NEPSIS®

3rd QUARTER
2023 UPDATE

THOUGHTS FROM THE FOUNDER: One of my favorite phrases is "Process Before Progress®". Why? Because for the many years we have been the stewards of our clients' assets, we have adhered to our process 100% of the time!

Adhering to a process is very important on many levels. As it pertains to investing in companies LONG-TERM, sometimes it takes time (yes, more time than some may like), to see a process work.

Currently, we are in a period where the process is what brings confidence to investors i.e., "Stick to the Knitting", or in other words, stick to the process.

Let's face it, if you are a short-term thinker and or short-term investor, 2022 and 2023 have not been your friends. However, if you are a long-term thinker and long-term investor, 2022 and 2023 have absolutely been your friends!

Why? It is simple; due to a higher interest rate environment, the U.S. stock market has been going through what we call a "re-valuation" period, and this has allowed our investment team to take advantage of buying more of the great companies we own, on sale!

While we faired far better than most in the massive pullback in 2022, I believe portfolios continue to be extremely well positioned today in 2023 for future growth.

MARK PEARSON
President & CIO

"PROCESS BEFORE PROGRESS®"

- MARK PEARSON

Additionally, I am happy to announce that ANOTHER one of our investments has been purchased!

Exxon Mobil will be purchasing Pioneer Natural Resources for approximately $60B in stock. While the premium to our average purchase price was not all that great, it has provided us with a great opportunity to take the proceeds and invest more in many of the other companies we own that are on sale! For those clients that have been with Nepsis® for a while, it is very common for us to see at least one investment purchased on an annual basis. While obviously, there are no guarantees of it continuing to happen, I do believe it is a great testament to our process of choosing the companies we desire to invest in.

Continue to be on the lookout for future announcements and information coming from Nepsis®! We are so excited to watch our newest projects and developments advance our company. It is important to acknowledge that we could not continue to progress like we are without the support and confidence of our team and our clients! **So, thank you!**

As the Nepsis® team continues to grow, I would like to introduce our newest Senior Market and Equity Analyst! His name is Craig Goldman, and he will be starting at Nepsis® on November 1st reporting to our head of research, Chuck Etzweiler. We are extremely pleased to add Craig to our team. His outstanding knowledge and expertise will be a valued addition to our Investment Committee.

Once again, thank you again for your continued support and confidence in Nepsis®. We look forward to continuing with you on your "Road to Nepsis®".

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.

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

Once again, to best explain to investors how we are positioned for a future event, we harken back to another classic rock song, this time written by the British group "The Who." According to American Songwriter at https://americansongwriter.com/the-meaning-behind-the-anti-revolution-song-wont-get-fooled-again-by-the-who/, "Peter Townsend in his biography explained that he wrote the song *Won't Get Fooled Again* as a form of expressing anti-establishment beliefs while showing that revolution changes nothing in the long run."

Taking that mindset, we apply the saying; "We Won't Get Fooled Again" to our friends in Washington, D.C. as we deal with another potential government shutdown

The financial media no doubt will seek to stir the pot stoking fear in the minds of investors, so we focus on the story they are following. Their job of course is to generate viewership at the end of the day. We say, "No more," and just like one of Aesop's greatest fables, "The Boy Who Cried Wolf", choose not to buckle at the knees. According to Wikipedia, *"The Boy Who Cried Wolf" is one of Aesop's Fables, numbered 210 in the Perry Index. From it is derived the English idiom "to cry wolf", defined as "to give a false alarm" in Brewer's Dictionary of Phrase and Fable and glossed by the Oxford English Dictionary as meaning to make false claims, with the result that subsequent true claims are disbelieved. The tale concerns a shepherd boy who repeatedly fools villagers into thinking a wolf is attacking his town's flock. When an actual wolf appears and the boy calls for help, the villagers believe that it is another false alarm, and the sheep are eaten by the wolf. In a later English-language poetic version of the fable, the wolf also eats the boy.* ***The moral stated at the end of the Greek version is, "This shows how liars are never rewarded: even if they tell the truth, no one believes them".***

(Continued next page.)

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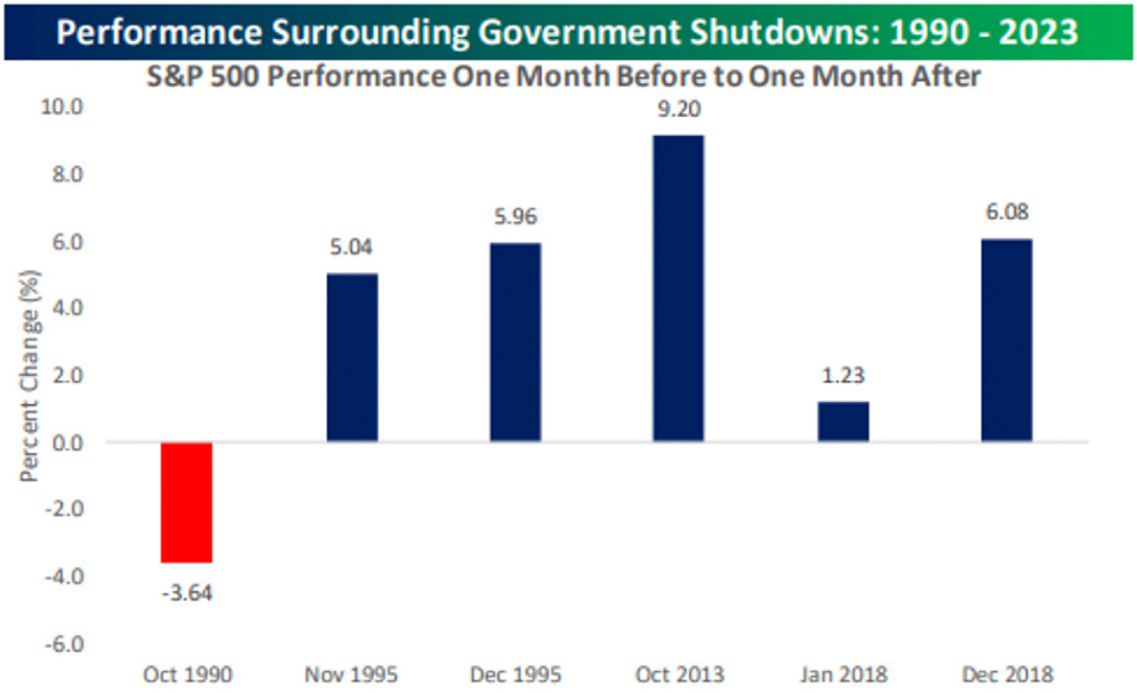
"WE WON'T GET FOOLED AGAIN" *(Continued from last page.)*

The work done by the good folks at Bespoke confirmed Aesop's fable as they have found; *"Since 1990, there have been six prior partial or full Federal Government shutdowns in the United States. As shown in the table below, the length and depth of these shutdowns has varied widely from two shutdowns that lasted just 3 days to the most recent in late 2018 and early 2019 that lasted over a month."*



"In terms of market performance, returns have varied widely. In the month leading up to the six prior shutdowns, the S&P 500 was higher four times and lower two times. Additionally, the periods of declines could have been the result of outside forces, like the buildup to the first Gulf War in 1990 and tighter Fed policy in late 2018. Perhaps the most important takeaway of these prior experiences, though, is that of the six prior shutdowns, the S&P 500's median performance from a month before the shutdown started to one month after it ended was a gain of 5.5% with positive returns five out of six times. Like the people that occupy the chambers of Congress, past shutdowns have been a lot of sound and fury signifying nothing."

We could not have said it any better ourselves and just like the song says, "We won't get fooled again!"

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THESE ARE NOT IDLE OR EMPTY THREATS

UNFORTUNATELY WE ARE ALL TOO FAMILIAR WITH PARENTS WHO DISCIPLINE CHILDREN WITH IDLE OR EMPTY THREATS. ACCORDING TO THE PRAGMATIC PARENT WEBSITE (LINK BELOW) ***"WHEN A CHILD MISBEHAVES, IT'S EASY TO GET YOURSELF WORKED UP AND RESPOND IN A FLURRY. EMPTY THREATS ARE A PARENT'S WAY OF TRYING TO REGAIN CONTROL OVER A SITUATION BUT ARE OFTEN MADE WITHOUT MUCH THOUGHT OR INTENTION."***

"Apologize to your brother, or I'll take away your phone."

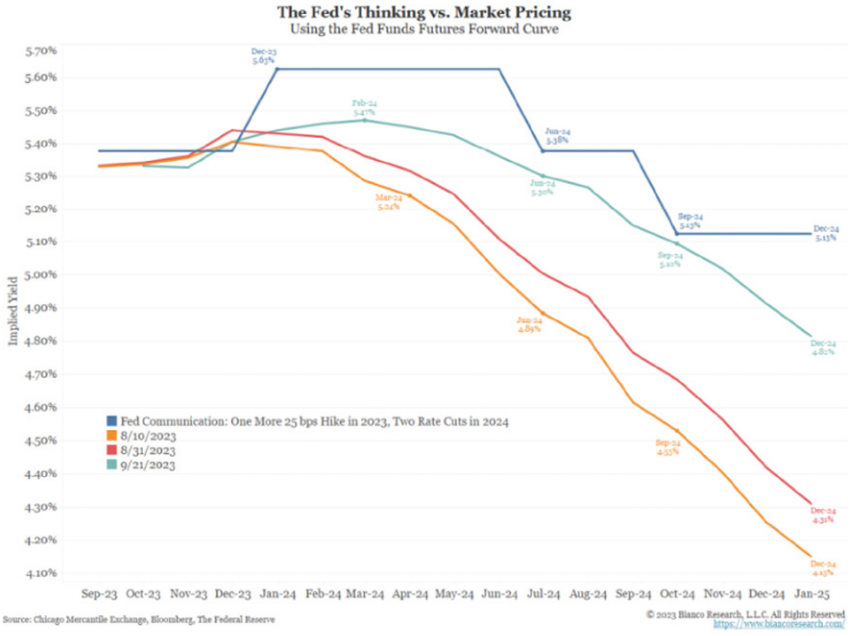
"Finish your broccoli, or you won't get to go to soccer practice."

"If you don't brush your teeth, you'll make us late for school."

The article continues and states; *"These are all examples of empty threats because chances are you won't be able to stick to them! Or they don't have enough power to actually elicit the behavior you want to see from your child. While they work here and there, children quickly learn when to take you seriously or not in your threat. Empty threats are common for parents who don't like being the bad guy or upsetting their child. They're quick to please and give in! However, there are better ways to get good behavior out of your child without the need to say empty threats."*

Our readers are probably saying to themselves, "Good advice yes, but we are reading an investment newsletter and not a parenting one." We say fair enough and let us explain. In their most recent Summary of Economic Projections Report, the Powell-led Fed indicated that they may be on the pathway for up to two rate hikes before yearend. According to the Messenger in their recent article titled, *"Wall Street doesn't believe Jerome Powell's* **Threat** *that the Fed could raise Interest Rates again."*

The article bases its premise on the adjacent chart developed by Bianco Research (see link below) that suggests that up until the latest reading on September 21st, Speculators (yellow, orange, and green lines) likened Mr. Powell to a frustrated parent hurling idle and empty threats. We have never taken this position and since the beginning of the Fed's rate hike cycle have positioned our bond portfolios in expectation the Fed means what it says and will be unrelenting in finishing the job they originally set out to accomplish and that is to bring inflation down.



In our estimation, the navy blue line is all one needs to follow because that measures the collective thinking of all 19 Fed members. Is the Fed making Idle or Empty Threats? Or, are they simply telling us what they are likely to do? We'll leave it at that!

https://www.thepragmaticparent.com/why-empty-threats-dont-work-and-what-to-do-instead/#:~:text=Empty%20threats%20are%20a%20parent's,without%20much%20thought%20or%20intention.
https://themessenger.com/business/wall-street-doesnt-believe-jerome-powells-threat-that-the-fed-could-raise-interest-rates-again
https://aptuscapitaladvisors.com/the-market-in-pictures-september-22/

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EVALUATING PENSION OPTIONS

Financial Planning Department

Many years ago, pensions were the mainstay of retirement benefits. This is where the employer provides income to an employee after they retire. The amount paid is based on years of service and contributions made into the pension fund during the employee's working years. As the cost of providing these benefits has increased due to longer lifespans and an extended period of low interest rates, pensions are not as common as they used to be.

For those fortunate enough to have a pension, it is important to have a framework to evaluate the plan and their options. One key decision is whether to receive a one-time lump sum or a lifetime income payment, also called a pension annuity. If an employee decides to take a lifetime annuity, they must further decide whether to accept a reduced amount in exchange for including survivor benefits. **There are three key documents to obtain for evaluating your pension:**

#1) A copy of the pension's "Summary Plan Description". This provides the details of the plan's options and features.

#2) The pension's Annual Funding Notice. This states the valuation of the plan's assets and liabilities and helps in evaluating the financial health of the plan.

#3) A personalized projection of benefits. This shows your specific benefit options and amounts and can usually be obtain from your HR department or benefits provider.

There are also important considerations to be made about how to collect the pension benefit:

- **Participant Health** – What are the overall health and longevity expectations for the employee and spouse? Someone in poor health may decide to take a lump sum rather than a lifetime annuity.
- **Plan Health** – How well is the pension plan funded and what is the financial health of the sponsor company? Someone taking lifetime benefits must be comfortable that the plan and employer will be around to pay them.
- **Hurdle Rate** – What is the rate of return for a lump sum to exceed the future cash flows of the pension annuity? (Your Nepsis® advisor can help with this calculation.) A high rate may favor the lifetime annuity, while a low rate may favor the lump sum.
- **Legacy Benefit** – Is there a residual benefit payable after the participant and beneficiary are deceased? Pensions often limit benefits to the employee and spouse, so the only way to facilitate inheritance for children is taking a lump sum.
- **Further Benefits Evaluation** – Is the pension annuity required for participation in a retiree health plan? Does the pension annuity provide an annual COLA (cost-of-living-adjustment)? Is there a "bounce-back" feature in the event the beneficiary predeceases the participant? One or more of these features may tip the scale toward the pension annuity.

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.

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