Dear Tetelestai Capital Investors,

Welcome to 2023! I want to start off by thanking every one of my investors for trusting me to manage their assets with Tetelestai Capital. It is an honor to run this firm, and it is a true blessing how many backed the vision without hesitation.

The year 2022 was a tough one for many individuals, especially as markets went into the first sustained bear market in over a decade. Most people working in the investment industry today have not invested in an environment where inflation is high, interest rates rose aggressively, and stocks and bonds both sold off in unison, especially not all in a single year. It was a learning experience to say the least.

The strategy I executed for the portfolios managed by Tetelestai Capital was to avoid aggressive risk taking and opportunistically deploy capital when the market gave us buying opportunities. This strategy led to 70% of portfolios managed by Tetelestai Capital outperforming the global benchmark (MSCI ACWI) net of fees. Though these metrics are in line with the goal for the firm, I know there are areas I can continue to improve in for boosting client returns and improving relative performance. I analyzed the investments made last year and took stock of what worked well along with what did not. A major theme I saw as a negative was taking risk off the table too early. I went back to the drawing board, and I believe my process has been refined for investing in 2023 and beyond.

Looking Back At 2022

2022 was a rollercoaster of a year for financial markets, geopolitical events, inflation, and much more. It was an interesting time to start Tetelestai Capital full-time, but I would not have started it any differently. It is a blessing to manage client assets in an actionable market.

The market (S&P 500) stair stepped down in a somewhat orderly fashion during 2022. This was an unusual phenomenon as volatility in the market was relatively subdued and neither bullish investors nor bearish investors were particularly rewarded for the whole year. The famed “60/40” portfolio composed of 60% stocks and 40% bonds had one of the worst returns in the last 40 years. U.S. bonds, which notoriously are looked to for safe returns, lost more than 10% in 2022. To say it was ugly across the board is an understatement.

There were valuable lessons I learned through this year in the market though. The first being that markets can change faster than you expect, but also, they can change slower than anticipated. There were several times after the market rallied 10%+ in a few weeks that I began to worry the market was overbought. I would dial back market exposure in portfolios to mitigate a potential market downturn as the traditional hedges were not working well. The rally would press forward for a few more weeks, and I would subsequently miss additional returns. The market did eventually roll over as anticipated, but I missed the additional opportunity for portfolios. This is a lesson I will take into the rest of my career that even if the evidence is strong for a market movement in the opposite direction, the market can move forward if that is the consensus at the time. Another lesson I learned is there are STRONG rallies in bear markets. 2022 saw a peak to trough decline in the S&P 500 of 25%, yet there were several brief rallies during the year, some getting up to 20% (June to August). This is the definition of a roller coaster ride as seen by the chart below:

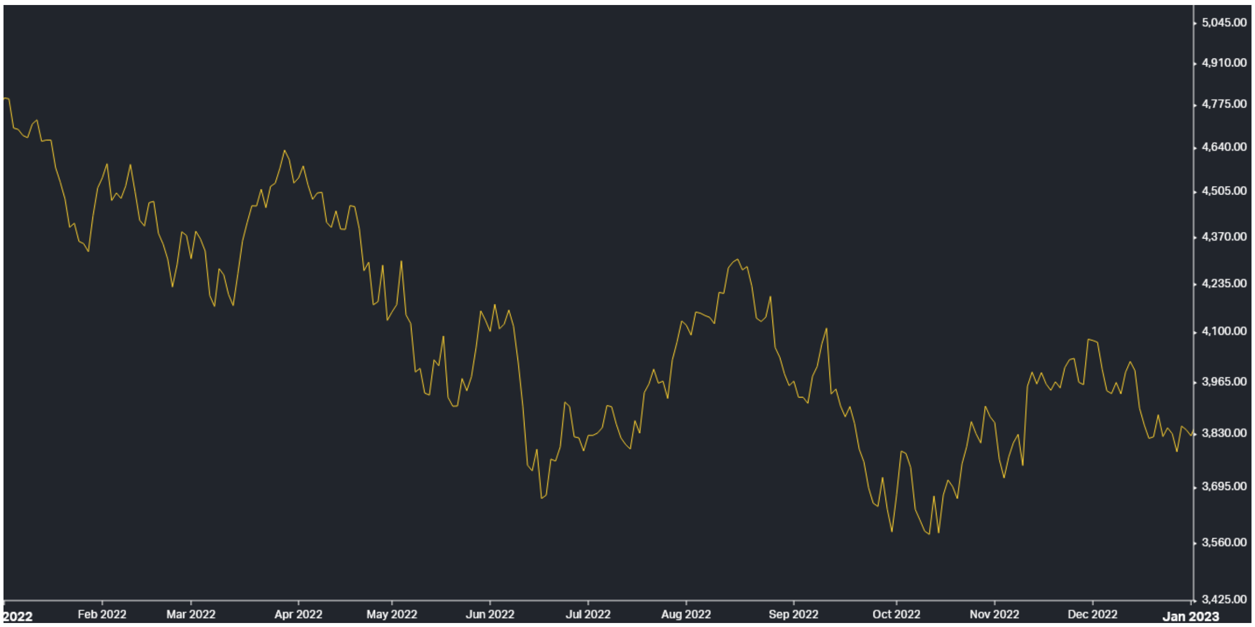

Chart 1: S&P 500 Price Chart 2022 (Source: Koyfin)

Even though economic signals, inflation persistence, and geopolitical conflicts were pointing to a lower market price, simply being out of the market or shorting the market was not a good idea during several months of the last year. Therefore, the best option was riding the roller coaster by buying assets as the dips appeared and lightening up the holdings when the market started to show signs of weakness. It was not perfect, but the strategy seemed to hold up well versus the benchmark overall.

As far as investment themes I was focused on in 2022 for the actively managed portfolios, I had written up analyses posted on the website for themes in U.S. home builders, oil producers, the U.S. dollar, uranium, and shorting Canada. I will run through my review of my research for each quickly. To be clear, some of these investments are still in play and some of them I put off to the side due to the theme not playing out as planned or better opportunities found elsewhere. Additionally, not all these stocks mentioned I was invested in as some of the themes had multiple options.

U.S. Home Builders

The undersupply of homes in the United States is going to be a problem for years to come as younger generations begin having children and moving out of apartments. There has been a deficit in home supply for years, and now with interest rates on the rise, homeowners that have a 2% mortgage are unwilling to sell their home even with the price appreciation. Additionally, the affordability of homes in the U.S. has decreased dramatically with the median new mortgage payment over $2,400 per month. There are two ways to solve this issue: 1) build more homes or 2) a recession lowers home values and mortgage rates.

The three home builder stocks I analyzed in my post were D.R. Horton (DHI), Lennar Corporation (LEN), and Pulte Group (PHM). From the date of the post (May 2, 2022) through year end of 2022 the performance of each stock is below versus the ACWI benchmark. I ended up ditching the thesis midway through the year as home builder stocks fell aggressively with rising mortgage rates. While these investments ended the year well, the first six months of underperformance led me to sell out of the investments as risk management was more important to my investment process.

Gross: DHI: +29.33% | LEN: +19.25% | PHM: +10.4% | ACWI: -6.17%

Net: DHI: +24.56% | LEN: +16.5% | PHM: +9.42% | ACWI: -6.17%

**The performance of each stock versus the ACWI benchmark from the date of the post through year-end 2022 (Source: Koyfin)*

Global Oil Shortage

Even though the world is fighting to transition to green energy, the infrastructure to get there will take years, if not decades to be fully up and running. The world will need fossil fuels (especially oil) to get that infrastructure built. The annual demand for oil across the globe is approximately 100 million barrels of oil per day and growing. Transitioning from this will take time, resources, and concentrated efforts. However, in the meantime oil production has been underinvested in for nearly a decade. 2023 should be interesting for oil related investments as the fears of a global recession mixed with an undersupply of oil will be fighting against each other. Ultimately the undersupply of oil will be what wins the battle as the Chinese economy opens up fully, unleashing a pent-up demand dwarfing the western world's in 2021.

Gross: OXY: +1.69% | CLR: Merger at a gain of roughly 14% | CVE: -13.96% | ACWI: +1.32%

Net: OXY: +1.19% | CLR: Merger at a gain of roughly 13.5% | CVE: -14.46% | ACWI: +1.32%

**The performance of each stock versus the ACWI benchmark from the date of the post through year-end 2022 (Source: Koyfin)*

Short U.S. Dollar

In September 2022, I wrote about the potential issues the U.S. market is facing with a strong dollar versus the rest of the world. European investors with assets in U.S. stocks were flat for the year as the U.S. dollar appreciated against the Euro offsetting any losses they had in U.S. stocks. The problem is the European stocks are now much cheaper on a relative basis than the U.S. stocks. I expected European investors and global investors to bring assets back to their home countries causing the dollar to fall and U.S. stocks to fall too. Half of this happened as planned, as the U.S. dollar fell almost 6% in the last quarter of 2022. In currency terms, this is a major move in a short period of time. However, the stock market stayed up for the most part due to inflation metrics falling. 2023 will be a major test of the market strength as inflation fears turn into recession fears.

Gross: Short UUP: +5.95% |Short S&P 500: -5.05% | ACWI: +8.71%

Net: Short UUP: +5.45% |Short S&P 500: -5.55% | ACWI: +8.71%

**The performance of each stock versus the ACWI benchmark from the date of the post through year-end 2022 (Source: Koyfin)*

Uranium

There are not many updates from my original post in October. I believe nuclear power will be what fuels the green energy boom in a sustainable way. There is no other energy source harnessed by mankind that is as efficient as nuclear power. Even though uranium related investments were down during the last part of 2022, this is a long-term investment that I expect to be a large winner as the world leaves fossil fuels behind.

Gross: SRUUF: -5.94% | URA: -2.24% | URNM: -8.37% | ACWI: +3.71%

Net: SRUUF: -6.44% | URA: -2.74% | URNM: -8.87% | ACWI: +3.71%

**The performance of each stock versus the ACWI benchmark from the date of the post through year-end 2022 (Source: Koyfin)*

Shorting Canada

A meaningful update from my previous post on Canada is the Central Bank of Canada put a pause on interest rate hikes recently. Even though they paused rate hikes, the underlying issues still remain for this economy (elevated debt levels, high percentage of variable rate mortgages, and historically high inflation). I am tactically playing this investment thesis as there are times when the broad market rallies and being short is not wise. However, I do believe this is a theme to watch especially if global recession fears come to fruition.

Gross: Short EWC: +3.63% | ACWI: +0.30%

Net: Short EWC: +3.13% | ACWI: +0.30%

**The performance of each stock versus the ACWI benchmark from the date of the post through year-end 2022 (Source: Koyfin)*

Charity Update

After successfully completing the first year in business, Tetelestai Capital was able to contribute to several causes to further God's Kingdom and increase the greater good in the world.

The first of these was with Kindway. Kindway is a ministry that assists men and women in prison to help them know God and grow as productive individuals for the world with the goal of transitioning them into society as the best versions of themselves. I had the pleasure in 2021 to go into Marion Correctional Facility with Kindway and meet the members of the Kindway class. This was a very transformative experience, and it gave me a completely different perspective on the men and women behind bars. Part of the donations for 2022 went to help clothe the men being released from prison earlier in 2022. Most of these men came out of prison with nothing. A new wardrobe provided them with work clothes and some clothes to live in until they get on their feet.

The next batch of donations went to Her Song, which is part of the Tim Tebow Foundation. Her Song was created to help women who are survivors of human trafficking with residential support programs and spiritual growth opportunities. The program employs an evidence-based theory of change to help women move from a survival-based existence to purposeful, self-sufficient living. Her Song recently began operations in Columbus, Ohio and found a home to begin a safe house for women rescued from human trafficking in the area. As part of the process of getting the home ready, Tetelestai Capital donated two baskets of items for two women that will be staying in the house. Each basket contained essentials for life and some added comforts to help the women feel loved. I am very excited to continue to work with Her Song as they officially launch their Ohio presence and beyond.

Finally, a portion of the donations went to the annual Heart For The House at 7 Hills Church. This is the church my wife and I call our home in Cincinnati, and the initiatives donated to included: preparations for an addiction recovery ranch, a mobile ultrasound office for pregnant women in need, and the expansion of the church's presence across the country. This was not a planned give going into 2022, but I was thankful the firm had extra cash in the donation bucket near the end of the year to contribute to the cause.

What I Am Watching In 2023

The Federal Reserve is still aggressively waging war on inflation. Over the last 6 months, inflation pressures have noticeably eased. However, the effects of interest rate hikes have been shown to take over 12 months to fully be realized in the economy. Therefore, only the interest rate hikes occurring early in 2022 (before the rate hikes became aggressive) are reflected in the economy today. This means we should expect to see economic conditions deteriorate in the middle of 2023. I am watching the economic data closely along with global markets.

Many media outlets and outspoken investors are calling for a recession in 2023. This very likely could occur, but the magnitude of the recession is unknown by everyone at this point. Most likely we will not see a 2008 style recession. I do believe there will be opportunities during this time in markets though. There will be ups and there will be downs in 2023. History shows that the best time to buy stocks is when no one wants to touch them. If we do see a recession and another leg down in markets, I believe that will be the consensus as back-to-back years of losses for investors will begin to build. The portfolios I manage have plenty of cash on the sidelines waiting for a market downturn. This will require patience though as the market tends to move in non-linear ways to get to their destination.

One benefit of 2022 was that the increase in interest rates during the year produced better returns in relatively safe investments (short-term Treasury Bills, CDs, and high-yield savings accounts). I am taking advantage of these yields as we wait on the sidelines with your cash. Most investors I am working with will have most of their excess cash in short-term Treasury Bills yielding over 4% per year. I believe this is a satisfactory return for waiting on the sidelines in client portfolios especially since this same Treasury yield was less than 0.1% at the beginning of 2022.

Carrying The Torch Further

I am excited to begin 2023 on a positive note. Even though much of the issues present in global financial markets over 2022 persist today, I believe this will bring an opportunity for investors to grab excellent companies at fire sale prices. This may take time to play out though, so patience is the most important aspect of this game. Patience can result in meaningful returns over long periods of time. I will be tactically investing in this market when opportunities arise and keeping cash stored in short-term treasuries for additional yield.

In ending this letter, I would like to draw on a parable from Matthew 25. This parable is very applicable to all of us, but I love the way it brings in wealth management:

"For it will be like a man going on a journey, who called his servants and entrusted to them his property. To one he gave five talents, to another two, to another one, to each according to his ability. Then he went away. He who had received the five talents ***went at once and traded*** *with them, and he made five talents more. So also he who had the two talents made two talents more. But he who had received the one talent went and dug in the ground and hid his master's money. Now after* ***a long time*** *the master of those servants came and settled accounts with them. And he who had received the five talents came forward, bringing five talents more, saying, 'Master, you delivered to me five talents; here, I have made five talents more.' His master said to him, 'Well done, good and faithful servant. You have been faithful over a little; I will set you over much. Enter into the joy of your master.' And he also who had the two talents came forward, saying, 'Master, you delivered to me two talents; here, I have made two talents more.' His master said to him, 'Well done, good and faithful servant. You have been faithful over a little; I will set you over much. Enter into the joy of your master.' He also who had received the one talent came forward, saying, 'Master, I knew you to be a hard man, reaping where you did not sow, and gathering where you scattered no seed, so I was afraid, and I went and hid your talent in the ground. Here, you have what is yours.' But his master answered him, 'You wicked and slothful servant! You knew that I reap where I have not sown and gather where I scattered no seed?* ***Then you ought to have invested my money with the bankers, and at my coming I should have received what was my own with interest.*** *So take the talent from him and give it to him who has the ten talents. For to everyone who has will more be given, and he will have an abundance. But from the one who has not, even what he has will be taken away. "*

Matthew 25:14-29 (emphasis added)

My mission is to be the servant investing the assets fruitfully and when there is no fruit, keeping the money in interest bearing securities waiting for the time to reap the harvest. That servant earns more and more responsibility to use the skills for furthering the Kingdom.

Have a wonderful 2023, and please feel free to reach out with any thoughts you may have for the New Year!

Blessings,

Evan J Glover

Evan J. Glover

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