Accelerate
www.AccelerateShares.com

January 10, 2023

Dear Investor,

A long and painful year for investors has passed. As we look forward to an eventful 2023, I am optimistic that the portfolio of Standard Wealth companies will continue to earn profits and keep paying generous dividends to shareholders. However, all will not be smooth sailing for investors as the Federal Reserve has indicated more interest rate hikes are on the way. 2022 was a complete reversal from the year prior as investors went from rock bottom interest rates to a Federal Funds Rate of 4.25%-4.50%. This significant increase in rates applied pressure to households and businesses that needed to borrow from their lenders with their debt servicing costs soaring. As a result, many borrowers face decisions on how to proceed regarding capital allocations with much more scrutiny. Almost everyone has debt obligations in the form of a mortgage or line of credit, and in this higher interest rate environment, borrowers are forced to scale back spending. With less disposable income available as a result of a higher portion of cash being required to service debt costs, general economic activity in the economy has slowed. Consumers, investors and businesses were having a lot more fun with 0.25% interest rates as asset prices increased, borrowing costs were low, and interest costs to service debt were much more manageable. However, the Chairman of the Federal Reserve, Mr. Jerome Powell, saw inflation soar throughout the year and hiked interest rates at the most aggressive pace on record. Many experienced investors know, "don't fight the Fed", and that is why we saw investor enthusiasm in the stock market wane in 2022.

*"The Federal Open Market Committee's overarching focus right now is to bring inflation back down to our 2% goal. Price stability is the responsibility of the Federal Reserve and serves as the bedrock of the economy"*

**Jerome Powell**

Projects targeting a conservative return of 7% no longer look viable since the risk-free rate of return offered by GIC's is 4.75%. Would you risk your hard-earned capital to earn a meagre 2.25% more over the risk-free rate the United States and Canadian Government offers? I don't think so, and neither do millions of other investors. Projects that made sense at the beginning of 2022, might not today. This recalculation in the spread between an expected return on invested capital for a riskier project compared to what is offered by the U.S. Government's risk-free rate of return, has led to a slow-down in investment across all asset classes. Investor sentiment has gone from euphoric at the start of 2022, to despair in just twelve short months as the S&P 500 finished the year down 19.44%, with many capital projects cancelled or deferred.

The economy is experiencing a reduction in discretionary spending due to higher interest rates, much to the delight of Mr. Powell. With the dual mandate of the Federal Reserve to maintain the economy at full employment and sustain a 2% inflation rate, many business owners know how hard it has been to appropriately staff their businesses, which speaks to the fact that the economy is near maximum employment. The Federal Reserve is actively working to increase unemployment and try and rebalance job demand and job supply in the economy. Adding to the complexity of running a business, management, business owners and consumers understand that we have been in an elevated inflationary environment, as purchasing power has decreased while input costs have increased.

So, what is an investor to do with the opportunity set provided at the start of 2023? You will want to pay down debt as this is an easy way to allocate cash or savings as interest rates have continued to climb. This easy option to implement presents itself when debt has a higher interest rate than that offered by cash in a depository account. Bonds still appear to be an unattractive option, with the current Consumer Price Index reading of 7.10% as of November 2022, still higher than what is being offered by the United States Treasury Two Year Note of 4.34%. Investors in that trade are effectively locking themselves into a negative 2.76% real rate of return before factoring in trading commissions, taxes and fees. No thank you for me. That leaves investors with the requirement to take on some risk to earn a decent rate of return which is where the Standard Wealth strategy can be an appropriate allocation for a diversified investor.

"*Risk may bring pain, but risk also brings freedom and reward*."

**Shandel Slaten**

Equities are the asset class to allocate capital towards as historically, investors in equities with a 10 year holding period, have increased in value 94.20% of the time. The secret sauce of many successful investors is not timing the market but time in the market. As retired Senior Advisor for RBC Capital Markets, Jamie Anderson has correctly pointed out during one of our meetings together this year, missing out on the best ten trading days from 1995 through September 30, 2022, gives us almost twenty-eight years, or 6,993 trading days. If you stayed fully invested in the market (as measured by the S&P 500), your compound annual growth rate sits at 7.7 percent. If you missed the best ten market days, your return falls to 4.7 percent, roughly 40 percent lower.

*"Though tempting, trying to time the market is a loser's game. $10,000 continuously invested in the market over the past 20 years grew to more than $48,000. If you missed just the best 30 days, your investment was reduced to $9,900."*

**Christopher Davis**

The current portfolio positioning of Standard Wealth is overweight to the energy sector as we have positions in energy producers, refiners and pipeline companies. These companies across the value creation chain all pay a dividend and are all buying back their stock, which reduces the outstanding shares available and should increase earnings per share, leading to higher share prices. We are also overweight financials as Net Interest Income continues to widen the spread of higher interest rates available to lenders while still paying a paltry average bank interest rate for interest checking accounts in the United States of 0.03%. We are big fans of owning companies that can keep costs stable (payments on deposits of 0.03%) and raise prices by lending out to borrowers at the average interest rate of 7.50% in the United States.

We expect another volatile year and will be agile and tactical when making changes to the portfolio composition throughout 2023. The strength of our team at Accelerate has created an environment where we are continuously looking to generate alpha for our investors and get us as close to the efficient frontier as possible by reducing the amount of risk taken while maximizing an investor's return on capital. One clear way we have accomplished our goal of best serving our clients is through our 0% management fee, which helps reduce the downward trajectory of our client's portfolio by having a performance incentive program that allows investors to only pay for performance.

If you are interested in knowing more about the Accelerate team and the Standard Wealth strategy, I would welcome the opportunity to discuss capital markets with you. I am passionate about understanding who is winning, who is losing and why on Wall Street, and we would gladly make time to see if the Standard Wealth strategy is a fit. We are happy to host you at the Breakers Hotel in Palm Beach Florida on January 18th at 6pm to hear Managing Director of the Silverman Partners of Raymond James, Mr. Daniel Kraus and VP of Wealth Management, Ryan Bass speak about current market conditions and where the opportunities are in 2023. Please let me know if you would like to attend, and we will reserve a seat. I hope you can join us for this discussion, which will be followed by cocktails and sushi.

As of December 31, 2022, the Standard Wealth strategy has a dividend yield of 3.20%, with a current portfolio price to earnings ratio of 12.2x. In addition, the strategy has a trailing twelve-month return of -9.60%.

We are look forward to an interesting year ahead and wish all investors the best of luck investing capital during these volatile times.

Best Regards,

Fred Mannix

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**Fund Performance**

| Standard Wealth Returns (from Feb 29, 2020) | | |
|---|---|---|
| 2020 (Feb 29 - Dec 31) | 16.1% | annualized |
| 2021 | 41.2% | annualized |
| 2022 | -9.6% | annualized |
| | | |
| 1 Yr (TTM) | -9.6% | holding pd |
| 3 Yr | n/a | annualized |
| 5 Yr | n/a | annualized |
| | | |
| Since Inception Feb 29, 2020 | 14.8% | annualized |

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