

FORTITUDE FOCUS

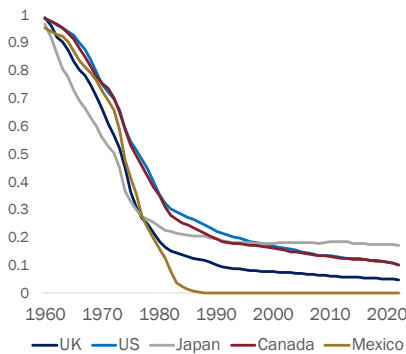


Investment Department

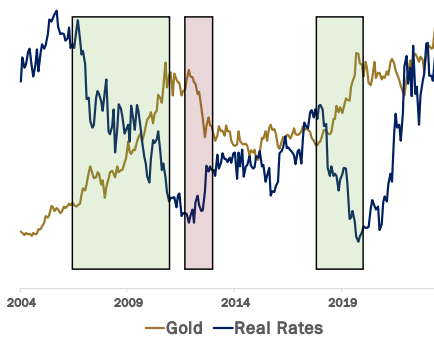
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THE STORY

History Of Fiat Currencies



Gold Price vs. Real Rates



Market Value Of Gold



UNPACKING THE STORE OF VALUE MARKET

At a high level, global wealth can be divided into two broad categories: financial assets & stores of value.

Where financial assets aim to create wealth by taking ownership of uncertain economic risks (i.e., stocks, bonds, derivatives, etc.), stores of value seek to preserve wealth by hedging against inflationary & political risks (i.e., gold, real estate, TIPS, etc.)

The balance of capital between these groups fluctuates through time, often in sync with the broader credit cycle.

As illustrated by gold prices on the left, stores of value tend to gain in their share of wealth when real rates of return are in decline. This is because such environments often coincide with weakened (or even negative) wealth prospects for financial assets.

However, it's worth noting that stores of value are not created equal. As an example, we can distinguish between economic & consensus stores of value.

Economic stores are supported by the reliability of their future economic utility (i.e., land, oil, timber, etc.) while consensus stores are backed solely by the durability of their cultural significance (i.e., gold, art, antiques, crypto?, etc.)

Thus, we must be mindful of how we allocate risks to this market as predictable economic stores are quite different from the lottery-like payoff of consensus stores.

In the end, the important takeaway is that stores of value are a natural complement to financial assets. In an ever-inflationary world, investing is not just about making money but also about preserving wealth.



UPCOMING EVENTS

Michigan Survey – 5/10

Monthly CPI – 5/15

Consumer Survey – 5/28

“Investing Isn’t Just About Making Money; It’s Also About Preserving Wealth.”

- Unknown

*Sources: Charts produced internally using Morningstar Direct & St. Louis FRED datasets. Gold value data sourced from World Gold Council “Gold Market Primer” report as of April 2023. Fiat currencies computed using World Bank’s historical inflation dataset as of 2022.



WHAT HAPPENED?

US Bans Noncompete Agreements For Nearly All Jobs: The FTC voted to ban nearly all employment agreements that prevent workers from joining competing businesses. They estimate that about 1 in 5 American workers are bound by such contracts ([NPR](#)).

Zimbabwe Launches New Gold Backed Currency: Zimbabwe has started circulating a new gold & foreign-reserve backed currency, ZiG, to replace its battered Zimbabwe dollar whose value has depreciated sharply amidst an ongoing currency crisis ([AP](#)).

99 Cents Only Stores Files For Bankruptcy: The budget retailer filed for Chapter 11 bankruptcy protection and plans to begin liquidating its remaining inventory & real estate assets across all 371 of its locations ([Reuters](#)).

Layoffs Sweep The Video Game Giants: In the past year, major game development companies have announced significant layoffs including Take-Two (5%), Epic Games (16%), Riot Games (11%), and EA (5%) ([Reuters](#)).



EQUITIES FELL

US equity markets fell in April with the S&P 500 down **-4.1%**. Global ex-US equity markets also fell with the MSCI World ex-US Index declining **-2.7%**.

| | MONTH* | YTD* |
|--------------|--------------|--------------|
| US Large | -4.1% | 6.0% |
| US Mid | -6.0% | 3.3% |
| US Small | -5.6% | -3.3% |
| Global ex-US | -2.7% | 2.3% |
| Int'l Dev | -2.6% | 3.1% |
| Emerging | 0.5% | 2.8% |



FIXED INCOME DECLINED

Fixed income markets declined in April as concerns of stagflation pushed the Bloomberg Agg Index down over **-2.5%** in the period.

| | MONTH* | YTD* |
|-------------|--------------|--------------|
| Ultra-Short | 0.5% | 2.0% |
| Short | -0.3% | -0.1% |
| Core | -2.5% | -3.3% |
| Long | -6.4% | -9.8% |
| High Yield | -0.9% | 0.5% |
| US TIPS | -1.5% | -1.5% |
| Intl Bonds | -2.5% | -4.6% |
| EM Bonds | -2.0% | -1.2% |



ALTERNATIVES WERE MIXED

Alternative credit continued to produce stable, high yield cash flows while other alternatives assets were mixed in the period.

| | MONTH* | YTD* |
|------------------|--------------|--------------|
| Gold | 3.4% | 11.0% |
| Merger Arbitrage | -1.7% | -1.3% |
| Infrastructure | -1.3% | 1.8% |
| Direct Lending | 1.3% | 4.3% |
| Hedge Funds* | 2.2% | 4.9% |
| Managed Futures | 1.3% | 2.2% |

Due to reporting lags, some data represents the latest return as of the month prior to this period.

*Sources: Each asset class is represented by a corresponding index or fund as of each report's month-end date. The associated indexes can be found below. This has been provided for informational purposes only, and reflects the current opinion of the author, which is subject to change without notice, as are statements of financial trends, which are based on current conditions.



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| Reference Above | Benchmark Index | Reference Above | Benchmark Index |
|---------------------------|------------------------------------|-----------------|----------------------------------------|
| US Large | S&P 500 Index | Hedge Funds | Eurekahedge Hedge Fund NR Index |
| US Mid | S&P 400 Index | Managed Futures | Credit Suisse Mgd Futures Liquid TR |
| US Small | S&P 600 Index | Ultra-Short | Bloomberg US Treasury Flt Rate Index |
| Global ex-USA | MSCI World ex-USA All Cap NR Index | Short | ICE US Treasury 1-3Y Bond Index |
| Intl Dev | MSCI EAFE NR USD Index | Core | Bloomberg Aggregate Bond Index |
| Emerging | MSCI EM NR US Index | Long-Term | ICE US Treasury +20Y Bond Index |
| Gold | S&P GSCI Gold TR | High Yield | Bloomberg US Corporate HY Index |
| Merger Arbitrage | IQ Hedge Merger Arb TR USD Index | US TIPS | ICE US Treasury Inflation Linked Index |
| Infrastr (Infrastructure) | MSCI ACWI Infrastructure NR Index | Intl Bonds | Bloomberg Global Agg ex-USD Index |
| Direct Lending | Cliffwater Corporate Lending I | EM Bonds | Morningstar EM BD GR Index |