Prospero Wealth: Q4 2020

Active Asset Management Performance

Annual Active Asset Management Performance

	Benchmark			Prospero Wealth Strategy	
Timeframe	SPX	VT	EFA	Growth	Long-Short
2019*	24.44%	21.93%	17.53%	26.06%	31.11%
2020	16.26%	16.61%	7.59%	97.36%	88.11%
Since Inception	44.67%	42.18%	26.45%	**148.77%**	**146.63%**

PERFORMANCE DISCLAIMER: All performance numbers shown are Time Weighted Returns based on real-world taxable accounts held by Eric Franklin (the Portfolio Manager) at Interactive Brokers. Stats include brokerage fees but are gross of management fees.

* *Inception date is January 14, 2019 for Growth and Long-Short. All 2019 numbers, including benchmark comparisons, are from that date forward.*

Quarterly Active Asset Management Performance

	Benchmark			Prospero Wealth Strategy	
Timeframe	SPX	VT	EFA	Growth	Long-Short
2019 - Q1* (Partial)	9.17%	7.89%	6.28%	11.66%	13.66%
2019 - Q2	3.79%	3.49%	3.53%	4.42%	7.73%
2019 - Q3	1.19%	0.13%	-0.79%	-2.86%	0.57%
2019 - Q4	8.53%	9.07%	7.67%	11.29%	6.47%
2020 - Q1	-19.60%	-22.15%	-23.01%	-9.46%	-5.44%
2020 - Q2	20.54%	19.68%	15.47%	52.31%	41.28%
2020 - Q3	8.93%	8.35%	4.57%	9.97%	14.52%
2020 - Q4	11.69%	15.50%	15.74%	30.13%	22.96%

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Letter to Clients and Subscribers

Greetings from Seattle!

2020 was a year for the ages. I don't think anyone could have predicted how COVID-19 would impact us. We are exceedingly proud of how Prospero Wealth was able to capitalize on the opportunities the chaotic year presented to us. While it was a rough year on many fronts, it was also an opportunity to showcase our approach to investing and why active management can outperform, especially when the markets lose their collective minds.

Our active management strategies are off to a spectacular start with just over 2 years of history under our belts. All of that, however, would be useless if we didn't have clients that recognize how important it is to stay the course. Every client with us when the market tanked in March stayed fully invested and was therefore able to participate in the sling-shot out of the hole of one of the fastest market recoveries of all time. Thank you for all your faith and collective temperament. 2020 goes a long ways towards proving that our clients are not only the best looking, but also the smartest.

As we start the new year, I wanted to take an opportunity to talk about our overall approach to investing and to re-emphasize that we are always here for you, as your sounding board for whatever ideas you have, regardless of whether or not you are a client.

When we think about helping our clients invest well, our personalized advice generally begins along 3 very basic vectors:

1) **Building and maintaining a cash reserve.** The #1 thing that shakes people out of the markets is unforeseen expenses. You need timelines of 5+ years to make the markets work for you. If you have have less than 5 years for your money to work in public equities, you are gambling. A cash reserve ensures that you don't have to pull assets out of your investments at a time of somebody else's choosing. The size of this cash reserve is typically 3-6 months of living expenses, but some people with a lower risk tolerance, more volatile employment, or a more dynamic family situation, may need more.

2) **Creating an indexed approach to the markets.** The first place you should start on your investment journey is to buy the market and let it go to work for you. Building an indexed approach ensures that you remain aware of what is happening in the broader markets, that you understand the volatility, get used to putting in regular sums over time, and that you participate in the greatest wealth creation vehicle of all time (we're a little biased) — public equities.

3) **Seeking higher returns through active management strategies.** Once you have taken care of items 1 and 2, you can ***optionally*** pursue higher returns via active management

strategies. Every single one of our clients has completed items 1 and 2 with us (or at least indicated that they have done so elsewhere) before we place their funds in our Growth and/or Long-Short strategies. Active management is more volatile. The highs might be higher but the lows can also be correspondingly lower when your strategy hits a dry spell, an overvalued patch, etc.

For people with expanding net worth, and passively invested funds, we use market drawdowns, such as the one in March 2020, to move from general indexing to active management in order to try to sling-shot out if the market holes. When we see markets trading on fear and indecisiveness, we like to buy oversold securities. That's what we did last year and will try to do in the next major drawdown as well.

Our vision since day 1 at Prospero Wealth has been to build a company that is aligned with the goals of our clients, where we manage your financial lives the exact way we manage our own. I think we are well on our way, but if you have ideas on how we should improve, we want you to let us know.

One thing we always like to remind you, is that Marcus and I have committed to keeping the majority of our own investable assets in the active strategies we directly manage. When you invest in our SMA's ("Separately Managed Account" Strategies), we are right there with you.

If you find this material valuable, we'd greatly appreciate you passing it along or telling somebody to sign up for the mailings on our website at prosperowealth.com. Our entire customer-base is made up of friends and family (and the referrals of those friends and family). We rely on your kind words and referrals to grow.

As always, let us know if you have any comments, questions, or referrals. Let's have a prosperous 2021!

Best regards,

Eric Franklin

Appendix

Full Year 2020: Growth Strategy Risk Measures

See performance disclaimer at top of document.

As we close 2020, we want to include some full-year risk analysis/performance of this strategy.

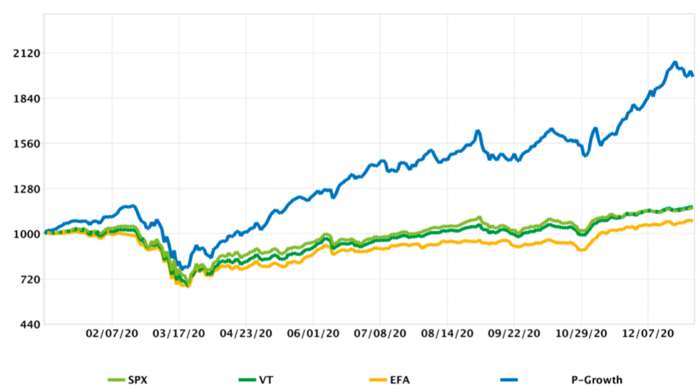
Risk Measures Benchmark Comparison

Analysis Period: January 2, 2020 - December 31, 2020

Risk Analysis

	SPX	VT	EFA	JanEric - P-Growth
Ending VAMI	1,162.59	1,166.06	1,075.89	1,973.55
Max Drawdown	33.92%	34.23%	33.93%	34.24%
Peak-To-Valley	02/19/20 - 03/23/20	02/12/20 - 03/23/20	01/17/20 - 03/23/20	02/19/20 - 03/18/20
Recovery	106 Days	110 Days	170 Days	43 Days
Sharpe Ratio	0.61	0.63	0.39	2.03
Sortino Ratio	0.83	0.84	0.51	2.88
Standard Deviation	2.13%	2.02%	1.93%	2.28%
Downside Deviation	1.55%	1.52%	1.47%	1.61%
Correlation	0.83	0.83	0.77	-
β:	0.89	0.94	0.91	-
α:	0.56	0.55	0.64	-
Tracking Error	1.30%	1.26%	1.47%	-
Information Ratio	62.28	64.08	60.91	-
Turnover	-	-	-	21.27%
Mean Return	0.08%	0.08%	0.05%	0.29%
Positive Periods	153 (58.62%)	154 (59.00%)	151 (57.85%)	163 (62.45%)
Negative Periods	108 (41.38%)	107 (41.00%)	110 (42.15%)	98 (37.55%)

Value Added Monthly Index (VAMI)



Full Year 2020: Long-Short Strategy Risk Measures

See performance disclaimer at top of document.

As we close 2020, we want to include some full-year risk analysis/performance of this strategy.

Risk Measures Benchmark Comparison

Analysis Period: January 2, 2020 - December 31, 2020

Risk Analysis

	SPX	VT	EFA	JanEric - P-Long-Short
Ending VAMI	1,162.59	1,166.06	1,075.89	1,881.07
Max Drawdown	33.92%	34.23%	33.93%	26.72%
Peak-To-Valley	02/19/20 - 03/23/20	02/12/20 - 03/23/20	01/17/20 - 03/23/20	02/19/20 - 03/18/20
Recovery	106 Days	110 Days	170 Days	36 Days
Sharpe Ratio	0.61	0.63	0.39	2.06
Sortino Ratio	0.83	0.84	0.51	2.99
Standard Deviation	2.13%	2.02%	1.93%	2.06%
Downside Deviation	1.55%	1.52%	1.47%	1.42%
Correlation	0.81	0.81	0.73	-
β:	0.78	0.82	0.78	-
α:	0.52	0.52	0.59	-
Tracking Error	1.30%	1.27%	1.46%	-
Information Ratio	55.40	56.36	55.15	-
Turnover	-	-	-	82.25%
Mean Return	0.08%	0.08%	0.05%	0.26%
Positive Periods	153 (58.62%)	154 (59.00%)	151 (57.85%)	166 (63.60%)
Negative Periods	108 (41.38%)	107 (41.00%)	110 (42.15%)	95 (36.40%)

Value Added Monthly Index (VAMI)