



ASPEN FUNDS

TOP MONEY-MAKING INVESTMENTS FOR 2023

Economic Megatrends for Investors



Topics



- Stimulus & QE
- Where We Are Now
- 4 Megatrends Smart Investors Want to Know
- Best Opportunities in 2023

ASPEN FUNDS MANAGEMENT TEAM



BOB FRASER

CO-FOUNDER & CHIEF FINANCIAL OFFICER

Mr. Fraser has 20+ years experience in finance, investing and technology and has held several CFO and CTO positions. Fraser is a former E&Y entrepreneur of the year winner when he founded a technology company that became one of the fastest growing companies in the Midwest reaching 250+ employees. He was magna cum laude graduate of U.C. Berkeley's computer science program.



JAMES MAFFUCCIO

CO-FOUNDER & MANAGING DIRECTOR

Mr. Maffuccio has 30+ years full-time experience in real estate investing and an award-winning real estate developer. Maffuccio is an expert in development, mortgage notes and is deeply networked in the secondary mortgage industry, holding key relationships with primary sources, note buyers and sellers, and service providers.

ASPEN FUNDS MANAGEMENT TEAM



DAN SCHULTE

MANAGING DIRECTOR & CHIEF OPERATING OFFICER

Mr. Schulte has 20+ years' experience in asset management, private equity and real estate and has held senior management positions with several entities, both public and private. Schulte is formerly the SVP and General Counsel for Waddell & Reed, a publicly traded mutual fund company. He began his career as a corporate securities attorney in the private practice of law for a boutique securities law firm and as a tax accountant for Ernst & Young.



BEN FRASER

MANAGING DIRECTOR & CHIEF INVESTMENT OFFICER

Mr. Fraser is responsible for capital markets. Mr. Fraser has experience as a commercial banker and underwriter, as well as working in boutique asset management. Ben is a contributor on the Forbes Finance Council. He is also a co-host of the Invest Like a Billionaire™ podcast. He completed his MBA from Azusa Pacific University, and his B.S. in Finance from the University of Kansas, graduating magna cum laude.

OUR PROCESS FOR IDENTIFYING DEALS

Our team co-invests in every deal.

We oversee asset management, business plan execution, and reporting to investors.

1

Identify key macro trends in play and likely to continue.

2

Identify best asset classes and investment strategies that will benefit from those trends

3

Identify best-in-class co-sponsors and perform extensive due diligence



TRACK RECORD

Aspen Funds has an excellent 10-year track record as an operator in multiple asset classes.



\$100M

Investor Capital
Managed



50+

States
Invested In



10+

Years Track
Record



100+

Years Combined Real Estate
Experience

WHY INVEST WITH ASPEN?

**Experience
Across
Asset Classes**

Mortgage Notes

4 Active Funds
3,500 Assets
Purchased

Multifamily & Storage

Class A, B & C
Assets
3,000+ Units

Industrial & Retail

400,000 sf

Non-Real Estate

Oil & Gas,
Venture

INVEST LIKE A **BILLIONAIRE™**

WITH BOB FRASER, JIM MAFFUCCIO
AND BEN FRASER

Most investors don't know that the ultra-wealthy (billionaires, institutions and family offices) have large portions of their investment portfolios allocated to investments outside the stock market and in alternatives like real estate, private equity and hedge funds. Meanwhile, the average high net worth investor is mostly invested in stocks and bonds.

Join Bob Fraser, Jim Maffuccio, and Ben Fraser as they dive into the world of alternative investments, uncover strategies of the ultra-wealthy, discuss economics and interview successful investors and alternative investment experts.

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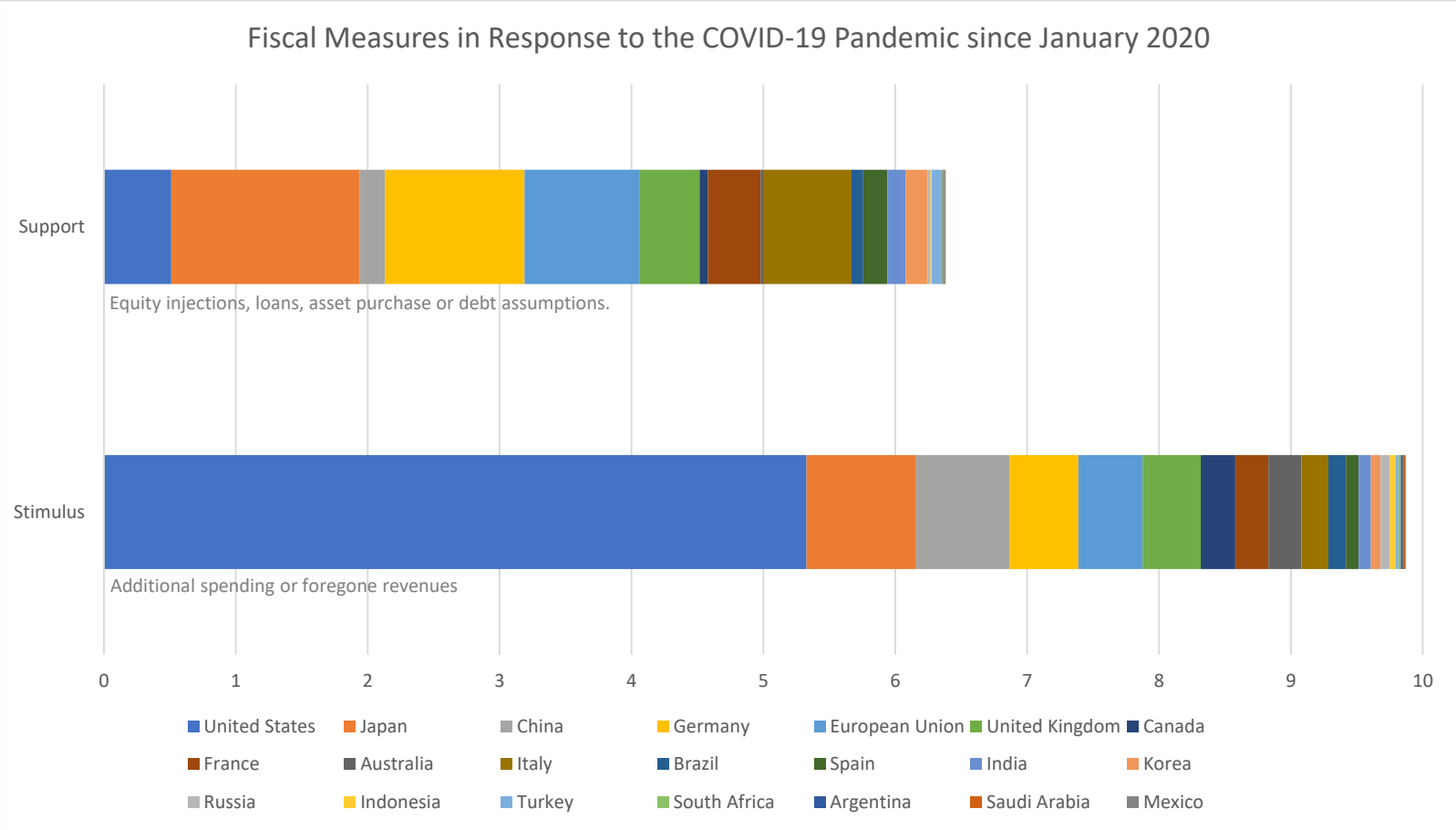


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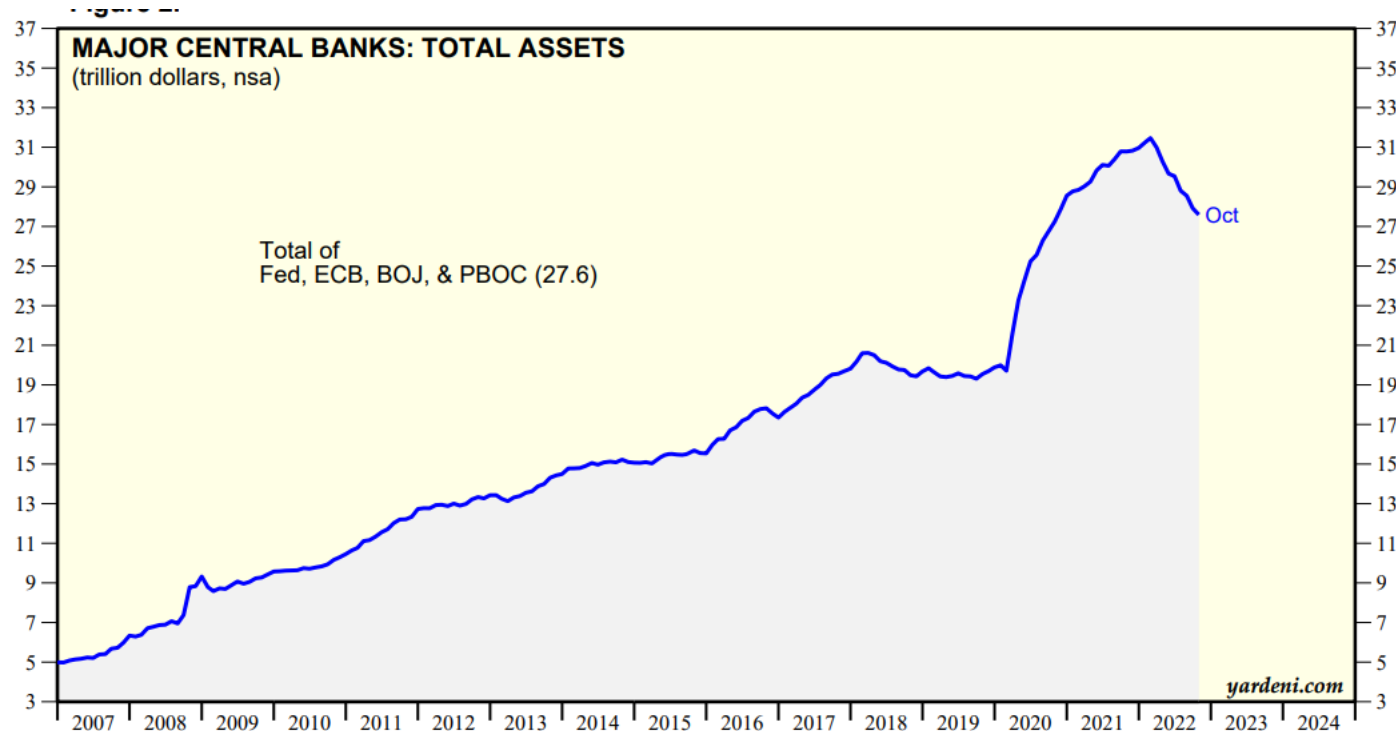
Stimulus & QE



10 – 16T Global Stimulus



Central Banks Monetized \$11T



Source: Haver Analytics.

Innovation in Fiscal Stimulus Measures



New Mechanism Debt Monetization

\$3.6T / 6
years

\$5T / 2
Years

Government
Guarantees

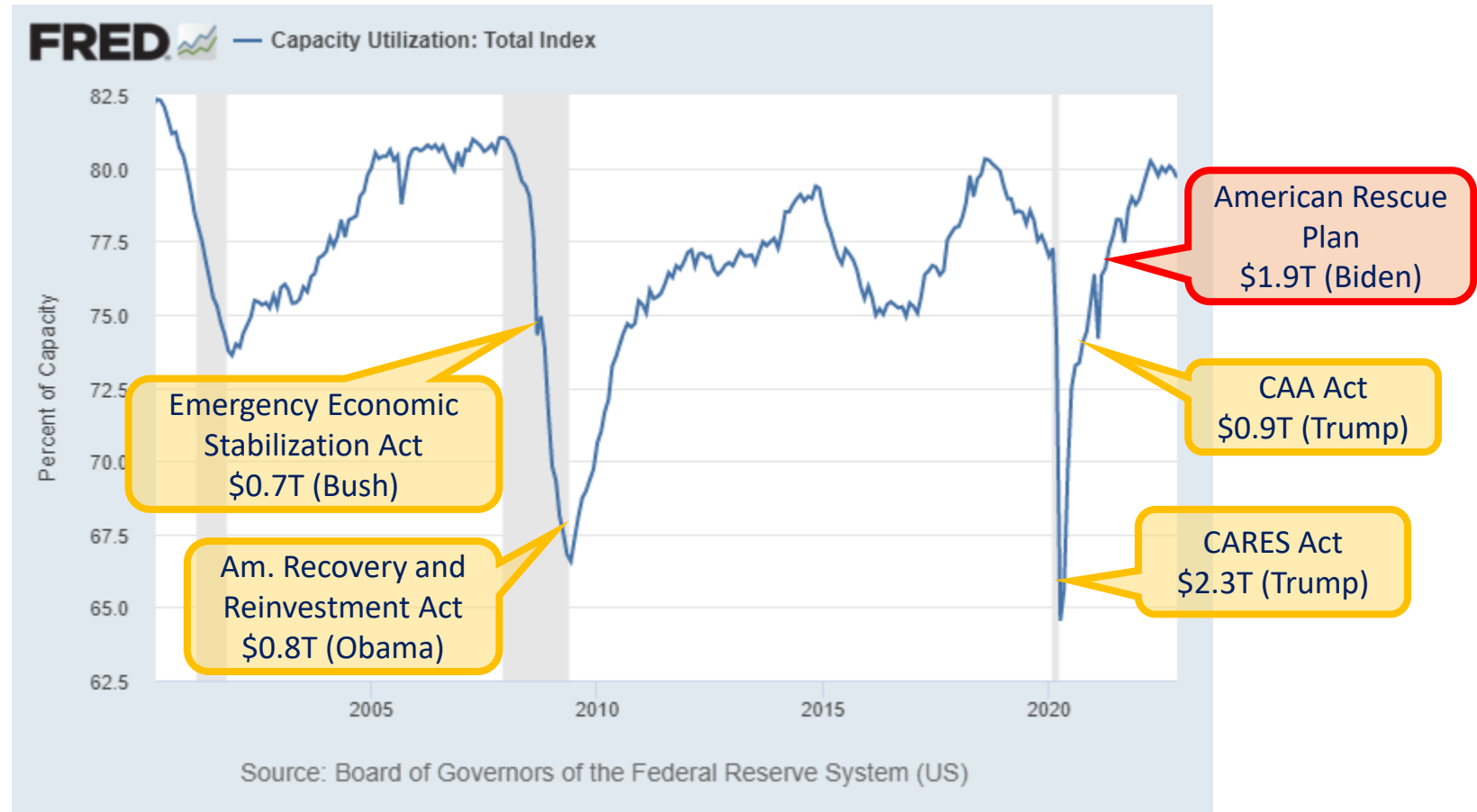
Direct Debt /
Equity Injections
(2008)

Direct Payments
to Individuals
(2020)

- Consumer spending
- People leave workforce

Lower Interest
Rates

Stimulus Spending When the Economy is at Capacity: Inflationary



QE – Then vs. Now



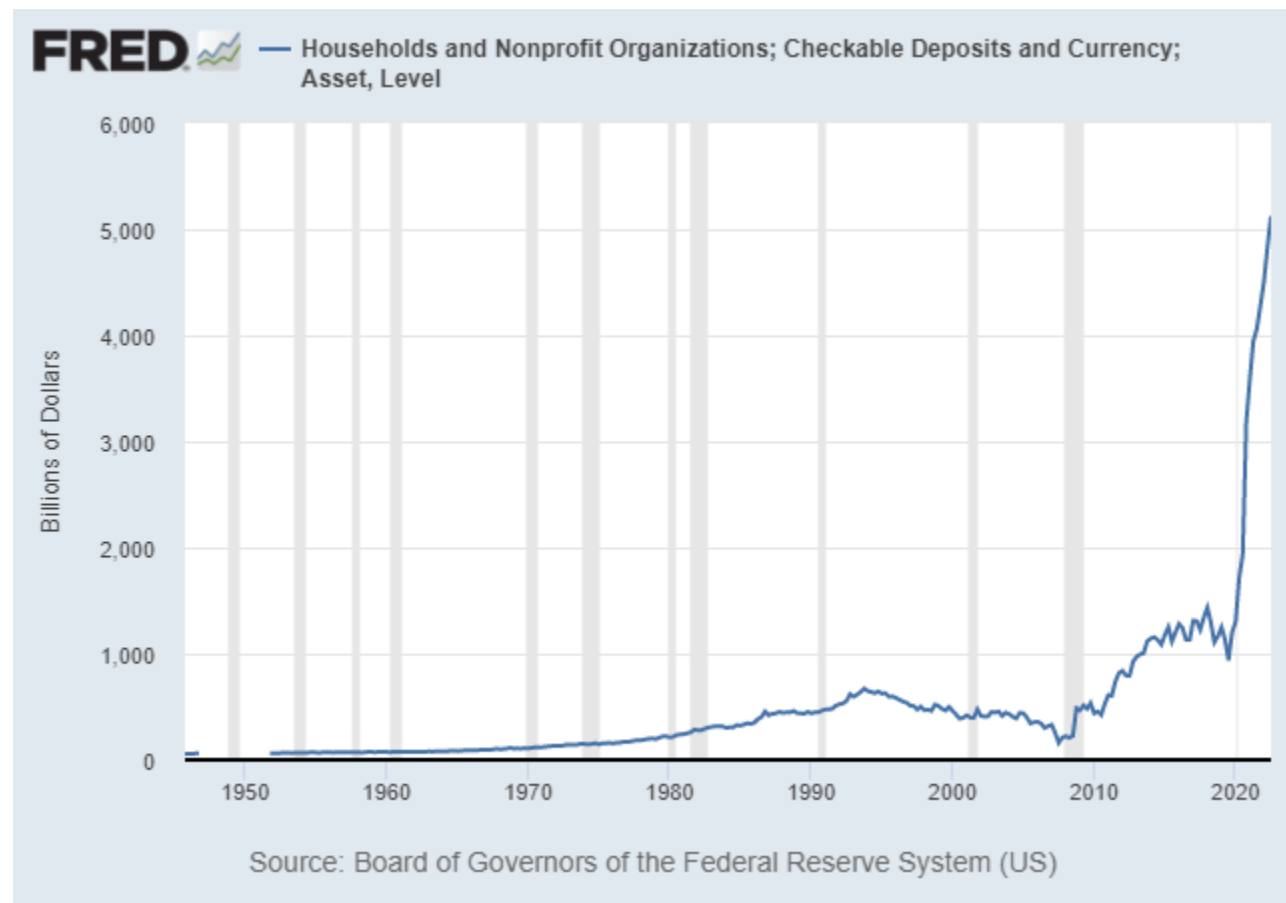
GFC Stimulus (2008-9)

1. \$1.5T policy stimulus (\$3.6T debt monetization) over 5 years
2. Stimulus spending created demand at a time when there was abundant idle capacity

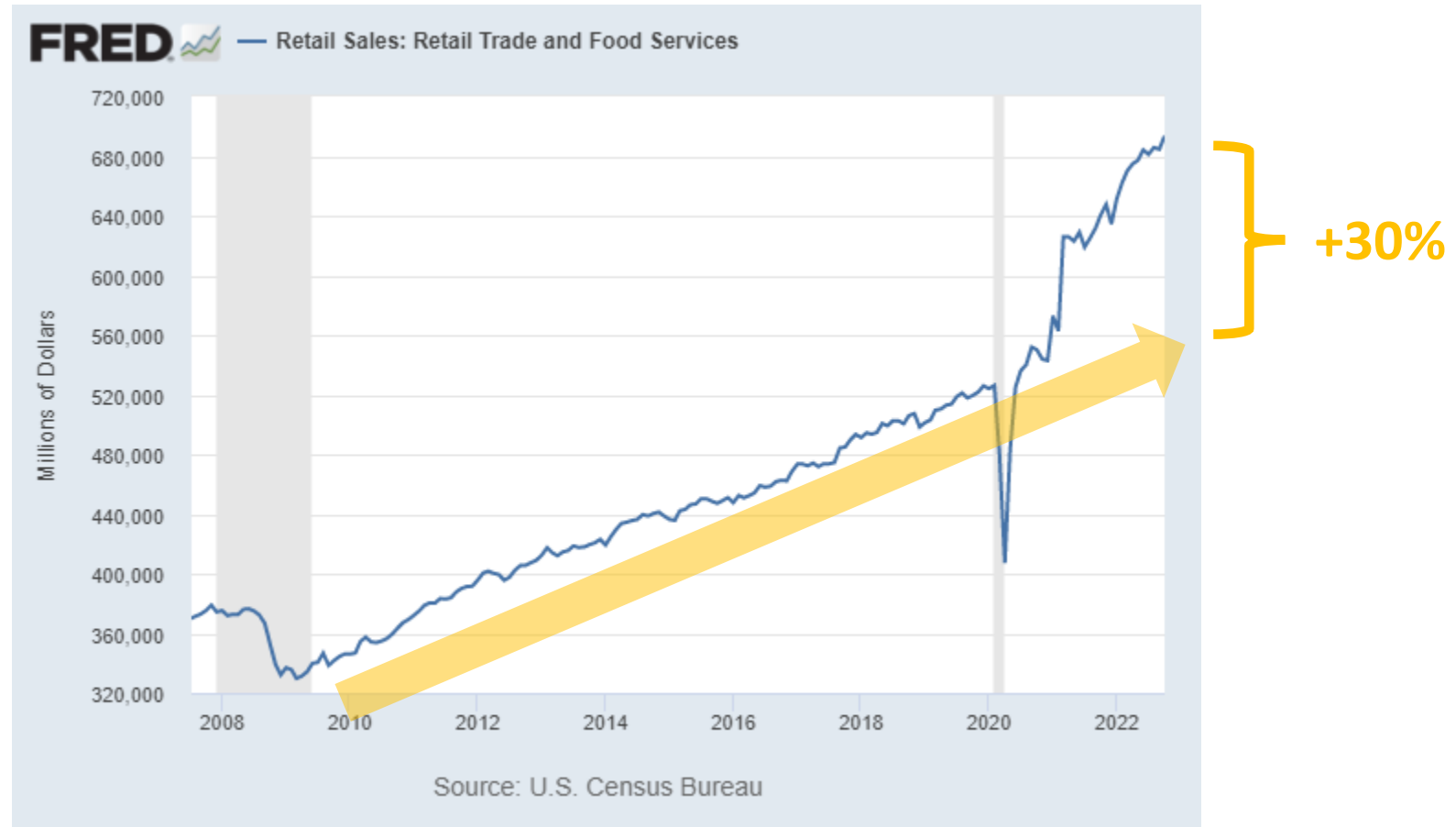
Pandemic Stimulus (2020-21)

1. \$5.8T policy stimulus (\$5T debt monetization) over 2 years
2. Later stimulus packages pumped trillions into the economy when supply was already at capacity
3. Direct payments to individuals is different than other stimulus – its effect is immediate and powerful.
 1. Consumer Spending
 2. Exiting workforce

Individuals Sitting on Record Cash



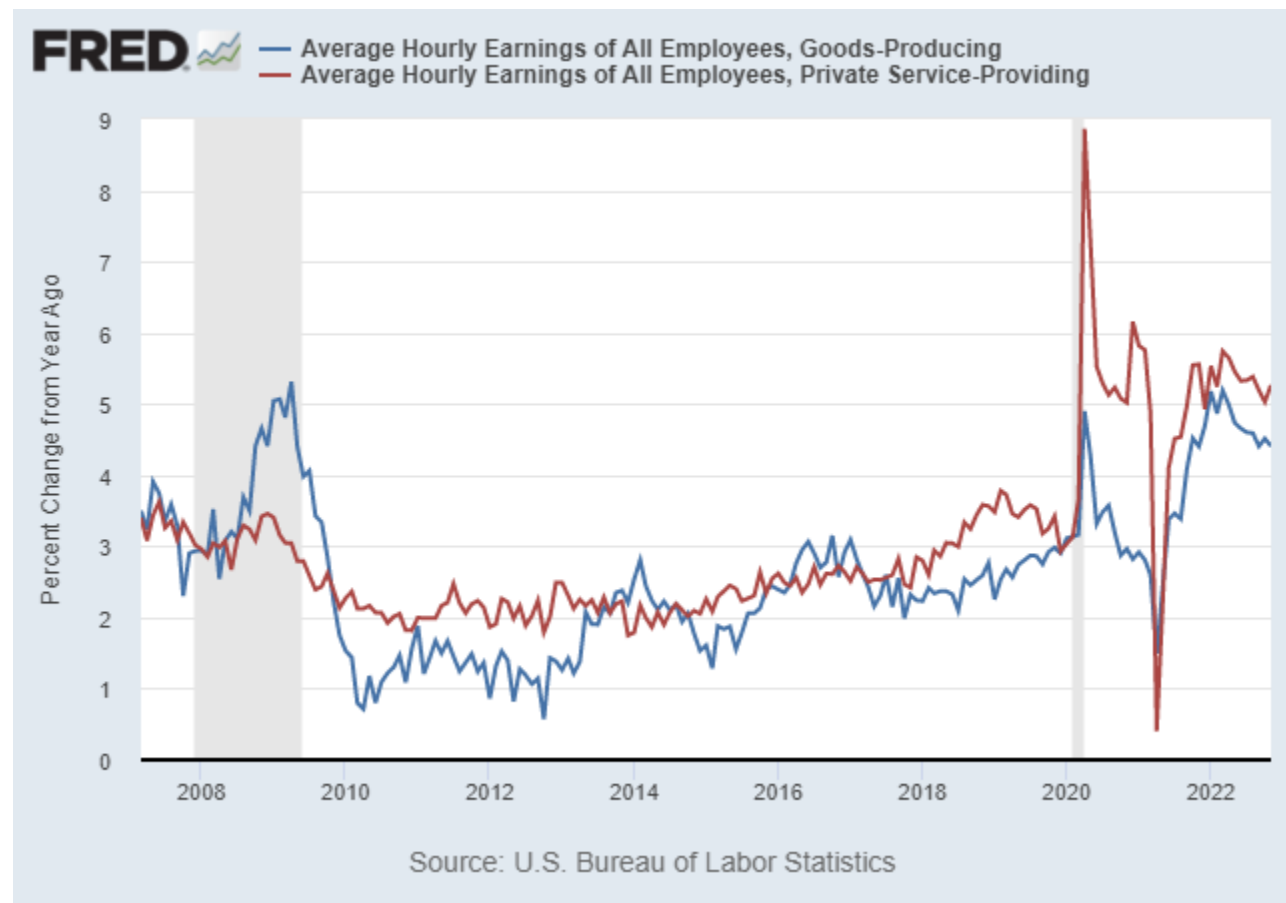
Consumer Spending



People Exiting the Workforce



Excess Demand and Labor Shortage Raise Wages





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Where Are We Now: The Consumer

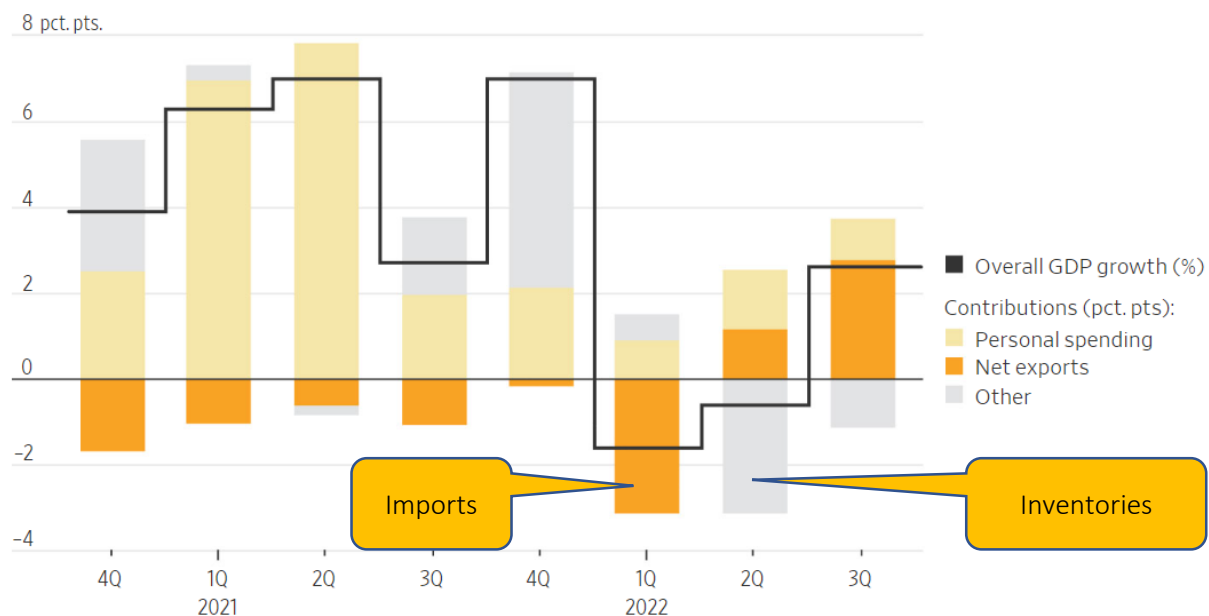


No Recession Yet



Contributions to Growth

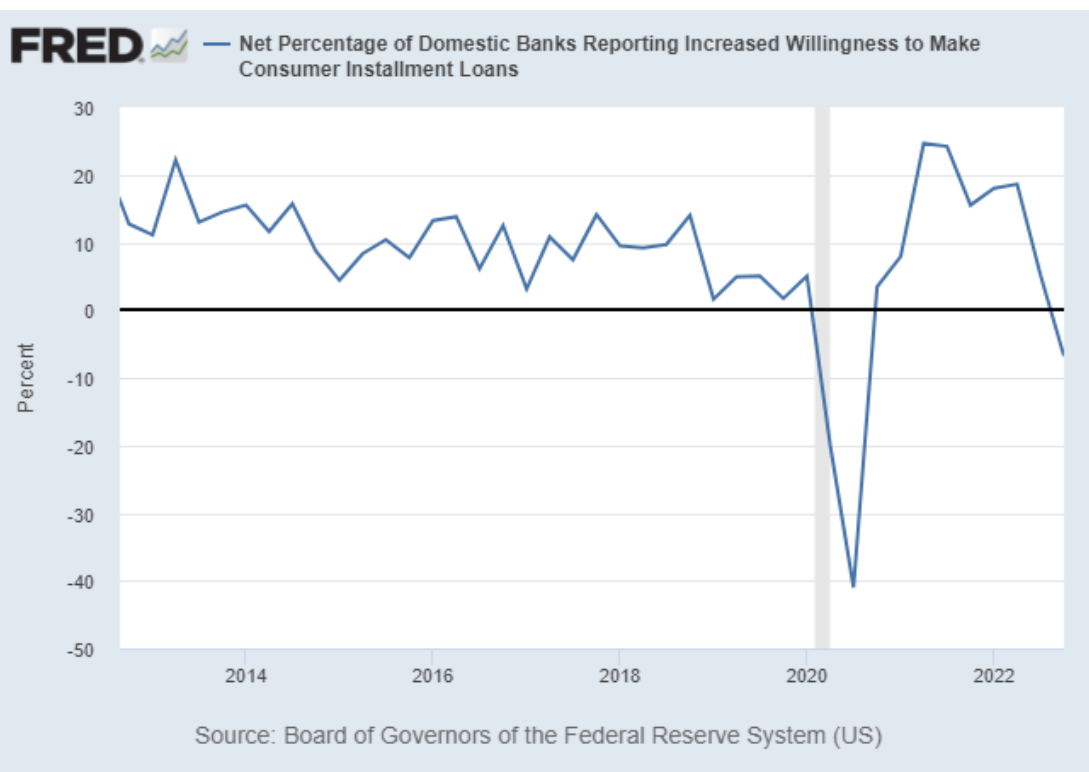
Net exports and a shrinking trade deficit drove third-quarter growth, while consumers contributed less than they did the previous quarter.



Note: Chart shows contributions in percentage points and overall GDP growth in percentage change from the previous quarter at seasonally adjusted annual rates. 'Other' includes gross private domestic investment and government spending and investment.

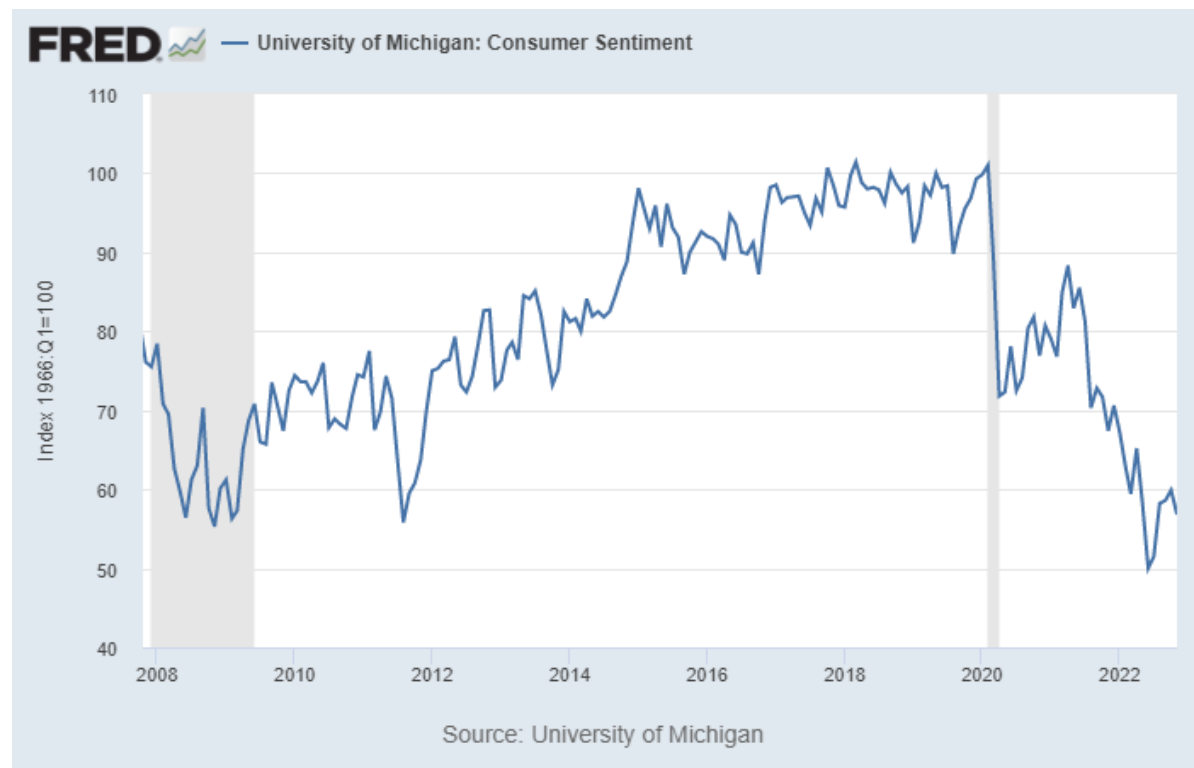
Source: Commerce Department

Consumer Health



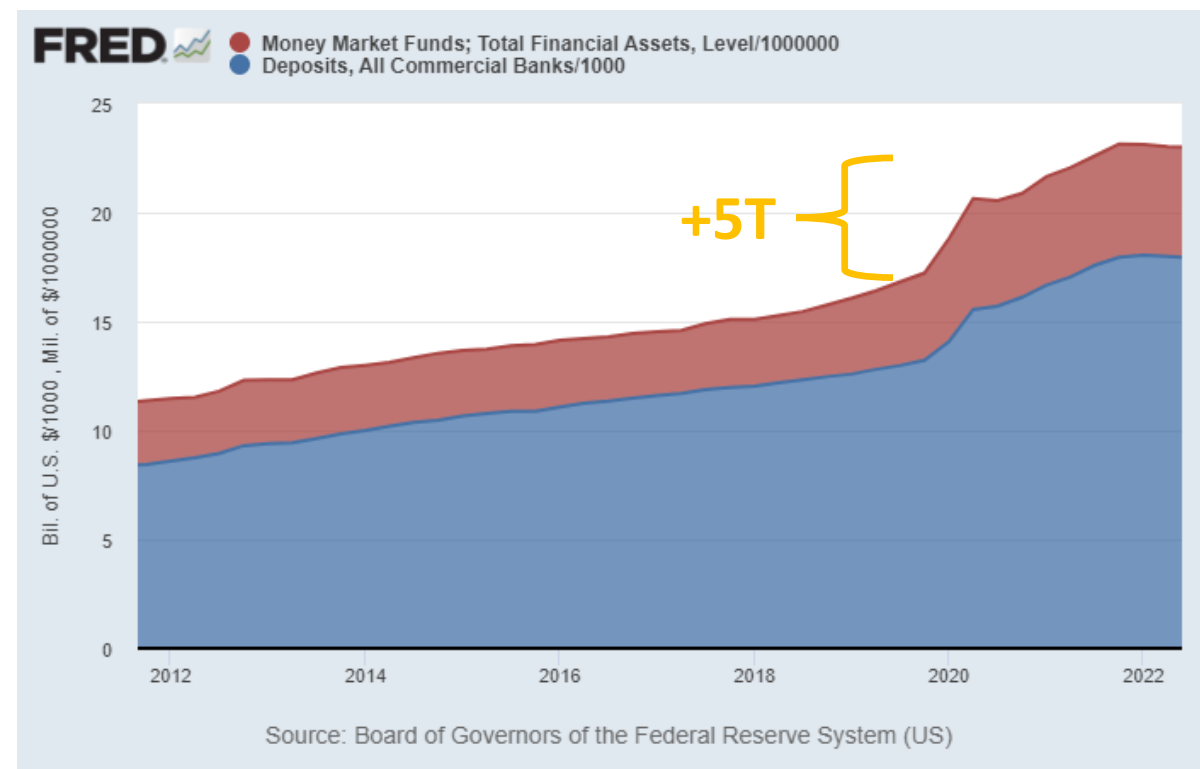
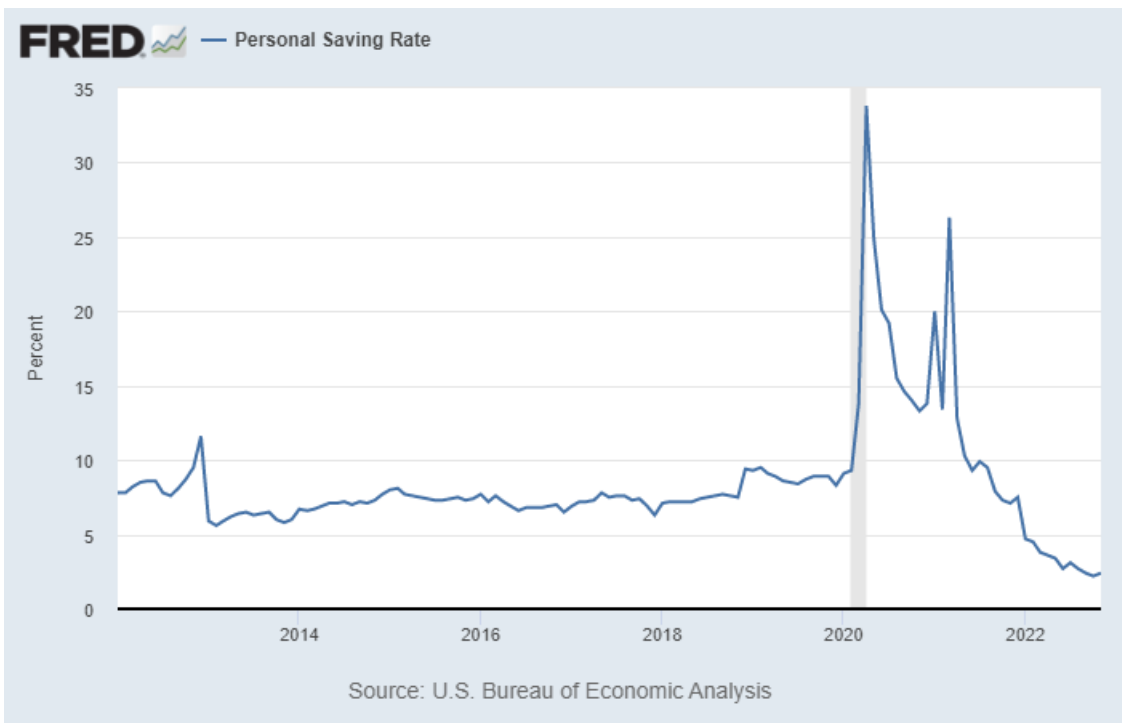
Tightening Consumer Credit

Consumer Sentiment Lower than GFC



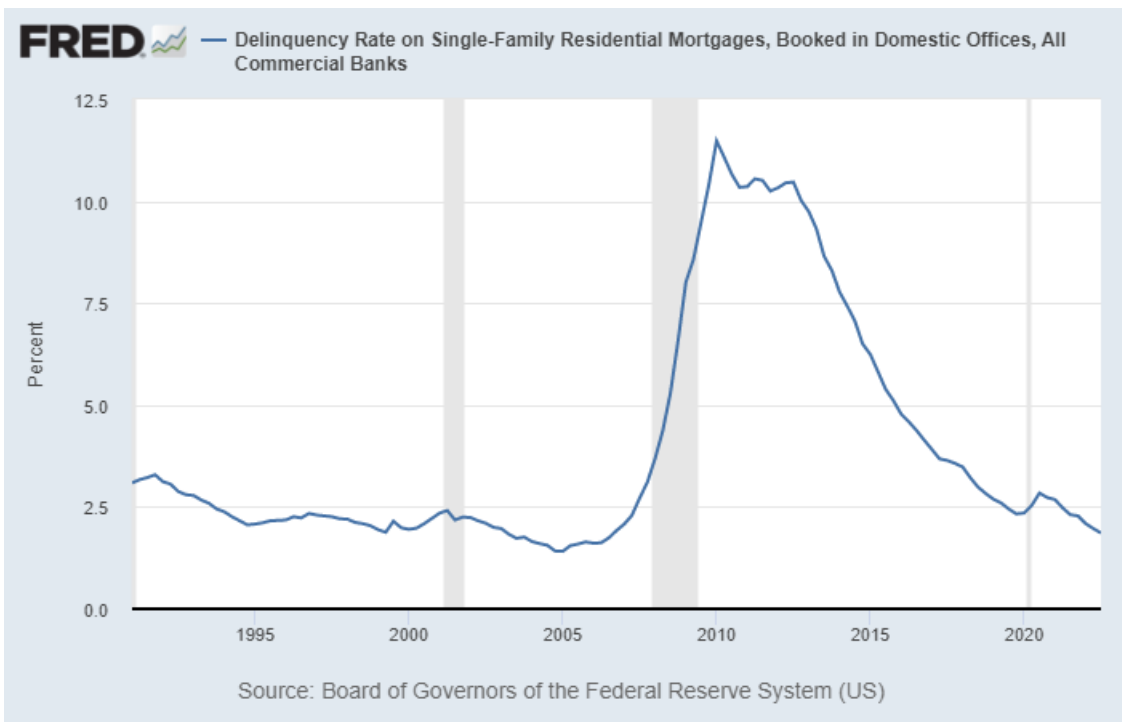
Consumer Savings

Savings Boomed During COVID
But Inflation Weighing



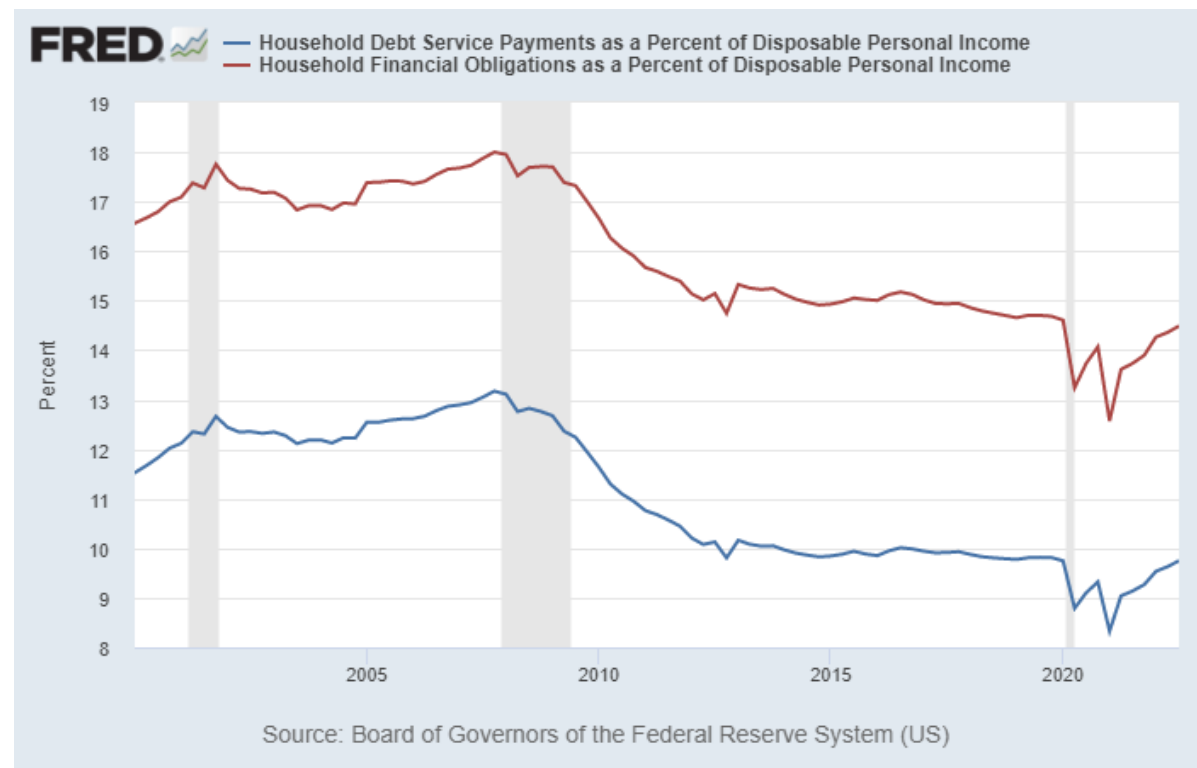
\$5T in Excess Savings

Consumer Debt

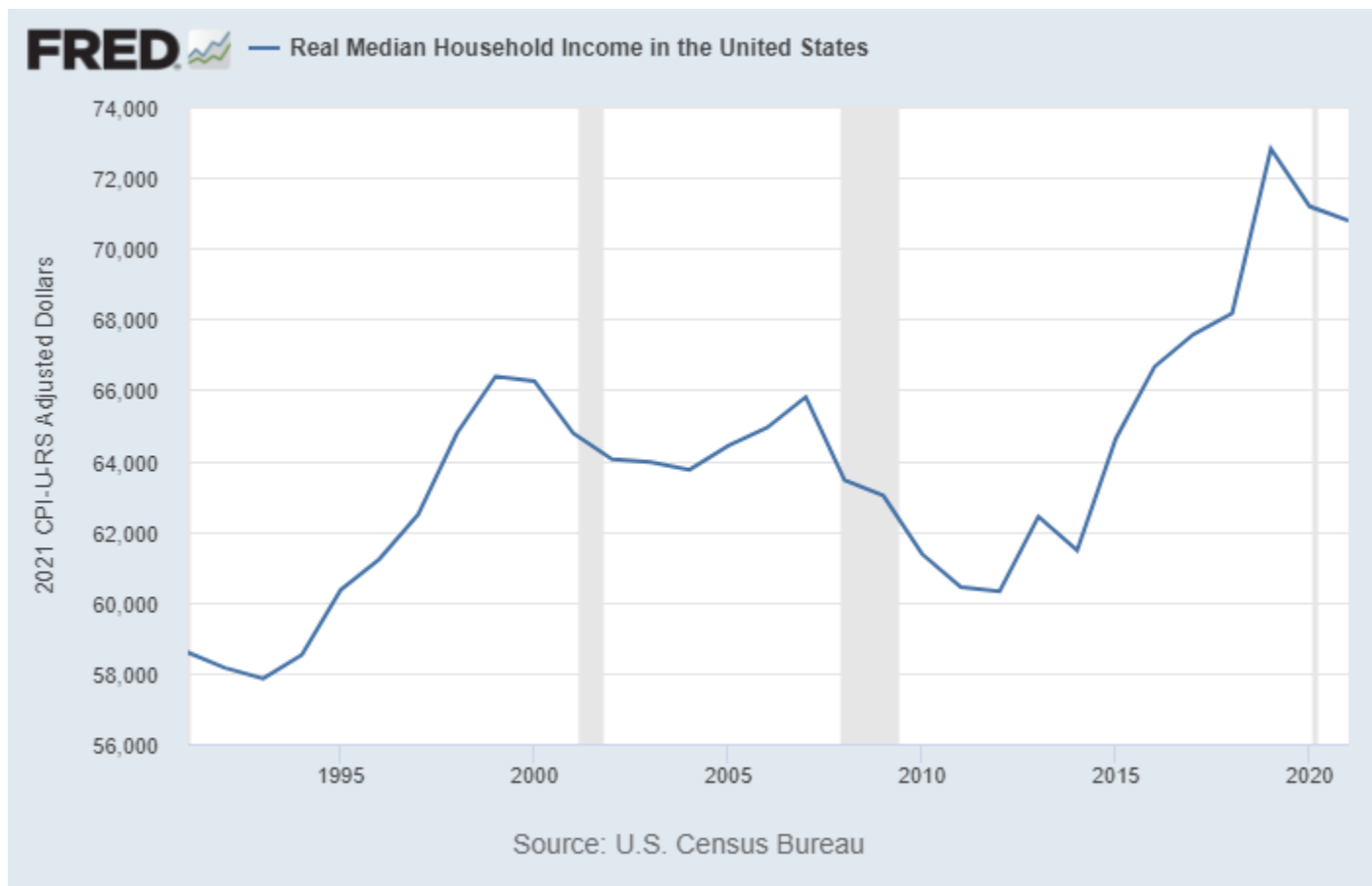


Low Delinquency Rate

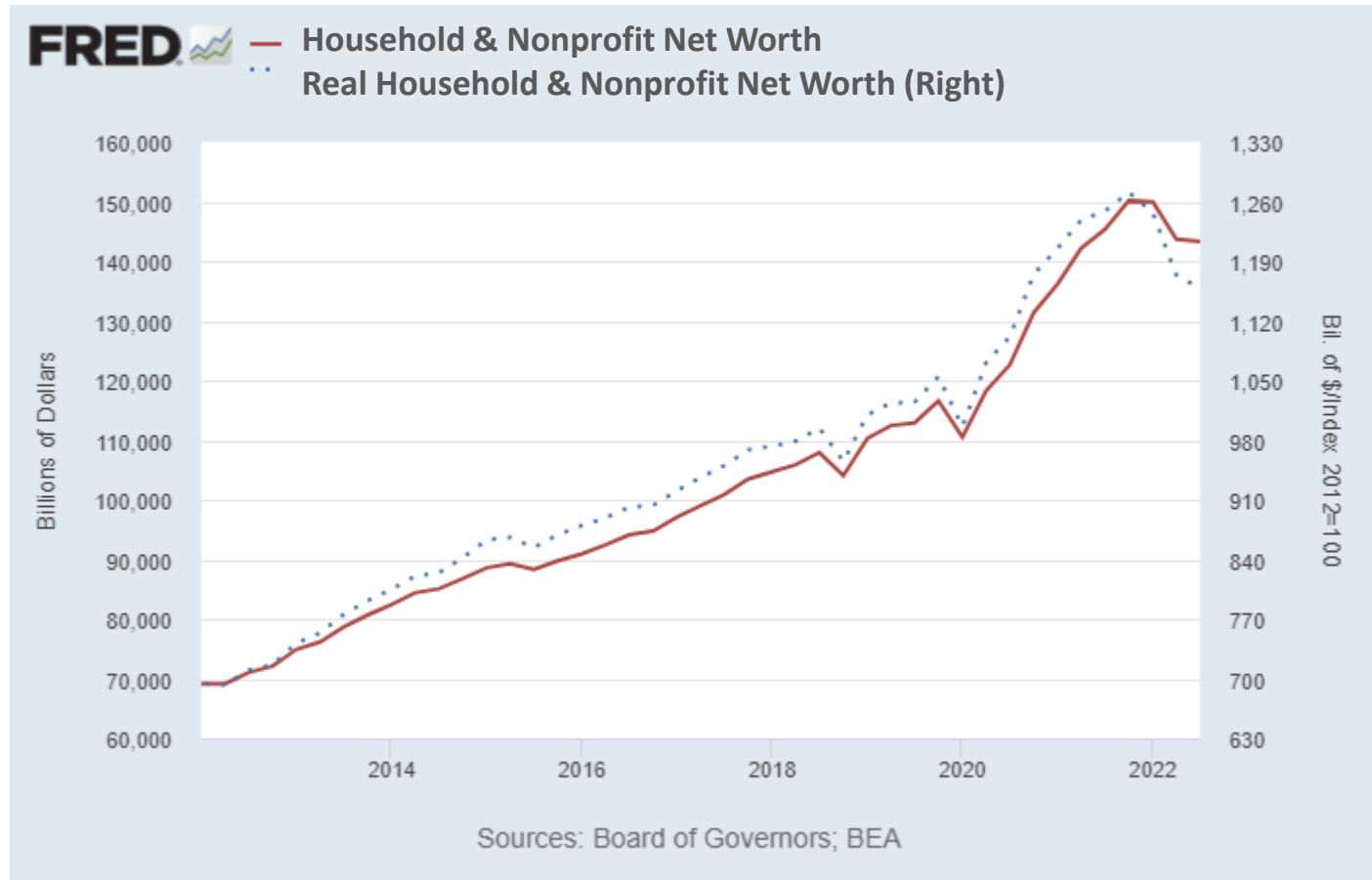
Household Debt Service Low



Real Income Strong

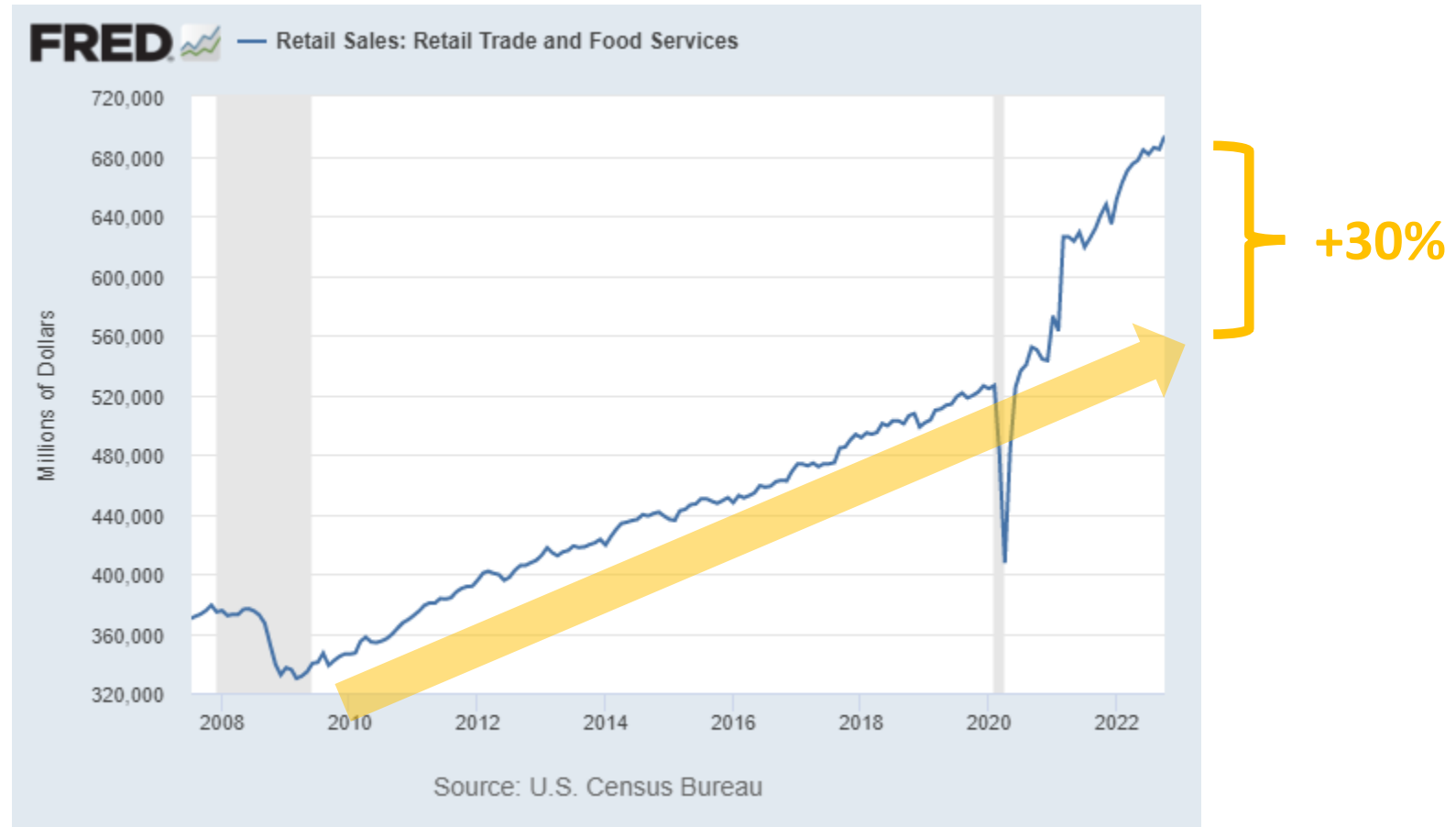


Wealth Effect Still in Force



} Real Net Worth
+10% Since 2019

(Again) Retail Very Strong

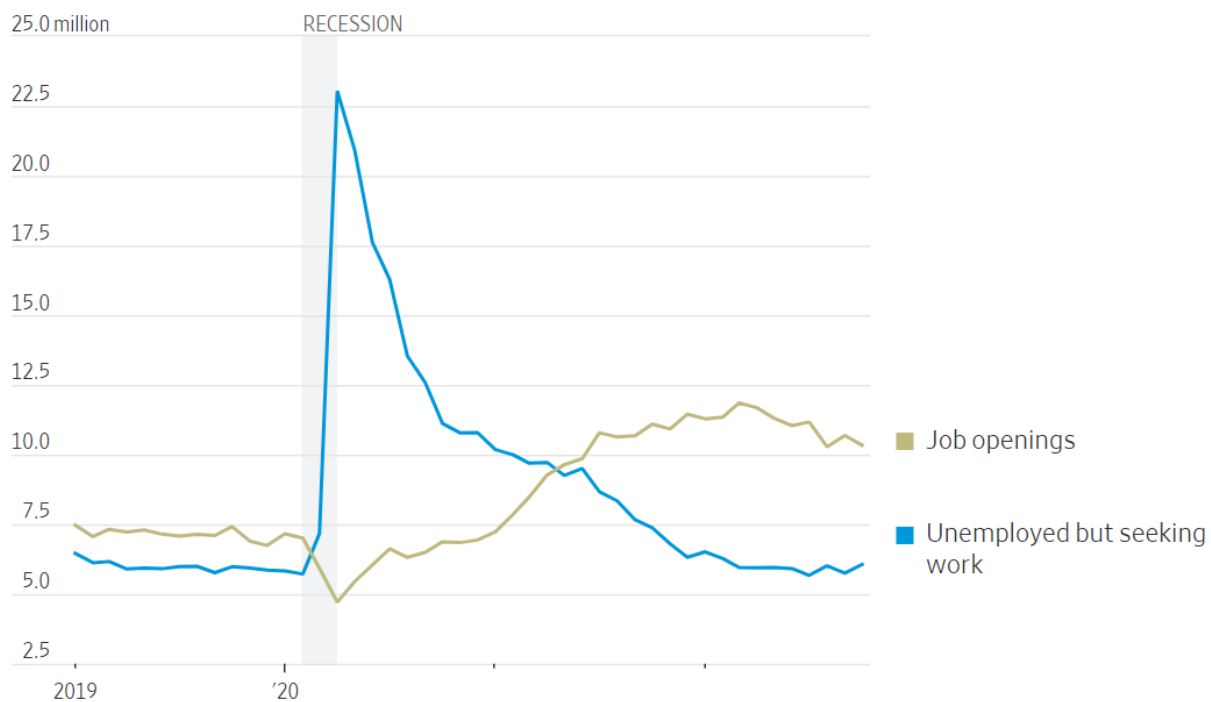


Low Unemployment



Jobs Gap

Openings continue to exceed the number of unemployed people looking for work



Note: Seasonally adjusted.

Source: Labor Department

Recession?



For Recession

1. Tightening Credit
2. Low Consumer Confidence
3. Inflation Squeezing Consumers
4. Global Recession

Against Recession

1. Strong Consumer spending
2. High Consumer Savings
3. Low Debt Service
4. Strong Job Market
5. Strong Wealth Effect
6. Record Real Income
7. Record Cash

Goldman Sachs 2023 Forecast



“Our most out-of-consensus forecast for 2023 is our call that **the US will avoid a recession and instead continue progressing toward a soft landing**. This forecast partly reflects our view that a period of below-potential growth is enough to gradually rebalance the labor market and dampen wage and price pressures. But it also reflects our analysis that indicates that the drag from fiscal and monetary policy tightening will diminish sharply next year, in contrast to the consensus view that the lagged effects of interest rate hikes will cause a recession in 2023.”

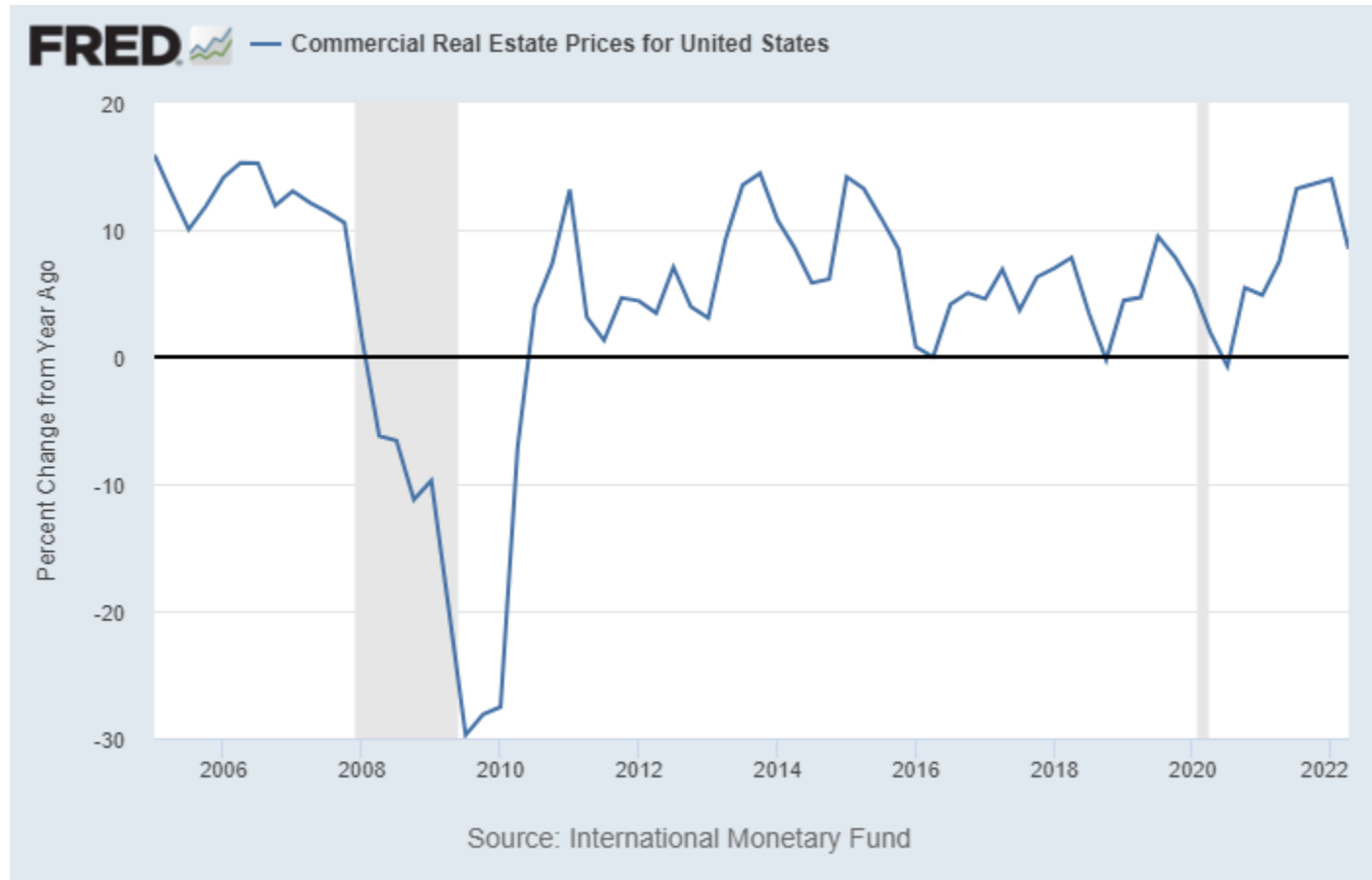


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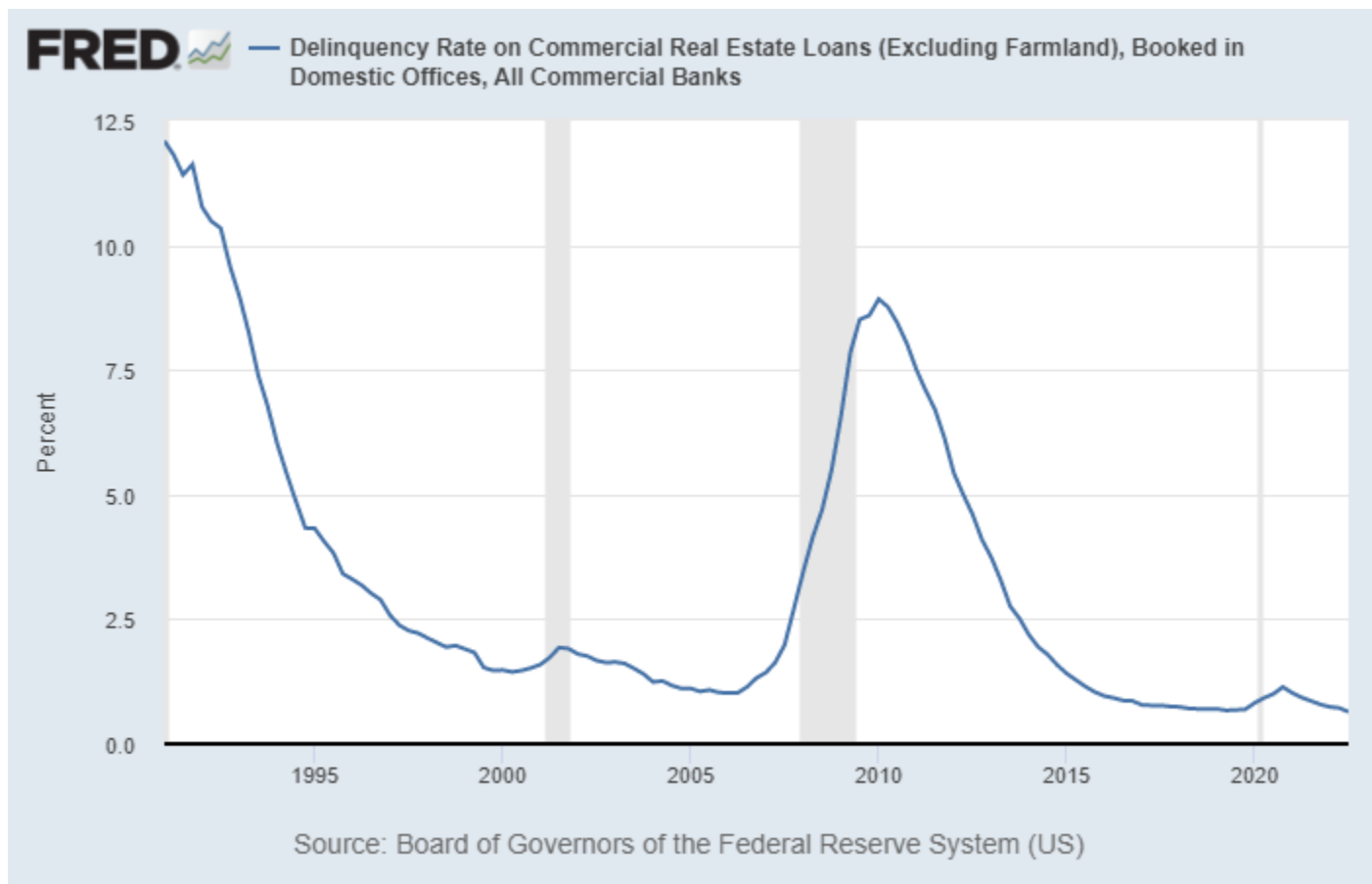
Where Are We Now: Commercial Real Estate



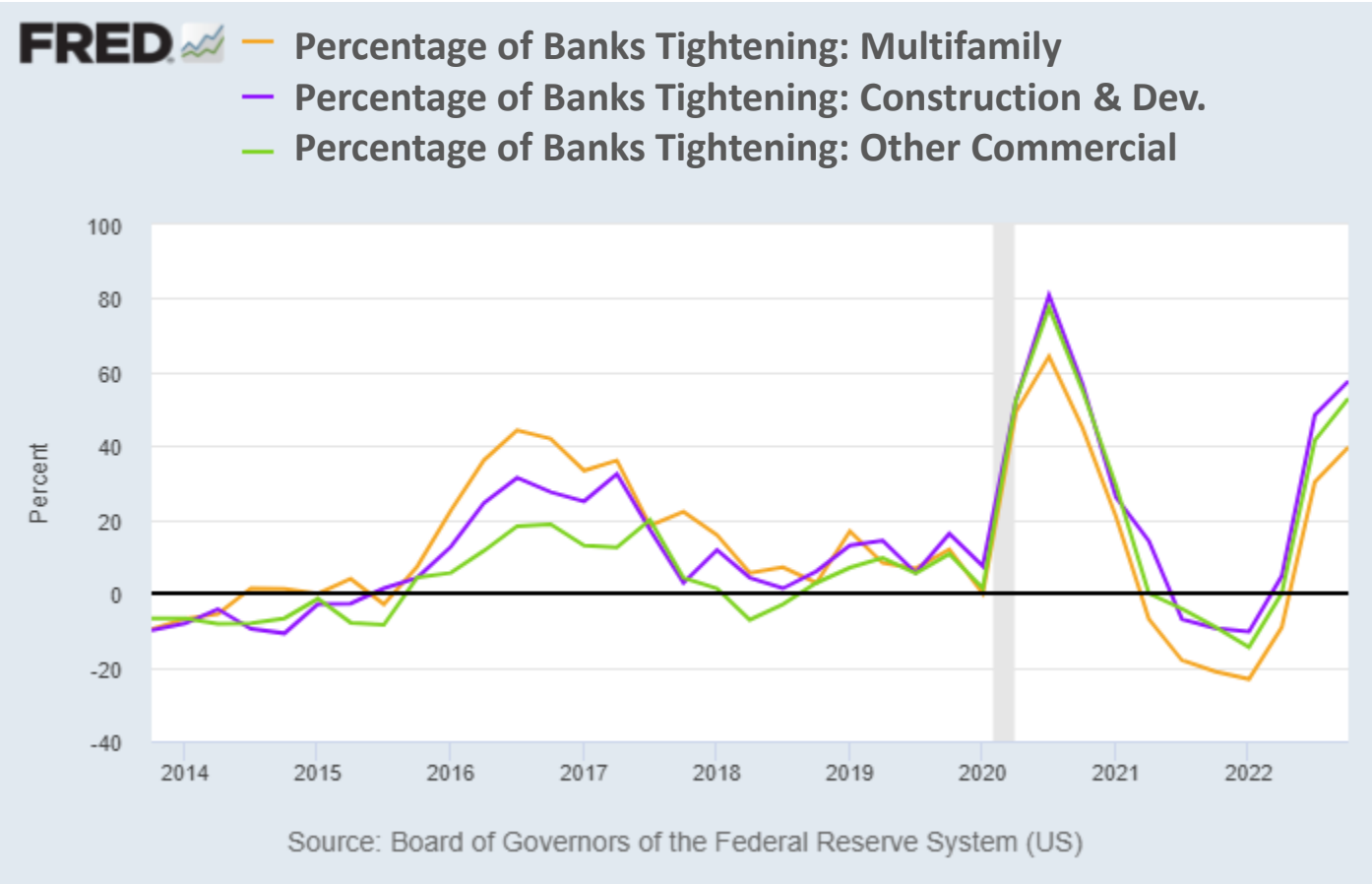
CRE Prices Retracing But Still Up



CRE Delinquency <1%



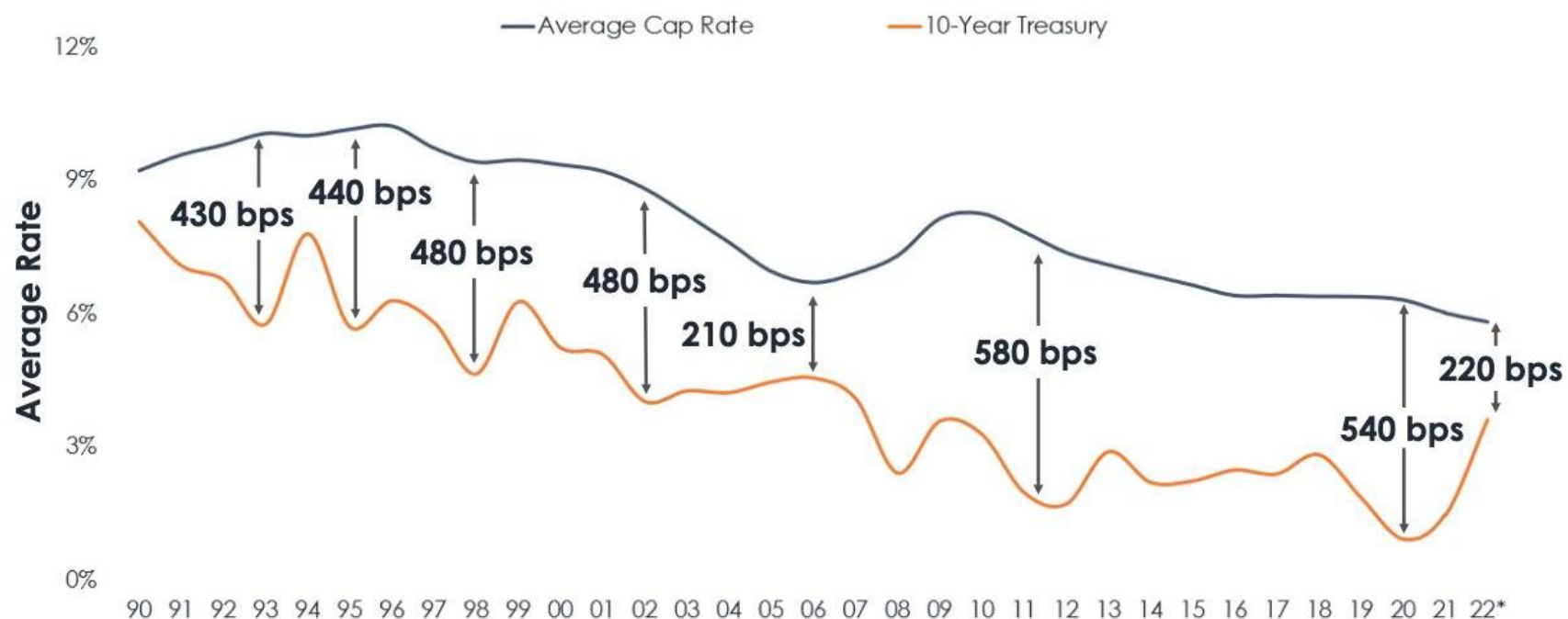
Banks are Tightening CRE Lending



Cap Rates Haven't Reverted



COMMERCIAL REAL ESTATE AVG. CAP RATE VS. 10-YEAR TREASURY; CAP RATES BEGINNING TO RISE



IPA

INSTITUTIONAL
PROPERTY
ADVISORS

* Through December

Includes apartment, retail, office, and industrial sales \$2.5 million and greater

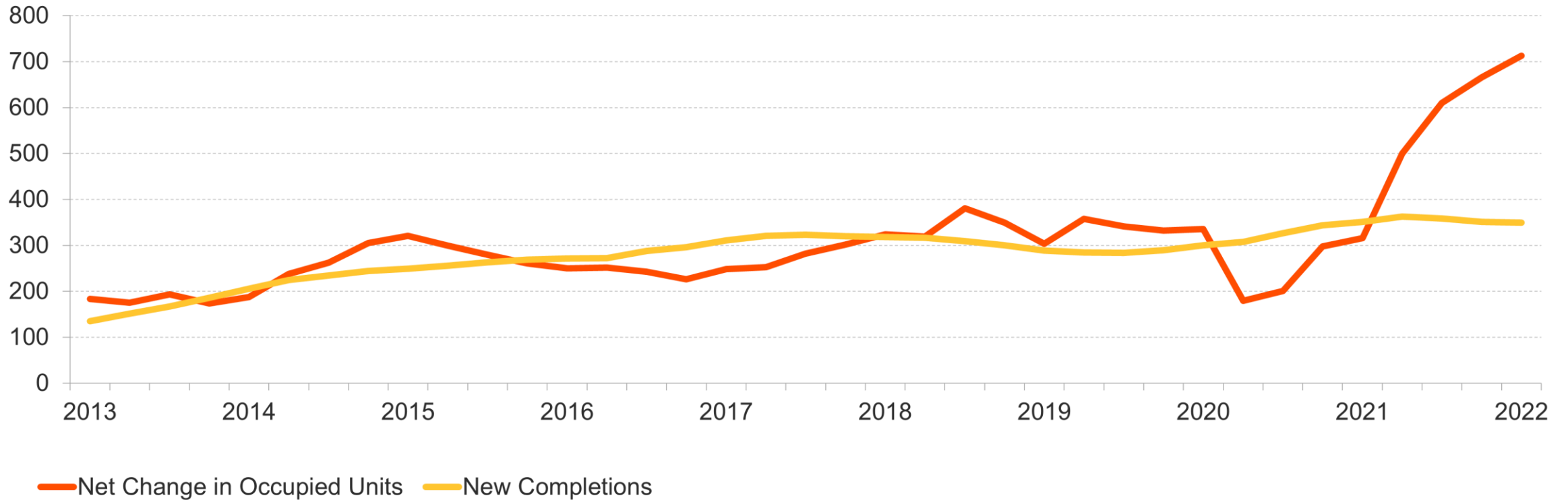
Sources: Marcus & Millichap Research Services, Real Capital Analytics, Federal Reserve

Marcus & Millichap

Multifamily Demand far Outpacing Supply



Units in Professionally Managed Properties (Thousands)



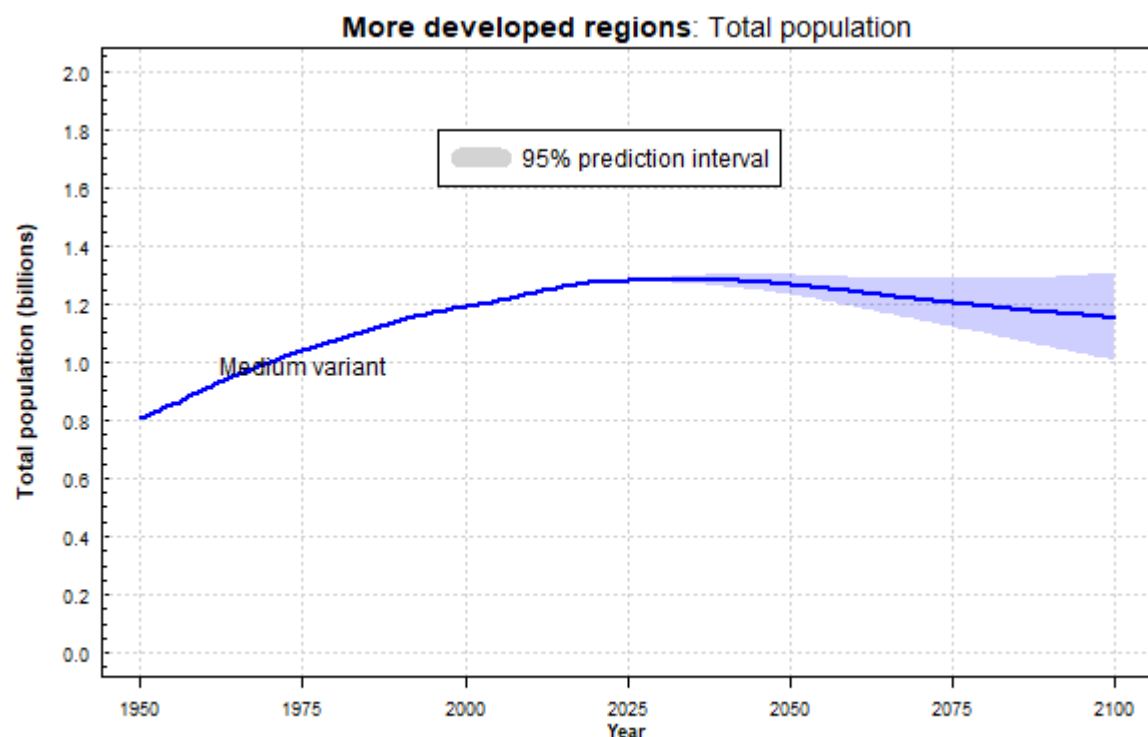


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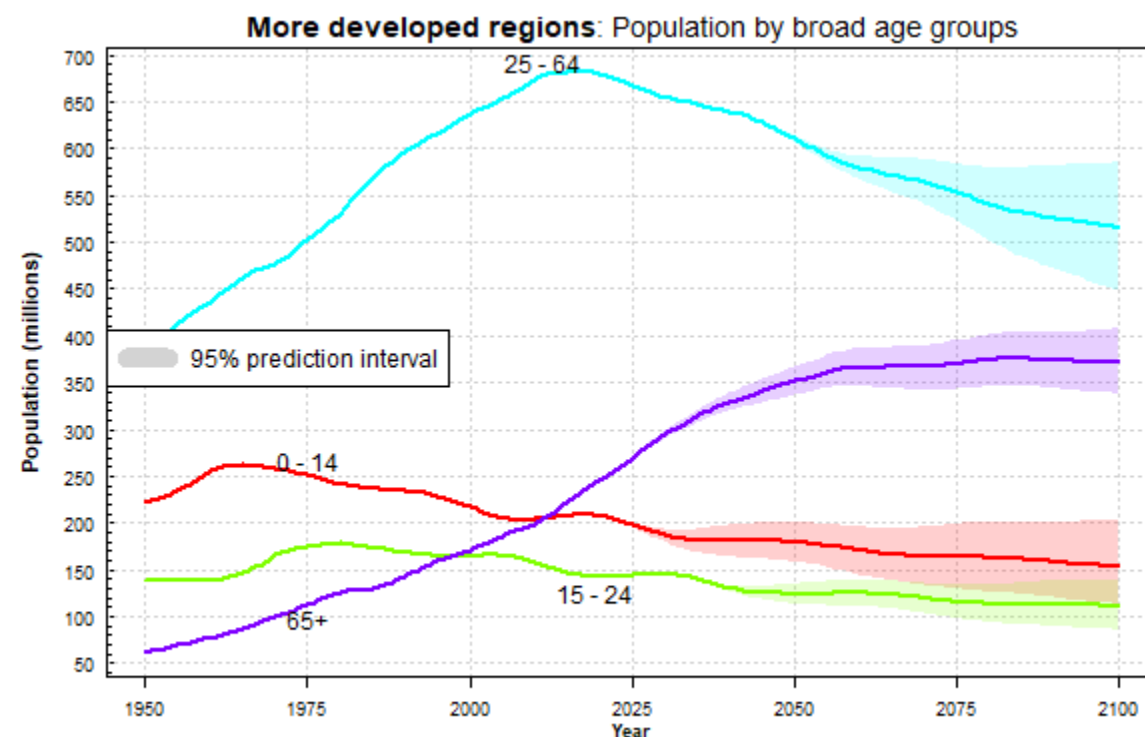
4 Megatrends Smart Investors Need to Know



Megatrend #1 – Demographics

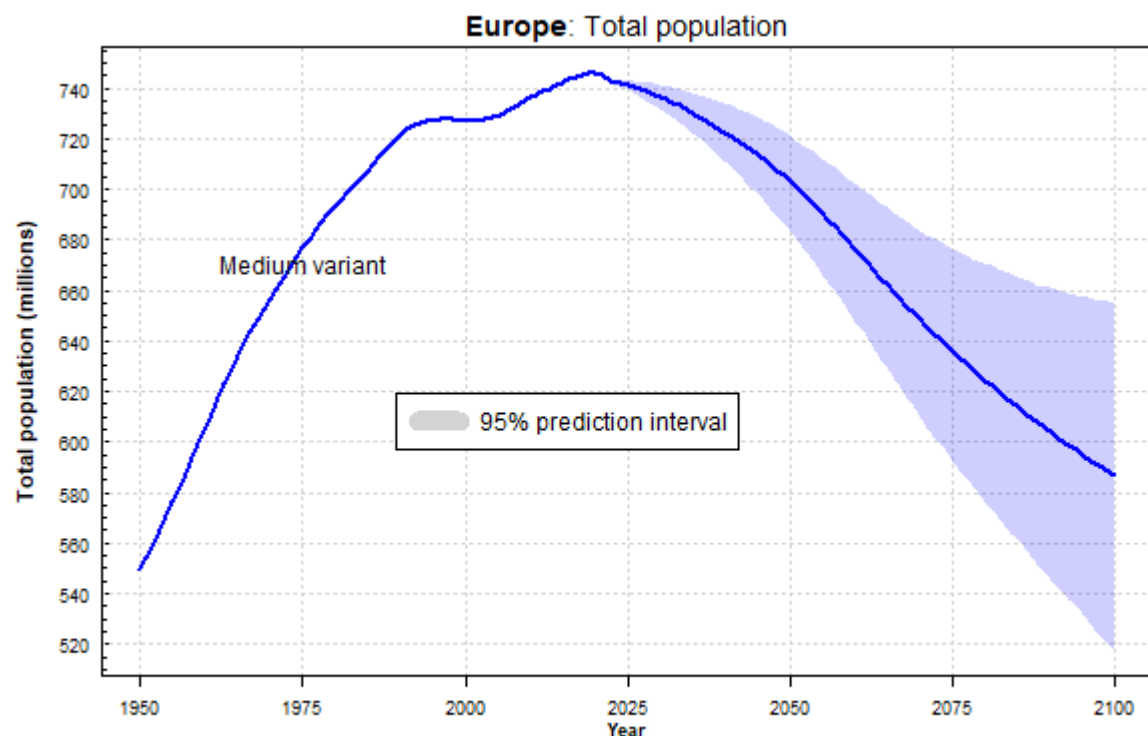


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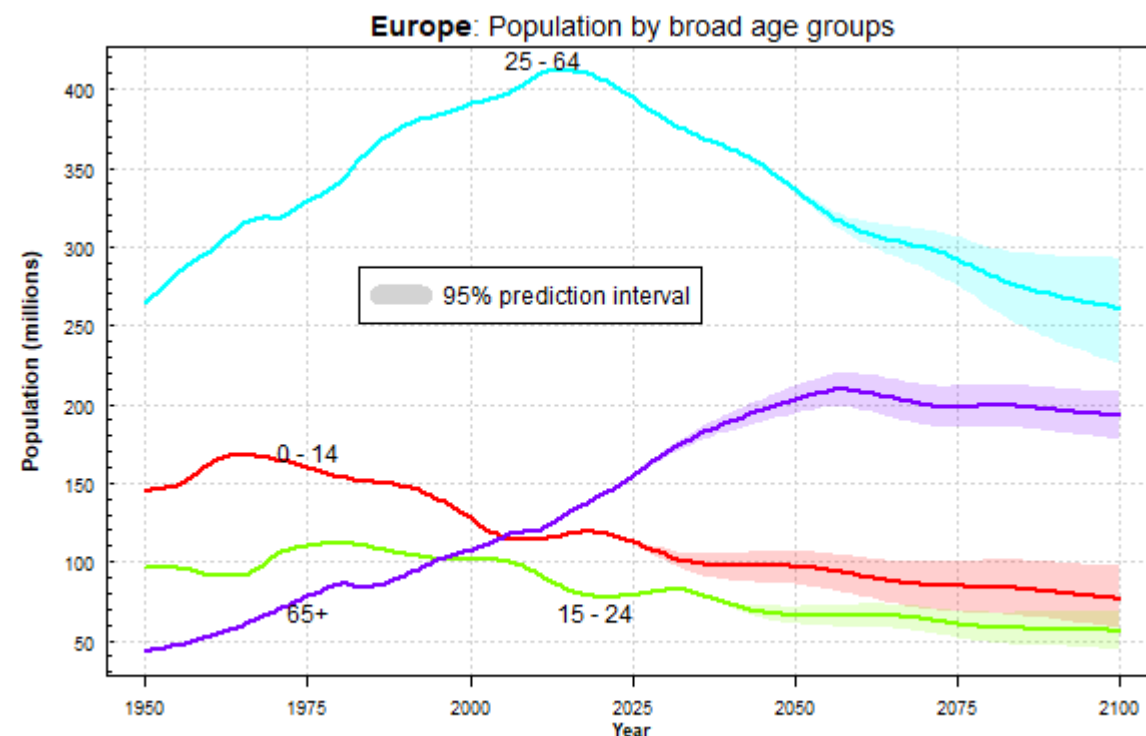


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Europe – Steep Slide

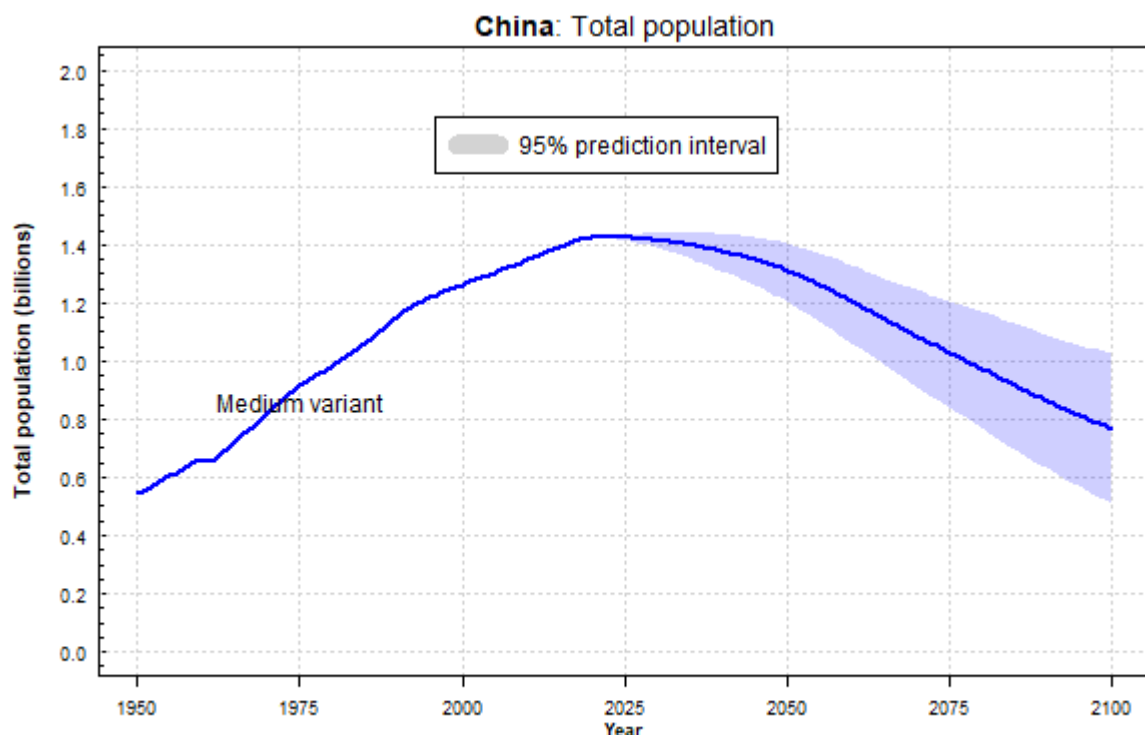


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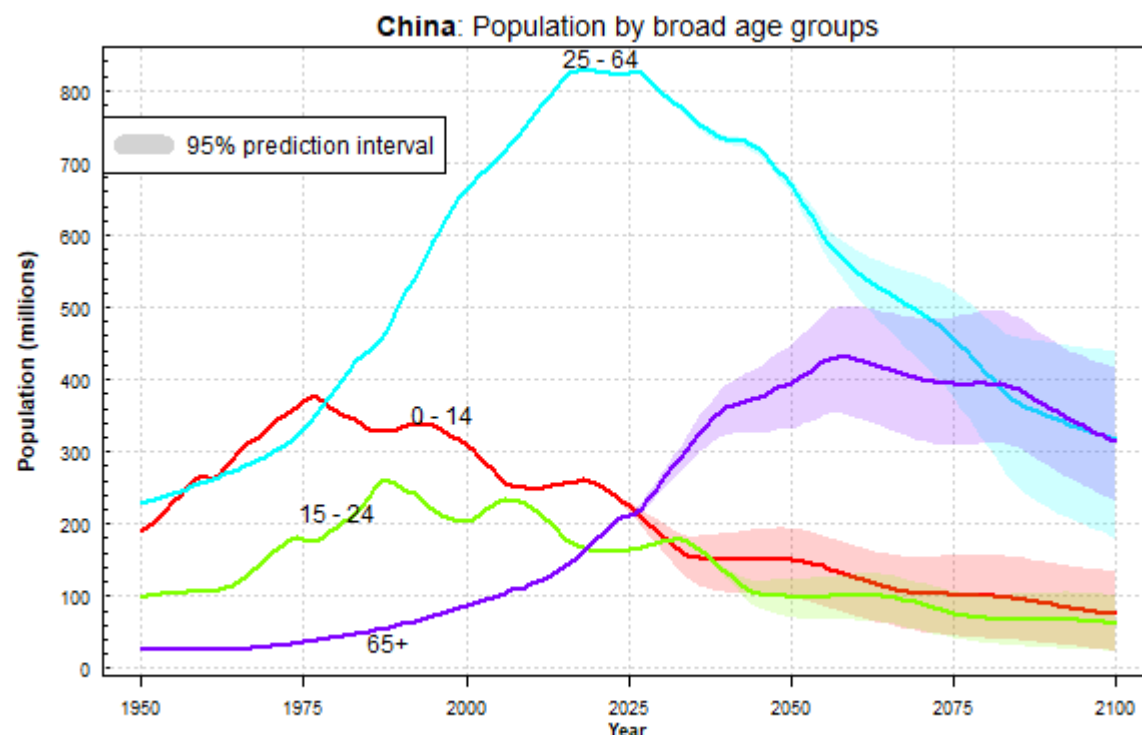


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China – Demographic Tsunami

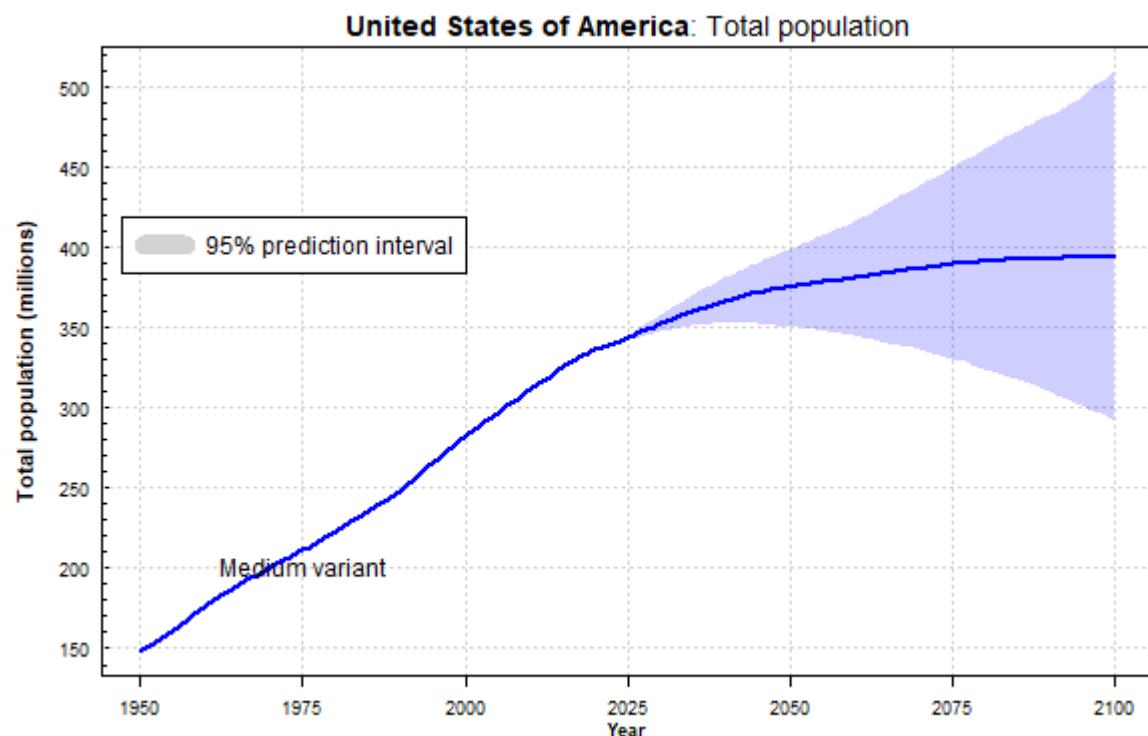


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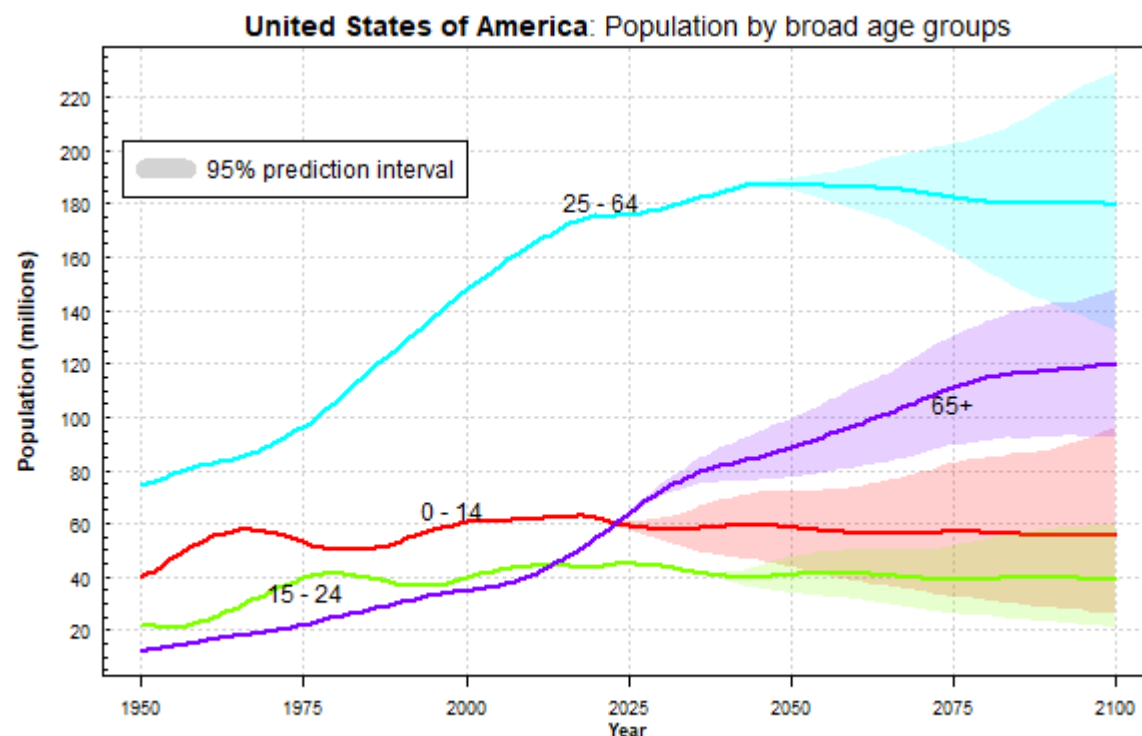


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US – Strong



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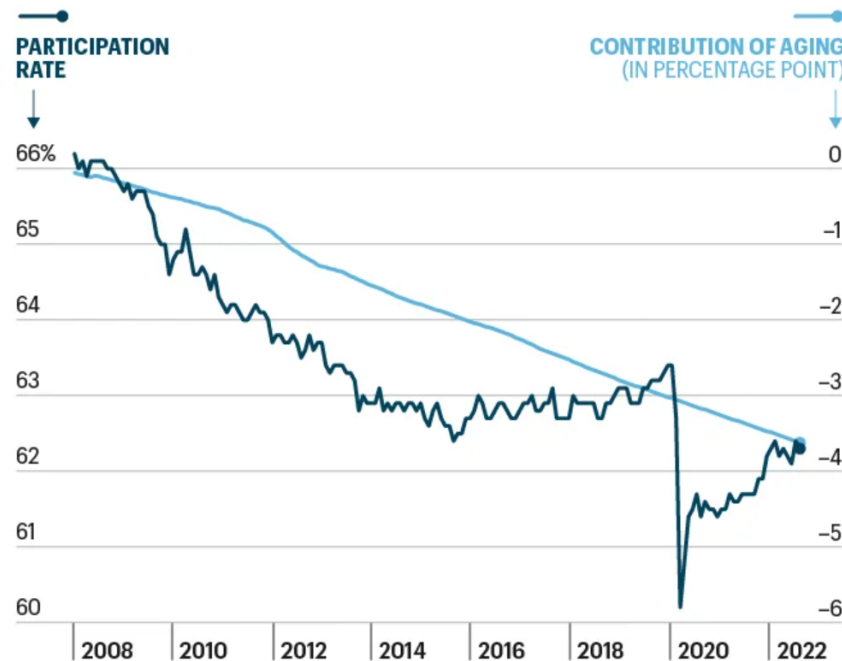


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Blackrock – Worker Shortage is Demographically Driven



CONTRIBUTION OF AGING TO THE DECLINE IN THE WORKFORCE PARTICIPATION RATE



SOURCES: BLACKROCK INVESTMENT INSTITUTE, U.S. BUREAU OF LABOR STATISTICS, OCTOBER 2022

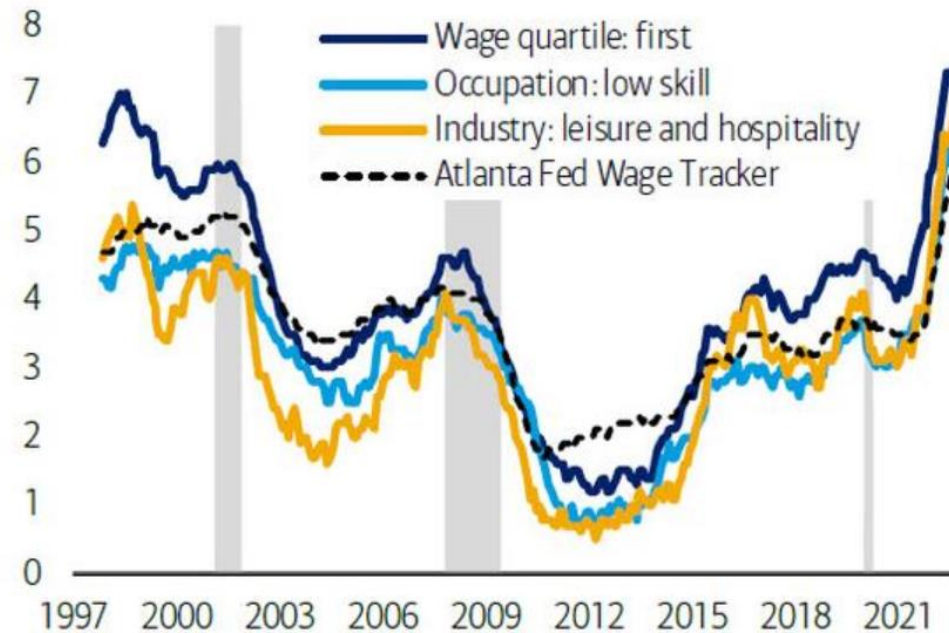
NOTES: THE DARK BLUE LINE SHOWS THE U.S. LABOR FORCE PARTICIPATION RATE, DEFINED AS THE SHARE OF THE ADULT POPULATION (AGED 16 AND OVER) THAT IS IN WORK OR ACTIVELY LOOKING FOR WORK. THE LIGHT BLUE LINE SHOWS HOW MUCH THE AGING POPULATION HAS CONTRIBUTED TO THE PARTICIPATION RATE DECLINE SINCE 2008, AS CALCULATED BY FIXING PARTICIPATION RATES AND CHANGING THE WEIGHTS BASED ON POPULATION DATA.

Worker Shortage Spikes Wages



Exhibit 8: Wage growth among lower-income workers (% y/y)

Lower-income workers are experiencing the fastest wage growth in the economy



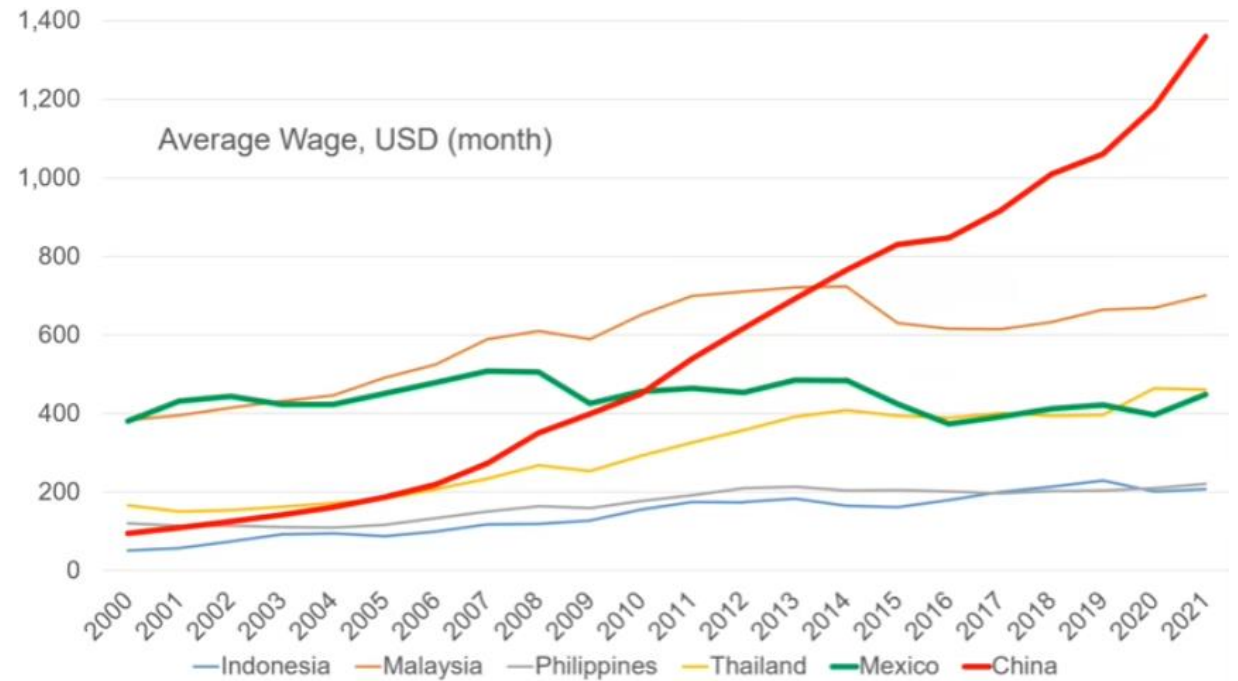
Source: Federal Reserve Bank of Atlanta

BofA GLOBAL RESEARCH

Case In Point – China



- 15x increase in average wage since 1999
- Fastest labor appreciation in human history



Demographic Outcomes



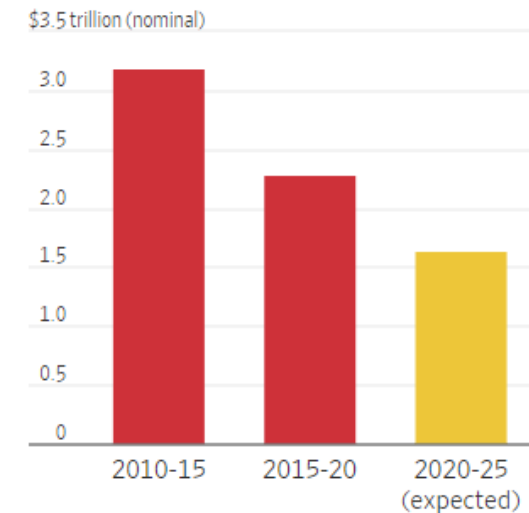
1. High wage Growth – Fewer workers = low supply
2. Inflation – 2 Consumers for every producer
3. Higher taxes & pension costs – e.g., Social Security & Medicare, but far worse in Europe, Asia & China
4. Boomer generation retirement – Increasing capital costs
5. Negative GDP Growth in many countries

Megatrend #2: Energy



- In 2014, a new energy narrative became dominant: that fossil fuels had reached peak demand.
- Simultaneously, global environmental initiatives and ESG have focused on not only reducing fossil fuel consumption, but also on reducing fossil fuel supply and investment
- ...so long-term investments in fossil fuel projects declined – down 55% from 2014
- ... as a result, global energy production today is severely supply constrained, with no prospect of rapid increases

Investment in oil and gas exploration and development



Source: BlackRock Investment Institute, Wood Mackenzie, June 2022

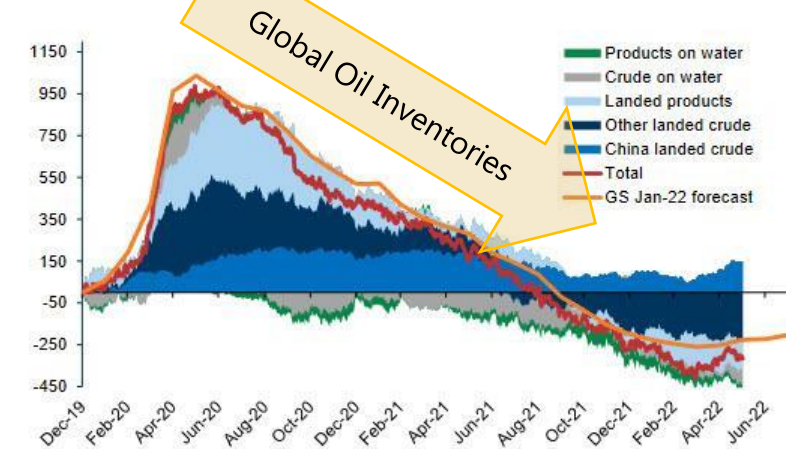
Goldman Sachs Energy Forecast: \$140



From Goldman Sachs Global Research:

- “Oil Inventories are at record lows and will take oil price above \$140 to rebuild”
- “Supply remains inelastic to higher prices” – *i.e.*, higher prices will not result in increased supply
- “The negative global growth impulse remains insufficient to rebalance inventories at current prices.” – *i.e.*, economic slowdown will not end shortage
- “The market will not build sufficient spare capacity by the end of 2023, extending the bull market into 2024+”

Exhibit 7: Despite China's lockdowns, global oil inventories continue to surprise to the downside YTD
Global high-frequency inventory tracking vs. Dec-19 compared to our Jan-22 GS supply-demand expectations (mb)



Source: Kpler, IEA, JODI, EIA, PJK ARA, PAJ, IE Singapore, Fujairah, Oilchem, Goldman Sachs
Global Investment Research

Megatrend #3: Persistent Inflation

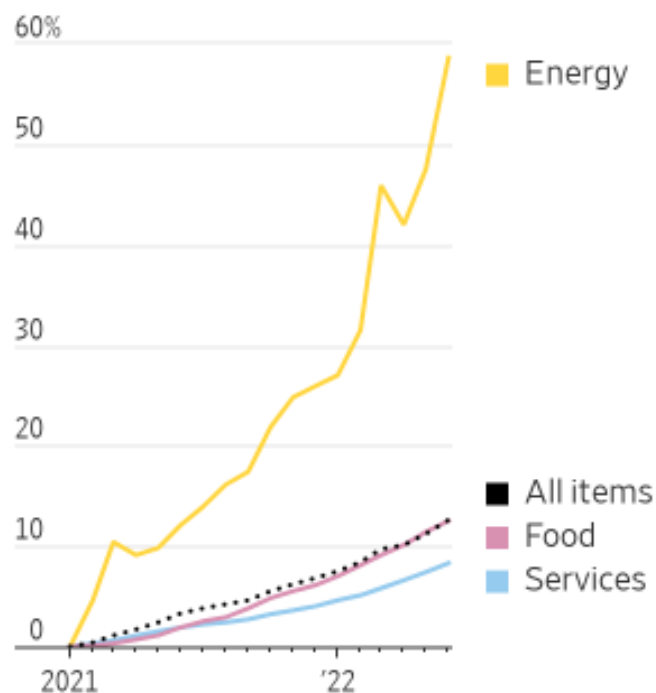


Inflation Big 3 Components

1. Supply Chain issues
2. Energy Costs
3. Worker Shortages

Inflation will be difficult to contain with moderate GDP growth

Consumer-price index, change since January 2021



Note: Seasonally adjusted
Source: Labor Department



#1 Fed Priority: Inflation Under 2 Percent

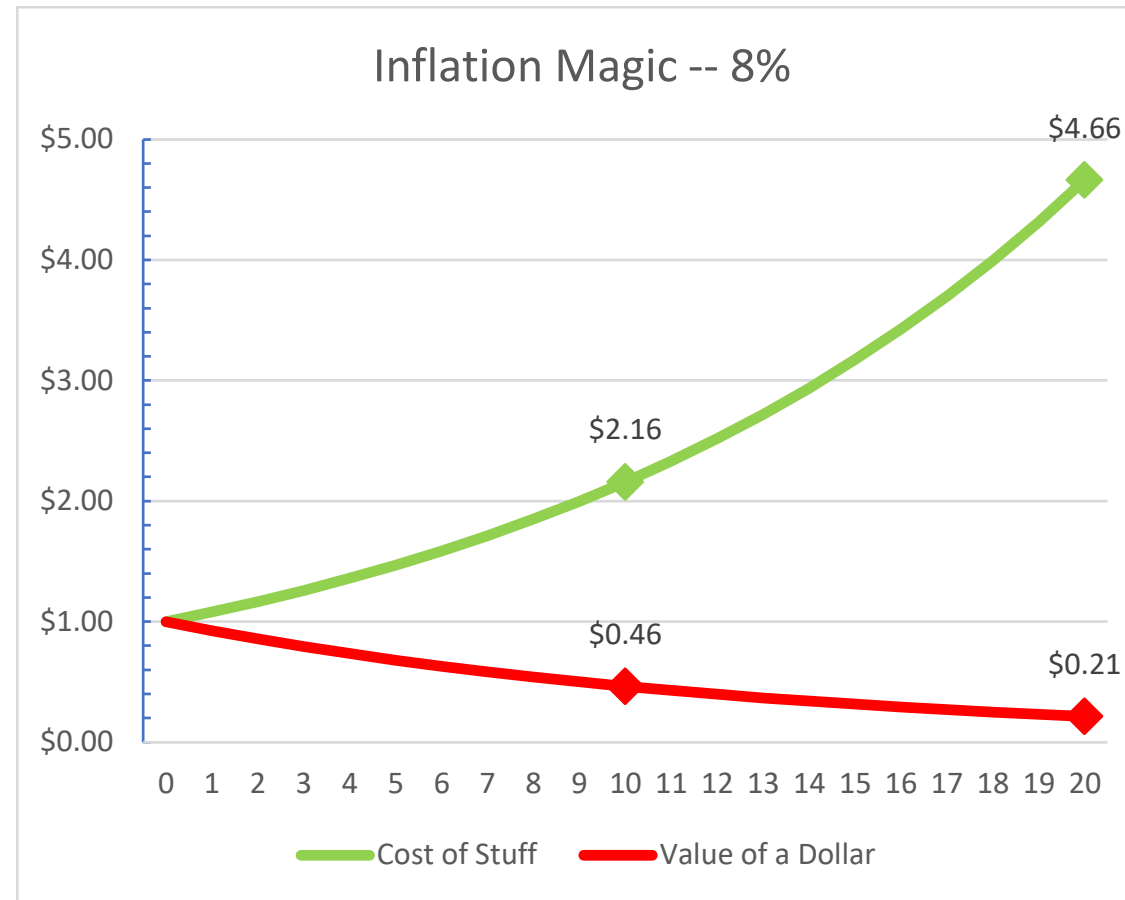


Jerome Powell, Dec. 14, 2022

“Changing our inflation goal is just something we’re not—we’re not thinking about and **it’s not something we’re going to think about**. It’s—it—we have a **two** percent inflation goal, and we’ll use our tools to get inflation back to **two** percent. I think this isn’t the time to be thinking about that. I mean there may be a longer-run project at some point **but that is not where we are at all**. The committee—we’re not considering that, **we’re not going to consider that under any circumstances**. We’re going to—we’re going to keep our inflation target at **two** percent and we’re going to use our tools to get inflation back to **two** percent.”

Fed is likely to overshoot in effort to reach 2% goal, which is not easily attained in our new energy & worker shortage regime

Inflation – Wealth Destroyer / Creator



Inflation Winners and Losers by Decade

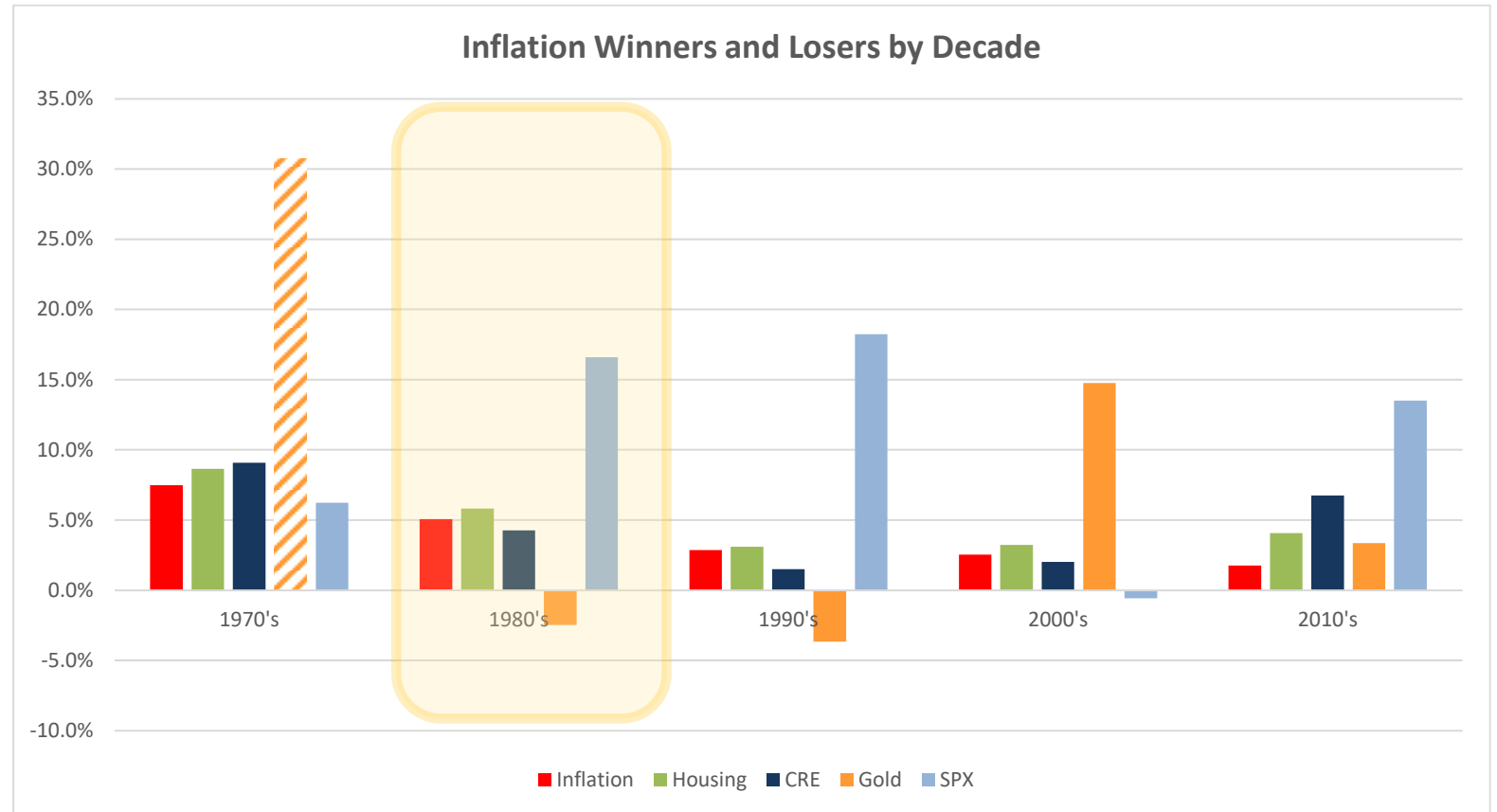


Winners

1. Housing
2. CRE
3. Stocks

Losers

1. Gold



Megatrend #4: 40-Years of Declining Rates is Ending





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Best Opportunities in 2023



Opportunity #1: Oil and Gas



- Extremely out of favor sector
- Very high cap rates
- Strong unlevered cash flow
- Excellent tax incentives
- Potential recession will dampen demand, but underinvestment will continue to diminish supply

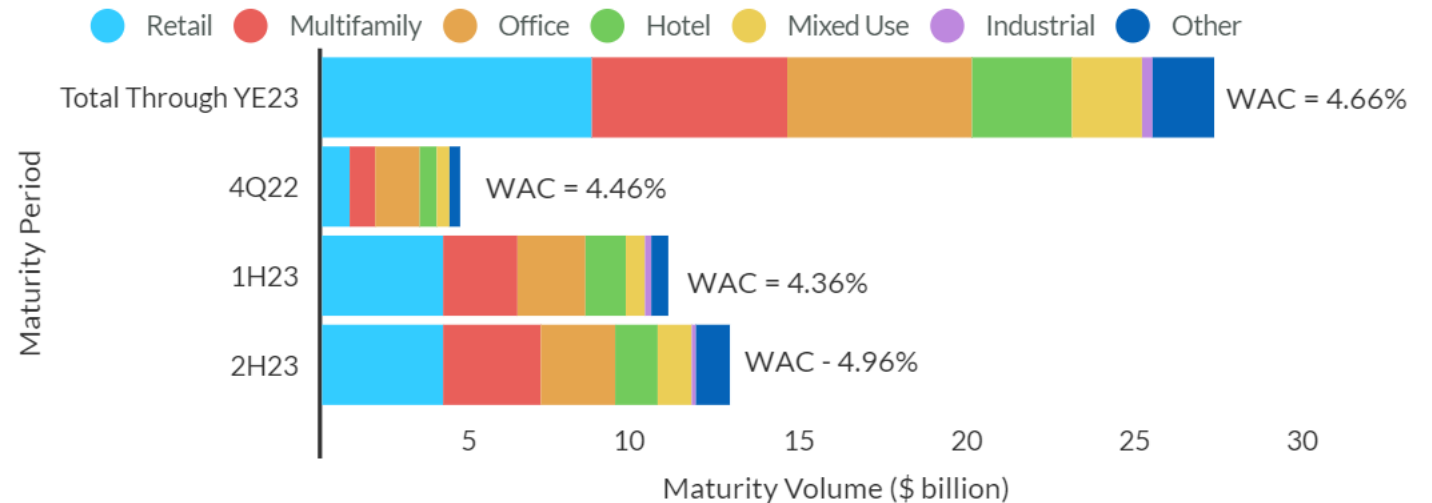
Opportunity #2: Distressed CRE CRE Failures Coming in 2023-2024



- 23% of Fitch rated loans maturing in 2023 will not be able to qualify for refi at maturity, based on current market DSCR and LTV ratios
- “We expect servicers will grant loan modifications and extensions for stable performing assets and those with committed borrowers.”
- “Chetrit Group Selling Portfolio as \$481M Default Looms” - Chetrit Group is seeking to unload 43 properties encompassing 8,671 apartments acquired in 2019. Maturity default

Fitch-Rated US CMBS Conduit Loans Maturing by YE 2023

As of Sept. 30, 2022



Note: The 'Other' category includes manufactured housing community, self storage, ground lease, leased fee and parking garage. WAC - Weighted average coupon.

Source: Fitch Ratings.

FitchRatings

Opportunity #3: Alternative CRE Lending



- Traditional Lenders tightening has created a credit squeeze
- Many great projects can't get funding
- Bridge
- Mezzanine
- Convertible
- Subordinate

Opportunity #4: CRE – Bargain-Hunt or Build



Sectors We Like

1. Industrial
2. Retail (esp. Non-grocery anchored neighborhood strip center)
3. Self-storage
4. Multi-family

Sectors We Avoid

- Office
- Hospitality

Industrial

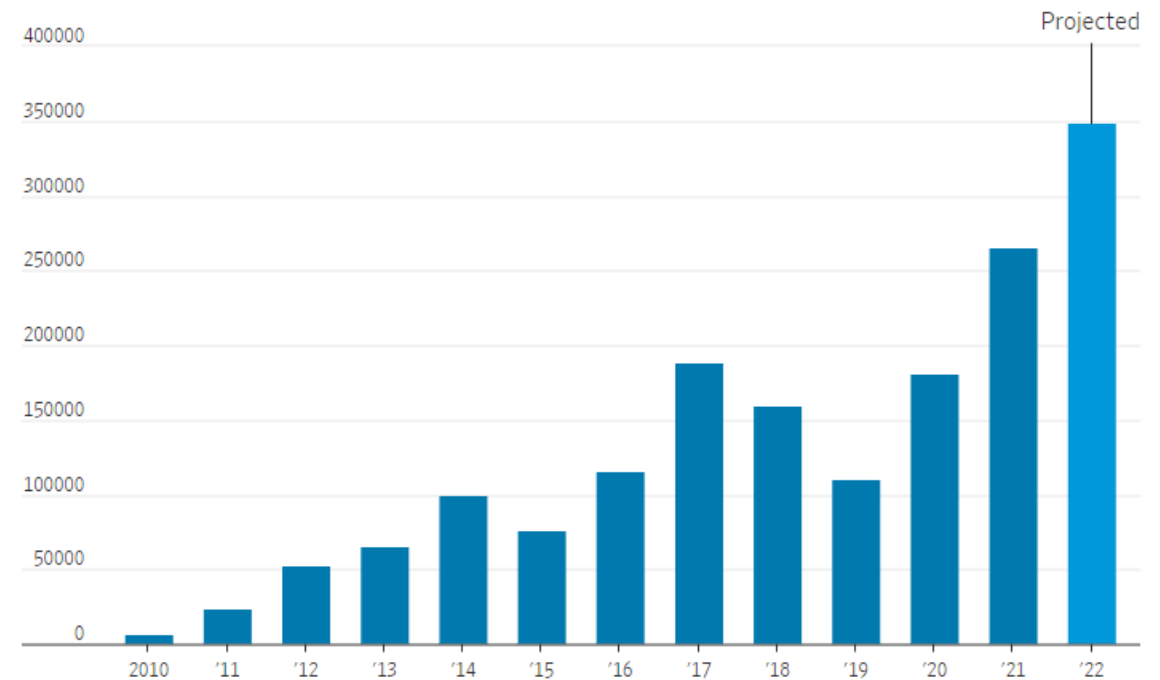
- Pandemic and war have highlighted global supply risks
- Rising overseas wages and costs mean the US is cost competitive
- US has lowest energy prices and greatest energy security in the world
- Vacancy Rate 2.9%
- Prologis estimates 800M sf shortage just within their clientbase



WSJ: “US Companies on pace to bring home record number of overseas jobs”

Reshoring

Number of job announcements per year

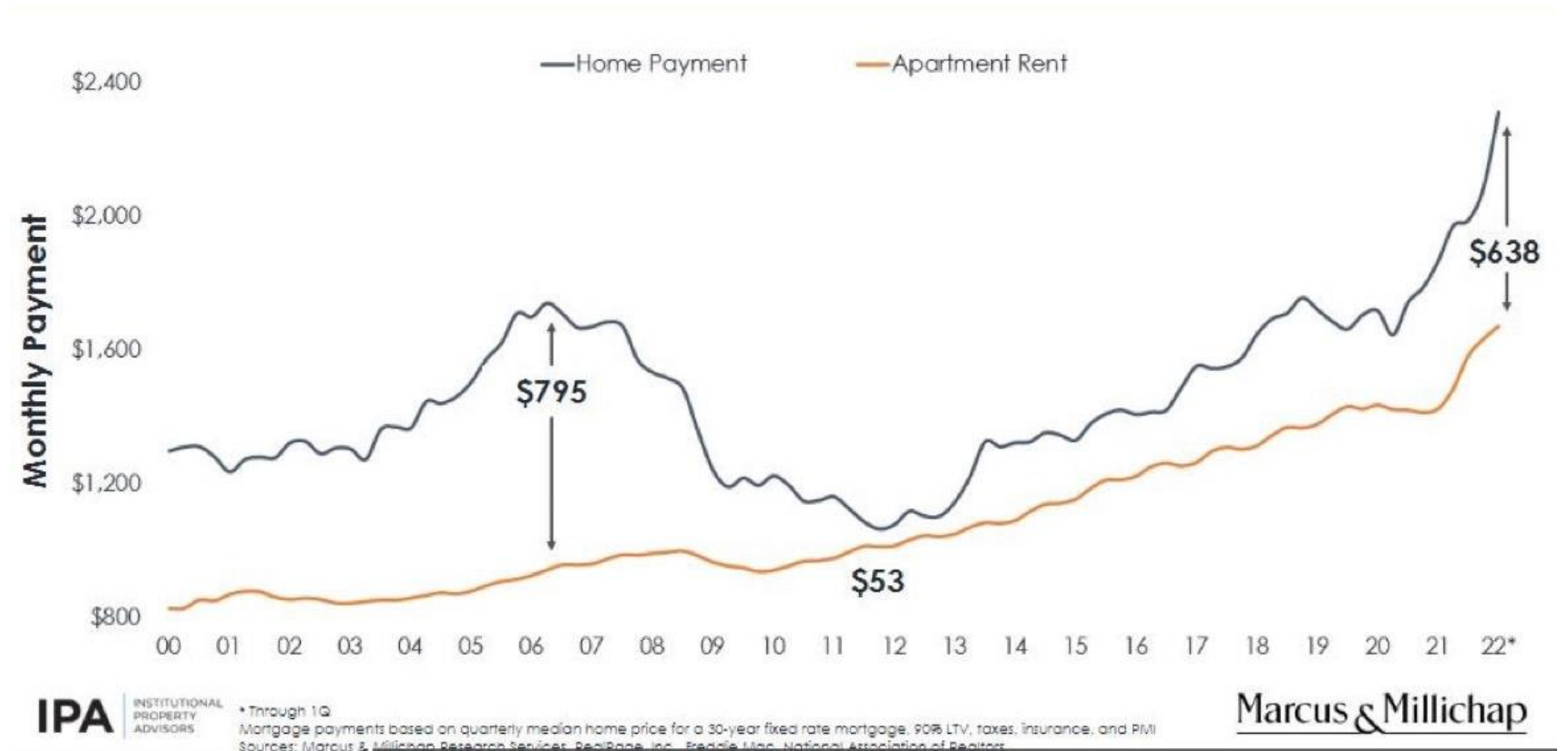


Source: Reshoring Initiative

Opportunity #5: Housing



- Demand for housing is still outstripping supply
- Demand will oscillate between homes and apartments. Current conditions favor apartments
- Rising rates will eventually create bargains



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