Dear xxxx;

The US stock market was open 63 days in the second quarter. Within those trading sessions, the US stock market, represented by the S&P 500, closed at a record high 19 times. During this period, there was only one three-day period where the market declined more than 3%. Essentially, the pattern of the daily movements of the US stock market was a steady hike upward.

Unlike last quarter where fixed income was inversely correlated with equities and commodities, during the last 90 days, fixed income (+1.83%), US stocks (+8.08%), international stocks (+4.75%), and commodities (+15.72%) all performed extremely well. 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 those events will play out through the remainder of 2021 and beyond.

Inflation

The number one hot-button issue in the second quarter has been inflation. The question is, will inflation be short-lived or is it here to stay?

Annualized Inflation has been less than 5% since before I was born (1983). The main driver of low inflation has been technology. Advances in consumer technology such as Personal Computers, Google, iPhone, broadband internet, and the Everything Store (Amazon) have pushed the cost of everything lower. Additional examples of deflationary companies are Uber, Netflix, and Airbnb. These new companies compete against established industries, thereby requiring the legacy businesses to lower their prices to stay relevant. These technological improvements have been made possible by globalization. While some view globalization as a negative, from the standpoint of lower prices, globalization is deflationary.

The recent increase in prices and monthly inflation figures in America is due to Covid-19. It is as simple as the law of supply and demand. The few people who traveled last summer paid bargain basement rates for everything. Low demand = high supply = low prices. This summer, many people want to travel, and prices are unsurprisingly quite high. High demand = low supply = high prices. Once demand stabilizes prices will follow suit.

The lumber market (https://www.nasdaq.com/market-activity/commodities/lbs) is an example of a market dislocation derived from COVID-19 that is transitory. In early 2020 lumber traded for $450/board. When COVID-19 forced the shutdown of the US economy everything ground to a halt and lumber prices fell as low as $300/board. Americans realized if they were going to be working from home, they needed bigger houses with dedicated offices. The demand for lumber skyrocketed. Once again, high demand = low supply = high prices. Lumber prices peaked at more than $1600/board in mid-May 2021. As we expected those prices have retreated by more than 53% to close the quarter at $737.40.

Travelers and lumber prices are just two of many apropos examples of price increases due to low supply and high demand. Inflation will spike and then it will settle. GA Pincus Funds believes that you do not need to be worried about long-term inflation.

US Labor Shortage

A largely unplanned consequence of increased unemployment benefits and stimuli payments is that many Americans started earning more money unemployed than they were making before the pandemic began. For this example, we will examine a family of four with two kids and two hourly workers earning $10/hour. Assuming they took no vacations and worked 40 hours per week, they would have earned $41,600 in 2019. That same family would have earned $54,630 (https://tcf.org/content/report/the-case-for-forgiving-taxes-on-pandemic-unemployment-aid/?agreed=1) in 2020 from unemployment and an additional $5,200 (https://en.as.com/en/2021/05/09/latest_news/1620586310_824848.html) from the first two stimulus payments. This hypothetical yet very real family of four earned 43.8% more in ten months by watching TV and playing with their kids than they would have earned working full-time jobs for a full year.

The pandemic caused a lack of workers not a lack of demand. To fill that demand, companies have been forced to raise wages dramatically to counter the negative effect of free money described above. These increased wages have led to increased prices across the board. It is our belief that once the free money dries up, companies will begin to lower wages, and prices will decrease.

New Holding Initiated: Uranium Miners

After substantial research and due diligence, in mid-May, GA Pincus Funds initiated a position in Uranium Miners for all clients. The following represents a high-level analysis on Uranium and Uranium Miners explaining why we believe these asset classes are substantially undervalued:

Nuclear is a zero-emission clean energy source that generates power through fission, the process of splitting uranium atoms to produce energy. The US operates the largest fleet of nuclear reactors in the world and has over one billion pounds of proven and probable uranium reserves; however, it imports virtually all uranium from overseas. In fact, Kazakhstan, Canada, and Australia produce more than 2/3 of the world's uranium. It is important to note that these countries are not currently struggling with COVID-19 induced labor shortages and associated inflation risks.

President Biden and President Trump before him saw the US reliance on foreign producers as a national security threat. President Trump worked with the Department of Energy to establish and fund the $1.5bn US Uranium Reserve to purchase uranium from domestic mines. President Biden has required that nuclear be a significant part of the clean energy standard that emerges from Congress as part of his infrastructure bill.

Currently, there are no US-listed ETFs that hold physical uranium. The best option for holding physical uranium is purchasing Uranium Participation Corporation (UPC), a Canadian publicly traded investment management company that invests substantially all of its assets in physical uranium. Sprott Asset

Management, a $17b commodity asset manager, is in the process of acquiring UPC and listing it on the New York Stock Exchange. Sprott has indicated their desire to turn UPC into an ETF. Sprott believes the world is in the early innings of a uranium bull market. Further, they are confident that a NYSE listing will improve liquidity, increase assets, and draw in institutional investors which due to supply constraints will drive the spot price higher and increase production for the miners.

During the last bull market in uranium (2002-07), prices increased by more than 1000% in five years. The next 10 years brought a bear market in uranium with spot prices decreasing by 80%. Uranium has mostly traded sideways since 2017. Based on our analysis, we agree with Sprott. Uranium demand is on the cusp of exceeding supply and spot rates will soar with the Sprott acquisition. If Sprott is successful in listing a uranium ETF, GA Pincus Funds will convert half of your uranium miner position into physical uranium. As a client of GA Pincus Funds, you are positioned to reap the rewards of this market dislocation.

COVID-19 Update

Based on data disseminated by John's Hopkins Coronavirus Resource Center (https://coronavirus.jhu.edu/map.html), as of 3:29pm CST on June 30th, 2021, globally, COVID-19 has infected 182 million people, killing more than 3.9 million. In the US, 33.7 million have been infected and more than 604 thousand killed. While these numbers represent a deeply depressing aggregate number of lives lost, they also represent a dramatic slowdown in new deaths since the end of the 1st quarter. In Q1 2021, COVID-19 killed an average of 2252 per day, whereas only 593 lives have been lost per day in the 2nd quarter.

With nine different vaccines available throughout the world, the vaccine tracker run by Bloomberg shows that 3.01 billion doses have been administered across 180 countries. In the United States, 175 million doses were administered during the quarter which has brought the number of fully vaccinated individuals in the US to 51%. The primary reason for the decrease in new deaths is the fact that 32 countries have now vaccinated more than 40% of their population. At the current rate of 43.3 million vaccinations per day it will take another year to achieve a high level of global immunity.

In the last three months the number of fully vaccinated Americans has more than doubled from 23% to 51%. At least in America, we are finally nearing the end of this pandemic. We hope the lessons learned will either help prevent future pandemics or at least enable us to better cope with them. At GA Pincus Funds, we are excited and optimistic about the future.

Interest Rates – Quick Update

After ending the first quarter at 1.74%, the 10-Year Treasury mostly traded lower to finish the second quarter at 1.44%, a decline of 17%. Even though some market participants still fear inflation, this decline in rates signifies that most market participants agree it will be transitory. Interest rates had been buoyed by political fears; however, even with recent positive comments out of The White House, it is our belief that the political gridlock in Washington has decreased the likelihood of the imminent passage of a major partisan infrastructure bill.

While there has been a lot of talk about increasing the corporate tax rate and increasing taxes on individuals earning more than $400,000, we believe the slim democratic majority will relegate this discussion towards irrelevance. Finally, if the capital gains tax is increased, we believe the threshold for the rate hike will be set closer to $10 million instead of the $1 million figure that has been proposed.

Bitcoin – Quick Update

In the first quarter of 2021, the US Dollar price of one bitcoin surged from $29,290 to $58,528, an increase of almost 100%. At the close of the second quarter, the US Dollar price of one bitcoin is $34,801, a decrease of more than 40%. Cryptocurrencies are not traditional currencies; they cannot be used regularly to buy goods and services. Investments in cryptocurrencies are extremely risky. Please proceed with caution.

Conclusion

As global COVID-19 vaccinations have increased, the global daily death rate has decreased and spending activity across all sectors has increased. Some of Europe and most of Asia and North America are now open and ready for business. Workers are starting to head back to the office and business travel is beginning to accelerate. There is even talk in Washington of working together to pass an infrastructure bill. Interest rates remain low, inflation is transitory, and the US real estate market is surging to new heights every day. Second quarter earnings estimates are too low and will likely lead to substantial beats in the coming weeks. Investors sitting on cash have limited options for yield. All signs point to continued economic success accompanied by global stock markets continuing to rise.

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.

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

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