Dear xxxx;

The S&P 500 finished the quarter at 5,254.35, achieving 22 new record highs during the first 61 trading days of the year. We are in the midst of a broad bull market which is finally looking past the Magnificent Seven into other sectors like communication services, financials, and energy. The current rally is being led by large cap companies and commodities with small-mid cap companies lagging. Typically, large companies lead bull markets and are the first to falter in a recession, while small to mid-size companies start slow and pick up the slack after large companies have begun to decline.

Precious metals and oil helped commodities (Q: +10.36) achieve first place amongst the four primary asset classes. US equities (Q: +9.57%) followed closely behind. International equities (Q: +3.89%) lagged but still delivered a positive return. Unfortunately, US fixed income (Q: -0.78%) finished in the red. This letter will provide an analysis of the major geopolitical, financial, and thematic events that shaped the first quarter; In the appendix to this letter, we will provide important information relating to diversification, retirement, and taxes.

Nvidia (NVDA) & Artificial Intelligence Update

To recap our Q2, 2023 newsletter, Artificial intelligence (AI) is a machine's ability to perform the cognitive functions we usually associate with human minds, such as perceiving, reasoning, learning, interacting with an environment, problem solving, and exercising creativity. Companies are still in the early phases of learning how to use AI to benefit their employees, customers, and shareholders. NVDA, the leading AI chip manufacturer, is up 478% since Nov 29th, 2022, the day before ChatGPT was launched, and almost 2000% in the last 5 years. Super Micro Computer, an S&P 500 component and AI server manufacturer, is up 255% in the first quarter of 2024 alone. In fact, 179 companies mentioned AI during their fourth quarter 2023 earnings calls.

The question remains; is AI a bubble? Our answer is maybe. There are some companies that are all hype, have no product, and have a loose association with AI or NVDA. Other companies will continue to be successful, especially if they can harness the power of AI as it matures. It is important to note that the new AI chips, while incredibly powerful, also require a tremendous amount of both energy and water. The annual water and power usage growth rates of AI are approximately 25% and 70% respectively. This means that by 2027 AI will account for the same usages of water and energy as Denmark and Spain. Rules and regulations must be implemented to prevent AI from using up the world's natural resources.

Bitcoin ETF Approval

After disapproving 20 Bitcoin ETFs from 2018 through 2023, the SEC finally approved the listing and trading of 11 spot bitcoin ETFs on January 10th, 2024. This approval was the primary catalyst that helped Bitcoin achieve a 68.53% gain in the first quarter. ETFs make it easier for individuals and institutions to invest in Bitcoin more safely. However, there is nothing preventing the ETF issuer from being hacked. It will be interesting to see what happens to the ETF shareholders when this happens. In the meantime, these ETFs represent unbridled demand for Bitcoin. Each time a share is purchased, the ETF issuer must purchase Bitcoin. The more shares that are purchased, the more Bitcoin acquired. Considering the maximum supply of 21 million Bitcoins, more demand should equate to price increases. That's the bull case.

The bear case is that Bitcoin is useless garbage. It's not a store of value, it's too volatile to be a currency, it's the source of numerous frauds/hacks/scams, and it has no purpose. GA Pincus Funds does not see the value in cryptocurrency, so we do not own it for our clients. If you would like to have a Bitcoin ETF added to your allocation, please contact us directly and we will endeavor to assist.

Federal Reserve & Inflation

Thankfully, Jerome Powell and The Federal Reserve Board of Governors have yet to lower the Federal Funds Rate in 2024. We are displeased with Powell's most recent statement where he continues to predict three rate cuts in 2024. However, based on the updated economic projections released in March, the Fed Governors are leaning more hawkishly. It is imperative that the Fed not lower rates until the 2.0% target inflation has been hit.

	US Core Inflation Rate	US Inflation Rate	US Core PCE Rate	US PCE Rate
December 2022	5.7%	6.5%	4.9%	5.4%
November 2023	4.0%	3.1%	3.2%	2.6%
February 2024	3.8%	3.2%	2.8%	2.5%

*www.tradingeconomics.com

As we have mentioned in past newsletters, the Fed is not particularly proficient when it comes to predicting future rate changes. We believe Powell's three cut outlook is politically motivated and is not likely to materialize. While the current rate cycle has been necessary due to stubbornly high inflation, another goal of the Fed is to keep the economy running at an even keel. Since the US economy and the labor market are both growing steadily despite current interest rates, it would not make sense to lower them. In fact, we believe that 2024 holds a greater likelihood of the Fed increasing rates or keeping them stable, rather than decreasing.

The US National Debt

The US national debt is 34.6T. Congress is responsible for this debt and should be positioning our country such that we shrink our debt over time as compared to steadily increasing it. The average rate of interest on the debt is 2.97%, which means it will cost $433 billion, or 16% of the total federal spending in fiscal 2024, to service our debt. It is not part of Jerome Powell's job to lower the Federal Funds Rate to ease the expense of the US national debt. Instead, Congress must take action to lower our debt. On February 5th, Powell explained the national debt is a long-term threat to the economy and "sooner's better than later" when it comes to addressing the structural drivers of the debt. Both Powell and Yellen believe the current debt and its projected rate of growth represent a significant threat to not only our economy but our democracy.

Conclusion

Since its inception on March 4th, 1957, the average annual performance for the S&P 500 is 10.26%. Considering the 10.16% gain in Q1, analysts have begun to raise the year-end projection for the index. In fact, on March 25th Oppenheimer increased their year-end forecast to 5,500, the highest forecast on the street. That same day, Tom Lee, one of the most bullish analysts on Wall Street, predicted that the small-cap Russell 2000 Index will finish 2024 up 50%. We are excited to follow these predictions and report back through the remainder of 2024.

APPENDIX

Diversification

As you know, GA Pincus Funds uses a proprietary algorithm set within custom software to deliver tax-adjusted returns that aim to out-perform your blended benchmark. We aim to use a broad set of asset classes so that each of your portfolios represents the global stock, bond, and commodity markets. Each year there will always be a best performing asset class and a worst performing asset class. Diversification ensures stability since your portfolios own a blend of the global market. Part of our investment strategy involves shifting portfolio weightings to minimize the exposure to the underperforming asset classes while maximizing exposure to the stronger asset classes. We will continue to monitor the changing ETF landscape to further diversify each of your portfolios when it is applicable.

Retirement Planning

The deadline for 2023 contributions to a Roth, IRA, or SEP IRA is April 15. The maximum allowable contribution to your Roth or Traditional IRA is $6,500 if you are under 50 years old and $7,500 for those over 50 years old. Roth contributions are subject to income restrictions. Single filers can contribute to their Roth if they earned less than $138,000 in 2023. Joint filers can contribute to their Roth if they made less than $218,000 in 2023. The maximum contribution to a SEP IRA in 2023 may not exceed the lesser of 25% of compensation or $66,000.

GA Pincus Funds Partners with Forward Point Solutions

Have you ever wanted a foreign bank account or to own a business in a tax-friendly jurisdiction? Are you frightened by the political climate and considering a second citizenship? Are you exploring the possibility of living and working abroad for an extended period? Forward Point Solutions has got you covered. FPS offers the following services in 49 global jurisdictions: offshore company formation, shelf companies, bank accounts, citizenships, work permits, and yacht registrations. All these services can be provided without our customers leaving their home. AML and KYC checks are required before services can be delivered. If you would like to learn more or ask any questions, please send me an email at gabriel@forwardpointsolutions.com.

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 in 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