Accelerate
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Dear Investor,

Welcome to the latest quarter of a fantastic twelve months for equity markets as the world economies have bounced back from the pandemic. Patient and long-term investors who invested during the bear market have seen the S&P 500 index rally from 2,237.40 on March 23, 2020, to 4307.54 as of September 30 2021, (a 92.54% increase).

Vaccinations across the developed world have allowed businesses to offer goods and services, with management teams easily beating year-over-year earnings comps. The S&P 500 increased earnings by 27.6% this year from the same quarter last year. The price to forecasted earnings ratio of the S&P 500 is currently at 34.2. Historically, this is a high valuation level for the S&P 500, although one must consider that the risk-free rate of return of the 10-year Treasury with the full faith and backing of the United States Government is just 1.54%. Generating income with meager baseline yields has been a challenge for all investors, and that has been the catalyst for the launch of various forms of alternative credit and private debt funds. In 2021, these private debt funds have secured $88.5 Billion in fresh funds to allocate to the private debt market confirming that these funds have no trouble securing allocations from investors searching for yield. Companies receiving this debt, from private debt allocators will likely pay a higher yield to compensate investors for additional risk, but investors should not forget that the additional risk associated with private debt, comes with far less than public disclosure. It is buyer beware for these private and illiquid funds given their significant risks and the reader should look no further than the Bridging Finance disaster to exercise caution regarding the asset class.

Circling in the back of all investors minds is the recently released CPI number of 5.3%. Given the elevated rate of inflation, an investor’s required rate of return is high before management fees are incorporated into any investment. Today, bonds are a challenging place for investors when considering the fact that 10-year BBB bonds are yielding below 4%. These low yields present an unfavourable risk-reward scenario for investors in which bonds sold at par will most likely provide a negative real rate of return (after adjusting for inflation). Let’s not forget that interest income is taxed at approximately 50%, such that Government takes half of the interest generated thus, the tax code encourages investors, not lenders.

The Federal Reserve and Chairman Jay Powell have signalled to investors that the future rate environment will increase borrowing costs for businesses commencing in late 2021 or sometime in 2022. Large debts that sovereign nations grew during the pandemic will have to be refinanced at higher borrowing rates, increasing fiscal deficits and placing pressure on politicians during a time when the United States debt ceiling

requires an increase once again. Former Chairwoman, Janet Yellen has stated that it would be, “disastrous" should the United States Government default on its debt obligations, which she believes would trigger a "financial crisis and calamity." I do not see default occurring but I see a slow deterioration of the pricing power of the almighty US dollar, which has devalued by 15.42% since 2015. A dollar today only buys 86.96% of what it could purchase just six years ago, exemplifying the negative effects of inflation.

The adoption of alternative and digital currencies is gaining broad support across the spectrum of retail and institutional investors. El Salvador officially declared bitcoin “legal tender“ of the country. The adoption of bitcoin as legal tender is centered around its scarcity, durability, constant and predictable supply schedule, fungibility and verifiability. In addition, bitcoin is easily storable, portable and divisible**.** I believe that we will see this asset class grow considerably over the next ten years as many investors get educated on the benefits of diversifying treasury and cash holdings.

Accelerate and the Standard Wealth Team have achieved important milestones through the first nine months of the year, in which we successfully launched the Accelerate Carbon-Negative Bitcoin ETF (TSX:ABTC). It is the world’s first carbon-negative fund. We achieved this ambitious goal of bringing eco-friendly bitcoin exposure to investors through CME Futures contracts and decarbonized this initiative through a global tree-planting campaign.

“Plant trees that other men will sit under.”

Ben Graham

We believe the intersection of ESG and cryptocurrency will be met with investor enthusiasm for various reasons. Circling back to our note earlier on inflation, we believe bitcoin is a better store of value than cash or cash equivalents. Since bitcoin has a finite supply that can be mined, scarcity becomes a factor in causing the asset to appreciate. Cash continuously deteriorates in value as an increase in money supply leads to inflationary pressures, which degrade purchasing power.

“When a business or an individual spends more than it makes, it goes bankrupt. When government does it, it sends you the bill. And when government does it for 40 years, the bill comes in two ways: higher taxes and inflation. Make no mistake about it, inflation is a tax and not by accident.”

Ronald Regan

The Standard Wealth strategy saw 1% of NAV allocated to the Accelerate Carbon-Negative Bitcoin ETF during the third quarter with no other additions or subtractions from the portfolio. Some might say we have not been doing much, but I can assure you we have been closely monitoring our portfolio.

You may remember we initiated a position in Alibaba earlier this year, which in hindsight was poor timing. What appeared to be a beaten down stock, although a terrifically profitable company, has seen its stock price continue to fall from actions that the Chinese Communist Party has imposed on the company. Since Alibaba’s business climate has changed, we have neither sold nor bought more shares as we believe the depressed share price appropriately values the current environment. We believe Alibaba’s long-term prospects continue to be bright, however, it is currently overshadowed by Chinese Government intervention, hence the inaction on our part.

“The big money is not made in the buying and selling … but in the waiting.”

Charlie Munger

As of September 30, 2021, the Standard Wealth strategy has a dividend yield of 4.10%, with a current portfolio price to earnings ratio of 14.5. The strategy has a trailing twelve month return of 64.3%.

All the best as we enter the fourth quarter of a very interesting year in the capital markets.

Best Regards,

Fred H Mannix

Fund Performance

Standard Wealth Returns (from Feb 29, 2020)		
2020 (Feb 29 - Dec 31)	16.1%	holding pd
2021 YTD	29.7%	holding pd
1 Yr	64.3%	holding pd
3 Yr	n/a	annualized
5 Yr	n/a	annualized
Since Inception Feb 29, 2020	27.5%	annualized