2022 Year-End Report

A. Fourth Quarter Recap

US Market

US equities bounced back nicely in the fourth quarter with most of the progress in November. Investors continued to focus on the Federal Reserve (Fed) and the rate of change in the interest rates. As the quarter progressed, and the pace of economic growth started to slow, there were indications that the growth in interest rates would start to slow as we entered 2023. Importantly, there were signs that inflation was moderating while corporate earnings continued to be strong.

Even with the rapid rise in interest rates, the annualized GDP for the US in the third quarter came in at 3.2%, which was stronger than expected and above earlier estimates. Unemployment remained low at 3.7% with new job creation remaining quite strong. The latest consumer price index (CPI) numbers continued to edge lower but remained at elevated levels. By year-end, inflation was running at approximately 7.0% year over year. The Fed's final rate hike in December was trimmed back to 50 basis points (bps) after four consecutive 75 bps tightening moves.

Most sectors rose over the quarter, a number climbing significantly. Energy stocks (which we highlighted in our third quarter newsletter) posted especially strong gains, with sector heavyweights Exxon and Chevron posting record profits in the quarter. Consumer discretionary was a notable exception, with Tesla's decline an outsized influence on the sector. With Elon Musk's focus on the buyout and management of Twitter some investors were concerned that he was not spending enough time on Tesla as sales in the automaker slowed.

Eurozone

Eurozone shares advanced strongly in the fourth quarter. Gains came from a variety of sectors, with the economically-sensitive areas like energy, financials, industrials and consumer discretionary outperforming. Defensive sectors in the market, such as consumer staples, which had performed strongly in the first nine months of the year, lagged the wider market's advance.

Equity gains were buttressed by hopes that inflation was showing signs of peaking not only in Europe but also in the US. Annual inflation fell to 10.1% in November from 10.6% in October. The European Central Bank (ECB) raised interest rates by 50 bps in December, a slower pace than its previous 75 bps hikes. Although ECB President Christine Lagarde warned that the central bank was "not done" with increasing interest rates the market adopted a wait and see approach given the bungling track record of the ECB.

Data showed that the eurozone economy grew by 0.3% quarter over quarter in the third quarter, slowing from 0.8% growth registered in the second quarter. Forward-looking economic indicators continued to point towards a contraction in the coming quarters. The composite purchasing managers' index for December was 48.8, up from 47.8 in November. (A reading below 50 indicates contraction, while above 50 signals expansion.) After reaching record highs earlier in the year, falling energy prices, aided by an unusually mild winter, helped take the pressure off prices.

United Kingdom

UK equities rose over the quarter after a wild second quarter. Markets were particularly volatile in September as Prime Minister Liz Truss announced significant fiscal stimulus that would have resulted in larger short-term budget deficits. The volatility in the capital markets coupled with the internal opposition in her own party resulted in Truss stepping down as Prime Minister and the election of Rishi Sunak as the new Prime Minister. A September 'mini-budget' reversed the controversial policies of PM Truss and settled down the markets. The new chancellor Jeremy Hunt, appointed by PM Sunak promised to tighten the budget and shrink projected deficits moving forward.

This message was in keeping with the fiscally conservative reputation of Rishi Sunak. Sunak's prior experience as chancellor also helped to stabilize gilt yields and interest rate expectations. With interest rates stabilized equity markets surged ahead. The decision by the Bank of England to reduce the pace of interest rate hikes also helped the market recover from its October lows.

Similar to US and European markets, economically sensitive areas outperformed. Hopes that the US Federal Reserve might stop increasing rates and 'pivot' to cutting interest rates in late 2023 were running high.

Japan

After rising for most of October and November, the Japanese stock market declined in December. Nevertheless, the total return for the fourth quarter remained positive, at 3.3% measured in yen. Having weakened against the US dollar for most of 2022, the yen reversed direction starting in November, returning to levels last seen during the summer months. During November, most Japanese companies reported strong third quarterly earnings benefiting from yen weakness.

The significant event for investors in the fourth quarter was the decision by the Bank of Japan to widen the band within which it has been managing the 10-year bond yields. While this change was necessary in order to normalize interest rate policy, the timing of the decision came as a complete surprise. The change in their yield management policy helped to drive up the value of the yen in December and suggest that after years of deflation maybe Japan's inflation rate might actually move higher. The government also passed another substantial fiscal package in the fourth quarter in an attempt to bolster their floundering economy in 2023.

Asia (ex-Japan)

Asia ex-Japan equities achieved robust gains in the fourth quarter, with almost all markets in the index ending the period in positive territory. China, Hong Kong and Taiwan all achieved strong growth over the quarter, with share price growth particularly strong in November after US President Joe Biden and Chinese leader Xi Jinping signaled a desire to improve US-China relations at a meeting ahead of the G20 summit in Indonesia.

The recovery in Hong Kong and Chinese share prices continued in December after Beijing loosened its ridiculous pandemic restrictions that have constrained China's economic growth since early 2020. The rally in equities didn't spill over to Taiwan in December, given the ongoing geopolitical tensions, higher US interest rates and lower demand for electronic goods (one of Taiwan's biggest exports). South Korean shares ended the quarter in positive territory after the country's central bank raised interest rates. However, share prices declined in December due to weaker export data and cooler demand from China. Thailand, the Philippines and Singapore also ended the quarter firmly in positive territory. The announcement by the US Federal Reserve during the quarter that it expects to switch to smaller rate hikes soon, also boosted many Asian equity markets in the quarter.

Global Bonds

Markets ended the year on a mixed note in the final quarter. Government bond yields edged up towards the end of the quarter, reflecting some market disappointment at the hawkish tone from some central banks, despite mounting evidence of slowing economic growth. The Federal Reserve (Fed) raised rates twice during the quarter, ending at 4.5%. The Bank of England also announced two rate hikes, bringing the UK interest rate to 3.5% at the end of the year, while the Bank of Japan announced a change to its yield curve control policy.

Credit spreads tightened across the quarter on improved risk sentiment. The credit spread is the difference in yield between bonds of a similar maturity but with different credit quality. Although strong performance was tempered slightly into year end, US and European investment grade and high yield credit generated positive returns and outperformed government bonds over the quarter. Investment grade bonds are the highest quality bonds as determined by a credit rating agency; high yield bonds are more speculative, with a credit rating below investment grade.

B. North American Equity Market Statistics

During the fourth quarter, the Canadian equity market as measured by the S&P/TSX increased by 5.75%. Year-over-year, the index decreased by 6.6%, including dividends. Although the S&P/TSX index has lagged many of the world's major stock markets over the past 15 years, it has performed strongly over the past 24 months staying ahead of the US market. The recent performance of the index has been largely driven by commodity stocks (especially oil and gas securities) and the inflation trade, after a sharp selloff due to the lockdowns in 2020/2021. Some of these relative gains are under pressure as we enter 2023 with the global economy staring down a potential recession. At Rocklinc, we continue to focus on an evolving portfolio of great businesses that can successfully navigate the challenges facing the global economy. We do not try to market time or attempt to profit from short term moves in any particular securities or sectors. As the old investment adage goes, it's time in the market not market timing.

During the last three and five years, our basket of Canadian companies (after all expenses) outperformed the index by approximately .10% and 2.61%, respectively. Our weighting in the precious metal's royalty companies, along with our large weighting in infrastructure businesses, added significant value over the last three to five years. Regardless of the short-term noise, our focus is on the long-term economic fundamentals of the companies we own and we are pleased with our core positions and their favourable long-term fundamentals.

In terms of the S&P/TSX, eight of the ten sectors generated positive returns during the fourth quarter. Their returns from best to worst: Information Technology (+12.5%), Consumer Discretionary (+8.2%), Consumer Staples (+8.1%), Materials (+7.7%), Energy (+7.6%), Industrials (+7.0%), Telecom (+4.8%), Financials (+2.3%), Utilities (-8.4%) and Health Care (-11.3%).

Pertinent market action during the fourth quarter of 2022 and during the last 12 months is captured in the following table.

	Dec. 31, 2021	Sept. 30, 2022	Dec. 31, 2022	3 Month Return	1 Year Return
CAD/USD	$.7904	$0.7231	$.7378	+2.03%	-6.65%
Oil WTI (US $)	$75.43	$79.49	$80.26	+.97%	+6.40%
Gold (US $)	$1,829.17	$1,660.61	$1,830.10	+10.21%	+.05%
Silver (US $)	$23.29	$19.03	$24.18	+27.06%	+3.82%
S&P/TSX	21,222	18,444	19,385	+5.10%	-8.66%
S&P 500	4,766	3,585	3,840	+7.11%	-19.43%
Cdn 10 yr.	1.43%	3.17%	3.30%	+13 bps	+187 bps
US 10 yr.	1.51%	3.83%	3.87%	+4 bps	+236 bps

Source: Bloomberg

During the fourth quarter, the Canadian dollar increased by 2.03% against the USD and was down 6.65% over the last twelve months. During 2022 the USD has steamrolled every major currency in the world. The British Pound, the Japanese Yen and the Euro were down 10.6%, 16.5% and 5.5% respectively against the USD over the past year. These types of declines are extraordinary. They highlight for investors that the global economy is under significant financial pressure with the US dollar perceived as a safe haven.

Over time, the best way to minimize currency risk is to buy strong and growing businesses that generate revenue in numerous currencies. As a result, these businesses create a natural currency hedge in your portfolio and mitigate the impact of fluctuating currencies and inflation. Our view, which we have held for the past 13 years, is that all fiat currencies will continue to lose value against tangible or real assets because governments around the world, through their central banks, continue to print record amounts of money to support their feeble and indebted economies.

During the quarter, gold increased by 10.2% and was basically flat over the past twelve months. It finished the year at $1,830.10, having reached a peak of $2,070.44 on March 8, very close to its all-time intraday high of $2,075 (August 7, 2020). Silver, was more volatile and increased by 27.06% over the last three months and was up by 3.82% over the past year. We believe the long-term trends for both of these precious metals are to the upside and we continue to build positions in this sector. It is important to point out that for anyone valuing gold in non-US dollars, for example the Euro, Yen, British Pound and yes even the Canadian dollar (over the past 12 months), would have been largely protected against the rise in the USD and the weakness in the global stock markets.

During the quarter, oil increased slightly by 1%, and was up by 6.4% year-over-year. Most of the gains over the past two years are due to poor policy decisions on the part of world leaders. Many of these decisions have throttled production and new exploration driven by the green agenda and the desire to phase out fossil fuels. We do not have any issues investing in well managed oil and gas companies and continue to add to our positions in this critical sector. Our direct investments in the oil and gas sector remain relatively small but we continue to look at ways to profit from the missteps of our political class. During the quarter, we did add to some of our direct oil and gas positions. We maintain a large indirect exposure to the sector through a number of infrastructure firms.

During the fourth quarter, interest rates continued to rise as inflation settled in at levels not seen in over 40 years! The 10-year Canadian bond increased 13 bps and the US 10-year treasury increased by 4 bps in the fourth quarter. Year over year the yields were up whopping 187 bps and 236 bps on the 10-year Canadian bond and the 10-year US bond respectively. Despite the extreme volatility in interest rates, we believe that **real** interest rates will remain negative and therefore below the true levels of inflation. **While interest rates are expected to increase in the year ahead, we believe that the sharp rise in rates over the past year will likely lead to a recession in 2023. With global debt reaching levels never seen before in world history, the global economy will have a tough time absorbing the sharp rise in interest rates without a slowdown in economic growth.**

C. ROCKLINC Investment Update

1. Private Client Assets

In terms of our ROCKLINC separately managed accounts, they increased by .65% during the fourth quarter and decreased by 8.5% during the last 12 months (period ending December 31, 2022). More importantly, our average annual compound rate of return over the past 3, 5 and 10 years is clocking in at approximately 4.1%, 6.5% and 7.0%, respectively. Returns are after all fees, and are based on an asset mix of approximately 67% invested in equities, with the remainder invested in short-term deposit accounts, bonds and preferred shares. Please note that the performance we are disclosing is our **aggregate performance** across all our accounts. Each client's portfolio is unique and performance will vary, based on your risk tolerance and your specific asset allocation.

When we dig further into our numbers, we find that our basket of equities increased by 1.1% during the fourth quarter and decreased by approximately 11.6% during the past 12 months. Our equities have been compounding by approximately 6.5% per year over the past 3 years and by 10.0% over the past 5 years. Over the past five and ten years, our Canadian equities have been compounding at 8.7% and 8.1% per year (compared to the index at 6.0% and 6.9%), while our US equities have been growing at 10.1% and 13.3% per year (compared to S&P 500 index at 9.4% and 12.5).

We continue to fix our attention on the economic fundamentals! This means that we **first,** selectively add companies as our research team ferrets out new opportunities. **Second**, prune underperforming businesses. **Third**, take advantage of market swings and add to existing positions at better prices! Whether the markets are weak or exuberant, there are always opportunities to seize upon. Given the recent downturn in markets, the number of buying opportunities continues to increase. Expect to see new additions along with some deletions from your portfolios over the next few months. **Autodesk, Inc.** which we discuss later in this report is one of the companies we added to our buy list for the first time in 2022.

2. Rocklinc Partners Fund

We launched our Rocklinc Partners Fund in September 2017. Our goal was to offer our clients a low cost and efficient way to purchase our top 20-30 companies in one portfolio. It is an effective way to gain access to a global diversified portfolio with more modest amounts of investment capital.

Our plan is to develop a long-term track record that can be marketed not only to our own private clients but also directly to other Canadian investors. As Rocklinc continues to grow, our number one objective is to create portfolios of excellent companies that produce strong long-term performance.

Quarterly, we provide a performance update to our clients. All performance numbers are after all fees and rates of return beyond one year are annual compound rates of return. Currently, the Fund is approximately 28% in cash and short-term money market instruments and 72% equities. After all expenses and fees, the Rocklinc Partners Fund has since inception been compounding at approximately 6.3% per year. When you look through to the equities in the portfolio the Canadian stocks have been compounding at 9.5% and the US equities have been compounding at 8.6% over the past five years.

Our top five holdings represent 22% of the total portfolio and 30% of the equity weighting in the portfolio. The top 5 holdings are Franco-Nevada (4.6%), Suncor Energy (4.5%), Apple Inc. (4.4%), Wheaton Precious Metals (4.3%) and Brookfield Infrastructure Fund (3.9%).

As at December 31, 2022

	1 mo.	3 mos.	6 mos.	1 yr.	3 yr.	5 yr.
RL Partners**	-4.1%	-.17%	+1.05%	-11.84%	+3.3%	5.8%

** Inception September 29, 2017 (NBN1212)

3. Rocklinc Kokomo Fund

The unjustified invoking of the Emergencies Act (EA) on February 14th demonstrated to all Canadians that our governments on all levels (federal, provincial and municipal), coupled with our financial institutions, cannot be blindly trusted. It was a sad day in Canadian history when our once prestigious financial institutions were literally weaponized against “political opponents” of the government with no due process. The government’s aggressive use of the EA was a real opening of the kimono and the ease at which bank accounts were frozen was alarming. It is now patently obvious to all that Canada’s governments have no issue with targeting those with whom they disagree politically. It also appears that our Charter of Rights and Freedoms is not worth the paper it is written on. If our rights and freedoms come from the government, and not God, they are not absolute rights and freedoms but simply government privileges that can be granted and revoked arbitrarily based on the whims of the leaders.

In light of these dramatic changes, we have communicated to our clients that they should take some steps to mitigate the risks of further government overreach. **First,** keep some extra cash around your home in a safe place. **Second,** consider owning some physical gold and silver as monetary substitutes and as a means of exchange in the event you need to do some bartering. **Third,** open a bank account in a foreign jurisdiction not under the regulatory control of a Canadian government. **Fourth,** own hard assets outside of Canada. This could include a private business, real estate or investment accounts. **Lastly**, maintain or obtain a second passport or permanent residency status in another country that is safe and respectful of personal freedoms and liberties.

In order to assist some of our clients and provide them with an investment product that is regulated and registered outside of Canada we launched our Rocklinc Kokomo Fund in November. Our Kokomo Fund is registered in the Cayman Islands and all funds will be held in custody in Cayman. It is important to point out that the Cayman Islands are a British Overseas Territory and the world’s number one offshore market for investment funds.

The Fund Custodian for the Rocklinc Kokomo Fund is DMS Bank, the Fund Administrator is SGGG Fund Services (Cayman) Inc., the Fund’s legal counsel is Carey Olsen, and Fund’s Auditor is Grant Thornton (Cayman). The minimum investment is $100,000 USD. The Net Asset Value (NAV) of the

Fund will be priced for the first time at the end of January and investments in the Fund will commence in February. We will manage the portfolio in a similar manner to how we manage all our discretionary accounts. This will include 20-30 stocks, low turnover, a competitive management fee, no performance fees and monthly pricing and liquidity. Offering documents are available on our website or by calling us at Rocklinc.

The new Rocklinc Kokomo Fund is an easy way to invest outside of Canada, into a high-quality investment fund, with a proven investment team and outside of the immediate reach of our government. We look forward to reporting our progress to you in our next quarterly update at the beginning of April.

D. Company Update – AUTODESK

The Federal Aid-Highway Act of 1956 undoubtedly played a pivotal role in the economic prosperity of the United States. The legislation directed $25 billion in infrastructure investment to develop the U.S. Interstate Highway System. This Highway System comprises over 48 thousand miles of highways that connects cities and primary industrial centers. It also forms integral connection points with Canada and Mexico to facilitate efficient trade and tourism. A research study by the Federal Highway Administration estimated that approximate one-quarter of the productivity growth in the U.S. from 1950 to 1989 was attributed to the investment in highway infrastructure[1]. Today, over 70% of U.S. goods are transported across its highways and roads.

The Interstate Highway System is just one of many examples of how infrastructure is inextricably tied to the economic growth of a nation. Since the passing of the Highway Act, the U.S. has grossly under-invested in its infrastructure system. This has led to the degradation of their roadways, energy grids, water systems and ports. According to the American Society of Civil Engineers, $2.59 trillion is needed to close the gap in repairing and maintaining existing infrastructure.[2,3] Over 40% of American public roads are in a state of mediocre to poor condition, while power outages cost the U.S. economy up to $169 billion per year.[4] Canada has not fared that much better. According to the International Institute for Sustainable Development, one third of Canada's core public infrastructure is in poor condition. It estimated that up to $1 trillion is needed to close the infrastructure deficit[5]. In November 2021, the U.S passed into law the Infrastructure Investment and Jobs Act, which will provide $1.2 trillion in funding to repair and rebuild broken infrastructure. One company we believe that is well positioned to capitalize on the expected growth in infrastructure projects is Autodesk.

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[1] Federal Reserve Bank of Richmond, 2021. When Interstates Paved the Way. https://www.richmondfed.org/publications/research/econ_focus/2021/q2-3/economic_history

[2] American Society of Civil Engineers, 2021. Roads. https://infrastructurereportcard.org/cat-item/roads-infrastructure/

[3] American Society of Civil Engineers, 2021. Investment. https://infrastructurereportcard.org/solutions/investment/

[4] American Society of Civil Engineers, 2021. Energy Infrastructure. https://infrastructurereportcard.org/cat-item/energy-infrastructure/

[5] International Institute for Sustainable Development, 2021. Canada Must Climate-Proof its Infrastructure Investments. https://www.iisd.org/articles/canada-must-climate-proof-infrastructure-investments

As a leading global software developer of 3D design, engineering and entertainment software and services, Autodesk offers a comprehensive suite of solutions that plays a critical function in the design and construction of infrastructure. Before Microsoft launched Windows or Adobe launched Photoshop, Autodesk gained a first mover advantage by becoming the first company to launch a PC-based Computer Aided Design (CAD) software, called AutoCAD, which is used to create digital design models of infrastructure, such as construction layouts, building details, floor plans and manufacturing drawings. Initially, CAD was only available to select firms and large companies with significant levels of capital. But early on, Autodesk saw the wisdom of making their CAD product available to the broader market at affordable prices. Its flagship product gained early popularity and adoption among designers, architects and engineers. It allows its customers to digitally design and build any infrastructure asset, while efficiently streamlining its manufacturing and construction process to save resources and time.

Predominantly, Autodesk's business is focused on the architecture, engineering and construction (AEC) market (~75%), while the remaining portion of its business serves the manufacturing (~20%) and media and entertainment (~5%) markets. From design to final project construction and management, Autodesk plays an essential part of an architect's, engineer's and contractor's day-to-day operations. In manufacturing, Autodesk's suite of tools enables customers to efficiently design complex and custom products, equipment and systems. Since recently launching its 3D product design and manufacturing software Fusion360, Autodesk has acquired more customers than its competitors. In the media and entertainment industry, Autodesk is an industry leader in 3D computer graphics. Many of the leading animation and visual effects companies, such Pixar and Industrial Light and Magic (Lucasfilm), rely on Autodesk to develop 3D animation visual effects and sequences. Autodesk's software played a core role in developing the visual effects and simulation of *Avatar* and *Avengers: Endgame*, which are the top two highest grossing films of all time.

From an investment perspective, we believe that Autodesk provides us with excellent exposure to the growing infrastructure market, while benefiting from the high operational leverage enjoyed by software companies. Through its first mover advantage, Autodesk has established strong customer loyalty and adoption. AutoCAD remains the leading CAD product in the world with a global market share of over 30%. It has a net revenue retention rate of over 100%, which means that existing customers did not cut their spending with the company (even over the course of Covid-19). The company has created a strong network effect through its entrenchment with employers and academic institutions from secondary to post-secondary programs in architecture, interior design, engineering (mechanical, manufacturing, civil), geographic information systems, industrial design and urban/rural planning. A virtuous cycle has been developed as more graduates and companies adopt Autodesk as the gold standard in design software.

Autodesk has successfully transformed its business from a perpetual licensing model to a cloud-based subscription model, which is a more scalable and consistent generator of recurring revenue. Autodesk's recurring revenue was 96% of total revenue in fiscal year 2022. Given the mission critical nature of its products, Autodesk has strong pricing power. In 2020, Autodesk raised the price of new multi-user subscriptions of individual products by 14% and software collections by 33%! The company has further increased the stickiness of its products by creating an extensive software developer network that allows third party developers to customize its software by adding complementary and industry specific features. This further strengthens the value proposition of Autodesk's suite of end-to-end solutions offered to over 6 million subscriptions.

Over the past 5 years, Autodesk's revenue has grown at an average annual rate of over 15%. It has done this by enhancing the functionality and expanding into new vertical segments through organic investments and acquisitions. This has allowed the company to grow its customer deal size from a couple of hundred thousand dollars per year to $10M per year. Autodesk not only benefits from new customer onboarding, but from existing customers adding more products. For instance, Autodesk has seen a 6 fold increase in the number of customers using multiple construction products and a double in the amount of enterprise usage of construction products. Autodesk has supplemented its organic investments by having a successful track record of acquiring and integrating technology into its platform. Its acquisitions have broadened its platform into faster growing markets, while further strengthening its position and brand loyalty through adding new innovative functionality. For example, in 2002, Autodesk acquired Revit, which is a building information modelling application software that has become the dominant software for architecture firms. In 2021, Autodesk became a leader in water infrastructure software by acquiring Innovyze, which is used to design water distribution networks, water collection systems, water and wastewater treatment plants and flood protection systems. Autodesk is a complementary addition to Rocklinc's other infrastructure investments. With a sound business model, sold balance sheet, strong customer loyalty and consistent free cash flow generation, Autodesk is well positioned to generate solid investment returns for years to come!

Given the large pullback in technology stocks in 2022 we were provided with an excellent entry point to buy into this exceptional business. With the stock down 33.5% in 2022 we have started to build a large position in the stock at attractive prices. Despite the poor stock performance in 2022 the stock has over the past 5 & 10 years (period ending December 31, 2022) compounded at an annual rate of return of 12.3% and 18.2% respectively.

E. Moving Forward

We continue to keep our eyes focused on the fundamentals of the businesses we invest in, within the context of a global economy immersed in debt. **We will do our best to take advantage of sharp moves in the market!** Given the negative markets last year, we are finding more buying opportunities but are being slow to deploy new capital. As investors, volatility and turbulence are our friends. We will do our best to use them to your advantage. It is important that we remain vigilant given the economic and social challenges facing the global economy.

As a result, the investment team at Rocklinc is working hard to make sure our existing companies are performing as expected or better and searching for new companies that we can add to your portfolios. Over the past year, we have started to add several new companies to our mix. These include, Autodesk, Inc., Canadian Natural Resources, Glencore (added in January 2023) Intercontinental Exchange, Linde PLC, MEG Energy and Progressive Corporation.

During the same period, we eliminated/reduced several positions including Algonquin Power and Utilities and First Majestic Silver Corp. We continue to add to our weightings in a number of sectors with our largest additions in the areas of the market most impacted by the negative returns in 2022.

Within the current environment our basic strategy is as follows:

1. Patience – we need to wait for well-priced opportunities. Our patience and cash positions give us the flexibility to buy low. Weak markets in 2022 have opened up a number of new opportunities for our clients.

2. Watch the world's leading Central Banks. The level of money printing has been historic and we do not believe it will be easy to turn off the spigot as 2023 unfolds. As rates continue to

rise, the global economy will face recessionary pressures in 2023. This should cause Central Banks to ease off on further interest rate increases as the year progresses.

3. Pay attention to the irresponsible decisions of governments around the world. Governments continue to run massive deficits. Sadly, there does not seem to be any end in sight for this madness. When is the last time you heard a government talk seriously about balancing its budget?

4. Diversify across asset classes, sectors and geographic regions. While we are careful to run focused portfolios (20-30 securities) we are also careful to maintain an appropriate level of diversification.

5. Invest in businesses with strong balance sheets, backed by hard and tangible assets with limited counterparty risk.

6. Invest in firms that produce essential products and services, in growing industries, with well-established long-term secular growth trends. Our highlighted company this quarter **Autodesk, Inc.,** is an excellent example

7. Avoid/minimize highly leveraged financialized firms that have incomprehensible balance sheets, loaded with risky derivatives. We continue to minimize our exposure to banks and life insurance companies! In the case of life insurance companies we are very concerned with the excess levels of deaths being recorded in all the countries that implemented aggressive COVID-19 vaccine policies. If the experimental mRNA vaccines are in fact contributing to an increase in deaths and sicknesses life insurance companies will be severely undercapitalized and the values of these businesses could drop substantially.

8. Maintain adequate liquidity in our portfolios, in order to take advantage of significant moves in the stock market. **Cash is not trash** when the markets become irrational!

9. Remain optimistic and opportunistic, seasoned with a dose of reality. Do not succumb to fear mongering nor believe that you cannot survive without the "help" of an intrusive State that has proven to be completely inept.

10. Place your faith and hope in God and not the State. Remember the words of the psalmist King David in Psalm 20:7; "Some trust in chariots and some in horses, but we trust in the name of the LORD our God."

If you have any questions pertaining to your account, please call or email for an appointment.

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