Dear xxxx;

By the beginning of 2021, most of the world recognized Covid as an illness that would not be eradicated, and the world would have to learn how to move on. At this time financial pundits projected a rosy picture for the global financial markets in the foreseeable future. The pundits were correct and 2021 was a banner year. Unfortunately, this bullishness was rattled by Vladimir Putin's unprovoked attack on Ukraine in February 2022. The markets were further decimated by stubbornly high inflation, a decline in corporate earnings, and a robust rate hike agenda delivered by The Federal Reserve.

As is common in a bear market, the market declines during 2022 were shorter and faster than the rebounds. Unfortunately, the first two market rebounds were dead cat bounces which led to lower lows in the stock market. While we have not yet retested the lows reached in mid-October, the US market has declined by 6.11% since November 30th which corresponds with the apex of the final rally of 2022.

Unlike during the first three quarters of the year all market indices delivered positive returns in the fourth quarter. International equities (Q: +13.87%) led the way, followed by US equities (Q: +6.24%), commodities (Q: +3.44%), and US fixed income (Q: +1.87%). This letter will provide an analysis of the major geopolitical, financial, and thematic events that shaped the quarter as well as our predictions for how these events will shape economic performance and returns in 2023.

FTX & Cryptocurrencies

Sam Bankman-Fried (SBF), the son of two Stanford law professors, began the quarter with a net worth of $16 billion and lived in a penthouse apartment within a gated community in the Bahamas. After a brief stopover in jail in The Bahamas, SBF ended the quarter bankrupt and living under house arrest with his parents in California. FTX was a cryptocurrency exchange. On the surface, FTX allowed individuals to deposit and trade cryptocurrencies. Alameda was a hedge fund also owned by SBF. FTT was the self-issued currency of FTX.

On November 7th, Binance, another cryptocurrency exchange, announced it would liquidate its 23 million FTT tokens (worth $529 million) following speculation regarding the solvency of FTX. This caused a run on FTX and an ultimate bankruptcy filing. By mid-November it became apparent that Alameda stole the assets of the clients of FTX and proceeded to squander those assets through risky cryptocurrency trading. Alameda also used FTT as collateral for other loans from entities within the cryptocurrency universe. When all is accounted for, the losses stemming from SBF, FTX, and Alameda will likely stretch past $10 billion.

A currency is defined by Oxford as "a generally accepted system of money." A currency is defined by Investopedia as a "store of value." Bitcoin is not a currency. Bitcoin and other "cryptocurrencies" are not true currencies because their values are volatile, and they cannot be regularly accepted to purchase goods and services. We have never invested and do not have plans to invest in bitcoin or other cryptocurrencies on behalf of our clients.

Inflation & The Federal Reserve Bank

Inflation and the fight against inflation remained the most pressing issues of the fourth quarter. The most recent year-over-year readings (November 2021-2022) show the CPI rose by 7.1% and core CPI rose by 6.0%. The PCE is released almost three weeks after the CPI. As of December 23rd, the year-over-year PCE readings (November 2021-2022) show the PCE rose by 5.5% and the core PCE rose by 4.7%. While all four of these readings are lower than they were at the end of the third quarter, they are still substantially above the long-term 2% annual inflation goal of the Federal Reserve.

The Federal Reserve responded to these inflation reports by increasing the Federal Funds Rate by 0.75% on November 2nd and 0.50% on December 14th. While the Fed governors may give indications about future hikes via speeches, the next scheduled Fed meeting and potential rate hike will not occur until February 1, 2023.

It is ironic that at the conclusion of the Federal Reserve's December 2021 meeting, the entire board of Governors predicted that the federal funds rate would be 0.4-1.1% by the end of 2022. They were completely wrong. In seven meetings spanning fewer than nine months, the Federal Reserve increased the Federal Funds Rate by 4.25%. This is the fastest rate hike in US history.

Corporate Earnings, Forecasts, & Layoffs

Approximately 70% of companies in the S&P 500 revealed third quarter earnings that exceeded analyst expectations. However, those earnings reports only exceeded expectations by 1.9% which is the second smallest outperformance in the last nine years and well below the 10-year average outperformance of 6.5%. 179 companies cited the term "recession" in their earnings reports this quarter and mega-cap tech companies projected weak guidance while simultaneously announcing layoffs.

During 2022 approximately 50% of publicly traded companies announced that after growing too quickly during the pandemic they would be instituting hiring freezes and/or laying off employees. As of December 6th, 2.12 million layoffs were recorded in business and professional services in 2022. One of the primary reasons corporate layoffs have yet to dramatically impact the unemployment rate and filings for unemployment is due to the substantial severance packages doled out. However, as these packages dry up in early 2023, we expect a notable increase in the unemployment rate.

GA Pincus Funds 2022 Market Out-Performance

Across all our client's portfolios, in aggregate our client's assets are allocated 64% to equities and 36% to fixed income. On average, we delivered our clients an annual return of -13.12%. This corresponds to a blended benchmark return of -17.14%. Thus, during 2022, on average, we delivered our clients 402 basis points (4.02%) of alpha. There are four primary reasons that each of our 155 clients outperformed their blended benchmark in 2022:

> Limited technology exposure - In 2022 The Nasdaq declined by 33.10%. While our clients have US technology exposure through US market capitalization weighted ETFs, their direct exposure to The Nasdaq via QQQ is either low or nonexistent.

Diverse allocations – By using ETFs, we provide our clients exposure to thousands of securities spanning the globe. We also monitor and adjust our client's portfolios as the economic cycle progresses. The changes we made during 2022, such as liquidating long term bonds in March, or increasing exposure to high dividend ETFs, helped deliver market outperformance.

Tax loss harvesting - GA Pincus Funds delivered more than $500,000 of realized short-term losses for our client's taxable accounts. These losses can be used to offset future market gains as well as $1,500 of income per person per year.

Algorithmic investment management - On average, every roundtrip trade (buy and sell) performed by our algorithm delivers our clients approximately one basis point of alpha (market outperformance). In a volatile year such as 2022, a client may have 100-200+ roundtrip trades corresponding to 1-2% of alpha.

Conclusion & 2023 Outlook

During each of the last three quarters we made market projections. Some were incorrect (full year market performance), others were accurate (corporate layoffs) and still others are taking longer to materialize (Russian defeat) than we had hoped. Inflation and the Federal Reserve were the primary persistent drivers behind the global stock and bond market's rout in 2022.

As we look toward the first quarter of 2023, we foresee continued pain in the global stock and bond markets. We believe it is possible that the US stock market will test and possibly fall below the low seen on October 13th. This drop will materialize due to the following five factors which we believe will coincide almost simultaneously: another increase in the federal funds rate, prolonged elevated inflation, lower than expected 4th quarter corporate earnings, an uptick in unemployment numbers, and the official determination that the US is in a recession. This culmination of events will lead to market capitulation which will signify the bottom of the market. That's the bad news.

The good news is that this will also signify the start of the next bull market. Capitulation will cause Jerome Powell to pause interest rate hikes and eventually cut them. Lower rates will improve spirits and buoy the economy. We believe the final eight months of 2023 will be excellent for global financial markets. While we foresee a maximum drawdown that could approach 10-15% in the first quarter, we believe full-year total returns will exceed 10% for the US stock markets and 6% for the US fixed income markets.

Client Referral Network

One of the oldest and most successful methods to grow a business is through word of mouth. GA Pincus Funds has been fortunate and has grown substantially due to referrals made by you and your fellow clients. We would like to use our future quarterly newsletters to return the favor to our clients. We plan to dedicate a section of our newsletters to our client's businesses. Rather than list your name or company name, we will instead indicate the category of business and location where you operate. For example, Real Estate Professional in Chicago, or Employment Lawyer in Georgia, or Public Relations

Professional in New York, etc. If you would like to participate in this program, please let us know. This referral program is **free marketing** for your business. **We will not accept payments for these referrals.**

Performance Calculations

The performance of your accounts is calculated daily, taking into consideration daily deposits and withdrawals, and those daily returns are combined to form your quarterly, YTD, and since inception returns. When we round off this enhanced precision it may shift your performance by 0.01-0.02% when compared to the calculation ((end date value – start date value)/start date value). Please note, the performance figures on your statement are accurate and are GIPS (Global Investment Performance Standards) compliant.

Exchange Traded Funds (ETFs) are required to distribute all excess cash, net income, and dividends received from their constituent companies to their shareholders annually. These distributions take the form of dividends. Many ETFs issue special dividends at the end of the year to ensure compliance with this rule. The amount of the dividend is removed from the ETF on x-date, and the shareholder receives the funds on the pay date. The x-date and the pay date can at times straddle New Year's Day. Please be aware, your full year returns may be slightly lower than expected due to this nuance.

It is impossible to predict whether and by how much the market will increase or decrease. Our algorithm rebalances your accounts according to changes in the relative weightings of the securities you hold. As one security becomes too heavily weighted the algorithm sells shares in that security. Conversely, as one security becomes too lightly weighted, the algorithm purchases shares of that security. Instead of rebalancing based on time (as most managers do), this algorithm rebalances based on a securities' relative weighting in the portfolio. This gives GA Pincus Funds a long-term advantage. No matter what the market does in the future or has done in the past, if your time horizon is long enough (>1 year), this algorithm has proven itself to be successful.

Please stay safe and healthy. I am always available to answer any questions you may have.

Best regards,

Gabriel

GA Pincus Funds
Gabriel Pincus, President
1574 Woodberry Court
Brentwood, TN 37027

www.gapincusfunds.com
m: 917-597-1450

e: gabriel@gapincusfunds.com