Accelerate
www.AccelerateShares.com

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Dear Investor,

Not too hot, and not too cold, with the goldilocks scenario continuing to be the consensus on Wall Street, as equity markets climb to record all-time highs. Standard Wealth investors have been justifiably rewarded for staying fully invested to start 2024 as the economy is roaring ahead with 2.8% GDP growth and very low unemployment of 3.9%. As markets wait for the official Federal Reserve pivot to begin with the first rate cut since March 2020 signaled sometime in 2024, investors have continued to buy any sort of dip in equity markets. With $6 trillion in money market funds maturing in the next year, we expect this capital to be redeployed into riskier asset classes as a lower interest rate environment offers less attractive returns to investors allocated to GICs and money market funds.

"Its sort of like a teeter-totter; when interest rates go down, prices go up."

**Bill Gross**

This wave of cash looking for a home will most likely be a tailwind for equity markets unless we see inflation climb again away from the Federal Reserve's target 2% inflation rate. Even though the Federal Reserve has signalled that interest rates should be descending sometime this year, they are "data dependent", and if the data show that we are trending away from the long-term desired inflation rate, Fed Chair Jay Powell may be forced to raise rates, which would completely shock investors and rattle markets.

In the base case scenario, we will see interest rates trend downward and equities continue to climb. However, we don't think the inflation battle has been won quite yet and are cautiously watching key inflation data as we feel investors' exuberance is unwarranted and not considering that inflation could start creeping upward again. If, and a big if, the Fed is forced to go back on its word of cutting rates this year and had to raise rates to fend off rising inflation, bond investors would once again be decimated, and equity markets would most likely fall into at least correction territory, if not worse. The market psychology of an unexpected policy shift would dampen any investor enthusiasm for risk-on assets.

"Guessing at the future rate of interest is, in my opinion, one of the most puzzling problems"

**John Maynard Keynes**

Markets have adjusted to the 10-year Treasury yield as it dropped from 5% in October 2023 to its current level of 4.35%, greatly benefiting bond investors who extended duration and were buyers at much higher yields. Any shift in Fed policy from a rate cut stance to possibly implementing a rate hike would send the 10-year yield soaring, hurting medium-to-long duration bond investors. A rate hike would pull capital away from risky assets such as equities, real estate and bitcoin. Again, we think it is unlikely that the Fed will raise interest rates but it is possible.

Ah yes, the bitcoin discussion has entered the room. Many investors are asking themselves different questions about bitcoin compared with just a few short years ago, considering that the Blackrock Bitcoin ETF was the fastest ETF ever launched to reach $10 billion in assets. It took just seven weeks.

"It's an international ledger that's cross border. It's bigger than any government"

**Larry Fink**

The easy access point for investors through the ETF vehicle has opened up an entirely new addressable market of investment advisor accounts and institutional players that had investment policy restrictions of not being able to own non-exchange traded investments. Structural qualities of bitcoin that investors have shown interest in this asset class include its finite supply, which produces scarcity, divisibility, which was enhanced through the ETF access point for investors, portability, as it is now easily tradable, durability, as it is on the blockchain and easily verified through the open network and lastly, fungibility, as all denominations are identical.

We are not here to sell you bitcoin, as investors should always perform their own research, however, we believe that uncorrelated asset classes do have a place in a diversified portfolio. A clear advantage of adding uncorrelated investments to a portfolio is gained when investor diversify beyond just stocks and bonds, which can reduce the over all portfolio risk and lower volatility. When one asset class performs poorly, another may perform well, helping to offset losses. Case in point, Standard Wealth clients have enjoyed the asset appreciation from the initial investment made in bitcoin at $34,000 USD to around $70,000 USD today.

Standard Wealth has been consistently reducing net exposure to equities and adding to uncorrelated asset return streams as we believe a market disruption could be around the corner at any moment. At the same time, we are still fully invested with no cash drag. A key performer in the Standard Wealth portfolio has been the Accelerate Absolute Return Fund (TSX:HDGE), which has a 20.9% annualized rate of return over the last three years and was one of the few strategies that was positive during both March 2020 and throughout 2022, which were challenging environments for most asset classes. During periods of volatility and draw-down events, the short book of the HDGE portfolio has performed very well in the past, as lower quality companies tend to see their share prices deteriorate during periods of market duress. If you want to protect your portfolio without selling out of the market and crystalizing capital gains in the portfolio, HDGE can be a great strategy to stay fully invested and protect capital without sacrificing returns.

Another key competitive advantage in the Standard Wealth strategy is our very long-term time horizon as we focus on allocating towards companies with structural competitive moats around their businesses that would be hard to replicate or businesses protected through government regulation. These mature businesses that have these enduring competitive advantages have consistently gained market share, raised prices, and grown bottom line earnings that can be distributable to investors through dividends and stock buybacks. When earnings are growing, the stock price will surely follow. The beauty of the Standard Wealth strategy is how simplistic the philosophy is to understand and implement. We perform fundamental analysis on the large cap universe of North American equities and allocate to those with above average rates of return on invested capital with business models that are hard to replicate.

The most important competitive advantage Standard Wealth investors enjoy is that we are value investors. We search everyday for great companies that can be purchased at an attractive price and below their intrinsic value. This continuous research and monitoring of our portfolio companies has allowed our investors to compound capital at a rate of 18.1% since inception.

"We know from experience that eventually the market catches up with value. It realises it in one way or another."

**Benjamin Graham**

In conclusion, at Accelerate, we enjoy the privilege of working with some of the most sophisticated investment advisors and institutional investors in the business. We seek to enhance their client offerings with our portfolio solutions that offer easy access and low-cost diversification. We are happy to report that coming up in May, we will have passed a five-year milestone with two of our ETFs in the market, the Accelerate Absolute Return Fund and the Accelerate Canadian Long Short Equity Fund. I would like to thank the Accelerate team for the dedicated and focused energy expended on bringing these strategies to fruition and making them some of the best available to investors today.

As of March 31, 2024, the Standard Wealth strategy has a dividend yield of 2.8%, with a current portfolio price to earnings ratio of 21.7. In addition, the strategy has a trailing twelve-month return of 29.6%.

Wishing investors all the best for the rest of the year as we look to build off a solid start to 2024.

Fred Mannix

Accelerate
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**Fund Performance**

| Standard Wealth Returns* | |
|---|---|
| 2020* | 16.1% |
| 2021 | 41.2% |
| 2022 | -9.6% |
| 2023 | 20.4% |
| | |
| | |
| YTD | 13.3% |
| 1 Yr | 29.6% |
| 3 Yr | 12.5% |
| 4 Yr | 24.5% |
| | |
| Since Inception | 18.1% |
| S&P 500 Index CAD | 15.6% |
| S&P TSX 60 Index | 11.7% |
| S&P 500 / TSX 60 Blended Index | 13.7% |

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



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