

APRICUS UPDATE

As of January 2021, Apricus Wealth, LLC assets under management exceed \$100 million. As a result of our growth, we will transition in 2022 from oversight by the Commonwealth of Pennsylvania and State of South Carolina to oversight by the Securities and Exchange Commission.

Apricus Wealth, LLC has entered into an agreement with Vigilant Compliance LLC to advise on regulatory and compliance matters. Vigilant is recognized as a national leader for its work specializing in guiding growing investment firms through regulatory complexities and on operational processes.

Resilience and Hope

The Pantone Color Institute has chosen a sunny shade of yellow called Illuminating along with Ultimate Gray, as its two “Colors of the Year.” In their press release, they note that the combination is “a message of positivity supported by fortitude...a combination that gives us resilience and hope.”

Lastly, you will notice that paper statements are now pre-punched with holes for a three-ring binder. We are ordering Ultimate Gray binders and I will be happy to send you one if you are interested in storing your statements. Just let us know, and, as always, thank you. –JC

The Bureau of Labor Statistics reports that the Consumer Price Index has had an annual average increase of a little over 2% this century. In terms of economic drama, which is likely an oxymoron, the 2% increase is a yawner. But, I remember a time when inflation mattered—in 1979 for example, the CPI increased 13%.

Inflation is like toothpaste. Once it's out, you can hardly get it back in again.

KARL OTTO POHL

As investors, we care about inflation for two reasons: First, changes in the price of goods and services end up in the profits of the companies we own and, then in the share prices and dividends of our companies. In this sense, our companies act as hedges against rising prices or put another way, the prices of our companies and their dividends naturally include inflation over time. *And second, inflation is a factor in the interest rates we earn on bonds and money markets, and the rates we pay on mortgages and car loans. Back in 1981, the average 30-year mortgage cost 16.63% per year.

At Apricus, we are focused on the potential for a pickup in inflation because the last time countries around the globe increased their fiscal spending in response to a global emergency was during the Second World War. To be clear, there are many differences between this moment and the 1940s including the duration of the war, its impact on end demand, and disruptions in trade and logistical infrastructure. In 1941, '42 and '43, GDP averaged almost 18% and the CPI rose over 7%. However, given the scale of the current fiscal response over the last 12 months, modestly larger increases in the price of goods aren't out of the question.

The Basket Case

The Consumer Price Index is developed by averaging the prices of a hypothetical basket of goods including housing, energy and food each with dozens of subcomponents. This year the BLS is dropping the following prices from the basket: photo processing, automobile service clubs, and lamb and mutton—three more differences between today and the 1940s.

Pricing Power

One of our goals is to identify and own businesses that can grow profitably in multiple economic environments. To this end, we pay attention to the end-markets our businesses operate in and to our companies' ability to raise prices along with or faster than their costs. We view this “pricing power” as a key determinant of a business's endurance and growth.

*reference to correlation between S&P 500 profits and Nominal Gross Domestic Product USA.