Accelerate
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January 9, 2024

Dear Investor,

What a comeback year for investors as Jerome Powell and the Federal Reserve orchestrated the softest landing for the American economy ever! Applause for this incredible and unexpected outcome, as with my vote, Chairman Powell would win Person of the Year. Against the odds and to the surprise of all the talking heads of business television, Powell was able to bring inflation down from 6.4% in January to 3.1% in December by raising interest rates from 4.25%-4.50% at the start of the year, to 5.25%-5.50% today. Textbooks will teach you that this steady pace of interest rate hikes will lead to massive unemployment and a contraction in the economy, which would lead to crashing capital markets, but that is not what happened. Continued record low unemployment at 3.70% has allowed the dual mandated Federal Reserve to focus solely on bringing down inflation.

To the joy of investors, the infamous "Fed Pivot" was widely confirmed in November when the Federal Open Market Committee (FOMC) released its forecast, which included three potential interest rate cuts in 2024. Markets reacted swiftly, with the S&P 500 soaring 8.9% in November, and a Santa Claus rally ensued. With $7 trillion in money market funds facing the prospect of earning a lower rate of return in 2024, we predict that some of this capital will be redirected into equity markets in search of higher returns. This positive feedback loop of future easing of monetary policy and vast reserves of capital looking for higher returns, should power equity markets higher. These positive forces bode well for Standard Wealth investors as we are well positioned to benefit from markets trending higher, since the portfolio is fully deployed to North American equity markets. The popular phrase coined by legendary investor Ray Dalio, "cash is trash", might be the tagline for 2024 as professionally managed money searches for attractive places to allocate capital. We suspect that the fear of missing out will play an increased role in equity markets by anyone with less than a stellar 2023 return in their equity portfolios.

"How many millionaires do you know who have become wealthy by investing in savings accounts? I rest my case."

Robert G. Allen

Stock market performance will be determined in the long term by how the economy functions along with how businesses adapt to shifting consumer behavior. In the short term, it is challenging to predict the market's direction but in the long term, fundamentals will matter, and rational markets correct themselves from too much pessimism or too much optimism. Consumer sentiment and investor sentiment will drive short term movements in stock prices. We predict investors will be eager to put cash to work by shifting capital from money market funds into riskier asset classes that may offer higher returns. Our expectations of the American economy is to continue to sail ahead at a 2% GDP growth rate in 2024, along with increased

earnings projected for the S&P 500 of $246. With earnings trending higher, we expect the stock market will also move higher as companies continue to perform well by growing topline revenue and bottom-line profits. However, a word of caution to investors with the S&P 500 index trading at 4,800, this equates to forward price to earnings ratio of 19.5x. With a relatively high multiple tells us that the equity market is not cheap compared to historical valuations and will force investors to perform their due diligence on companies' future earnings prospects to see if they can meet investor expectations.

Standard Wealth again had a great year, with investors earning 20.4% in 2023. Key contributors to Standard Wealth performance this year were Blackstone and JPMorgan, which both had fantastic operational performance, and experienced significant increases in their stock prices. These companies have tremendous competitive moats as they have developed difficult to replicate business platforms that are highly scalable. Impactful and motivated leaders like Jamie Dimon and Stephen Schwarzman, who take the long-term view of navigating different parts of the investing cycle, are invaluable contributors when thinking about the responsibility they have in leading these powerful institutions for all stakeholders. Over the past couple of years, Dimon remained patient with JPMorgan capital and understood that long duration bonds would suffer when rates were set to rise. Now that we are at the peak of the interest rate cycle, Dimon and his team are deploying capital at a best in the business 3.38% net interest margin. The delta on which they pay on average for deposits of 2.53% and lend out capital at much higher rates, earned JPMorgan and its investors $22.7 Billion in the third quarter of 2023, which led to a quarterly profit of $13.1 Billion. JPMorgan is an amazing business, which Dimon highlighted on their Q3 earnings call:

"These results benefit from our over-earning on both net interest income and below normal credit costs"

Jamie Dimon

Blackstone is the leading alternative asset manager in the world and positioned itself through the thoughtful guidance of CEO Stephen Schwarzman for inclusion in the S&P 500 during the second half of 2023. This strategy resulted from Blackstone consistently performing well through all market cycles and generating above average returns for its clients. Blackstone continues to aggregate capital more efficiently than its competitors and grow the business to an immense scale, with the result of inclusion into the widely held benchmark S&P 500. Being part of the index is the holy grail for a company's stock price as once it is included in the index, forced buying from index funds increases demand for the company's shares. The momentous achievement of inclusion in the S&P 500 was a result of Blackstone's core competitive advantage to bring in new assets under management, to the tune of $25.3 Billion in Q3 of 2023. The difficulty to raise that amount of capital, quarter after quarter, is very hard to comprehend! Hats off to the team at Blackstone for making it happen as attracting capital might be the most important part of any business plan. If you are winning on the business field, you need more

capital to scale your product or service offering. Suppose you are treading water and surviving, you require capital to achieve a growth trajectory, and if you are drowning and possibly failing, you need capital to start a turnaround and avoid bankruptcy.

Looking ahead to 2024, we believe that the midstream energy companies we own in Standard Wealth will perform well, as interest rates are expected to fall. Pembina Pipeline, Kinder Morgan and Enbridge all pay a dividend yield of 5.9% or higher, which rewards patient and long-term investors. With the 10-year Treasury continuing to trend downward from 5% in November of 2023 to below 4% today, investors seeking yield in a more tax efficient manner should be attracted to these utility-like businesses with 20-year inflation-protected take or pay contracts and investment grade counterparty risk.

We continue to search for good value in the equity markets as we have been prudently trimming back our largest holdings to keep a balanced diversification across the Standard Wealth portfolio. We are patiently waiting to deploy capital when we experience bouts of volatility in equity markets and are well prepared to acquire more shares in existing positions or start new positions in companies we believe are good value with a bright future.

"The big money is not in the buying and selling, but in the waiting."

Charlie Munger

As of December 31, 2023, the Standard Wealth strategy has a dividend yield of 2.9%, with a current portfolio price to earnings ratio of 15.7. In addition, the strategy has a trailing twelve-month return of 20.4%.

We wish all investors a great start to the new year.

Fred Mannix

Fund Performance

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Standard Wealth Returns*	
2020*	16.1%
2021	41.2%
2022	-9.6%
2023	20.4%
YTD	20.4%
1 Yr	20.4%
3 Yr	15.4%
5 Yr	n/a
Since Inception	15.5%
S&P 500 Index CAD	15.4%
S&P TSX 60 Index	10.7%
S&P 500 / TSX 60 Blended Index	13.3%

* Inception Date: Feb 29, 2020
- all returns are annualized

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