NEPSIS®
INVEST WITH CLARITY®

2nd QUARTER
2022 UPDATE

THOUGHTS FROM THE FOUNDER: To say the least, the first six-months of 2022 have been painful for many investors. While we warned our advisors and clients late last year that 2022 was going to be tough, what I think caught many investors off guard was the amount of the decline in the S&P 500 and Nasdaq by the end of June. With the S&P 500 down about 25% and the Nasdaq down around 35% in a short period of time, in my opinion, many investors have seen far worse performance in 2022 than Nepsis® clients have.

MARK PEARSON
President & CIO

For the record, while Nepsis® clients experienced tremendous success in portfolio performance over the last several years, one could expect that the portfolios would have taken a much bigger beating in 2022. However, in my opinion, we have fared this pullback extremely well!

As we have discussed in the past, many of the decisions in the last two years have been to shift our investment opportunities towards what we call, "the new normal". If you have not listened to our recent podcasts, I would strongly recommend you do so. Our head of research, Chuck Etzweiler, and I spend a lot of time talking about what we think is the new normal and portfolio decisions surrounding it. In a nutshell, we believe that Fed policy is going to continue to move away from a 0% interest rate policy and low inflation back to a more normalized sentiment of a target for 3%-4% inflation and interest rates in the area of 3%-3.75% for the 10-year bond.

While markets are down significantly, at Nepsis®, our investment process does NOT CHANGE! We continue to look for great businesses to own LONG-TERM during periods of economic slowdowns and market corrections. Our thesis about owning bonds and companies that are what can be categorized as "Value" continue to have been wise decisions on the part of our investment committee!

We remain extremely pleased with the "short-term" performance of our portfolios. Bottom line: Our investment objectives include outperforming markets when they are going up and losing less when markets are going down. This objective has so far in 2022 been exactly the outcome. We continue to be very pleased with the ALLOCATION of our clients' portfolios for the long-term.

As the quote above suggests, if you don't know what businesses you own in your portfolio, I believe you are gambling with your money. At Nepsis®, we don't view investing as a "hope and a prayer" on what the "stock market" is going to do. We look long-term at the businesses we own in portfolios. Short-term economic slowdowns create opportunities to invest in businesses long-term. Economic slowdowns and recessions have always ended.

We view periods like now as opportunities to prepare portfolios for longer-term growth when the economy improves — this is exactly what we have been doing.

Our commitment to clients is to stick to our PROCESS.
We believe in Process before Progress®. "Stick to the knitting".
Thank you again for your continued confidence in Nepsis® and Investing With Clarity®!!

Respectfully,
Mark Pearson
Founder & CIO
Nepsis, Inc.

If you have questions or need additional information about your portfolio, please contact your advisor for more information.

> ""IF YOU DON'T KNOW WHAT COMPANIES YOU OWN, OR AT LEAST HAVE THE ABILITY TO KNOW WHAT COMPANIES YOU OWN, THEN YOU ARE GAMBLING."
>
> – MARK PEARSON

NEPSIS, Inc.
8674 Eagle Creek Circle, Minneapolis, MN 55378
(952) 746-2003 • Fax: (952) 746-2006
www.InvestWithClarity.com I Blog: www.InvestingWithClarity.com

©Copyright 2022. Advisory services offered through Nepsis, Inc.: An SEC Registered Investment Advisor.

INVESTING WHILE IN THE MIDST OF A HOLDING PATTERN

Charles D. Etzweiler, *MBA, CIMA®, CMT, CFP®*
Chief Research Officer & Senior Vice President

While preparing to communicate with our clients in this quarter's lead article, I thought of a very recent experience I had while flying cross-country.

As we were approaching JFK enroute from LAX, the plane suddenly rose, and we began the process of banking to the left. Following, the pilot informed us over the intercom system that we were in a "Holding Pattern." My initial reaction was the proverbial: "You have to be kidding me.", … "I am going to be late for my event this evening.", … "Why does this happen at the worst of times?" As the plane proceeded to circle the sky above JFK Airport, my anxiety switched from one based on frustration to fear of the unknown.

I began to ask myself the question: "What was the reason for the Holding Pattern?" Suddenly, I moved to a point in my mind where all I was concerned about was landing safely; being late to my meeting was not of grave concern. As we spent roughly 45 minutes in a "Holding Pattern", I thought to myself: "What a perfect analogy to the uncertainty that investors are slugging through today." Following that mindset, we did an exhaustive research exercise on the cause of Aircraft Holding Patterns and the timeframes for landing of the various types.

The information gathered in our report was obtained from the following website and for a detailed read, simply click the link below: *https://www.boldmethod.com/learn-to-fly/maneuvers/what-you-should-know-about-holding-for-every-pilot/*

(Continued next page.)

NEPSIS, Inc.
8674 Eagle Creek Circle, Minneapolis, MN 55378
(952) 746-2003 • Fax: (952) 746-2006
www.InvestWithClarity.com I Blog: www.InvestingWithClarity.com

©Copyright 2022. Advisory services offered through Nepsis, Inc.: An SEC Registered Investment Advisor.

INVESTING WHILE IN THE MIDST OF A HOLDING PATTERN *(Continued from last page.)*

In this article, written by Swayne Martin, we quote his findings in italicized print. We then comment on the similarity with the holding pattern of an aircraft and the investment landscape as we see it today. The article reads: *"Whether you're a seasoned instrument pilot or you're just getting started, here's what you should know about holding patterns. Holding patterns are assigned to aircraft by ATC (Air Traffic Control) for a variety of reasons. Holds are flown in protected airspace, away from obstacles, and may be published tracks off of individual fixes or "random" holding assigned by ATC. Here are a few of the most common reasons you'll find yourself in a holding pattern:*

- ***Thunderstorms*** *– If there's severe weather around your destination, arrival routes, instrument procedures, or the airport itself might be affected. Based on where the storms are, and how fast they're moving, you can begin to estimate how long you'll spend in holding. Fortunately, thunderstorms change and move quickly. That means most of the time, your hold won't last long.* **The cause to this type of Holding Pattern holds some similarity to the current conditions, as we can confirm that we are in the midst of a storm, but we don't believe that is will blow over until later in the year. This may not be the best example for that simple reason.**

- ***Flow Control*** *– Some airports operate continuously at maximum capacity. You might be holding simply because the airspace is so congested that it's taking a while to get everyone spaced out along a limited number of approaches. In this case, ATC will usually have a projected timeframe for when you'll fit into the arrival line.* **The cause to this type of Holding Pattern gets a little closer, as we do have at least a projected timeframe before the plane lands safely (markets and the economy), which we believe would be November 2022.**

- ***Snow Plowing*** *– If recent snowfall or blowing snow requires runway plowing, holding depends on airport personnel. If you're flying into an airport that gets snow frequently, it will take a lot shorter time to clear the runway. If you run into a snowy day in Texas, you may be waiting a while.* **The cause to this type of Holding Pattern is very relevant for investors, as the "Personnel" of the F.O.M.C. has been woefully inconsistent with their messaging regarding rates and inflation.**

- ***Problem At the Airport*** **–** *This is a worst-case scenario for holding. If there's an emergency or an aircraft is stuck on the runway, especially a single runway airport (we're looking at you San Diego), you might be out of luck for quite a while. Getting more information from ATC will help you determine how serious the incident was, and how soon to begin your diversion planning."* **Wow, the cause to the Holding Pattern best summarizes today's investment landscape as the key words here are "Getting more information."**

WE SUMMARIZE THE NEED FOR GETTING MORE INFORMATION IN OUR NEXT SECTION, "GIMME 3 STEPS" AND BELIEVE THE MARKETS SIMPLY HAVE TO "W.A.I.T." FOR THREE MAJOR PIECES OF INFORMATION THAT ARE DUE IN NOVEMBER BEFORE THEY STABILIZE.

NEPSIS, Inc.
8674 Eagle Creek Circle, Minneapolis, MN 55378
(952) 746-2003 • Fax: (952) 746-2006
www.InvestWithClarity.com I Blog: www.InvestingWithClarity.com

©Copyright 2022. Advisory services offered through Nepsis, Inc.: An SEC Registered Investment Advisor.

In our estimation, a good way for investors to remember the three pieces of information needed before markets stabilize can be taken from a key line in the 70's Southern Rock Group Lynyrd Skynyrd's famous song, "Gimme Three Steps."

The line reads: "Give me three steps, mister--And you'll never see me no more." The lyrics to the song were based on a real-life event where the band's lead singer, Ronnie Van Zant, was dancing with a lady at a bar when suddenly, the woman's husband enters the establishment and threatens Van Zant to abandon the dance floor. Later, Van Zant wrote a song about the incident where he references asking the irate husband to just give him three steps to race out of the bar and if he does so, he will never see him ever again.

So, what is the tie in? We believe the first ten days of November 2022 will be an immensely important period where three key pieces of information will be given to investors that will greatly shed light on the future. By design, these three pieces of information align directly with our W.A.I.T. Theme for 2021. The dates and corresponding pieces of information are:

STEP 1: NOVEMBER 2nd

The Federal Reserve Open Market Committee (F.O.M.C.) meets to discuss interest rate policy. With the F.O.M.C. to likely raise rates at least 50-75 basis points (0.50-0.75%) in each meeting in July and September; the November Meeting will give much needed insight on the future pathway of rate policy. This aligns with the letter A (Accommodation) describing the Fed and their disposition towards rate policy. Will they remain restrictive or move to being accommodative? We will surely find out on November 2nd what the Fed will decide, but we, like investors, must rely on future information before making a decision. Lastly, their deliberate and methodical decision-making process makes it even more likely that an elongated waiting pattern is probable.

STEP 2: NOVEMBER 8th

The midterm elections take place with both the House and Senate up for bid. Certainly, we are not political experts, however the equity markets historically have favored divided government. According to Politico as of the publishing of this document and noted at this link: *https://www.politico.com/2022-election/race-forecasts-ratings-and-predictions/*, a Republican takeover of both the House and Senate is a likely event, at this juncture. Again, like the Fed decision in November, we simply must W.A.I.T. for more information.

STEP 3: NOVEMBER 10th

The little known "fact-finding" agency of the US Government, known as the Bureau of Labor Statistics (BLS), releases their all-important CPI-based Inflation Report for the month of October 2022. The reason for the grave importance of the number is that the CPI Inflation Rate is calculated on a year-over-year basis and the month of October 2021 was the first time the number eclipsed 5%, settling at 6.2% based on data gathered by Trading Economics and found at https://tradingeconomics.com/united-states/inflation-cpi. Every month following the November print will be based on a previous higher number and will ultimately provide solace to those seeking a slowing rate of Inflation. But, like our two previous dates and corresponding decision, patience will be needed before we get there.

As we have stated in our previous quarterly reports, exercising patience, and waiting in general are very difficult to do. If we could somehow magically pull forward the date of the election, push the Fed to make quicker decisions and move the calendar ahead in time so the BLS could date-stamp the October CPI number we would. Like the songs says: "Gimme three steps and mister, you'll never see me no more" translates to the following: If the proper three pieces of information are given in early November, Mr. Market Bear may just leave the premises and we won't see him again for quite a while. **Unfortunately, we can't push the proverbial string and so we seek patience as we W.A.I.T. for the "Big-3 Days" of November.**

NEPSIS, Inc.
8674 Eagle Creek Circle, Minneapolis, MN 55378
(952) 746-2003 • Fax: (952) 746-2006
www.InvestWithClarity.com I Blog: www.InvestingWithClarity.com

©Copyright 2022. Advisory services offered through Nepsis, Inc.: An SEC Registered Investment Advisor.

SPOTLIGHT - F5, Inc (NASDAQ: FFIV)

The Investment Committee

There is probably no business that best exemplifies our process, and specifically our proprietary methodology that we call Strategic Cost Averaging®, better than F5, Inc.

Through this methodology, we have used volatility to our advantage selling shares at higher prices and buying at lower ones. If you go back over the last ten years, the stock has traded as low as $70/share and as high as $250. It currently sits at $167 as of the drafting of this report. We simply view the business model as stellar and use the swing in prices to our advantage.

According to their website, F5's vision includes:

"Adaptive applications that utilize an architectural approach that facilitates rapid and often fully-automated responses to changing conditions—for example, new cyberattacks, updates to security posture, application performance degradations, or conditions across one or more infrastructure environments.

And unlike the current state of many apps today that are labor-intensive to secure, deploy, and manage, adaptive apps are enabled by the collection and analysis of live application and security telemetry, service management policies, advanced analytic techniques such as machine learning, and automation toolchains.

Adaptive apps mitigate critical business challenges by delivering benefits that align to our customers' most important priorities. We realize that enabling truly adaptive applications won't happen overnight. It will be a journey—and it's one that we'd like to be on with you.

Our applications minimize the time to detect and address threats based on a comprehensive understanding of the security posture of your application estate and real-time analysis based on ML techniques against the evolving threat landscape. Moreover, they rapidly eliminate the threats themselves via guided remediations or even automatic mitigations powered by advanced analytics and automation toolchains."

According to their website, F5's vision includes:

"We're hard at work executing our portfolio roadmap to get us there, including:

- Building a best-in-class portfolio of application security and delivery SaaS offerings, delivered on a common platform for SaaS and managed services. We are making it easier to build security into every application.
- Using telemetry and analytics to generate actionable insights and drive close-looped automation. Our approach offers customers multiple tiers of telemetry aggregation and analysis, as well as the flexibility to leverage F5's management, analytics, and visibility tools or use their own.
- Simplifying automation and ecosystem integrations via common APIs that are shared across product families and layers of the stack and are also versioned and declarative.
- Unifying our product families to reduce complexity and offer a more seamless customer experience, including the buying experience, product telemetry standards, a single cloud-based data pipeline and analytics engine, a common SaaS capability for policy declaration and service management, and common UI components and design."

F5 CONTINUES TO BE ONE OF OUR TOP TEN HOLDINGS AND A BUSINESS THAT WE HOPE TO HOLD FOR THE LONG-TERM USING OUR PROPRIETARY STRATEGIC COST AVERAGING® METHODOLOGY THAT TAKES BROAD ADVANTAGE OF THE VOLATILITY THE MARKETS HANDS OVER TO US.

Disclaimer: This is not a solicitation or recommendation. Content discussed within is for informational purposes only. Holdings discussed in this publication are for informational purposes only; they are not a recommendation or solicitation.

NEPSIS, Inc.
8674 Eagle Creek Circle, Minneapolis, MN 55378
(952) 746-2003 • Fax: (952) 746-2006
www.InvestWithClarity.com I Blog: www.InvestingWithClarity.com

©Copyright 2022. Advisory services offered through Nepsis, Inc.: An SEC Registered Investment Advisor.

OPTIMIZING YOUR LEGACY

Nepsis® Financial Planning Team

It is easy to think of your assets where each one contributes to your net worth in the same way, based on their financial value. For the sake of determining the net worth number, this is essentially correct. However, the equivalency ends there, as different asset types are not equal when it comes to spending them in retirement or leaving them in legacy.

Assets can be roughly categorized as qualified or non-qualified. Qualified assets are generally pre-tax retirement plans and pensions, while non-qualified assets are most everything else. Qualified plans usually receive a tax benefit when contributions are made and they grow on a tax-deferred basis, however all withdrawals are treated as taxable income. This is because those qualified dollars have never been taxed before being withdrawn. So, in a sense, qualified plans have embedded taxes.

When qualified plans are left in inheritance, those embedded taxes never go away. The beneficiary of a qualified plan must still pay taxes on withdrawals. By contrast, non-qualified assets receive a "step up in basis," where any taxable gain is measured from the asset's value at the owner's death instead of their original cost. The net effect is inherited non-qualified assets can often produce tax-free withdrawals.

Legacy can mean different things to different people, but it almost always is regarded with high value and importance. In the context of financial planning, legacy usually revolves around how one will leave their assets to benefit those they love and further the values they cherish. These ideas occupy the categories of inheritance and charitable giving.

Inheritance happens whether we plan for it or not but planning ahead can help mitigate unintended consequences. A common narrative is someone inheriting a large sum and then squandering the money because they weren't equipped to handle it. One study* showed that roughly half of all inheritances is spent or lost. A vital step in optimizing your legacy is thinking through how inheritance may affect the lives of your heirs.

** Source: https://acrobat.adobe.com/link/track?uri=urn%3Aaaid%3Ascds%3AUS%3A2224e27a-e3b5-4706-b4e7-91a95d06250b#pageNum=4*

Start by listing your heirs and an estimate of what they might receive. Consider their financial situation, the potential tax impact, and their personality and proclivities. Identify any potential dangers, as well as opportunities. Then work with your attorney and advisor to utilize the tools and strategies that reflect your values and the deep hopes you have for your loved ones and future generations.

One very significant unintended consequence of inheritance is the erosion of taxes. Not only are there taxes that may be embedded within an asset and passed on to beneficiaries, but there may be taxes on the inheritance itself. The degree to which taxes drag down an estate maybe greatly impacted by the proactive planning one undertakes.

Taxes embedded in IRAs and other pre-tax accounts do not go away when those assets are inherited. Therefore, these are among the least advantageous assets to be inherited by an individual. Charitable organizations, however, are not subject to income taxes, therefore pre-tax accounts are ideal assets to be left as legacy donations.

The downside to leaving pre-tax accounts to charity rather than heirs is this effectively disinherits the heirs of the benefactor. However, this can be mitigated by using lifetime distributions from the IRA to fund a life insurance trust with the heirs as beneficiaries. At death, the IRA goes to charity tax free, and the life insurance goes to heirs tax free. Done properly, this strategy can eliminate both income taxes and estate taxes. There are numerous ways to optimize your legacy with the pre-tax assets you have, but the details can be complicated.

Disclaimer: *Please note that Nepsis, Inc. is not a tax advisor; the preceding items are suggestions that you may want to consult with your tax advisor about before making any decisions.*

As Nepsis, Inc. continues to grow, we appreciate your continued confidence and support. We believe successful investing requires Investing with Clarity®. We look forward to continually providing you with the Clarity needed to be a successful investor long-term.

Respectfully,

Mark Pearson
President, Founder & CIO
Nepsis, Inc.

CHECK US OUT ON SOCIAL

NEPSIS INC. | NEPSIS, INC | @NEPSISINC | @INVESTWITHCLARITY

"Invest With Clarity®", "Can You Put A Price On Clarity?™", "PHILOSOPHY STRATEGY FLEXIBILITY TRANSPARENCY®" and "Investing With Clarity®" are trademarks of Nepsis, Inc.

NEPSIS, Inc.
8674 Eagle Creek Circle, Minneapolis, MN 55378
(952) 746-2003 • Fax: (952) 746-2006
www.InvestWithClarity.com I Blog: www.InvestingWithClarity.com

©Copyright 2022. Advisory services offered through Nepsis, Inc.: An SEC Registered Investment Advisor.