Dear Investors,

The world is seemingly back in the saddle and primed for a robust economic recovery. Restrictions have been lifted in most of the developed world, allowing businesses and consumers to get back to the old ways of commerce and daily life. Most economists are predicting a surge in consumer spending on everything from travel, luxury goods and housing. The property market continues to be extremely competitive with demand for housing drastically outstripping supply. Many homebuilders face shortages of labour and materials in the United States, with the Case-Shiller Home Price Index for April rising the most ever at 14.6% year-over-year.

However, all is not rosy on the horizon as the market has identified the next big worry. Inflationary pressures have been entering the marketplace, however, it has been "transitory" with bond and equity markets largely ignoring relatively high inflationary headline numbers. How central banks of the world react to inflation that remains persistent will be a delicate balancing act. The central banks could use a tool to raise interest rates, which should help cool speculative investments and robust consumer behaviour. With rising interest rates, borrowing costs for businesses will increase. Most importantly, the re-financing costs of the enormous debt loads that most sovereign nations have taken on in the last couple of years will become crippling. I do not see interest rates rising while the United States government buys $120 billion per month in debt securities. The Government's interference will keep interest rates artificially low and combine the fact that Federal Reserve Chairman Jay Powell has stated numerous times, he is not even thinking about raising rates until 2023, should ensure a low interest rate environment for years to come. We have seen the 10-year treasury drop down to 148 basis points, down from a peak of 178 basis points because nobody knows what to do about inflation but everybody knows not to fight the FED.

Equity markets in North America have reacted positively to renewed government stimulus from infrastructure spending bills and continued unemployment assistance relief programs. Governments on both sides of the border have shown that they are prepared to borrow heavily for a myriad of unique projects and bills to keep the economy moving efficiently. This government spending gives us the conviction that equity markets will continue to march higher through the second half of the year. The first half of 2021 has understandably been a strong year of performance for the S&P 500, with the index of the largest 500 public companies in America gaining 15% so far in 2021. Many investors are concerned with equity valuations, which is certainly understandable when considering historical valuations. However, interest rates have never been this low for so long. Investors continue to narrow the spread between the risk-free rate of return offered by sovereign nations and companies issuing debt carrying

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junk bond ratings. The search for yield has investors increasing their allocations of capital to alternative strategies, which of course we are proponents of. Investment policy statements for all investors will need to be re-examined within the current market environment. We see that transformation from the traditional 60/40 portfolio evolve into a more diversified portfolio that looks like 50% equities, 30% bonds and 20% alternatives.

"Most of the time, the market is mostly accurate in pricing most stocks. Millions of buyers and sellers haggling over price do a remarkably good job of valuing companies—on average. But sometimes, the price is not right; occasionally, it is very wrong indeed"

Ben Graham

Speculators in the market have been able to inflict significant losses on short sellers, much to the delight of the Robinhood investors of the world. Meme stocks with a devout following on Reddit and other social media platforms have mobilized millions of small investors into a force that has burned short sellers. Most notably, Gamestop has decimated the portfolio of Melvin Capital and their investors to the tune of -49% in the first quarter of 2021. GameStop's stock, which traded at less than $5 a year ago, closed at $210 on June 30. It had briefly topped $348 a share in January. Ben Graham would surely be mortified that any students of his value-based investment philosophy would participate in this speculative fever.

"Outright speculation is neither illegal, immoral, nor (for most people) fattening to the pocketbook."

Ben Graham

The Standard Wealth strategy saw the liquidation of Artis REIT from the portfolio as it completed a management change and no longer fit the risk profile of the portfolio. This diversified REIT does pay a handsome dividend, however, we concluded it was time to move on from this investment. No new additions to the portfolio this quarter. The liquidation of Artis REIT allowed for a modest reduction in leverage.

Currently, the strategy has enjoyed a big run from the financials in the USA and Canada, with Colony Capital now rebranded as Digital Bridge leading the portfolio with exceptional performance. CEO Marc Ganzi has done an excellent job at repositioning the legacy assets into a simplified and more investor friendly digital infrastructure company. The Board of Directors at

Digital Bridge has created alignment between senior management and current shareholders where we expect the out-performance to continue.

As of June 30, 2021, the Standard Wealth strategy has a dividend yield of 4.2%, with a current portfolio price to earnings ratio of 15.3. The strategy has a trailing twelve month return of 63.4%.

Besides publicly sharing my quarterly investment letters, I have done little to no marketing to date, as my focus has been to generate great risk adjusted investment returns. With that said, if existing clients or readers of this letter know of any like minded long-term investors who might be interested in putting capital to work, referrals are always welcome.

Have a great summer and I hope everyone enjoys time with friends and family.

Best Regards,

Fred H Mannix