

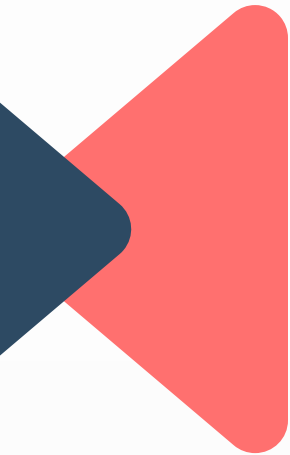
March 2019

Elixir News



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





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Hi, everyone,

I trust all is well with you. Since our last update a month ago, many new people have signed up for our newsletter. I would like to extend our appreciation to all shareholders and partners for spreading the word about Elixir as well as express our gratitude to all newsletter readers for your interest in our company.

In this March issue of Elixir News, in addition to providing our regular performance update and market observations (including three market-crash-warning signs we identified from the bond, gold and stock markets), I will share important highlights from our shareholder AGM, which took place on April 2nd in Burnaby. During this event, we presented our newly elected board, announced our corporate name change and screened our corporate film, "The Manifesto of Elixir".

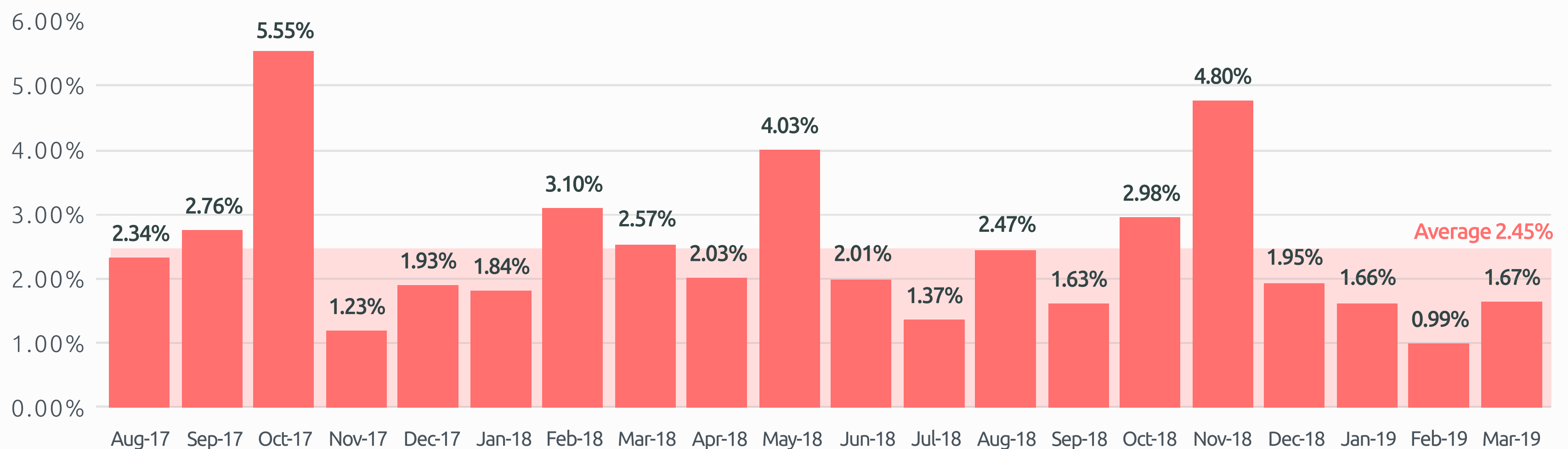
As we were finishing up the graphics for this newsletter on the 14th, I came across an interview between Geopolitics & Empire and Jim Rogers. This interview recording was published about 10 days ago on April 5th, 2019. In this 22-minutes long discussion, Rogers warned the public, **"Be careful, we are going have the worse economic times in my lifetime...be cautious, the next collapse will be so bad, I hope I survive."** I strongly recommend everyone to have a listen to the whole talk.

Creating income for everyday people by using technology to harvest volatility.



ELIXIR MONTHLY

PROPRIETARY TRADING REVENUE AS A PERCENTAGE OF THE BONDS OUTSTANDING



Although our March trading performance was much better than that in February (i.e., we earned a realized revenue return of 1.67%), March was the fourth consecutive month during which we fell below our 2% monthly target. (When SAAS revenue is added, total March income as a percentage of bonds outstanding at the beginning of the month was 1.89%.) On the positive side, Elixir's 20-month average monthly trading performance since inception is still at 2.45%. Our drawdown to date is at 4.87%.

In our February newsletter, which we published on March 15th, we provided an extensive explanation of the reasons for February's modest trading performance of 0.99%. Regrettably, market conditions have not changed much over the last 30 days.

As you know, when capital markets have low volatility, we earn less revenue because positions take longer to move. The volatility level can be measured using the VIX Index, also known as the "Fear Index". The lower the VIX index number, the lower the market volatility level. Historically, the VIX Index ranges from 9.14 to 80.86. Since the start of the new year, the average number for the VIX Index has been around 16. Currently, the Index is at 13, which is much lower than its historical average of 19.14.

Under ideal market conditions, we would consider using net leverage of two to three times our balance sheet. However, during the past few months, our net leverage has been set at 0.5 to 1. This means only a small amount of capital was deployed to earn a return for us. We've been holding cash in case of an economic shock. We believe the crash is coming soon, so we want to have plenty of capital available to make purchases when the prices of valuable assets decrease.

Speaking of asset price, in the fall of 2018, we saw extreme pricing in currencies such as the Canadian dollar, the New Zealand dollar, the Mexican peso, the Euro and the Australian dollar. This same trend was present in commodities such as oil, natural gas and sugar. As a result, our trading performance in October and November 2018 was very strong. However, during the past few months, we've experienced the most challenging time since Elixir's inception, as we couldn't find anything extremely cheap to long nor extremely overvalued to short. The only opportunity we could see was the "gold silver ratio".

Having said all that, we think things may change soon. Here are three market-crash-warning signs we identified from the bond, gold and stock markets.



Warning from bond investors

The yield of U.S. government bonds is moved by demand. The more people buy it, the lower the yield. Unlike stock investors, government bond investors (mostly large insurance companies and pension plans) are the most sophisticated investors in the market. When they expect interest rates to fall due to a coming recession, they stock up on 10-year bonds and sell their short-term bonds. This allows them to lock into a higher rate that protects their balance sheet.

When this happens, the yield gap in the bond market between long-term and short-term bonds decreases, sometimes becoming negative. This is commonly referred to as an "inverted yield curve".

We can also look at it this way. When we see an "inverted yield curve" in the bond market, we know that smart bond investors are forecasting a recession in the near future.



As the chart indicates, the inverted yield curve predicted the 2008 Great Recession, the 2001 Bear Market, the 1990 Recession and the 1981 Recession.

The chart also shows us that the gap between 2-year U.S. Bonds and 10-year U.S. Bonds has been shrinking since its high of 2.660 in 2014; it is currently at 0.140. This leads us to believe that a recession is approaching.



Warning from gold investors

Generally speaking, gold investors are conservative and fearful by nature. Due to their hypersensitivity, they typically react to recession earlier than do other investors. Their portfolios commonly include both gold and silver. When their Spidey sense is signalling an oncoming recession, these investors quickly flock to gold and sell their silver. This is because 50% of silver is used in manufacturing while only 10% of gold has industrial value. When an economic slowdown is approaching, the value of silver drops while gold is typically regarded as a "safe-haven" investment.

As a result, the price ratio between gold and silver is often a warning sign of future volatility. The higher the ratio, the higher the volatility.

As the chart shows, this gold/silver price ratio predicted the February 2018 and October 2018 stock market sell-off as well as the 2008 Great Recession. Since the beginning of 2019, the price ratio between the two assets has been vibrating at a record high level. This leads us to conclude that the market may soon experience high volatility.





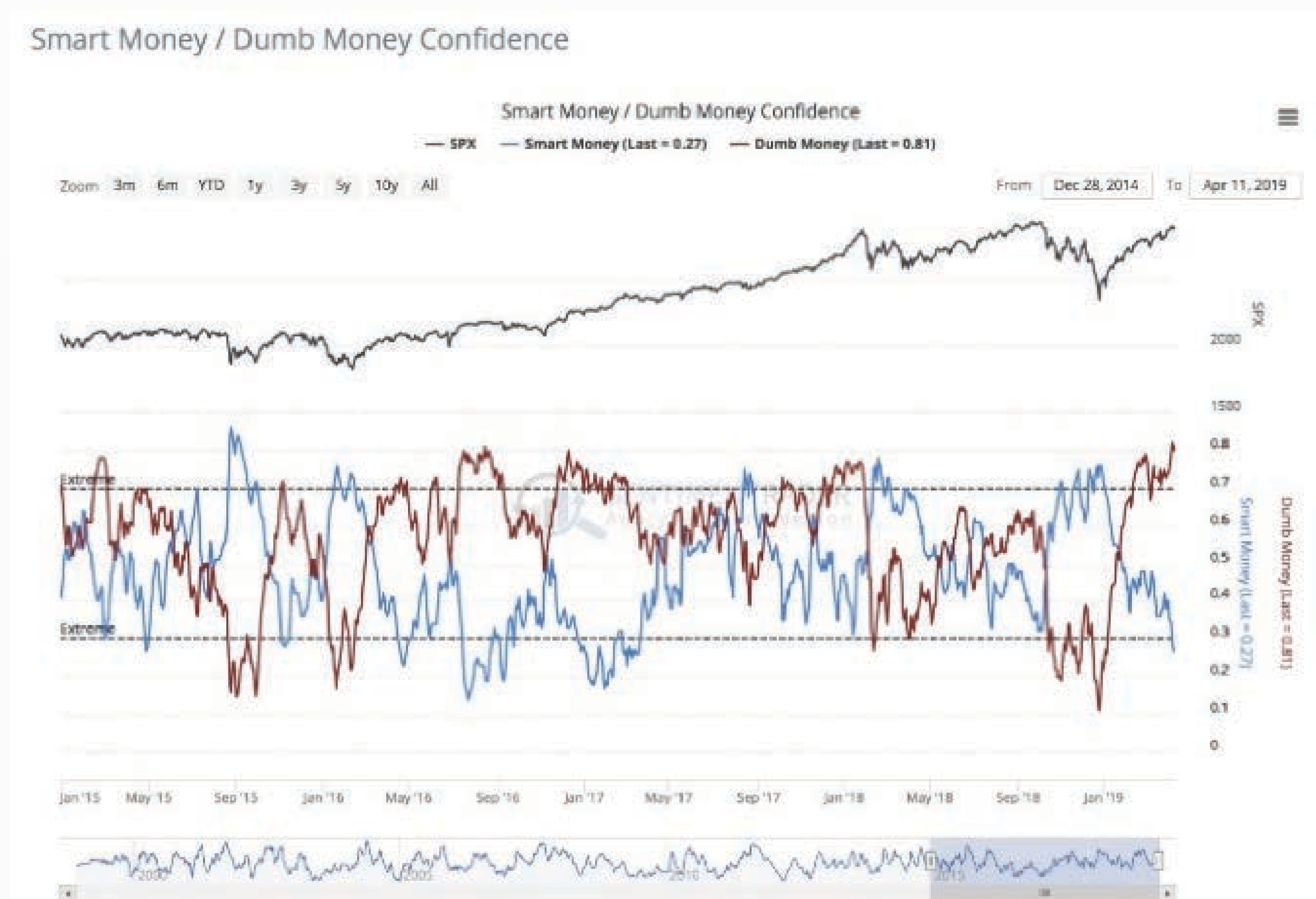
Warning from stock market investors

Jason Goepfert, founder of sentimentrader.com, has spent his whole career measuring investor sentiment. His most famous index is the "Smart Money and Dumb Money Confidence Index".

The idea is that "smart money" (the blue line in the chart) and "dumb money" (the red line) move together but in opposite directions.

When they are at extremely opposing views, the potential exists for higher- or lower-risk markets. Every time "dumb money" is at an extreme confidence level, a volatile correction is often on the horizon.

As the chart shows, since the beginning of 2019, "dumb money" is becoming more confident and the gap between "dumb" and "smart" money has been widening. This adds to our certainty that the next round of market sell-off is coming soon.



In summary, sophisticated bond, gold and stock investors are broadcasting the warning signs for a recession. Recession creates fear, fear leads to market volatility, and volatility will create income opportunities for Elixir. Based on these indicators, we believe that our strategy of keeping cash on hand will soon create a handsome return for Elixir.

One of the most exciting events of the past 30 days was our first-ever shareholder annual general meeting and special meeting. On April 2nd, 2019, 23 out of 58 voting shareholders attended the AGM in person, representing 96% of the company's total shares outstanding. In addition, 23 guests joined us. Some out-of-town shareholders and guests tried to take part in the AGM via webinar but due to technical difficulties on our side, they didn't get a chance to fully engage and participate. We sincerely apologize for this. For those who were not able to join us, an audio recording is available at [this link](#).

William McNarland, Co-Founder, Chair of the Board and CEO, presented his report on Elixir's activities since its inception as well as on future plans and 2019 targets. The essence of his report was gratitude. He extended his appreciation to all board members, staff members, partners and investors and acknowledged that Elixir's amazing accomplishments would not have been possible without every stakeholder's positive attitude and hard work.

During the meeting, shareholders unanimously approved Elixir's 2018 Year-End Financial Statements and company bylaw no.1. Also, to better reflect the nature of Elixir's core business, the shareholders unanimously approved a corporate name change—from "Elixir Income Inc." to "Elixir Technology Inc.". This legal change will take effect at 12:01 a.m. Pacific Time on May 1st, 2019.

For the meeting's last item of business, the shareholders voted in the 2019/2020 Elixir board of directors. As the shareholders bid farewell to 2018/2019 board members Xiao Xu and Chris Boyle, board members **William McNarland**, **Qian Zhang (Eve)**, **Jaclyn Wu**, **Jason Zdyb** and **Marcel Jreige** were up for re-election. To achieve growth, better risk management and better governance objectives in 2019, the board also nominated **Janis Riven**, **Hancheng Wang (Vicky)** and **Qian Ma (Mac)**. Shareholders had received the candidates' bios in advance of the meeting. The new 2019/2020 board as proposed was unanimously approved by the shareholders at the AGM. For more information about our newly elected board of directors, please visit our website/deck at www.elixiroftechnology.com.

One final highlight of the meeting was the debut of our corporate film, "The Manifesto of Elixir". We love this film so much! In its powerful scriptwriting, the Setsail Creative team captured Elixir's true essence and what we stand for. The extremely intelligent visual/audio execution not only complements the script but, importantly, creates a deeply emotional experience for viewers. The film is a must-see masterpiece!







The Manifesto of Elixir

We believe the future of the financial world is going to be challenging and the days of making easy money in stocks, bonds, commodities and real estate are over.

Market volatilities will always be there, and we see them as opportunities.

We've spent years finding a way to harness this volatility in a useful way.

Why? Because the financial world still uses the same old practices and we believe there is a better way to safeguard our own personal future.

We've studied history, researched extensively and applied our own investment philosophy and methodology to this cause.

What we found is a solution that changed our lives.

A system that provides a continuous stream of income despite market volatilities.

The core of it is machine-driven, high-frequency micro trading in the commodity and foreign exchange market.

An engine that embodies risk management, harnessing cutting-edge technology that enables this investment approach to shine.

It's alchemy. We call it Elixir.

We have turned volatility into a reliable income.

We want to spread this knowledge, so it can benefit as many people as possible.

That's why Elixir exists.

Sincerely,

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