Economic & Market Outlook

Executive Summary

- Global financial markets continue to recover from their COVID-19 induced losses, and growth stocks, mostly within the technology sector, are experiencing their best year in over a decade.

- Value stocks, currently comprised of the more cyclical sectors of our economy, are struggling to keep up. In the wake of value's lagging performance, many are starting to question the efficacy of buying statistically inexpensive stocks.

- We find the majority of growth's outperformance can be explained by changes in valuation (i.e. growth stocks becoming more expensive and value stocks becoming less expensive).

- Developed economies around the world continue to struggle with debt-induced disinflation. Policymakers have traditionally tackled this problem via monetary policies, but it appears there is a shift underway that relies more heavily on fiscal policy measures.

Introduction

Three quarters of 2020 are behind us, yet the financial markets, our economy, and our nation remain in a fluid situation. It would be naïve to expect otherwise. It is not often you get a pandemic-induced recession countered by unprecedented monetary and fiscal stimulus inside of a contentious election year. Despite the surrounding uncertainties, risk assets, like equities and high-yield bonds, continue to recover from their COVID-19 induced losses. And some areas of the market, like "growth" stocks, are going gangbusters.

	Q3	YTD
Global Equities	8.2%	1.8%
US Equities	8.9%	5.6%
US Growth	12.9%	23.0%
US Value	5.4%	-12.2%
Investment-Grade Bonds	0.6%	6.8%
High-Yield Bonds	4.6%	0.6%

Quantitative Easing & Money Supply Growth

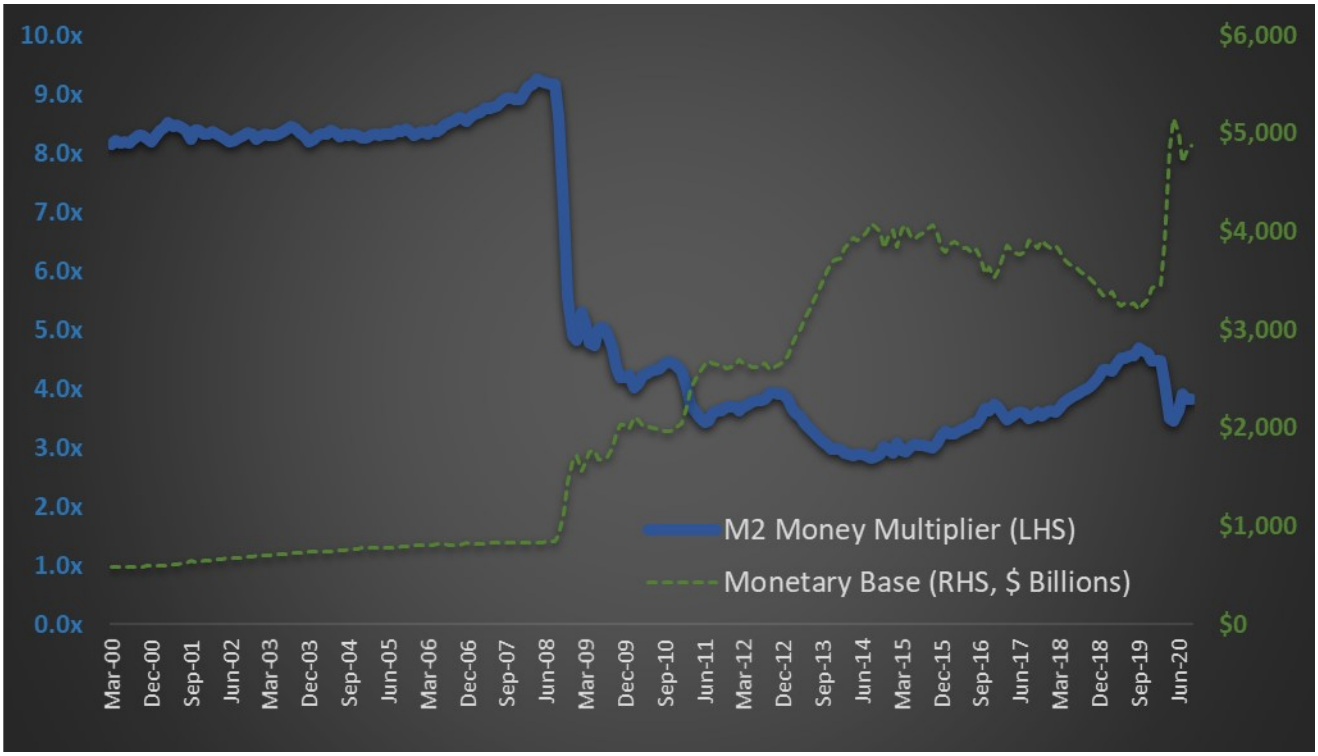
We will come back to the exciting topic of growth stocks, think Tesla, but before doing so we need to venture into the dismal science of economics. On August 27th, the U.S. Federal Reserve modified its policy on inflation. Instead of targeting a 2.0% rate of inflation, Chairman Jerome Powell announced a more flexible policy that would allow inflation to overshoot its 2.0% target for some time to compensate for years of persistently low inflation. They coined it "average inflation targeting." Since the global financial crisis, the world's largest central banks have been dogged by stubbornly low growth and tepid inflation despite their best efforts to see otherwise.

In the era of 0% interest rates, the favored tool of our central bank (and others) has become quantitative easing, a process whereby the Federal Reserve buys government bonds or other assets from commercial banks. The theoretical effects of this policy are multiple. First, it allows the reserve bank to influence bond prices and yields. Traditionally, our Federal Reserve's open market operations focus on short-term rates, whereas with quantitative easing they can target a bond of any maturity. Second, quantitative easing allows them to reduce the available supply of risk-free and/or low-risk debt, like Treasuries and Agency Mortgage Backed Securities ("MBS"), thereby forcing investors into other assets. Finally, and most importantly, quantitative easing makes it easier for banks to lend.

When the Federal Reserve first proposed quantitative easing in November of 2008 it was a radical concept, and many feared it would lead to the debasement of the U.S. dollar and rampant inflation. The fears centered around the fact that quantitative easing was funded with "faux" money. Investors and even professional economists viewed quantitative easing as money printing, and if you recall from Economics 101, more money chasing the same goods results in inflation. Yet, quantitative easing never stoked sustained inflation. Deflation has been the primary worry and disinflation the reality.

Here are the mechanics of quantitative easing. When the Federal Reserve purchases securities from commercial banks (like US Treasuries or Agency MBS), it credits the bank's account with reserves held at the central bank. To be clear, these reserves are not money. However, the bank can choose to lend against those reserves. Historically, banks could lend up to $10 for every $1 of reserves, reflecting a 10% reserve ratio. More recently, in response to COVID-19, the Federal Reserve abolished reserve requirements. When the bank makes a loan against its reserves, new money enters the economy. The key observation or takeaway is that bank lending is required for the money supply to increase. Without lending, the phrase "money printing" is a misnomer.

In the past, $1 of reserves would translate into $8 of new money. Today, $1 of reserves translates into less than $4 of new money. This is illustrated by the declining M2 money multiplier.



Source: Federal Reserve of St. Louis, Annandale Capital

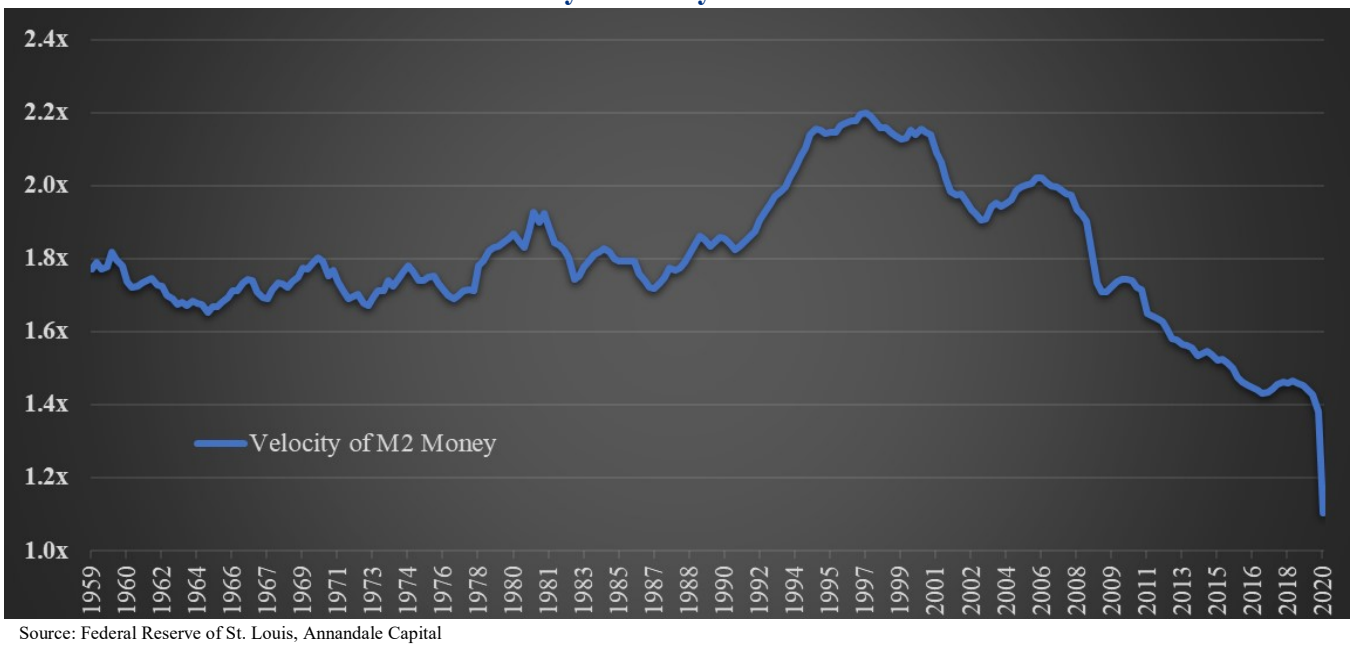
From 2000 to 2007, one dollar of reserves translated into roughly eight dollars of money (M2). As you can see in the chart on the previous page, that multiple has collapsed. Since the first round of quantitative easing (Nov 2008), one dollar of reserves has resulted in less than four dollars of money. In essence, banks are not as aggressively lending against excess reserves as they might have in the past. All of this is to say, quantitative easing has fueled some lending and, in turn, money supply growth, but not to the extent policymakers (and certainly not inflation alarmists) predicted.

Assume for a brief second that quantitative easing, as a monetary transmission mechanism, was more effective, and that the excess reserves created by the Federal Reserve had a more meaningful impact on bank lending and money supply growth. Would we have then witnessed the hyperinflation so many feared? Not necessarily. Equally important to money supply growth is the velocity of that money (i.e. the frequency at which a dollar changes hands). If the money supply increases, but individuals and corporations choose to save those dollars then there will be no effect on inflation. Mike Shedlock puts it aptly with the following analogy, *"Imagine you have a machine that prints perfect $100 counterfeit bills. The bills are so perfect, not even the Treasury department can tell the real bill from the fraudulent bill. Next, imagine that you print $10 trillion of them and bury them in your back yard. What happens? The obvious answer is nothing."* To help illustrate our point we have John Stuart Mill's famous equation of exchange.

$$Money\ x\ Velocity = Price\ x\ Quantity$$

The equation above shows a simple accounting identity related to the circular flow of money within our economy. In layman's terms, the equation says that the total amount of money spent in our economy (left-hand side) equals the total value of goods and services exchanged for money in our economy (right-hand side). Note this equation can also be interpreted to say money multiplied by velocity equals nominal GDP. According to this equation, increases in the money supply met with stable or growing velocity leads to an increase in nominal GDP. Now consider the past decade (ending 12/31/2019 to avoid effects of COVID-19). The M2 money stock grew at an annualized rate of 6.1%. If money velocity was constant or growing, we should expect nominal GDP to grow at a corresponding or higher rate, but instead, it grew at a 4.0% annualized rate (note the real rate of growth was just above 2.0%). The velocity of money has been falling, and as a result, monetary policy has been rendered less effective.

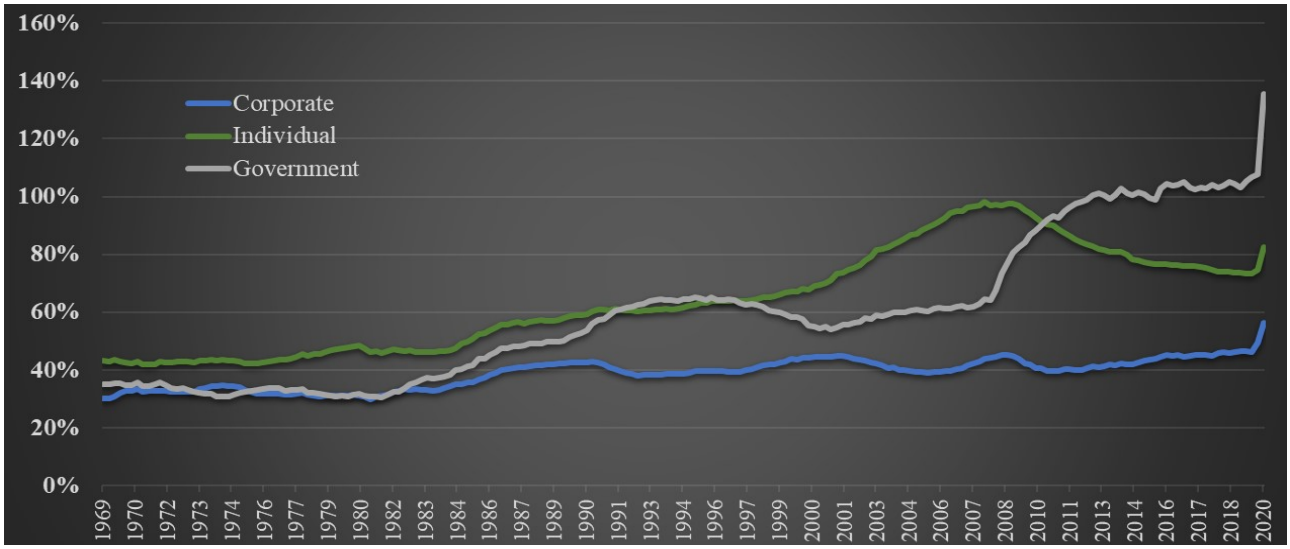
The velocity of money continues to fall



Source: Federal Reserve of St. Louis, Annandale Capital

Why velocity is falling is somewhat of a mystery. Obviously, the actors in our economy are transacting less with each passing year. One potential explanation was put forward by the depression era economist, Irving Fisher, who argued that extreme over-indebtedness could result in declining money velocity. Debt can be either good or bad for the economy, depending upon how it is used. Debt used to fund investment can be good, assuming the investment generates an adequate return and both principal and interest can be repaid. Debt is bad for the economy if it is used to fund poor investments, or worse to simply fund future consumption. This makes common sense if you look at it from the perspective of an individual taking on credit card debt. As you borrow money, you receive an influx of funds, which allows you to spend more and pull forward your consumption. But if you borrow too much, your debt service costs catch up to you and you will eventually be forced to cut back on spending to make principal and interest payments. Unproductive debt can be temporarily stimulative (i.e. increase spending), but in the long run, it slows economic growth.

Debt as a percentage of GDP has been in a secular rise



Source: Federal Reserve of St. Louis, Annandale Capital

Over the decades, the United States and other developed economies have become highly indebted. The largest source of our debt comes from the federal government, now pushing 136% of our GDP thanks to COVID -19. This debt is used to fund our government's growing budget deficit, which is primarily allocated to entitlements and defense. The second-largest source of debt comes from households, think mortgages, auto loans, and credit cards. Households have been in a constant state of deleveraging since the financial crisis when mortgage debt was the problem. The final component of debt is corporate, which can be used to fund acquisitions, working capital, repurchase stock, pay out dividends, etc. The productivity of each of these forms of debt is debatable, but one thing seems clear, we are long past the optimal level of debt in society.

After the financial crisis, Carmen Reinhart and Kenneth Rogoff published their seminal paper, *Growth in a Time of Debt*, which argued that debt levels and economic growth (GDP) are inversely correlated. The methods used in this paper turned out to be quite controversial, and as a result, spawned a large debate within the academic community. How much debt is too much in an economy? Below is a literature summary from the Mercatus Institute, a conservative think tank based out of George Mason University.

*"The empirical evidence overwhelmingly supports the view that large government debt has a negative impact on the growth of a debt-burdened economy. In many cases, this impact gets stronger as debt increases… While not all of the 24 studies covered in this literature review find a common threshold, 17 out of the 24 studied do find a debt threshold and half of the studies find a threshold somewhere between 75 and 100 percent (*of GDP)*."*

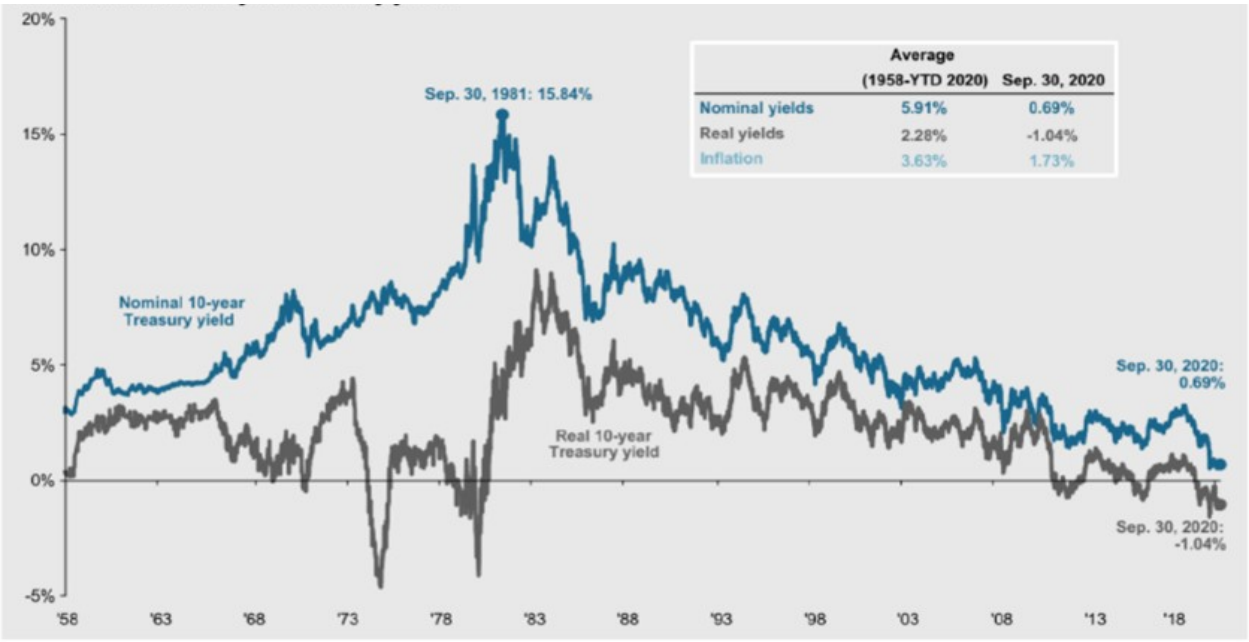
Under this narrative, the disinflation and below-trend growth that has dogged policymakers for the past decade does not seem so mysterious. Each incremental dollar of debt produces an incrementally smaller amount of growth, and at some point, the incremental dollar of debt leads to an incremental decline in economic activity. Furthermore, the monetary policy tools which attempt to encourage additional borrowing are arguably counter-productive in the long-run. In summary, developed nations around the world have choked off their growth potential by relying too heavily on debt.

So how does debt-induced disinflation tie back to the gangbuster growth stocks we mentioned in our introduction? The answer, or one of them at least, is nominal interest rates. Recall the depression-era economist Irving Fisher, who is most famous for is his work on interest rates, and namely the Fisher Equation.

$$Nominal\ Interest\ Rate = Real\ Rate + Inflation\ Expectations$$

Nominal interest rates compensate the lender for three things. First, there is the time value of his/her money (i.e. the compensation for not having access to their money when it is on loan). Second, the compensation for taking on the risk that it might not be repaid in full, which is termed credit risk. Lastly, nominal interest rates account for anticipated inflation over the life of the loan, which results in the loss of purchasing power to the lender. For the past two decades, real economic growth has been sluggish, due in part to the overutilization of debt. Additionally, inflation expectations have fallen, resulting in lower nominal interest rates.

Nominal & Real 10-year Treasury Yields



Source: JP Morgan

Interest Rates & The Relative Valuation of Longer Duration Assets

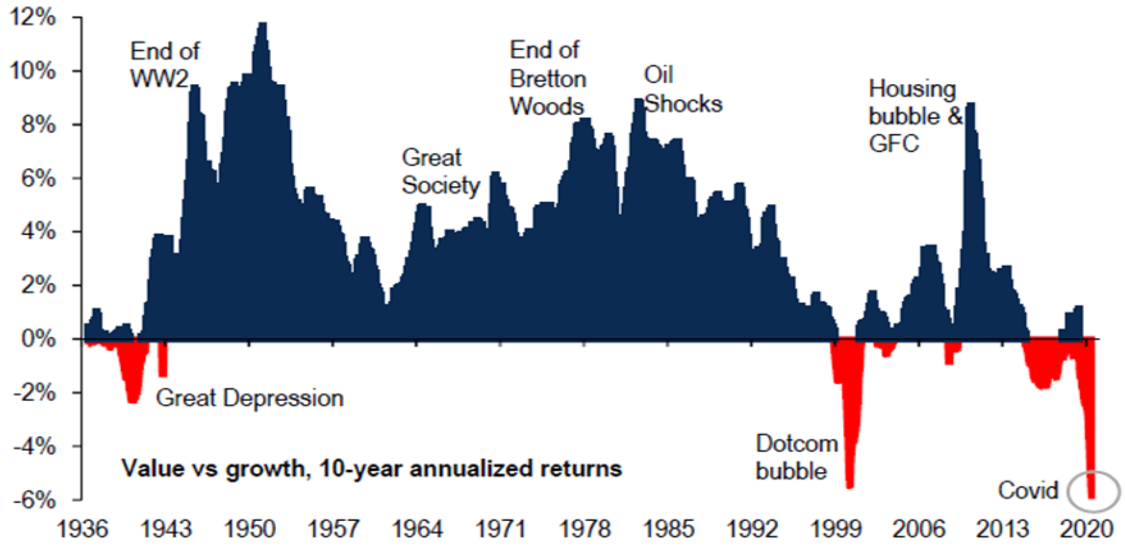
Our conjecture is that falling nominal rates have been good for longer duration assets. Proving this point is not difficult. Imagine two investments that over their lifetime will produce the same amount of cash flow to the investor, say $100 over 10-years. The only thing that differs is the timing of those cash-flows. Investment A generates cash-flow of $10 each year, and investment B produces its windfall of $100 in the final year. Which investment would you rather purchase? The answer is obviously A because there exists a time value to money. You would prefer $100 sooner rather than later. Now ask how strong is your preference for

investment A over investment B? The answer to that question depends on the level of interest rates, which we can see by calculating the present value of each asset under different interest rate regimes. As you can see in the graph below when interest rates are high, getting your cash back quickly matters a lot because those cash flows can be reinvested in a lucrative manner. When interest rates are low, the reinvestment opportunities are bleak, so the timing of cash flows matters less. Below is the hard math from our example. At a 10% rate of interest, investment A is worth 1.60x that of investment B. At a 1% rate of interest, investment A is worth only 1.05x that of investment B. When the interest rate approaches zero (which is where we find ourselves today), the net present value of each investment is equivalent.

Present values converge as rates approach 0%

"Growth" stocks by their nature tend to be longer duration assets. Said differently, companies in growth mode tend to consume capital more than they distribute, at least relative to "value" stocks. The goal of this capital consumption, via equity issuance and/or borrowings, is to fund additional revenue (and hopefully earnings) growth, so that their investors may one day reap the rewards of those investments in the form of larger shareholder distributions. Value stocks, on the other hand, tend to be relatively more mature companies. You can see these characteristics in the index data. For instance, the constituents of the Russell 3000 Growth Index have, on average, retained 66% of their earnings compared to only 56% for Russell 3000 Value Stocks, for the past 5-years. If you accounted for capital returned to shareholders in the form of stock buybacks you would find the discrepancy even more stark. Because growth stocks carry a longer duration, falling nominal interest rates benefit their valuations more than they do the valuations of so-called value stocks, and it is one of the many potential reasons growth has outperformed value in recent years.

Worst returns on record for value stocks



Source: Bank of America

As you can see in the previous chart, value stocks are underperforming growth stocks by their widest margin in history. The only other comparable period is the tech-bubble of the late 1990s. It should be noted that while the chart illustrates the differential in 10-year annualized returns, much of that underperformance has accrued in the last 12-months. Just in the last year, value stocks have underperformed growth stocks by 40.6%, which would equate to -3.5% per annum if spread over a decade. In light of value's recent underperformance, many practitioners have called into question the efficacy of buying statistically inexpensive stocks. But when we consider the various arguments against value here is what we conclude.

Argument 1: Market Efficiency

Some argue that the excess returns associated with the value strategy have been arbitraged away; that once Wall Street became aware of the value factor, investors seeking to exploit it crowded out its effect. While we would agree the market has become more efficient with time, we would also say this is the easiest argument to squash. If value had been crowded out, the factor or statistical measure (price-to-book, price-to-earnings, etc), would lose its statistical significance. In other words, valuations would not explain variations in price fluctuations. In reality, the explanatory power of valuations remains very high, it is just the normal relationship that has flip-flopped. Expensive stocks keep getting more expensive and inexpensive stocks remain inexpensive. Obviously, this relationship can't exist in perpetuity.

The expensive stocks keep getting more expensive.

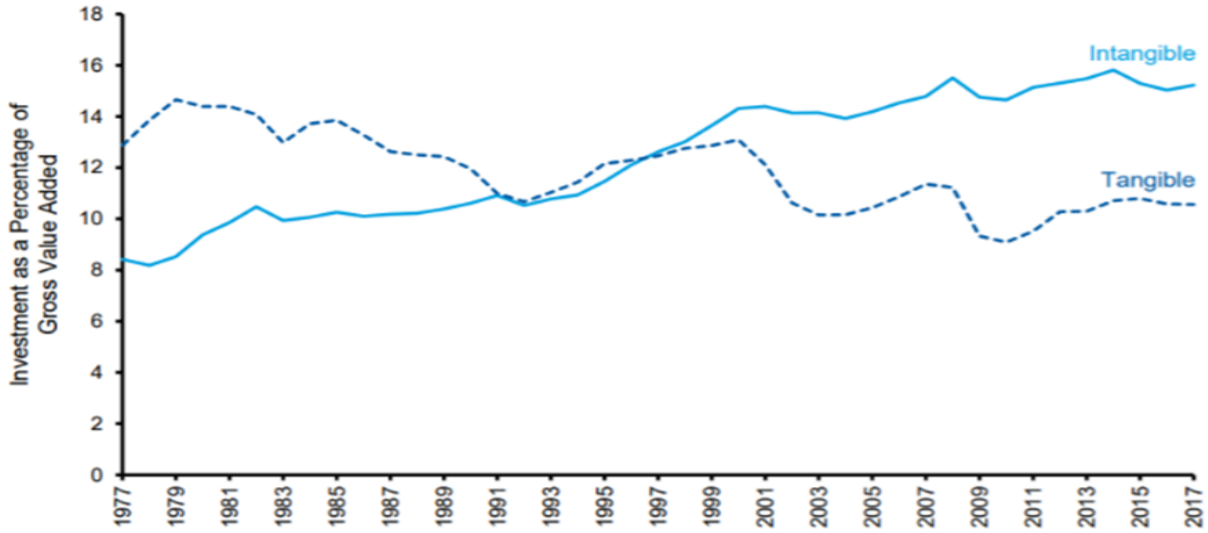
Source: Goldman Sachs

Argument 2: Measurement Error

Some argue that the most traditional measure of value, price-to-book value, is broken. This is the argument we sympathize with the most. We cannot deny the limitations of book value as a measure. It gets distorted over time by stock buybacks. Certain assets are carried on balance sheets at cost, and their values are not updated with time. But the biggest critique is book value does a poor job of accounting for the role intangibles (think patents, intellectual property rights, copyrights, and even trade secrets) play in our economy.

The investments in these intangible assets are not only unaccounted for on the balance sheet where book value shows up, but they also penalize a company's earnings. Consider Google, whose biggest assets are its search algorithms. There is no line item for these algorithms on its balance sheet, and the research and development costs that went into creating these algorithms were expensed immediately rather than capitalized.

The rise of intangible investment in the U.S.



Source: Credit Suisse

We agree that book value does not adequately account for intangible investments. But we can utilize other measures of value like price-to-free cash flow and/or price-to-sales to avoid these distortions, and when we do, the outcome does not dramatically change. Additionally, there have been studies that show valuation spreads, between growth and value stocks, do not change dramatically even if you remove the stocks and/or industries whose valuations are the most misstated due to higher concentration of intangibles. As Cliff Asness puts it, there is a dirty little secret in academic finance, price normalized by almost anything is better than a market capitalization-weighted index in the long run. To that end, we can commiserate about the flaws of book value or even earnings, but it does not change the conclusion. Value's underperformance is not a result of mismeasurement.

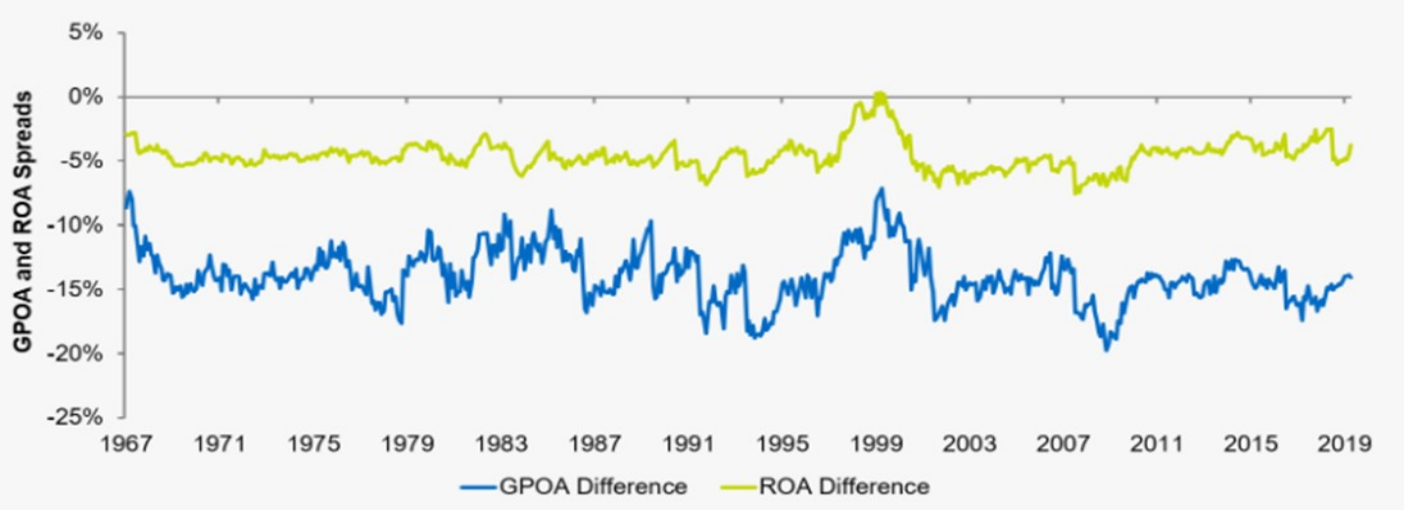
Price to operating cash-flow multiples diverge at rapid pace

Source: Bloomberg

Argument 3: This Time is Different

Some argue this time is different, that the current cohort of growth stocks carry stronger competitive positions, are more innovative, and grow faster than stocks of the past. The implication being the valuations of these companies are justified by their future economic prospects. We agree the average growth stock (certainly within the large-cap universe) is of higher quality than the average value stock. We would also agree that the average growth stock has higher immediate prospects for revenue growth. What we do not concede is that today's growth stocks are that much better than yesterday's growth stocks; that this time is different. The chart below from AQR shows the difference in gross profitability and return on assets for growth and value stocks. What you will see is that the composition of value stocks, at any given point in time, has always exhibited lower profitability and that today's observations are in line with historic norms. Also, a quick side note, if intangibles were accounted for on the balance sheet, the profitability differential would shrink in value's favor.

The difference in the profitability of value and growth stocks has not changed



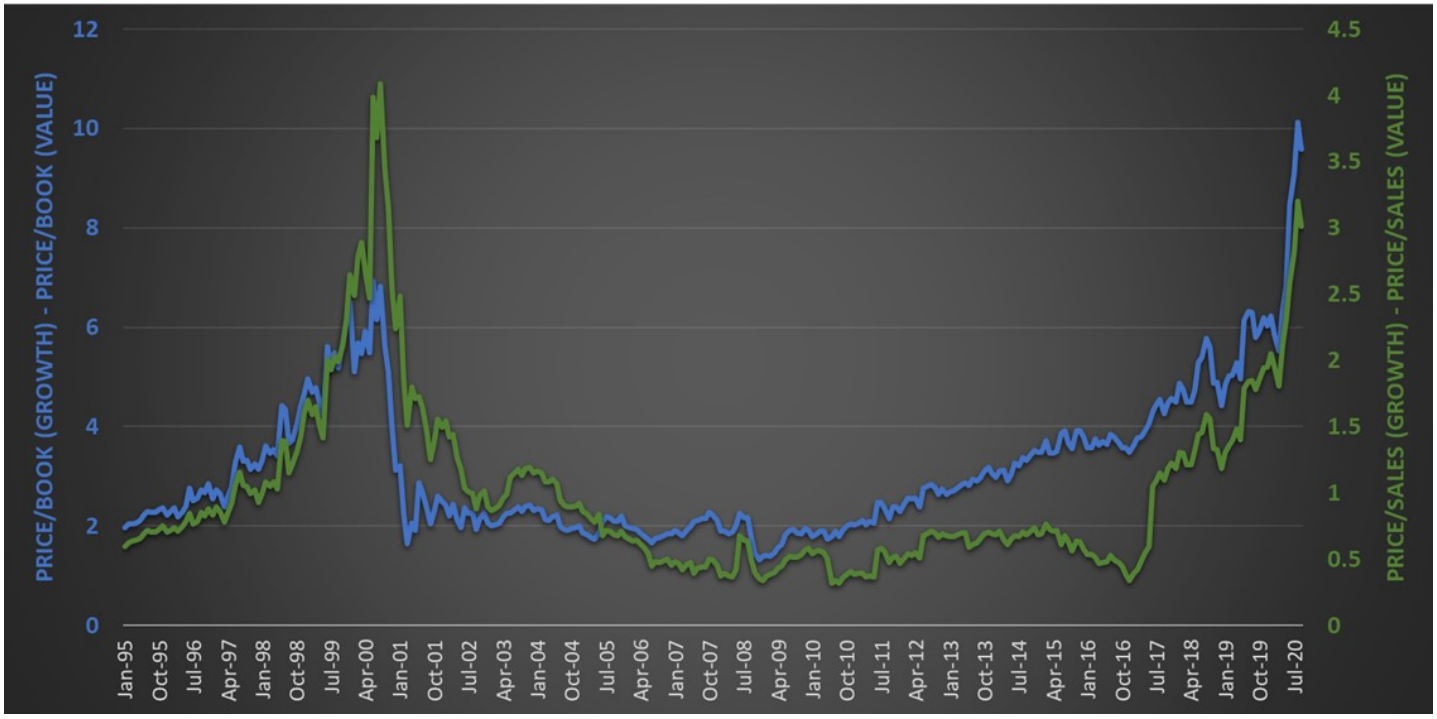
Source: AQR

Individuals who argue this time is different also fail to understand that value's historical success is predicated on people overreacting, not fundamental or economic outperformance of the factor indices' constituents. Value has historically outperformed growth, because the assumptions embedded in the prices investors pay are, on average, too optimistic for growth stocks and too pessimistic for value stocks. While possible, it seems unlikely the long-term biases of humans have suddenly flip-flopped, such that investors now consistently overestimate the prospects of out-of-favor value stocks and underestimate the potential of growth stocks.

The Data

The simplest explanation for value's recent travails is individuals are simply willing to pay more for growth today than they were in the past, which is corroborated by the data. To put matters into perspective, 5 years ago the average growth stock traded at 5.4x book value and 2.0x sales. By 9/30/2020, those multiples had climbed 103.7% and 120.0% respectively. The average value stock, on the other hand, has benefited very little from multiple expansion. Book values have climbed 14.2% and sales multiples 4.6% over the subsequent 5 years. This same phenomenon (individuals bidding up the multiples on growth stocks) occurred in the late 1990s, which is illustrated in the chart on the following page.

Growth multiples increasing relative to value multiples explains the performance differential



Source: Annandale

From 3/31/1990 to 3/31/2000, a span of 10-years, large-cap growth stocks outperformed large-cap value stocks by 268.0%. Had an investor examined the performance of growth vs. value during that time, they would have likely concluded value investing is broken, the same conclusion many argue for today. They would argue, that surely 10 years of significant underperformance is evidence enough. Fast forward a single year to 3/31/2001. Investors stopped irrationally bidding up the multiples on growth stocks, the spread in valuations collapsed, and value regained its lead. In a single year, value outperformed growth by a large enough margin that its 10-year returns were 80.4% higher.

We feel confident this period will also pass, but we cannot say when. Timing the markets and factors within the market is an incredibly difficult, if not impossible task. We believe the current discrepancies in valuations between the two classes of stocks make little sense. We certainly would not bet on growth's continued multiple expansion, the principal driver of its outperformance, but there are many seemingly irrational happenings within the market that last far longer than expected.

Irrationality

Enter Tesla, one of the most perplexing stocks of our careers and the archetype for what is currently in favor on Wall Street. Over the past year, Tesla's stock has appreciated 790.5%. At present, the market values the electric car manufacturer at $417.1 billion, making it the sixth most valuable public company in the US. Here is a short-list of companies the market views as less valuable: Johnson & Johnson, Procter & Gamble, Visa, Mastercard, JP Morgan, Home Depot, Verizon, Netflix, Disney, Pfizer, and every other US auto-manufacturer combined. The market's irrational enthusiasm for all things clean tech is no mystery. Just this June, we watched Nikola Corporation, named after Nikola Tesla, obtain a $25 billion valuation despite having never manufactured a truck using its hydrogen fuel cell technology. Recently the stock has been cratering back to earth, a -69.7% peak-to-trough decline, under allegations that the company is a fraud. Tesla, too, has faced scrutiny for its CEO's "bold" claims and aggressive accounting, but at least Tesla can claim to have produced a product people like.

To help you contextualize how extreme Tesla's valuation is, imagine you take the company private at its current valuation. Now ask, what you the new owner, must accomplish to generate a 10% rate of return on this transaction? We choose 10% because that approximates the long-term nominal return for equities. What assumptions are embedded in the price you paid? There are several solutions to this problem, but here is ours.

- 25% compound annual revenue growth for the next two decades and 3% revenue growth thereafter into perpetuity
- A 7% operating margin, which when fully taxed equates to a 6% net margin
- 100% of earnings can be paid in the form of a dividend without impacting our previous growth assumptions

We would suggest the aforementioned assumptions range from aggressive to absurd. Let us start with our least aggressive assumption, Tesla's future margin structure. At present, the median operating margin of all auto manufacturers is 4.1%; our assumption of 7.0% would place Tesla in the top 15% of all auto manufacturers in terms of profitability. Furthermore, we assume Tesla's operating margins, which were 0.9% in 2019, reach our 7.0% target immediately. Now let's enter the land of the absurd. We assumed Tesla will be capable of paying out 100% of its earnings in the form of a dividend. In other words, Tesla will never have to retain earnings to reinvest in new property, plant, or equipment to achieve growth. In essence, Tesla becomes the first ever capital-light car manufacturer. On top of this, we assume Tesla will compound revenue growth at 25% per annum for the next two decades. To help put how absurd this assumption is into perspective, consider its market share implications. Last year, roughly 60 million passenger vehicles were sold, and Toyota was the most dominant manufacturer with 10% market share. At a 25% revenue growth rate, Tesla's sales will reach $299 billion by 2031, compared to $25 billion in the last twelve months. If you assume an average sales price per vehicle of $50,000, it implies, they will have gained ~ 10% share (in 2019 terms). By the year 2040 it implies they are selling roughly 45 million vehicles, which is 75% of the total passenger vehicles sold in 2019.

Base Rates & Sales Growth

Tesla is an extreme example of what we see across many growth stocks. Valuations within this arena imbed expectations that might be achievable, but aggressive and often unlikely. To us, the market is discounting the bull case for growth stocks, and not giving any weight to the bear or even base case. The information below comes from a paper Michael Maubossin published on base rates of sales growth. For those unfamiliar with the term, base rates simply refer to historical probabilities. In this paper, his team tracked the growth of every company within the S&P 1500 Index from 1994 to 2014. To read the table, you select a sales growth rate (far left-hand column) and read the numbers to the right. For example, in my Tesla example, I made the egregious assumption that Tesla will compound revenue at 25% per annum for the next two decades. We can see in the table on the following page (by summing the probabilities for growth rates more than 25%) that over the course of 1-year 13% of the sample compounded greater than 25%. As the time frame extends, the number of companies capable of maintaining a +25% growth rate falls off. Regarding our Tesla example, the base rate probability of maintaining a +25% growth rate was 13% over 1-year, 8.1% over 3-years, 5.0% over 5-years, 1.8% over 10-years, and 0.9% over 20-years. The greater point we would like to stress is that maintaining high levels of growth is very difficult, and assuming that a company or group of companies is the exception is dangerous and not probable. At 37x 2020 earnings, investors are forecasting years of above-average sales and earnings for growth stocks, an assumption we find hard to justify.

Sales growth base rates

Full Universe	Base Rates				
CAGR (%)	1-Yr	3-Yr	5-Yr	10-Yr	20-Yr
<(25)	4.0%	1.7%	1.1%	0.5%	0.1%
(25)-(20)	1.6%	1.0%	0.7%	0.1%	0.1%
(20)-(15)	2.6%	1.8%	1.4%	0.7%	0.1%
(15)-(10)	3.9%	3.7%	2.9%	1.4%	0.4%
(10)-(5)	7.0%	7.7%	7.0%	5.4%	1.8%
(5)-0	12.7%	14.7%	16.5%	16.8%	11.5%
0-5	17.6%	21.6%	24.6%	30.8%	43.0%
5-10	15.4%	17.2%	18.7%	23.3%	25.9%
10-15	10.6%	11.2%	11.7%	11.7%	11.8%
15-20	6.9%	7.0%	6.9%	5.5%	3.9%
20-25	4.7%	4.4%	3.5%	2.0%	0.6%
25-30	3.2%	2.6%	2.1%	0.7%	0.6%
30-35	2.1%	1.6%	1.0%	0.4%	0.1%
35-40	1.6%	1.2%	0.6%	0.2%	0.2%
40-45	1.2%	0.8%	0.4%	0.2%	0.0%
>45	4.9%	1.9%	0.9%	0.3%	0.0%
Mean	8.8%	6.2%	5.3%	4.6%	4.9%
Median	5.2%	4.5%	4.2%	4.1%	4.2%
StDev	50.3%	16.4%	13.1%	9.6%	6.7%

Source: Credit Suisse

The aforementioned base rates also beg the question, do growth stocks actually grow faster than value stocks? This question was addressed by Huafeng (Jason) Chen in the October 2017 issue of the Journal of Finance. The author formed portfolios of growth and value stocks, from 1926 to 2001, and tracked their cash flow profiles 10-years after the portfolio's formation. His findings, and others, suggest that outside of the year of formation and immediate surrounding years (before and after) there is no discernable difference in the rate of growth. Said another way, you should not expect a collection of growth stocks today to have a significantly different rate of growth from a collection of value stocks, in say five or seven years, based upon the historical evidence.

Conclusion

Individuals often ask us for our views about the future. Predictions and prognostications about the market and economy are always in demand. The real question people want answered is what asset class (or security) will make the most money in the immediate future. What stock is the next Amazon or Tesla? The honest answer to this question is and will always be, we do not know. We spend most of our time assessing the risks of an investment. We try to identify what assumptions are implied by the price of an asset and ask, are those assumptions reasonable? We rely heavily on historical data and outcomes to build conviction and rarely do we assume this time is different.

That said, we will break our normal mold and leave you with one prognostication, that may or may not pan out. Earlier in this commentary, we provided a theory as to why inflation remains stubbornly low. We argued that the traditional tools of monetary policy appear to be ineffective and possibly counterproductive. The approximate cause of our problems appears to be over indebtedness and a lack of savings, which implies attempts to stoke inflation by stimulating loan growth are counterproductive. In the wake of COVID, fiscal policy has taken on a larger role than it did in past crises. Congressional leaders, on both sides of the aisle, appear more amicable to fiscal solutions, like the payroll protection program, and deficit hawks went extinct long ago. If policymakers take the next step and make it possible for our Federal Reserve to monetize debt issued by the US Treasury it will be a game changer for our country's inflation outlook, and not necessarily in a good way.

We appreciate the opportunity to manage your capital and look forward to a prosperous future. As always, if you have any questions feel free call or email anyone on the Annandale Team.