

January 2019

Elixir News



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TO HARVEST VOLATILITY.

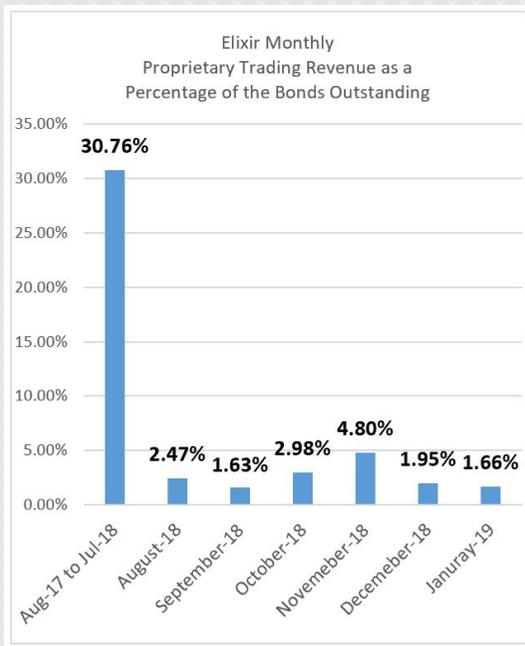


Hi, everyone.

The first month of 2019 went by quickly. For those who celebrate Chinese New Year, Eve and I would like to wish you Happy New Year of the Pig! May the “earth pig” bring you abundant wealth and fortune in 2019!

One exciting piece of news to share on the personal side is that I won the “Knee Knacker” lottery! I had only a 32% chance of winning, so I feel very fortunate that I now have the opportunity to compete. For my endurance training, I swim triathlon distance every morning at the Canada Games Pool.

Elixir January 2019 Performance Update



Elixir’s January 2019 realized proprietary trading revenue as a percentage of bond outstanding ended at 1.66%. The total January revenue, including revenue from SAAS (software as a service), was 1.81% of bond outstanding. As of market close on February 13, 2019, 5.71% of Elixir’s balance sheet was in an unrealized drawdown position.

In our 18-month history, this month was our slowest one in terms of proprietary trading. There are two main reasons for this. First, volatility was very mild throughout January. Less market volatility means fewer opportunities to create revenue.

Second, we chose to sit on cash and were very cautious about investing in January. I believe that what we experienced in January was the “calm before the storm”. Assets were too expensive for us to buy. From a risk management standpoint, it was much safer to hold off on investing until prices drop. At the beginning of February, we started buying some positions. We anticipate additional market volatility in February.

Company Update

A number of exciting developments took place during the month of January.

1. A New Counterparty

After an extremely detailed and lengthy application and review process, we are pleased to announce that Friedberg Direct (FD) has approved Elixir’s corporate account.

“FD is the Toronto-based on-line discount brokerage division of Friedberg Mercantile Group Ltd. offering direct access to Non-US persons to Spot Foreign Currency, Currency Options and Commodity Futures Trading through dynamic, on-line trading platforms. Accounts with Friedberg are covered by the Canadian Investor Protection Fund. FD is regulated by IIROC in Canada.” Its trading platform is powered by FXCM, a global online provider of foreign exchange (forex) trading, with headquarters in London, England.



The addition of FD as our second counterparty has created three benefits:

First, generally speaking, from a risk mitigation perspective, diversifying our assets among multiple counterparties is wise. In the unlikely event that a counterparty experienced difficulties (e.g., technical, financial or managerial), only part of our capital would be tied up. Moreover, because FD is also covered by the Canadian Investor Protection Fund, we are entitled to an additional \$1 million CAD of deposit insurance.

The second benefit is that the additional counterparty will give us a higher trading volume. This could potentially increase our return through the execution of a larger volume of smaller trades without adding risk. Unlike with Oanda, we are not restricted to 1,000 orders per subaccount with FD.

Finally, every counterparty offers unique trading opportunities. For example, through FD, we can acquire exposure to Romania, Russia and Israel. A greater number of investment options means more opportunities to increase revenue.

We are diligently working to receive approval from more counterparties. We have a list of strict criteria for selecting the right counterparties for Elixir. The new information memorandum will contain more details.

2. 2018 Year-End Financials

The non-audited 2018 Year-End Financial Statements with Management Commentary were completed on January 22, 2019, by an independent CPA firm. The board is scheduled to review the financials during its next meeting on February 19, 2019. The financials will be

included in the AGM package and will be made available electronically to all shareholders before the Annual General Meeting.

3. Elixir Approved at ComputerShare to Accept Registered Plans Investment

On February 11, 2019, Computershare Trust Company of Canada (ComputerShare) completed its review of Elixir's registered plans eligibility. Based on the legal/tax opinion issued by an independent CPA firm, Elixir is eligible for accepting investments through registered plans. Investors may now direct Computershare, in its capacity as trustee of their registered plan, to settle all Elixir's purchase transactions. The registered plans include RRSP; Spousal RRSP; Locked-In RRSP; RIF; Spousal RIF; Prescribed RIF; TFSA; LIF; LRIF; New LIF; and RLIF.

We have also submitted, to Olympia Trust Company, a legal/tax opinion letter along with all required supporting documentation. However, due to their recent cyber attack, we do not know the status of our review, and we have not received a new timeline for completion of the review process.

4. Elixir Rebranding Project

With respect to Elixir's current branding and marketing material, we acknowledge that room for improvement exists. Therefore, we've hired "Setsail" (www.yousetsail.com), a Burnaby-based boutique marketing firm, to take on the rebranding task. Our objective is that the new branding and marketing materials will be a clear and sophisticated reflection of Elixir's values and what we do as a company. The official release date for the new logo, Information Memorandum and website is March 1, 2019.



5. An Update on Elixir Technology Development

To better reflect the functionalities of the Elixir proprietary software, we will be making the following name changes:

“ElixirTech 1.0” is now known as “**Elixir Order Entry**”. The software has been working flawlessly since August 2018.

“ElixirTech 2.0” is now known as “**Elixir Trader**”. Onboarding of “Elixir Trader” took over two months. As of January 1, 2019, “Elixir Trader” was managing all trading accounts.

The new name for “ElixirTech 3.0” is “**Elixir Research**”. We will be using this software to produce three research products.

Research Product #1: Elixir Algo Report

The Elixir Algo Report publishes a confidence rating (between 1 and 100) on all FX and commodities in which we invest. The results are updated daily and will periodically be made available to our investors. Unfortunately, we couldn't share a sample current report in this email update, as we still don't have all the updated economic and money flow data from the US Government.

Research Product #2: Elixir Fundamental Research Report

The Elixir Fundamental Research Report is in beta status. Once completed, it will provide a regularly updated snapshot of all economic and fundamental research into each country and commodity in which we invest. We expect to release this to our investors in March 2019.

Research Product #3: Elixir Technical Analysis Research Report

The Elixir Technical Analysis Research Report will be unlike anything I have ever seen. We are going back 50 years to put together inflation-adjusted charts and data about every country, currency and commodity in which we invest. We expect to release this in April.

As a side note, I am often asked about the difference between Technical Analysis and Fundamental Analysis. To me, Technical Analysis can best be described as a deep study of history that people can use to predict the future. Take oil, for example. If we look at its inflation-adjusted price over the last 40 years and find that the price of oil is very low today, we would consider it to be a great value based on historical data. On the other hand, Fundamental Analysis would look at present conditions to predict the future. Again, let's use oil as an example. We will be looking at current demand, supply, storage and political factors to forecast its future price. These two analyses are equally important and complement each other. At Elixir, our goal is to produce the best-in-class Technical and Fundamental research reports.

In addition to these three research reports, we have created two derivative software products from “Elixir Research”.

One is the “**Elixir Holding Period Prediction Calculator**”. The tool examines 50 years' worth of inflation-adjusted historical data and estimates (i.e., predicts) how long (in days) our expected holding period is in any currency or commodity, based on our purchase price. The calculator is currently in the testing phase. Our goal is to release it to shareholders in April. Accompanying it will be a detailed guide on what it does and does not do.



The other product is for internal control purposes, and is called "**Elixir Director's Dashboard**". The software is programmed to automatically enter all our databases (including our trading platform and all our bank accounts), grab the most current data points and feed them into a secured online dashboard three times a day. The dashboard gives Elixir directors a real-time snapshot of all the company's financial positions. We created it because we want our board to govern Elixir with transparency, accountability and confidence. The dashboard is complete and has been tested. We are planning to present it to the board during the next board meeting.

In total, Elixir has created five pieces of proprietary software:

1. Elixir Order Entry;
2. Elixir Trader;
3. Elixir Research;
4. Elixir Holding Period Prediction Calculator;
5. Elixir Director's Dashboard.

6. Board Meeting and Annual General Meeting (AGM)

Elixir's board of directors is scheduled to meet via conference call on Tuesday, February 19, 2019. Several material issues are on the agenda for discussion, including approving the agenda, date/time and location of the AGM. Upon the board's approval, we will announce the date/time/location to all investors in our next investors' communication. Shareholders can expect to receive the AGM package via email three weeks before the meeting.

Important Reminder

The 2% rate sale for Elixir Term Bond ends on February 28, 2019. The board of directors has approved the following rates between March 1 and June 30, 2019.

1-year bond yield: 9% annually; 2-year bond yield: 10% annually; 3-year bond yield: 11% annually; 4-year bond yield: 12% annually; 5-year bond yield: 13% annually.

This concludes our January update. Please feel free to reach out at any time.

Sincerely from snowy Vancouver,

William McNarland,
Elixir Income Inc.
CEO & Chairman of the Board