Accelerate
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Dear Investors,

That is a wrap on quite the year! No doubt it will be remembered in history as one of the great curveballs of our lifetime. Those that were able to adapt to the new challenges are now well positioned to reap the rewards. Unfortunately, some businesses are left to limp along regardless of how ownership and management have tried to pivot. The hospitality, travel and entertainment sectors will continue to suffer from the lack of demand for their offerings. Sadly, the sports world faces a long list of negative headwinds as each sports team is adjusting to the lack of fans at their venues and accompanying revenue. America's great pastime of baseball saw the LA Dodgers win the World Series but lose over $100 Million in revenue this year. Getting fans back in the stadium will be a plan that the collective sporting world will be focused on for the foreseeable future. How and when will be key questions of 2021.

The stock market had little trouble rebounding from the March lows during the onset of the pandemic and raced steadily higher through 2020. Federal Reserve Chairman, Jay Powell, has provided robust measures to help provide liquidity to the market. The prospect of rising interest rates is far away in the distance, pushing investors to shift from fixed income strategies and into equities. Companies have been refinancing debt and issuing new notes at record low rates. Corporate debt levels have been on the rise, however, low interest rates have allowed companies to lower their interest expenses, in turn boosting bottom line profitability. Helping to keep interest rates low has been the Fed buying $80 billion in Treasuries and $40 billion in mortgage-backed securities each month. This velocity of monetary stimulus from the central bank sends a clear signal to investors that the Fed will support the recovery until jobs and inflation show "substantial further progress".

If you placed bets on the high-flying tech names, you find your portfolio rather robust in terms of performance but also filled with lofty valuations. The father of value investing, Mr. Ben Graham, would be plenty skeptical that the automotive sensation Tesla can maintain the 105x price to earnings ratio based on the trailing twelve months of earnings. Tesla's stock price has smashed the ball out of the park and has seen its share price rally over 690% this year! The company's prospects have never been brighter, so it is our duty to hypothesize what an investor would pay for those future earnings. We will have to revisit this potential investment

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once future earnings increase or the price comes down to a more reasonable risk-adjusted entry point.

"You must never delude yourself into thinking that you're investing when you're speculating."

- Benjamin Graham

Our Standard Wealth strategy saw us exit John Deere and Canadian Pacific Railway shares as they hit our price target when considering future earnings. Both are excellent companies that created wide competitive moats, however, with the shares trading at over 26x earnings for the trailing twelve months, it was time to sell and redeploy the capital. We recycled those proceeds to increase our position in JPMorgan when it was trading in the mid $90 range and have seen the price rise quickly to $120. JPMorgan is another fantastic company that consistently makes money in all market environments, although, with a much more modest P/E ratio of 16. This is the critical path of investment and harvesting gains within the Standard Wealth strategy. When companies reach price targets and become "richly valued" we recycle those gains into companies that have reduced investor enthusiasm but still bright prospects and more importantly competitive advantages that make their earnings more resilient to market forces and competitive pressures.

Going forward for 2021, we expect to see the markets trend higher as an accommodative Fed, along with a vaccine, provide support for investors to keep allocating to equities. Savers will continue to see very low yields on bonds with a potential sharp shock if rates were to rise modestly. We do not see the risk/reward attractive in the fixed income markets and expect to see outflows from this asset class be diverted into equities and alternative investments.

At Accelerate, we have achieved a number of milestones and strengthened our Team in 2020. I want to welcome Mr. Richard Kang, who recently joined us as Special Advisor to help provide more horsepower on the distribution and business development front. We have significant momentum this year and we were able to grow the company assets under management by more than **1,100%** with our low-risk Accelerate Arbitrage Fund (TSX:ARB) performing very well, up over 30% year to date. Do not feel shy to give me a call and find out how we are constructing this portfolio utilizing SPACs. Accelerate's access to buying the SPAC units at or

below Net Asset Value (NAV) allows us to have minimal downside with equity-like participation on the upside.

As of December 31, 2020, the Standard Wealth strategy has a dividend yield of 5.5%, with a current portfolio price to earnings ratio of 15.8. The strategy has a trailing twelve month return of -1.5%.

We will monitor the investment environment as we keep a close watch on the companies we are invested in, where we will continue to utilize our bottom-up value investing strategy. Our Team here at Accelerate would like to wish you all the best as we start the new year.

Best Regards,

Fred H Mannix