Accelerate
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Dear Investor,

Welcome to a rising interest rate environment, where Standard Wealth investors benefited from positive performance in their portfolios during the first quarter of 2022.

The Federal Reserve is walking the tightrope with its dual mandate of creating full employment and maintaining a two percent inflation rate, which needs to be balanced without crashing the economy into a recession.

Even though Fed Chairman Jerome Powell has effectively communicated that future rate hikes are planned, the markets do not like uncertainty related to the timing and pace of rate hikes. We are seeing increasing volatility in the equity and bond markets and expect this trend to continue for the rest of 2022.

Investors have become accustomed to buying the dip in equity markets during times of weakness but that cannot be counted on going forward as investors face higher borrowing costs, rising inflation and reduced purchasing power.

In the first quarter of 2022, we saw the Nasdaq down almost twenty percent from all-time highs and the S&P 500 down double-digits as investors reduced equity exposure to raise cash with the expectation of higher rates on the way. Certainly, if you reduced your exposure to bonds before the Federal Reserve's rate hike, you were able to save yourself quite a bit of pain, as the 10-year Treasury bond now yields 2.44% (up from a low of 1.52% at the start of the year). Bond investors will be bracing for continued losses as inflation erodes their purchasing power and bond prices continuing their fall as planned interest rates increases unfold.

*"Bond selection is primarily a negative art. It is a process of exclusion and rejection, rather than of search and acceptance."*

**-Benjamin Graham-**

Investors face the question of where to allocate capital as we have entered this rising rate environment in a period of historically high inflation. Negative real interest rates are the world we live in, given the inflation rate is higher than the nominal interest rate. Currently, US inflation is 7.9% and the 10-year US Treasury note is yielding 2.44%. With the 2-year and 10-year yield curves flattening and close to inversion, investors will be watching this chart closely as historically this has been an indicator that a recession was on the horizon.  A flat yield curve signals to the market that institutions and individuals with the money to loan are worried about loaning it in the future, so they decide to loan it today.

Undoubtedly, borrowers of capital are enjoying this negative real interest rate environment. We are seeing capital flow into infrastructure projects with substantial real assets.

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Infrastructure has performed well historically when real interest rates are negative and rising inflationary pressures increase the replacement costs of these assets. Real asset investors are essentially being paid to borrow money as the rate of replacement cost increase is greater than the prevailing cost of borrowing. Why does this matter for Standard Wealth investors? We have significant investments in pipeline companies and data centers. Pipes in the ground may become more valuable over time as their replacement cost increases from inflationary pressures and regulation restrict the construction of new projects. Our investment in datacenters through Digital Bridge highlights this situation. Digital Bridge's CEO, Marc Ganzi, addressed inflation during his Q4 2021 earnings call on February 24, 2022:

*"Inflation is the first variable that everyone is talking about. There was bound to be an impact from all the excess capital into the global financial system. That's shown up for us primarily in two areas. One, higher raw material construction cost, and two, higher labor costs to build or install fiber towers and datacenters.*

*On balance, we've maintained our development yields by passing through these increased costs, via our contracts with customers so it has not materially impacted our expected returns. The silver lining on this is as owners of digital real estate, we benefit to some degree from higher inflation as the value of our underlying assets increases nominally."*

**-Marc Ganzi-**

Higher prices for oil and natural gas allowed producers to implement dividend increases and buybacks to reward investors who have allocated to this beaten down sector. Most energy companies are seeing their cashflow grow considerably as WTI crossed above the psychologically important $100 price level at the start of March. Many industry experts report that U.S. oil producers are maintaining capital discipline by not reinvesting in new exploration and development. Energy producers are struggling with rising costs due to inflation, labour shortages and poor investor sentiment. Companies that have performed well in the Standard Wealth portfolio are Crescent Point and Cenovus Energy, where we added to both positions in the quarter during periods of equity market volatility.

Another asset class where we see investor enthusiasm is in the Crypto and NFT marketplace. Currently, Standard Wealth investors have a 1% weighting of net asset value allocated to the Accelerate Carbon-Negative Bitcoin ETF. We believe this investment will grow faster than equities over a long-term time horizon. Institutional adoption and investor sentiment are improving, which bodes well for future pricing of Bitcoin.

Accelerate is once again bringing a first to the marketplace with the launch of the Accelerate NFT Fund. Accredited investors participating in the Fund will gain access to a diversified portfolio of blue chip NFT's with institutional execution and custody.

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Last year the Accelerate investment committee allocated personal capital to an NFT portfolio to learn the critical path of transacting and securing these assets with impressive results. We are excited to provide Accelerate's expertise to investors through this new offering.

As of March 31, 2022, the Standard Wealth strategy has a dividend yield of 3.9%, with a current portfolio price to earnings ratio of 13.5. In addition, the strategy has a trailing twelve-month return of 18.3%.

Looking forward to a great spring and wishing all investors safe travels as we progress through this rising rate environment.

Best Regards,

Fred H Mannix

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**Fund Performance**

| Standard Wealth Returns (from Feb 29, 2020) | | |
|---|---|---|
| **2020 (Feb 29 - Dec 31)** | **16.1%** | holding pd |
| **2021** | **41.2%** | holding pd |
| **2022 YTD** | **2.4%** | holding pd |
| | | |
| **1 Yr** | **18.3%** | holding pd |
| **3 Yr** | **n/a** | annualized |
| **5 Yr** | **n/a** | annualized |
| | | |
| **Since Inception Feb 29, 2020** | **26.7%** | annualized |

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