them with alternative strategies that performed exceptionally during the substantial drawdowns during the past quarters.

Knowing who is winning, who is losing and why is a task I love to perform. Our team at Accelerate continues to pursue this mission relentlessly as our daily focus. Rest assured that our eye is on the ball continuously scanning for undervalued companies with a solid footing in the current market. As of the end of Q2 2020 the Standard Wealth strategy now yields 5.9% with a price-to-earnings ratio of 16.2. As of June 30, 2020, the portfolio has a trailing twelve month return of -7.1%.

Stay vigilant in protecting your health and wealth. We wish you a great summer and only the best for the second half of the historic 2020.

Best Regards,

Fred H Mannix