April 2018

Elixir News

ELIXIROFINCOME.COM

CREATING INCOME FOR EVERYDAY PEOPLE BY USING TECHNOLOGY TO HARVEST VOLATILITY.

Hi everyone,

Thank you for your continued support and for following our Elixir story. We are pleased to announce that our April revenue performance was 2.03%, which brings the monthly average to 2.59% since last July. In this April issue, we will comment on some developments in the Mexican Peso, Euro, and US Stock Market in the Global Observation section. The featured educational piece answers a question that I often receive from our readers: How does Elixir use financial technology to produce high revenues? We use financial technology in many ways, but we will highlight five of them in this month's issue.

We also share an update on our special strip bond offering for those who lost money in Secure Care or other syndicated mortgage investments, including details about a special information session in Richmond, BC next month. If you have been affected by such investments or know someone who has, I highly recommend that you read this newsletter and contact us for more information.

On the personal side, my daily meditation platform has finally been built! I've now enjoyed three beautiful mornings meditating by the creek—a great way to start my day. Although the platform took a week to build and many back-and-forth trips to Rona, it was certainly worth the effort and time.

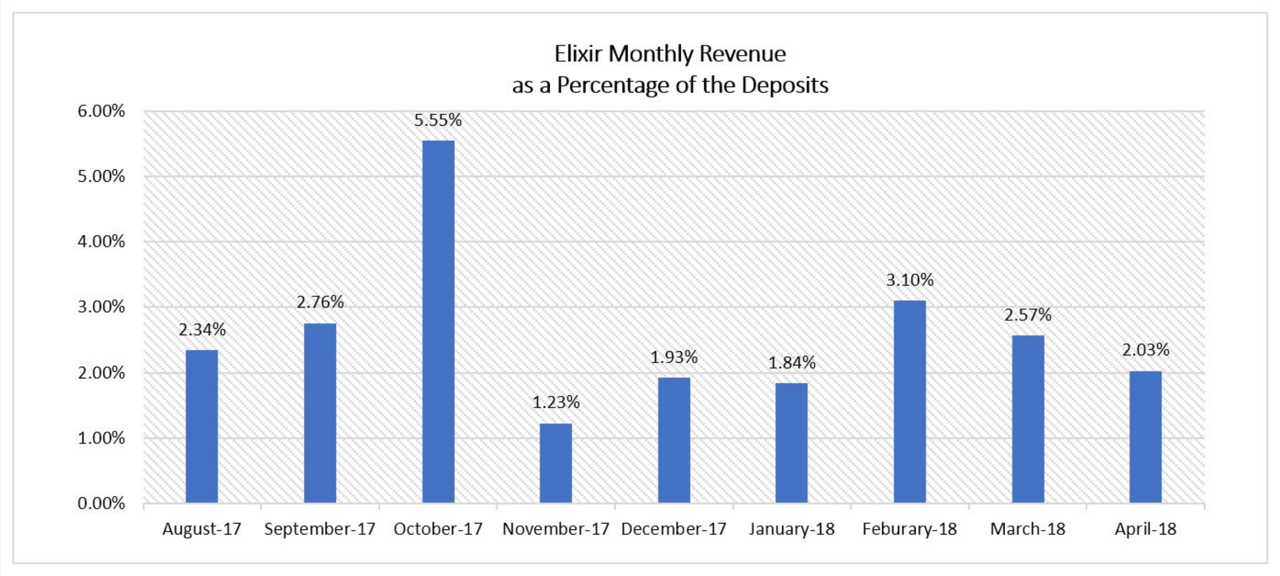
Have a great month, and please feel free to reach out at any time.

Sincerely,
Bill

ELIXIR'S APRIL REVENUE PERFORMANCE

Elixir's financial target is to produce revenue matching 2% of investor deposits each month. Revenue comes from earnings on deposit interest and from capital gains created from rebalancing the DDVARH hedge, which is audited independently by a third party, Myfxbook. The auditor has direct access to Elixir's accounts, and directly calculates Elixir's income performance.

April was a satisfactory month. Although we acted in a more conservative fashion than is standard, we were still able to produce 2.03% revenue as a percentage of bonds redeemable. This brings our monthly average to 2.59%, which exceeds our 2.00% target. It is reasonable to believe that we will maintain or exceed this target in the coming months.



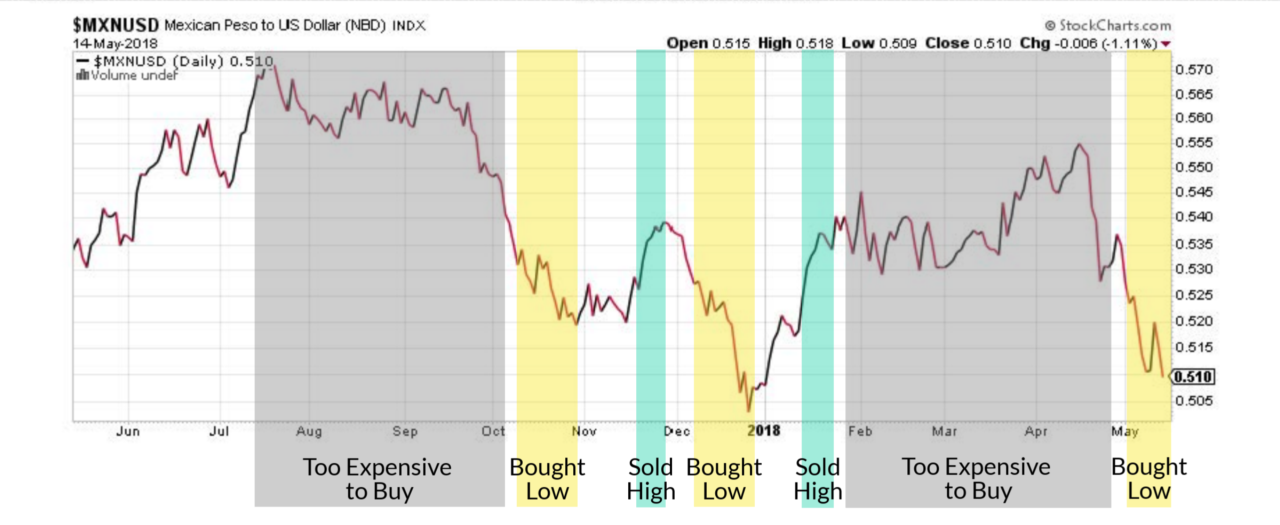
GLOBAL MARKET OBSERVATIONS

Since our March newsletter, three areas of interest in the global market have caught my attention. These are the Mexican Peso, the Euro, and the US Stock Market.

The Mexican Peso

We have successfully exited the Mexican Peso twice, and recently bought a position for the third time. As a reminder, we invest in Mexican Peso because it fits all of our deposit criteria. The currency has instant liquidity, interest is calculated and credited by the minute, and the annual interest rate is an admirable 5.75% per year.

Another critical feature of the Mexican Peso is that it has high volatility, which is important and attractive to Elixir. Volatility is caused by various factors, such as the upcoming Mexican Federal elections, the NAFTA renegotiation, changes in border security policies with the US, and changes in the US interest rate and the price of oil (Mexico is the 7th largest oil producer in the world). Due to the volatile nature of the Mexican currency, we have made significantly more revenue from buying and selling deposits than from the interest we've earned on these deposits. The chart below shows how we have executed on the Mexican Peso since Elixir's inception in July 2017.



What do we expect will happen to the Mexican Peso, and how will it affect Elixir's revenue?

The Peso has experienced a steep decline since our last newsletter was published. Due to the above-mentioned political and economic uncertainties, it is uncertain which way the Peso will go, and when. However, there are only three possible outcomes regarding the future of the Mexican Peso. Let's look at how each one would affect Elixir.

I. It continues to fall in value. This would be great for Elixir. We would buy more currency, and would wait for the value to bounce back to sell. While we waited, we would earn income by collecting deposit interest.

II. It would not change much in value. This would be fine for Elixir. With 3 to 1 leverage, this position would earn us 17.25% annually (5.75% annual interest without leverage). This outcome is the least likely scenario, as there are many factors that could cause volatility.

III. It would go up in value. This would also be great for Elixir. We would sell all of our positions and would earn a handsome profit. Then, we would wait to purchase more Pesos when the price of the Peso fell.

The execution of the Mexican Peso clearly demonstrates how Elixir works. We purchase deposits and earn interest as we wait for the deposits to appreciate in value. If the deposits fall in value, that is also agreeable, as we can purchase more currency to bring down our average cost.

The Euro

The Euro has finally ended its 18-month upward trend. The chart below shows how much the value of the Euro has increased compared to the US dollar since Trump took office in January 2017. Notice in the chart that, around the publication date of our last newsletter, the Euro finally began to drop in value. We have been expecting the fall of Euro for some time, and have positioned Elixir to profit from its fall. How did we know the fall of the Euro would occur?

The answer is simple. We have inside information. The truth is that this inside information is available to anyone with an internet connection—yet most people choose to ignore it.

Our inside information comes from the Commitment of Traders Report. The US Government has made it mandatory that global institutions, hedge funds, and investment dealers report changes in their investment holdings in Currencies, Commodity, Bond, and Equity future contracts each week. We explained in our September and November newsletters that we closely follow this US Government weekly publication. Here is a chart that summaries the last five years of data regarding the Euro.

We glean two pieces of important information from this chart. The first is the red line. This represents commercial investors—insurance companies, pension funds, and banks. The second is the green line, which represents large speculators, or hedge funds.

The chart demonstrates that, since the US Election in November 2016, speculators have been gobbling up the Euro like never before, while commercial investors have done the opposite—they have been selling and selling. This cycle drives the value of Euro up significantly.

Commercial investors preferred the strong GDP growth and rising interest rates of the US and rejected the sloppy economic growth and low interest rate of the Euro Zone. We at Elixir concurred with the commercial investors. In fact, we typically take the opposite approach of speculators. This is because the two groups are not in the same league. Think of their relationship as a "Tug of War" match. The team that has more capital and can keep buying the investments they prefer will eventually win, and economic trends will change accordingly.

Commercial investors have much more capital than speculators. The table below demonstrates that the total sum of speculator capital roughly equals the combined assets of ICBC (the Industrial and Commercial Bank of China) and AXA Group (insurance company). As a reference, the table also includes asset information from other selected commercial investors, such as pension funds and JPMorgan.

Commercial Investors2017	Speculators 2017
ICBC: $3.4 Trillion AXA Group: $0.9 Trillion	Total Global Hedge Funds: $4.5 Trillion *Source HFR Research*
300 Largest Pension Funds: $15.7 Trillion *Source Willis Towers Watson* JPMorgan: $2.5 Trillion	

The fall of the Euro occurred because the speculators ran out of money. We suspect that the Euro may fall even further, as speculators will be forced to reverse their positions to meet margin requirements, which means that they will have to sell more Euros.

Elixir anticipated this movement, and we have positioned ourselves to profit. We have already profited two times over the last 10 months. The first time was in September 2017, when we borrowed Euro (short selling Euro) between 1.19E and 1.20E. One month later in October, we reversed this position for a profit at the 1.18E level. The second time was between January and March of 2018. We again borrowed Euro (short selling Euro) from levels 1.20E to 1.24E, and reversed this position in the 1.19E level in April. Currently, we have exited this position completely.

The US Stock Market

The US Stock Market has been quite stable in April and May after a large market sell-off and periods of high volatility in January and March. However, we expect the market to drop significantly this year. Many people have asked why the market has held strong even though many indicators have led us to believe that a further drop is ahead. One of the contributing factors in our opinion is companies' share buy-backs.

The leadership of the US Government has reduced the corporate tax rate. This allowed US companies to bring foreign profits back to the US with few tax obligations. The idea was that companies would use this money to create more jobs in the US. However, in reality, companies have assigned most of these funds to purchase back their own company shares. The chart below shows how 2018 is setting records for company share buy-backs.

What will happen when these buy-backs stop? This cessation should lead to more downward pressure in the market. It is interesting to note that the last significant rise in buy-backs was in 2007, which was followed by the great financial collapse of 2008. That said, it is difficult to assess how influential company share buy-backs are in manipulating the market. Nevertheless, buybacks certainly play a role in holding up the US Stock Market.

Even though Elixir does not invest in US stocks, the performance of the US Stock Market influences the price of currencies and commodities worldwide. For this reason, we keep a close eye on its performance.

INVESTOR
EDUCATION

HOW FINANCIAL TECHNOLOGY ALLOWS US TO EXECUTE ON PREVIOUSLY INACCESSIBLE OPPORTUNITIES

To qualify as a Fintech, a company must make use of technology that disrupts the status quo of the financial industry. Consider, for example, how Airbnb, Uber, and Amazon completely revolutionized their respective industries.

We often refer to Elixir as a FinTech company. This is not only because we have a proprietary hedging technology (DDVARH), but also because we make use of other technologies to execute opportunities that were not previously available. The use of technology directly contributes to our high revenues at Elixir. In this section, we explain the key technological changes that have impacted Elixir, and we explain how they help us to generate such high revenues.

For example, let's consider investing in sugar. Sugar is a tradable commodity, but only a few years ago, only super-sized investors (such as huge farming operations or companies such as Coca Cola) were invited to play at the table of sugar. Today, smaller players (like us) are able to invest and profit from sugar as well—all because of the advancement of financial technologies.

Elixir is primarily focused on currency deposits, but as mentioned in our Confidential Information Memorandum, we would consider investments in commodities as well to hedge and diversify our portfolio. At present, agricultural commodities make up less than 1% of Elixir's balance sheet. Recently, sugar has been identified by our algorithm as an interesting opportunity. The value of sugar has fallen significantly in recent years, from a high of 24 cents per pound in October 2016 to 11 cents per pound today. This is a drop of about 55% in less than 2 years.

Let's look at five significant areas that have changed due to FinTech advancement, and let's consider how they benefit Elixir.

Areas	In the Past	Today	What it means to Elixir	Benefits to Elixir
Purchase Size	The minimum purchase size for sugar was 112,000 pounds at a time. At today's price of 11 cents, the minimum purchase would be in units of $12,320.	We can purchase one pound at a time. Seriously, we can invest as little as 11 cents!	This allow us to make unlimited purchases at unlimited price points. It enables us to enter into a position very slowly and to continue buying as a position grows cheaper. For example, we can buy 1 pound of sugar for $0.11, another pound for $0.10999, and so on.	Extremely low minimum purchase requirements allow us to be more cautious and to better time our decisions, which significantly reduces our risk and increases returns.
Transaction Cost	Only a few brokerage firms dealt with sugar trades, and they were only interested in serving institutions because to make their service worthwhile, they would have to make thousands or at least hundreds of dollars per trade.	We receive variable pricing per unit. We pay a fee of $0.0002 per pound of sugar we purchase. For example, for one pound of sugar at 11 cents, we pay a fee of 0.02 cents for the purchase. Yes, 1/50th of a penny!	This allows us to make decisions without any regard for transaction costs.	Variable minimum transaction costs enable us to transact as many times as we want, which significantly increases our profitability.
Holding Period	There was a maximum holding time and only eight expiration dates from which to choose. In order to hold sugar for a long time, one would have to continually sell an investment before the expire date and arrange to repurchase at a later date.	We enjoy daily liquidity and can hold indefinitely.	We are not forced to sell our sugar. The timing of buying and selling is completely within our control.	Having no restrictions on the holding period gives us the complete control to sell a position only when it becomes profitable. This increases our revenue.
Holding Structure	Purchases were commingled together. For example, if we bought 100,000 pounds at $10, $11, and $12 each, our account holdings statement would show one position of 300,000 pounds with an average cost of $11.50. If sugar cost $11 and we wished to sell some, we would have had to sell at a loss because our average cost was $11.50 even though we purchased some sugar at $10.	Each of our purchases is segregated and identifiable by a serial number. If we purchased 100 pounds at 100 different price points, our account holding statement would show one hundred different positions and the details for each position.	In the scenario presented here, our account holdings statement would show three positions of 100,000 pounds at $10, $11, and $12. If sugar cost $11 and we wished to sell some, we could sell the 100,000 pounds at $10 and make a $1 profit per pound.	Having a segregated structure allows us to pick and choose which position execute on. This creates a lot more revenue opportunities for Elixir compared to the old days.
Long & Short Position in the Same Account	Long and short positions of the same underlying would cancel each other out. For example, if we bought one pound of sugar and later shorted one pound of sugar, our account would cancel out the positions, and we would have zero holding of sugar.	In the scenario presented at left, our account would show one short position and one long position of sugar.	This allows us to put a hedge in place without being forced to sell an unprofitable position.	Having long and short positions in the same account reduces the risk for our balance sheet.

As you can see, the advancement of FinTech not only gives us the opportunity to execute on sugar, but also allows us to produce high returns with low levels of risk. Sugar is only an example—remember that agricultural commodities only account for less than 1% of our balance sheet.

Many of you who read the Confidential Information Memorandum know that I created Elixir during the economic recession in 2008. Even through the theories, the model, and the research were all solid for a long time, there were too many barriers to execute the plan and to execute it profitably. We had to wait for technology to catch up to our vision—and it finally did! Today, there are unlimited revenue opportunities for us in the currency/commodities market—I am not exaggerating.

ELIXIR

ELIXIR ANNOUNCEMENTS

Elixir Strip Bond Information Sessions

Location

Holiday Inn Express & Suites Riverport
Richmond (10688 No 6. Rd.)

Date

Saturday, June 2, 2018

Session A	Session B	Session C
English/Mandarin	English/Cantonese	English/Mandarin
13:00 - 15:00	**15:00 - 17:00**	**18:00 - 20:00**

*Elixir Strip Bond Information Sessions are for Accredited Investors Only.
For Wechat users, extract the QR code to reserve your seat. Or
email us at info@elixirofincome.com with your name and phone number.

The ELIXIR Economic TRAVELER

Mexico City & Puebla

Oct 31 - Nov 3, 2018

The Mexican peso is a very important asset in Elixir's investment portfolio. Its volatility has created some impressive return for us over the last seven months. Most people have been to parts of Mexico that is tourism focused. Rarely would people visit the country's economic power cities, such as Mexico City and Puebla. When you spend some time in these cities, you will realize how real and vibrant the Mexican economy really is! After scouting the two cities with my wife personally last year, we have decided to organize our very first Elixir Economic Traveller tour to Mexico City and Puebla, Mexico.

These two cities also happen to offer unique cultural and sightseen experiences. There is so much to see and experience in Puebla, and we are only including some general highlights here. The city is the fourth largest in Mexico and located about a two-hour drive southeast of Mexico City. The city's golden age was during the Spanish colonial era in the 14th century. A walk around downtown is like travelling back in time to 14th-century Spain! With 366 magnificent churches and many other historical sites, the downtown area has been named as a World Heritage Site. The city is also surrounded by brilliant natural scenery. The Popocatépetl Volcano and Tuliman Cascades are only a couple of hours' drive away.

THE BEST TIME TO VISIT THESE TWO CITIES IS DURING HALLOWEEN AND THE DAY OF THE DEAD CELEBRATIONS. IF YOU ARE READING THIS, YOU ARE INVITED TO JOIN US!

We are still fine tuning the details but would like to share a general itinerary and costs. The plan is to arrive on October 31 and leave on November 3 from Mexico City. There are many airlines that fly direct from Vancouver, Calgary, and Toronto to Mexico City. Typically, fares start at $500 in economy seating. We will be staying in luxury hotels. The cost for hotel accommodations will be about $200 CAD per night, including breakfast and an evening cocktail party. With some ground transportation and an English-speaking guide, the total cost would be approximately $1,500 per person.

If you are interested in joining us, please email me for details.