November 2018

Elixir News

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

Hi, everyone.

I trust you had a great November and are starting to ease into "festive mode" for the holidays.

To all Elixir investors, I am excited to share with you the fact that November was a great revenue month for us. Our proprietary trading revenue as a percentage of bonds outstanding ended at 4.80%. When one adds revenue from "software as a service", our income performance was 4.82% of bonds outstanding. In this newsletter's market update section, I explain the four asset classes which contributed to this much-higher-than-normal performance.

Because we are days away from crossing over to the new year, in this newsletter's feature article we are sharing our visions and plans for 2019. The article describes our revenue and capital raising target, future technology projects, business development focus, talent recruiting efforts and changes in investors' communication. I strongly encourage all investors to read this article. Elixir will grow quickly in 2019 and we are excited to make this happen!

In the new year, we will adopt a new format to keep our investors informed. The planning article includes details about this change.

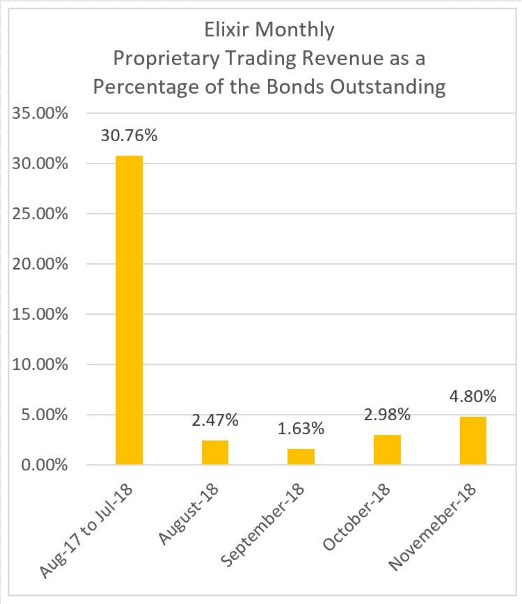
I wish to take this opportunity to thank you for supporting Elixir in 2018. On behalf of everyone at Elixir, I wish you a happy holiday and a prosperous and healthy 2019!

Sincerely,

Bill McNarland

ELIXIR NOVEMBER 2018

Trading Revenue Performance & Global Market Observations



Our November proprietary trading revenue as a percentage of bonds outstanding ended at **4.80%**. Three factors contributed to this higher-than-normal return. One was high market volatility. The second was the use of ElixirTech 2.0, while the third was the fact that our algorithm had positioned us well to profit from market downturn. In the coming months, we expect our returns to normalize back to 2.0% unless the market experiences extreme volatility again.

Which asset class performed well in trading in November?

In November, the capital markets became volatile again. This affected all currencies, commodities, bonds and equities across the globe. Most of our return stemmed from the following four assets.

1. US 10-Year Government Bonds increased in value by over 2% and we sold over 70% of our holdings to achieve a profit.

2. The Japanese Yen increased in value by over 3% and we sold over 75% of our holdings. Since then, we have bought back a good portion at our original prices.

3. WTI oil fell from $77 to $50 a barrel in a six-week period. We completely liquidated our short position in oil to achieve a significant profit.

4. We also made significant profits on shorting natural gas. Natural gas skyrocketed from $2.80 to $5.00 in a three-week period and is currently sitting below $3.60. The day-to-day swings have averaged over 6% per day. This has created a tremendous income opportunity for ElixirTech 2.0.

How did the predictions we made in the newsletter pan out?

Twelve months ago, we said that the run-up in oil prices was overdone and that the WTI oil should fall back to $50 per barrel. We were right, but it took 11 long months for this to happen. For a long time after our prediction, the price of oil kept rising and we continued adding more to our short position. Eventually, oil crashed, which created significant profits for us. This is a good example of why we use leverage only conservatively and keep our balance sheet interest positive. The use of conservative leverage allows us to sit on our unrealized drawdown position for a long time without being forced to sell at a loss. (We explain “unrealized drawdown” in the next article, about the highlights of our business planning for 2019.)

What are the most undervalued and overvalued asset classes that Elixir’s algorithms have recently identified?

We have designed our algorithm to let us know whether an asset is overvalued or undervalued. The algorithm also indicates its confidence in its own findings. The algorithm ranks its confidence between 0 and 100%. For assets over the 80% level, we start making small purchases. For assets below the 20% level, we start making small short sales so that we can profit when they eventually fall in value. As we continuously refine our calculations and include more data, our algorithm will change and become more accurate.

In future articles, we will discuss the mechanics behind our algorithm. For today, we will share a list of assets which our algorithm has identified. Not everything on this list (for example, equity investments) is within our mandate to trade. However, knowing whether they are overvalued or undervalued is helpful. As a disclaimer, our intent is that this information will show our investors the assets on which we are currently keeping an eye. It should not be viewed or used as investment or trading advice.

Our last algorithm update took place on December 11 at 5 pm EST. The market will be more volatile in the coming year, and we are happy with our current conservatively positioned portfolio. For reference, here are the assets that our algorithm has identified at an over 80% confidence level.

Buy

2-Year US Bonds: 100%
Orange Juice: 95% (Not able to execute)
Feeder Cattle: 88% (Not able to execute)

Sell

Natural Gas: 90%

Since our last algorithm update on December 11, the price of natural gas has fallen significantly. We have almost completely exited from this position.

Elixir's 2019 Business Planning Highlights

By the time this article is published, we will be only days away from saying hello to 2019. As I reflect on 2018, I find myself proud of our tremendous progress. In one year, we have evolved from being an aspiring FinTech company to being a profitable FinTech company. On the revenue side, we have already achieved our first fully cashflow-positive month (in October). During the subsequent month, our EBIDTA was over $50,000. We have also achieved incredible development on the technology side; Elixir has moved beyond the conceptual stage and now has three pieces of fully functional software from which it benefits on a daily basis.

I am a faithful believer in the notion that "thoughts are things". Around this time last year, I wrote down my thoughts about what Elixir would look like in a year's time. I am excited – but not surprised – to say that my vision has become a reality.

Now I would like to take this opportunity to share the highlights of our plans and goals for 2019. Along with the board members and the team, I believe this "list of focus" will put us on the path to even faster growth in the new year. The plan is ambitious but I believe we can achieve it.

1. Focus on trading revenue

Elixir's monthly proprietary trading revenue as a percentage of bond outstanding averaged 2.56% over the last 12-month period. I would say that our performance was excellent in 2018, not only because our average monthly revenue exceeded our target of 2% per month, but also because our investment risk had significantly declined due to the implementation of ElixirTech 1.0 and 2.0, and to improvements we've made to our algorithm.

In 2019, other than setting a higher target of 2.50% for monthly trading revenue, we will include three additional targets related to our proprietary trading. They are as follows.

• ***Maintaining "unrealized drawdowns" at 6% by the end of 2019.***

What is an "unrealized drawdown" and why is it an important metric for our business? As we've explained previously, Elixir's core investment philosophy is to buy valuable assets when they are cheap and sell them for a small spread profit as the price increases. The assets-in-holding become "unrealized drawdown" to our balance sheet. Similar to trading revenue, "unrealized drawdown" is calculated as a percentage of bond outstanding (our balance sheet). Because we trade thousands of times a day, our "unrealized drawdown" percentage would fluctuate accordingly.

As of December 16, 2018, Elixir's "unrealized drawdown" is at about 7.5%. This means if we were to completely sell all our positions on this day, our bondholder would receive 92.5 cents on the dollar of their bond investment.

Some investors might ask: Is "unrealized drawdown" a risk? Is it the case that the lower this number is, the better? I would like to clarify that our "unrealized drawdown" should be considered a good and manageable risk. We find it necessary because it provides hedging protections for our balance sheet.

Here is an example that demonstrates my point. Most investors were overconfident in September. This caused safe assets, such as US Bonds and the Japanese Yen, to fall in value. We know that when fear enters the market, the prices of these safe assets will bounce back. So, we kept buying these two assets as their prices fell. At the end of September, our balance sheet showed an "unrealized loss" on these positions that we purchased. In October, the market experienced strong fear-driven volatility. As expected, the Japanese Yen and US Bonds significantly increased in value. Selling these two assets allowed us to achieve great revenue in October when the market was crashing.

While these "unrealized drawdown" positions provided a hedge that protected our balance sheet, they showed up as an "unrealized loss" on our financial statements. Without knowing the background, investors could easily interpret this situation to mean that we lost money in September.

One characteristic of our "unrealized drawdown" approach is that it can be "corrected" on its own given time. As we've explained, we wait for the price of the assets-in-holding to increase to a profitable level before we sell. This means that with enough time, "unrealized drawdown" could become "realized revenue".

Giving "unrealized drawdown" time to "correct" itself is critical. Therefore, we encourage investors to lock in for a fixed period of time so we don't run into selling positions prematurely to fund a surprise redemption.

I believe we should use a balanced approach to manage "unrealized drawdown". The goal is to have a lower number on "unrealized drawdown" while maintaining high profitability. An effective way of lowering our "unrealized drawdown" is to make our hedging more efficient and shorten the asset-holding period. We can do this by fully implementing ElixirTech 2.0.

In 2019, our target for "unrealized drawdown" is to maintain it at 6% by the end of the year.

· *Earning more consistent trading revenue by making more small profits.*

Before we created and implemented ElixirTech 2.0, we manually rebalanced our hedge four to six times a day. In other words, we had about four to six income opportunities per day. We created our monthly revenue based on roughly 200 profit events.

ElixirTech 2.0 automates our trading. The software can execute hundreds of trades a day to capture small profits over and over as soon as an asset meets our pre-set condition to execute. Take the month of November as an example; we made just over $82,000 in realized revenue and our average profit per trade was only about $8. This means we had more than 10,000 micro-profit events.

In 2019, with the help of ElixirTech 2.0's automation, our daily income will become more consistent. Our goal is to more efficiently capture tiny volatility movements, making smaller but more frequent profits. Not only would our income become more consistent but we would further reduce our investment risk.

· *Shortening the investment cycle from an average of eight holding days to less than five days.*

The investment cycle is a good indicator of how efficient our trading activity is. A shorter investment holding period means that assets spend less time in an "unrealized drawdown" position. It allows capital to flow to create revenue instead of being tied down and not generating value. Currently, our average investment holding time is eight days. We would like to shorten that to less than five in 2019.

2. Focus on creating new technology

Because Elixir is a FinTech company, developing new technology will remain our top focus in the new year. Following is a list of our technology projects for 2019.

2.1. To have Elixir Tech 1.0 and 2.0 used by multiple investment dealers globally. Currently, our software works at one dealer. Multiple platforms would be more attractive to potential "Software as a Service" (SAAS) clients.

2.2. To create a marketable research service through Elixir Tech 3.0's research technology. This research seeks to fine-tune our algorithm internally. Public subscribers would have access to the research for a cost, while the research would be made available free of charge for Elixir investors and SAAS clients.

2.3. To add automation to our algorithm calculations. Currently, our calculations are done manually. The target is for our algorithm to automatically suggest asset allocations.

2.4. To improve our algorithm by studying historical data through machine learning. This will help us increase returns, shorten holding periods and reduce unrealized hedging drawdowns on our balance sheet.

2.5. To create a cash management automation program. The software would monitor account balances and automatically transfer money to different accounts when necessary. It would also minimize cash drag in our accounts and allow capital to work more efficiently for us.

2.6. To create an automated reporting dashboard for our board. The dashboard would present Elixir's most current financial position to directors on a weekly basis. We want our board members to receive timely information so they can better govern the company.

2.7. To adapt ElixirTech 2.0 for the exchange-traded options markets. Tapping into this new market would bring additional proprietary trading and SAAS revenue to the firm.

3. Focus on bond capital raising

Our target for bond capital raising for the first six months of 2019 is $2 million. For the second half of 2019, our bond target is $4 million. We will work to establish new relationships with investment dealers and high-net-worth investors. If any shareholders can refer bond investors, we would greatly appreciate it.

4. Focus on creating more SAAS accounts and sub-advisory relationships

In 2019 we will focus on significantly increasing our off-balance-sheet AUM and our software-as-a-service revenue. We are currently exploring strategic options, including:

· Establishing sub-advisory relationships with established portfolio managers.
· Purchasing a licensed portfolio manager or bank.
· Reaching out globally to independent portfolio managers.

We plan to create a comprehensive proposal for board review in January.

5. Focus on building the Elixir team

Because Elixir is gearing up for a period of fast growth in 2019 and is getting ready to go public, recruiting talent will be an ongoing project for the company in the new year.

At the board level, we will be actively seeking directors with experience on public company boards that have expertise in technology, finance/accounting and legal/governance. We are happy to consider any referrals and recommendations from shareholders.

On the management and staff side, I will remain the company's CEO. I will focus on investment, capital raising and business development. Qian (Eve) will remain COO and will oversee corporate governance, marketing, investor relations, accounting and back-office administration. On January 2, 2019, our contract programmer will be working full-time at our office. In addition, we have taken on an executive assistant. To fulfill our 2019 vision, I may bring on an additional senior staff member who will work as my associate.

6. Create a new format for communication with investors

At Elixir, communicating with shareholders is of paramount importance. Since Elixir's inception in July 2017, we have used our monthly newsletter to provide updates to investors. Starting in 2019, we will change the format of our investor communication efforts so that they are similar to those of public companies.

Instead of a lengthy monthly newsletter, investors will receive brief monthly operational updates. In addition, we will periodically publish press releases to inform investors, as well as the public, about important news, such as the completion of a new software project, the hitting of a capital raising target, the establishment of a strategic partnership, etc. We will prepare quarterly financial statements in 2019. Additionally, within 30 days of the quarter end, we will email significant key metrics to investors; these metrics will be accompanied by the CEO's MD&A. We will make full annual financial statements available to shareholders before Elixir's annual general meeting. In addition, investors interested in the technical aspects of our trading can have access to our new research paper upon request.

7. Reward shareholders in 2019

Because we expect to remain profitable in 2019, we will be able to pay some dividends and purchase back common shares. These dividends and the reduced share count will reward investors for the original faith they had in our company.