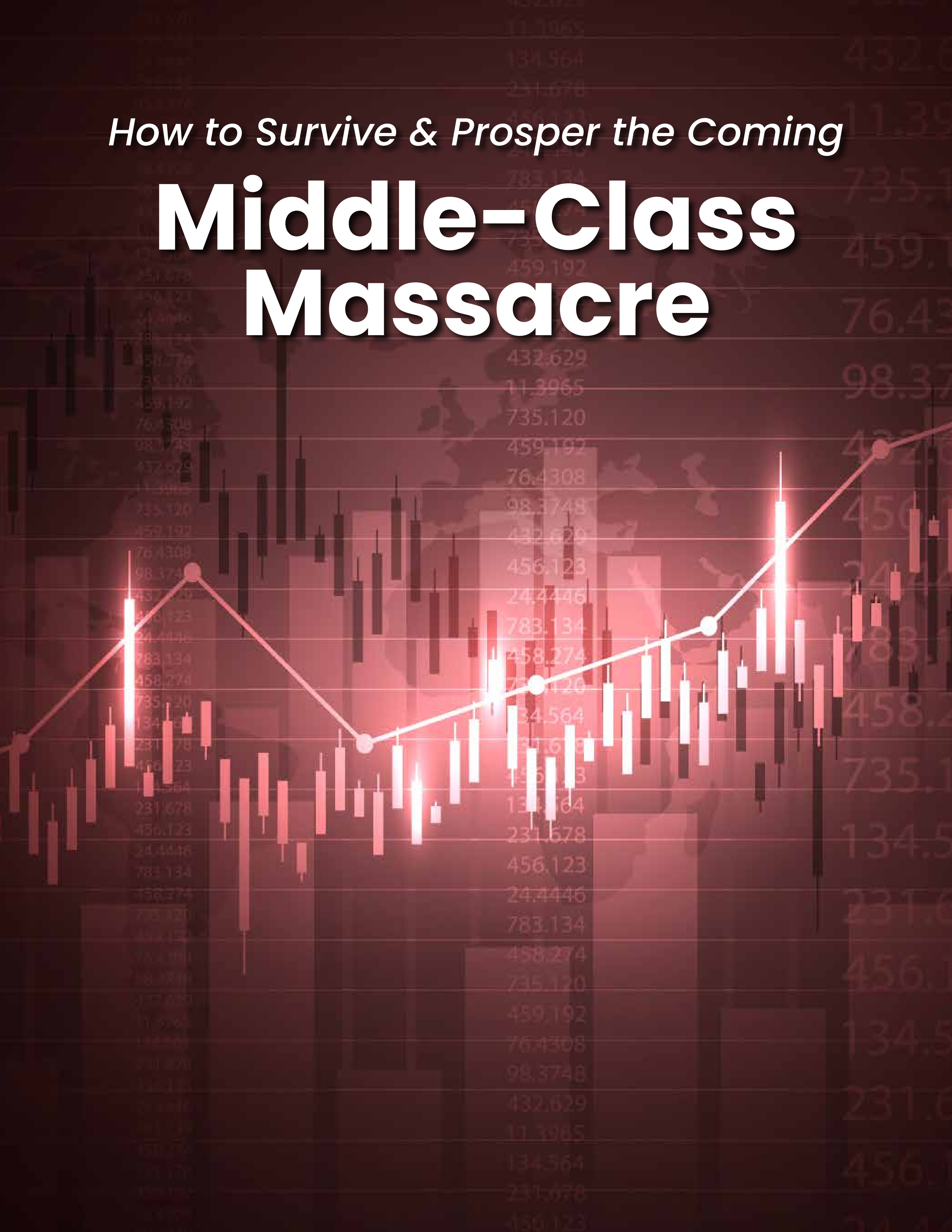

How to Survive & Prosper the Coming
Middle-Class
Massacre

How to Survive & Prosper the Coming Middle Class Massacre

By Ian King, Editor, *Strategic Fortunes*

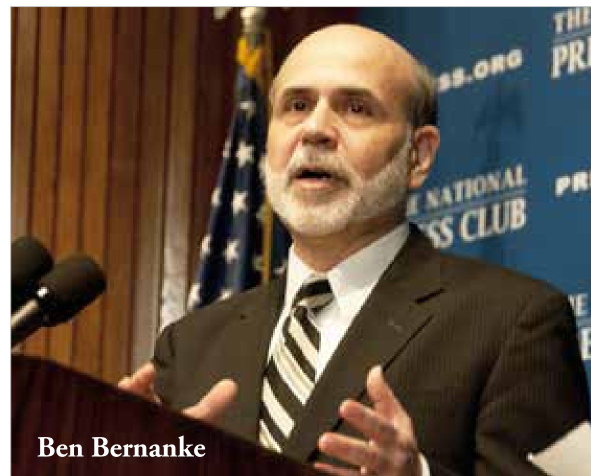
"I'M just going to say it.

The Federal Reserve is running a con game.

Strong words, I know. And not very popular ones.

After all, the Federal Reserve is a time-honored institution.

The Fed was established in 1913 to address a few problems — banking panics, our money supply, system risks in financial markets — you name it.



Ben Bernanke

Over time, its role has shifted. The Fed has taken on more and more power over economic outcomes.

Currently, the Fed's goals are to maximize employment, stabilize prices and maintain moderate long-term interest rates.

That all sounds great.

But from where I stand, the Fed no longer prioritizes these objectives. Instead, it helps the rich get richer.

Personally, I trace it all back to Ben Bernanke in 2008.

Feeling constrained by the limited powers of the Fed to raise and lower interest rates, Bernanke created a new type of scheme.

He proposed that the Federal Reserve could just make money appear out of thin air. In turn, it would use this newly created money to buy ailing government bonds, mortgage bonds and corporate bonds that were infecting the big banks' balance sheets.

Anything the banks didn't want, they could just pile onto the Fed. This once-heralded institution became the garbage disposal for the fat cats on Wall Street.

This allowed the same banks that were bailed out by taxpayers during the financial crisis to make fortunes — off those same taxpayers.

The Fed did this under the guise that it wasn't really creating "money." It was simply replacing those ailing bonds with reserves to the bank's balance sheets. The banks could then use these reserves to make new loans.

And rather than calling it a runaway money printing press, it came up with a gentler term: "quantitative easing," or QE.

Here's a look at how much those assets have grown over the past few decades.

In the 14 years since the onset of QE, the Fed's balance sheet has ballooned from under $1 trillion to $9 trillion.

That's almost half of U.S. GDP. And that titanic total is not decided on by the voters. Rather, the Fed Board of a dozen unelected bureaucrats gets to decide on every penny of monetary stimulus.

I'll admit — when the Fed first started QE in the depths of the financial crisis, it wasn't a bad idea.

We needed to fight the biggest onset of deflation since the Great Depression.

By all accounts, it worked.

But like a high school kid trying Whippets for the first time, QE became too addictive to quit.

And whenever the Fed started coming down from the high, it went right back to the can!

Bernanke started using this weapon of financial destruction to goose the economy and stave off any hint of a recession. His successor Janet Yellen continued his addiction.

When current Fed Chairman Jerome Powell took the reins, some of us believed he would abandon this monetary weapon.

We were wrong.

Powell went so far as to more than double the Fed's balance sheet to battle the economic impact of COVID. And we all watched this **inflate the mother of all bubbles in 2020**.

It's easy to see why the Fed is so high on QE.

All it takes is a simple command to send every asset class — from real estate to bonds to the stock market — soaring higher.

Often, Fed governors could merely hint that QE was coming and the market would rally.

Similar to how a parent can make a toddler do anything if they promise ice cream. (OK, I may or may not have tried this a few times.)

The Fed was heralded as the savior of middle class pension and retirement funds.

We haven't had a recession since the financial crisis.

On the other hand, the reverse of quantitative easing is now playing out in a process called quantitative tightening (QT).

The Fed is now reducing its balance sheet by about $95 billion a month. It's doing this by allowing Treasury and mortgage bonds to simply expire without replacing them with new assets.

If the government, mortgage or corporate issuers want to roll over $9 trillion of debt, they need to find new buyers.

And the Fed could even start selling these assets to slow down the economy.

MoneyWise

BlackRock — the world's largest asset manager — says central banks are 'deliberately' causing recessions and warns of a downturn unlike any other. 3 shockproof assets for protection

That's why this year could be rocky. If inflation doesn't continue to fall, there's a risk that the Fed could not only continue to raise rates — but also start to unwind this $9 trillion behemoth.

That's why I believe a policy error on the part of the Fed this year (and it's made quite a few in the past) will lead to another economic shock.

I'm not the only one bracing for impact. One startling headline from Yahoo Finance declared:

Perhaps this was a bit dramatic.

But we need to be mindful of one thing.

The economic data isn't softening as fast as the Fed would like it to.

Each day that inflation doesn't come back down to the Fed's 2% target increases the odds it will engineer a recession to get there.

That means we really could have a 5% Fed funds rate in December of this year. If that happens, it could usher in another economic shake-up.

I don't want you to be caught off guard by the Fed's desperation.

That's why I put together this report — to show you the cracks in the system that are likely to be revealed in the near future.

Here are the three most important things to watch this year:

1. The stock market. I believe that only strong companies will survive — and that the rest of the marker will crash, massacring the nest eggs and retirement plans of millions of middle-class Americans.
2. Real estate. Home prices have been in a bubble for years — and it's set to pop. Home values could plummet this year, massacring middle-class wealth.
3. Employment numbers. I wouldn't be surprised to see unemployment skyrocket this year — massacring middle-class Americans' ability to protect their families.

I can't deny that all of this sounds grim.

But I'm here to let you know that even as America unravels, there are ways to stay safe, and even profit, from the coming fallout by using specific investments that climb when everything else falls…

That's why I'm splitting this report into two sections.

In the first part — "How to Survive the Middle Class Massacre" — I'm going to show you three unusual ways to protect your wealth against the coming market volatility and economic unrest.

And in the second — "How to Prosper During the Middle Class Massacre" — I'm going to show you a company that helps the rich get richer in times like these. In fact, it's poised to make a fortune off economic turmoil. I expect its shares to double over the next three to five years.

So let's jump right into how you are going to survive the coming crisis with three unusual investment strategies.

How to Survive the Middle Class Massacre

1. An investment that has tremendous upside and ZERO downside.

The first investment I'm about to tell you about is something everyone is telling you to sell right now…

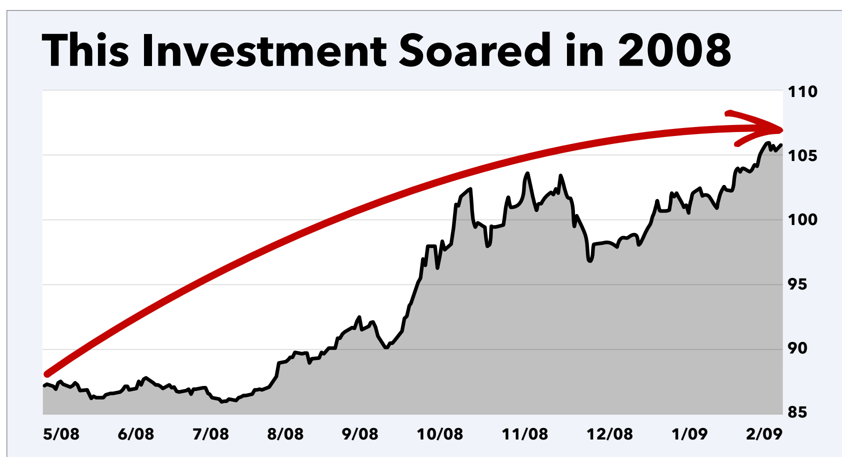
It's safer than stocks, commodities and bonds — yet in times of crisis, it has more upside.

In fact, it can be as safe as a bank CD!

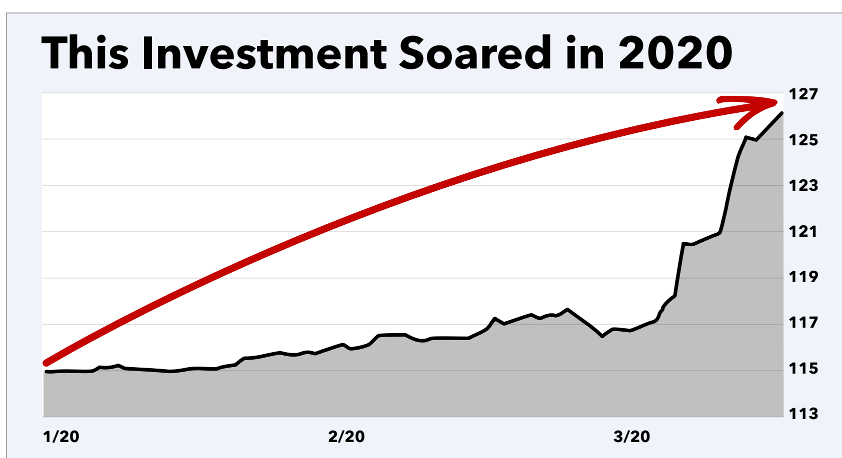
And it's one of the most liquid investments in the world, with over $600 billion trading every day.

In times of trouble, it is hands down the No. 1 investment the wealthy run to. That's why over $5 billion has flooded into it recently.

In fact, when the markets crashed in 2008, it was the one of the few things that soared when almost everything dived…



And the same thing happened when the 2020 pandemic struck…



That's right — I'm talking about nothing other than the U.S. dollar.

Think about it this way: If the Fed is selling its assets — they are buying dollars.

In QE, the Fed was "printing" dollars to buy government, mortgage, and corporate bonds.

With QT, the opposite is happening. Dollars are becoming scarcer.

At the same time, if the stock market crashes, real estate crumbles and unemployment spikes, investors will turn back to cash.

This is already happening.

In 2022, as stock market volatility increased and economic numbers turned grim, the U.S. dollar touched its 20-year high.

I expect to see this trend continue.

That's why I recommend using TIAA Bank.

TIAA Bank traces its roots all the way back in 1918, to the one and only Andrew Carnegie. The bank is headquartered in Jacksonville, Florida. It sponsors TIAA Bank Field, where the Jacksonville Jaguars play their home games.

It offers two interesting options to take advantage of the rising U.S. dollar.

The first is called a **MarketSafe® CD**. This type of investment allows you to invest in the market — but without the risk. Consider it a safe alternative to investing directly in commodities or foreign currencies.

With a MarketSafe CD, your principal deposit is always secure. So, in the event of poor CD performance over the term, the least you'll get back is your up-front investment.

On the other hand, if there's positive performance over the term, you'll receive a payment on top of 100% of your principal deposit.

You can click here to learn more about setting up a MarketSafe CD.

Note: TIAA Bank doesn't offer MarketSafe CDs all the time (nor does it at the time of this writing). But you can **click here** to be alerted once it's available again.

Another option that TIAA Bank offers is the Bump Rate CD.

Its basic Bump Rate CD comes with a three and a half year term, an optional one-time rate bump and automatic renewal on maturity. And you can get started with as little as $1,500.

Click here for all the details on setting up your Bump Rate CD today.

It's a safe and easy way to prepare for the Middle Class Massacre ahead.

2. Playing the "other side" of the market.

This next investment is similar to the Prudent Bear Fund that our firm recommended in 1999.

This is the trade that handed our readers 100% gains — a three-year period when others saw their portfolios slashed in half.

I'm talking about an **inverse exchange-traded fund (ETF)**.

Let's dive into what a regular ETF is first.

An ETF is a marketable security that tracks an index, a commodity, bonds or a basket of assets (such as a specific sector).

The main thing to understand about these assets are that they are a great way to buy a fund representing many stocks — but still trades just like a single stock. You get immediate diversification, but only have to manage one security.

With that in mind, an *inverse* ETF is a bit different.

Broadly speaking, an inverse ETF uses daily futures contracts to produce returns. This allows investors to make a bet on the direction of a security's price.

Inverse ETFs' use of derivatives — like futures contracts — allows investors to make a bet that the market will decline. If the market falls, the inverse ETF rises by roughly the same percentage minus fees and commissions from the broker.

There are a few big advantages to buying an inverse ETF:

The Advantages:

1. It is easier and less costly than selling stocks short.

2. You can make money when the market or underlying index fall.

3. They can help you to hedge your portfolio.

So, as you can see, inverse ETFs have the potential to make you money when the market or security you're betting against drops. In a bear market, this is a great way to profit off big market dips.

But, just like with any investment, there are risks attached to buying inverse ETFs.

The Risks:

1. Can lead to losses quickly if you bet wrong on the market's direction.

2. They are a very short-term investment. In fact, inverse ETFs held for more than a day can lead to losses.

3. There are high fees attached to buying inverse ETFs.

So just bear in mind as you look for ways to hedge your portfolio against the coming Middle Class Massacre, inverse ETFs are one tool in your arsenal.

3. The "Big Short" Technique.

The third way to preserve your portfolio in times of crisis all comes down to one time-honored technique.

Buying put options.

A put contract gives a buyer the right to sell the underlying asset at a set price by a specific date. Puts are similar to have a short position in a stock. The investor's goal is to have the price of the underlying stock price fall sharply before the end of the period so that their put contract becomes more valuable.

Example: One Microsoft put contract gives you the right to sell 100 shares of Microsoft at a set price (regardless of where it's trading in the market) by a set date.

Now, many people are skeptical of options. But buying put options really is one of the simplest and safest ways to make money in a bear market. Here's why…

Put options offer a great advantage that shorting stocks can't deliver.

Hedging.

The market doesn't go straight up, no matter how much we wish it would. Sometimes, we have to suffer a painful correction or two before a stock (or the entire market) can get back on track.

Options Terms

- **Premium:** Options price, the amount you pay or collect when buying or selling.
- **Expiration Date:** Monthly stock options expire on the third Friday of every month. Weekly options expire each Friday.
- **Exercise:** When a put buyer "exercises" their option, they engage their right to sell us the stock at the strike price. When a call buyer "exercises" their options, they engage their right to buy the stock at the strike price.
- **Strike Price:** The price at which buyers can exercise the option.
- **In the Money:** For put options, this is when the price of the stock is LOWER than the strike price. For call options, this is when the price of the stock is HIGHER than the strike price.
- **Out of the Money:** For put options, this is when the price of the stock is HIGHER than the strike price. For call options, this is when the price of the stock is LOWER than the strike price.

The fear of a sharp pullback when you have a portfolio full of stocks can keep you up at night. You've been invested in these companies for months, possibly years, and you don't want to suffer a sharp 20%, or even 50%, pullback.

Now, if your long-term outlook on a stock is bullish, put options are a great way to hedge your position in the short term (and get some sleep at night!).

A hedge is like buying a bit of insurance against a short-term disaster. And like insurance, you won't need it if disaster fails to strike; you're only out the premium you paid.

Let's get into the nuts and bolts of how a put option works.

Six months ago, you purchased 100 shares of Good Food Grocery for $20 each. That made your total investment $2,000. Since that initial purchase, the shares of Good Food have rallied and are now priced at $30. Since your position is now worth $3,000, you've made a 50% gain.

Let's say your long-term outlook is that Good Foods Grocery will hit $80. However, the market is looking very weak, and you think we're going to see a drawdown of 25%.

You don't want to suffer that pullback in your gains, yet you don't want to sell your position, either.

So, you buy one put option on Good Food with a strike price of $30 that will expire in three months for $2. The total cost of the hedge (or position insurance) is $200 ($2 times 100 shares per contract).

Now, remember that a put gains in value when underlying shares fall in value.

Fast-forward three months, and turns out, you were right. The shares of Good Food Grocery drop 25% to $22.50. Your stock position is now worth $2,250, down $750 (or 25%) from its peak.

However, your put option is now worth $7.50. You can sell this position for a gain of $550 ($750 minus $200 for the cost of the option). Add that to the stock position ($2,250), and your value is $2,800.

If you had held onto the shares and not put on the hedge, your position would be valued at $2,250 after a 25% pullback. That's a gain of only 12.5% from the initial purchase.

However, by using a put option to hedge, the position is worth $2,800 after a 25% drawdown. That's a gain of 40% from the initial purchase.

I'll admit that it's great to be right. Everyone loves to be right.

But what about if you're wrong?

Let's say that shares of Good Food Grocery don't fall over the next three months, but stay flat at $30.

If you'd purchased the put option for $200, the option would expire worthless at the end of the three months. (It only gains in value when the share price falls beneath the strike price.) You'd be out the $200 that was spent on your insurance.

But for some people, the cost of that hedge is enough to allow them to sleep soundly at night, knowing that their stock positions are protected against an adverse move in the market.

Bonus: 3 Stocks to Avoid During the Middle Class Massacre

While I've shared with you three unusual ways to profit during economic turmoil, I have more.

Sometimes, making money in the stock market isn't about timing your exits. It's about avoiding potential pitfalls in the first place.

That's why, to help you survive the massacre, I've put together a list of three ticking time bombs I think you should avoid at all costs.

- **Stock No. 1: Lennar Corporation (NYSE: LEN)**

Lennar is a homebuilder that helps construct, sell and finance new homes.

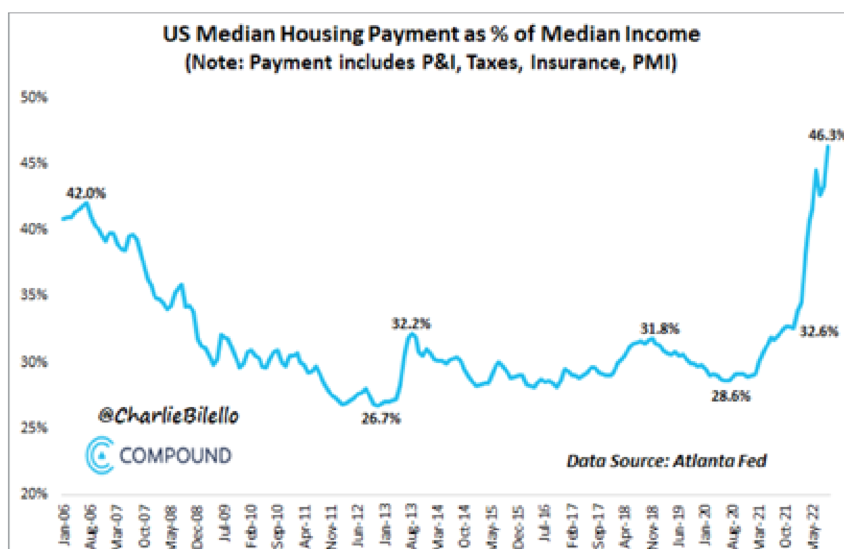
It's had a nice run-up over the past couple of years.

And we can trace that back to the pandemic.

In 2020, the COVID-19 crisis forced people to spend more time at home. And with remote work becoming more common, that trend accelerated.

As a result, people starting looking for more living space.

Couple this together with low interest rates, and you've got yourself a boom in the housing market. It resulted in a 40% increase in home prices in just two years.



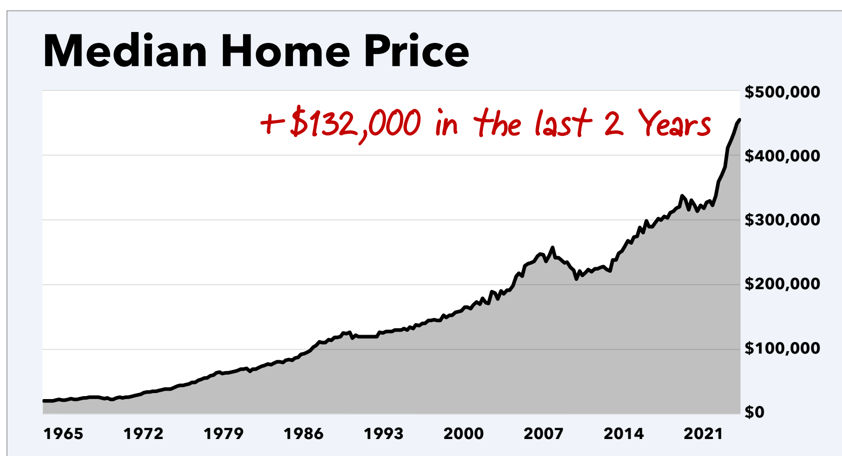
However, now that we're starting to emerge from a COVID-driven economy, this trend is starting to reverse.

New residential construction fell 30% from the end of 2021 to the end of 2022. And the number of new building permits issued — an indicator of future construction — fell 19%.

Another factor that's reversing course is mortgage rates. During the pandemic, the average fixed rate mortgage dropped to a historical low of 2.65%.

But as the Federal Reserve started to raise rates to combat inflation, mortgage rates rose too. In 2022, rates rose from about 3% at the start of the year to over 7% at the peak.

As a result, homeownership is more unaffordable than ever.



In fact, the percentage of the median housing payment as a percentage of median income jumped from 28.6% in 2020 to 46.4% in 2022.

It's not just because of the higher mortgage rates, either. Houses themselves are grossly overpriced.

As you know, real estate prices have been zooming higher. This was accelerated to unsustainable levels as the Fed dropped interest rates over the last decade.

What you may not know is exactly how big this bubble really is: The median home price went up more in the last two years than they did in the previous 20 years … $133,000!

That is the definition of a bubble if there ever was one!

In addition to homes becoming unaffordable, the housing market could get even worse in the near-term if the repeated interest rate hikes trigger a recession.

And the Federal Reserve CEO, James Bullard, has warned its benchmark interest rate could go up as high as 7% — nearly DOUBLE where it is today.

Which means mortgage rates could also double, hitting 10%, even 15%.

And that means real estate prices must fall.

You see, the average person can afford a mortgage payment of $2,064.

At a 2.5% interest, that was enough to buy a $525,000 home.

But with interest rates at 10% — one can only afford a $240,000 home.

As the housing market continues to get worse, the second biggest homebuilder in the U.S. by revenue, Lennar is a clear target to bet against.

In 2023, the company's revenues are expected to decline by 17%, and its EPS is expected to drop by a whopping 42%.

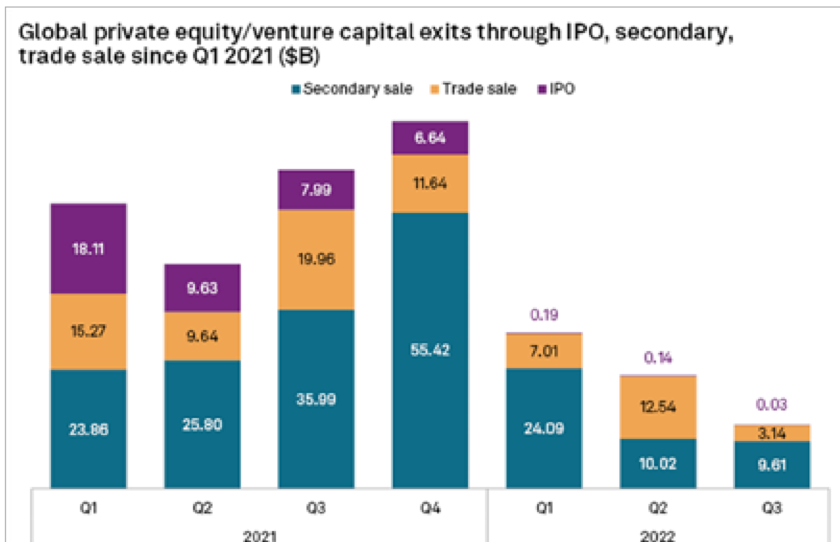
- **Stock No. 2: SVB Financial Group (Nasdaq: SIVB)**

SVB Financial Group is the holding company for Silicon Valley Bank, a leading commercial bank servicing early-stage technology and life sciences companies.

SVB thrived in the years following the great financial crisis. The rapid growth in Silicon Valley tech businesses that went from early-stage ventures to blockbuster IPOs allowed SVB's deposits and loan portfolios to grow at CAGR of over 40%.

However, in 2022, the entire tech sector melted down. The Fed's continuous rate hikes cut off access to

funding for growth opportunities. Meanwhile, rising inflation made the future profits promised by these companies a lot less valuable.



This is particularly bad news for SVB since 63% of its deposits come from technology and life sciences businesses. Keep in mind, more than half of these are early-stage companies.

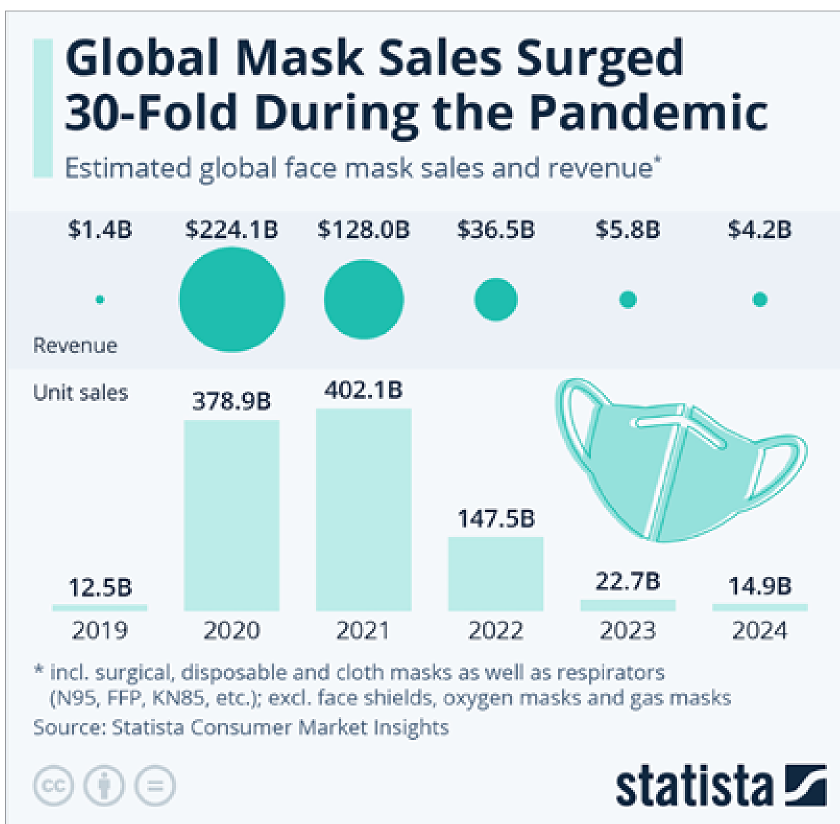
These deposits could shrink considerably since early-stage companies burn a lot of cash. They can't replenish it with new capital raises in the current environment, either.

When it comes to SVB's loan portfolio, it's heavily exposed to tech. Directly, 21% is exposed through loans to innovation and early-stage companies. The other 56% is indirectly exposed through loans to private equity and venture capital firms which invest in the tech sector.

PE and VC firms have had a challenging 2022 with the number of IPOs, secondary sales and trade sales plummeting from their 2021 levels.

Looking ahead in 2023, the Fed remains committed to raising interest rates, continuing to make it difficult for early-stage companies to grow.

Additionally, there is a looming risk of a recession, which could make things worse. Ultimately, it could lead to many — if not most — early-stage tech companies getting wiped out.



For SVB, this looks like a 5% expected decline in revenues in 2023 and a 21% decline in EPS following a 19% decline in 2022.

So we recommend avoiding it.

• Stock No. 3: 3M Company (NYSE: MMM)

3M is a conglomerate with diverse business segments. It's involved in everything from safety and industrial, transportation and electronics, to health care and consumer goods.

It's a well-known company that burst into the limelight during the COVID-19 pandemic. You might have noticed its logo on a mask or personal protective equipment.

As we all recall, the first reaction to the COIVD-19 the pandemic

was to “mask up.” A second reaction was fear. As a result, we were uneasy about outsourcing our mask supply needs to countries such as China.

That’s when American companies like 3M stepped up … and raked in the profits.

In 2020, 3M saw 12.3% sales growth in its health care segment after it sold 2 billion N95 masks and other products (such as hand sanitizers). Although the pace slowed a bit, the health care segment continued to grow 8.6% in 2021.

But in 2022, the world started to get back to normal. As a result, global mask sales dropped by more than half from the peak.

This drop was reflected in 3M’s revenues for the last quarter. In addition, its health care segment only grew 1.7% over that same quarter.

This is a trend that is expected to get worse in 2023 and 2024. In fact, mask volumes are expected to fall to near pre-pandemic levels.

For 3M, this translates into an expected decline in total revenues of 3% in 2022 and a decline of 2% in 2023, followed by flat growth in 2024.

In addition to falling mask sales, 2023 is set to be a bad year for 3M thanks to two ongoing lawsuits.

The first is over the company’s production of forever chemicals. The state of California is suing to compel companies such as 3M to pay to clean up the pollution associated with these chemicals.

Even if 3M does not lose this case, it has already decided to shut down this business segment — which accounts for around 4% of annual revenues.

The second lawsuit is over defective and ineffective earplugs manufactured by the company which led to hearing loss in over 200,000 military veterans. On the high end, Bloomberg estimates the potential loss from this trial to cost 3M around $100 billion. While on the low end, Wolfe Research estimates about $10 billion.

Either way, you definitely don’t want to have your cash sitting in 3M as we move further into 2023.

How to Prosper in the Middle Class Massacre: The Middle-Class Squeeze Stock to Buy Today

So here we are at a cross-roads.

You know three ways to protect your current investment gains.

And I just spelled out for you three stocks that you should avoid for the time being.

“But Ian,” you’re thinking. “What on earth should I be buying as the middle class gets crushed?”

I’m going to tell you.

But I’ll be frank: it’ll probably surprise you.

It doesn’t have anything to do with consumer staples, commodities or traditionally “recession-proof” sectors.

Instead, it’s all about betting on the fact that, no matter what, the rich keep on getting richer.

Remember, over the last two decades, the top 1% has increased their wealth while the rest of us have struggled just to keep up with the cost of living.

In fact, three of the richest men in America — Warren Buffett, Jeff Bezos and Bill Gates — have more wealth than 50% of Americans.

That’s insane.

As the middle class gets squeezed in today’s economy, don’t you think it is about time we reap the benefits of the uber rich investing?

I believe so.

That's why I recommend buying shares in **Apollo Global Management Inc. (NYSE: APO).**

Apollo, which operates as an alternative investment management company, focuses on investments that aim to generate outsized returns for their income-hungry clients.

I believe Apollo's share price has the potential to more than double over the next three to five years.

Let me explain why.

As the U.S. economy slows and inflation stays high, overleveraged corporations will have to restructure their debts in the next few years as we transition away from zero interest rates.

This is where Apollo steps in.

Apollo is a go-to source for companies looking to access low-cost capital solutions to sustain their business, fund their growth and achieve corporate objectives.

Take Hertz Global Holdings, for example.

In May 2020, in the midst of the pandemic, the iconic car rental company filed for bankruptcy protection.

You couldn't miss the news headlines.

Forbes

FORBES > MONEY

How Hertz Went From Bankrupt To Buying 100,000 Teslas

Kevin Dowd Forbes Staff

I write about buyouts, mergers, acquisitions and other dealmaking.

Nov 7, 2021, 07:00am EST

All looked dire.

But just one year later, in June 2021, Hertz officially emerged from bankruptcy.

In October 2021, just a few months later, Hertz placed a $4.2 billion order for 100,000 brand-new Teslas!

How did Hertz do it?

Three words: Apollo Global Management.

Amid bankruptcy, Hertz reached out to Apollo and found a financing partner.

Apollo was able to execute "a quick-turn, multi-billion-dollar series of transactions."

As a result, Hertz was able to continue operations and meet customers' needs.

Apollo was able to tailor capital solutions to Hertz's needs during a very tight time frame thanks to its broad industry expertise and extensive knowledge of Hertz itself.

Apollo provided $1.5 billion in preferred stock — a class of stock that is granted certain rights above common stock holders — as part of Hertz's bankruptcy auction.

This investment turned into a windfall for Apollo.

It was a deal that only Apollo could make. It wasn't available to the retail investor.

In just six months, Apollo redeemed its $1.5 billion investment for almost $1.9 billion. That was a return on investment of $375 million.

But Apollo does more than save sinking companies.

It helps the rich ... get richer.

Here's How Apollo Works

Founded in 1990, Apollo has a successful record in alternative investments.

With more than 2,100 employees, including more than 680 investment professionals worldwide, Apollo

serves institutional and individual investors across the risk-return spectrum in three main strategies: **Yield**, **Hybrid** and **Equity**.

Apollo's Yield business focuses on lending and capital solutions.

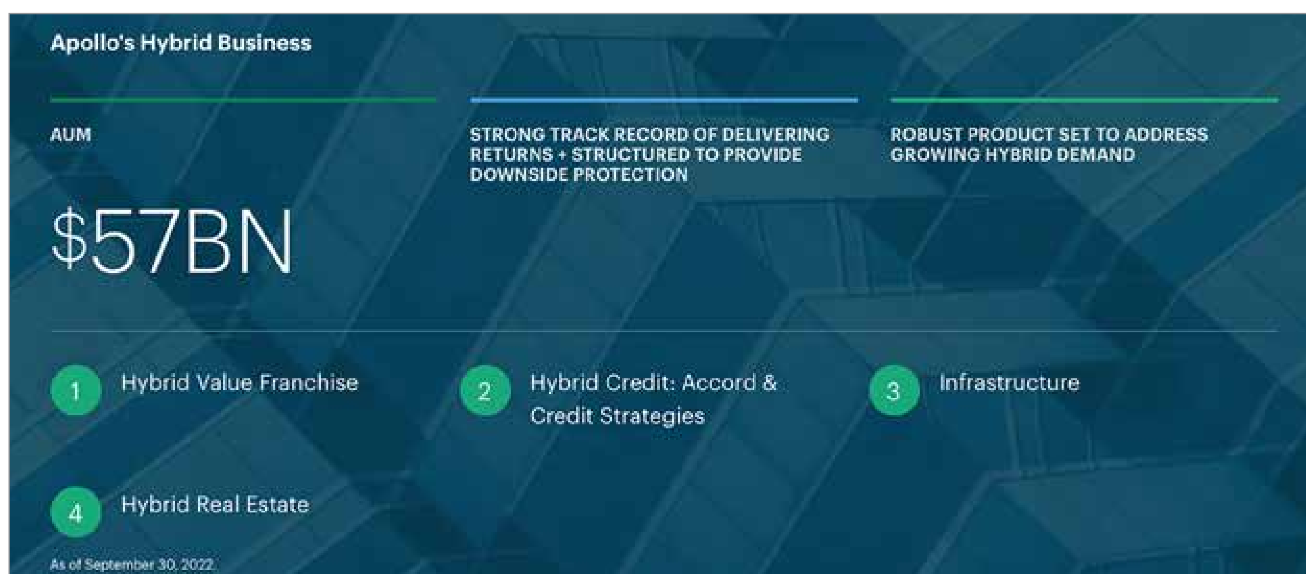
This business — which offers full financing options across private and public markets — is Apollo's largest asset management segment by assets under management (AUM), totaling over $370 billion.

According to Apollo, its Yield business provides access to "expertise across corporate fixed income, direct lending, structured credit, commercial real estate debt and more. Proprietary platforms and corporate solutions capabilities enable us to originate high-quality and safe-yielding assets for our investors."

Apollo's Yield business capital solutions allows the company to act as a trusted financing partner to companies, just like Hertz, and is a steadfast contributor to repeat lending and investment activity.

Apollo's Hybrid business is a $57 billion AUM that's laser-focused on hybrid debt and equity solutions.

Apollo's Hybrid strategies invest in all market environments — what I call an all-weather strategy.



Its Hybrid business aims to be well-positioned to deploy capital during both periods of economic distress and market strength. Apollo focuses "on uncovering the best risk-reward in any phase of the cycle."

Mr. James Zelter, Apollo's co-president and chief investment officer, frames its Hybrid business this way:

Apollo's Hybrid strategies offer some of the most attractive risk-reward opportunities we see across the platform while allowing us to act as a solutions provider to companies.

And finally, **Apollo's Equity business** is all about driving business transformation.

This business's focus is to build stronger companies, via hands-on investment which in turn helps boost local economies and "deliver outsize returns for investors."

Its flagship Private Equity strategy, which is the cornerstone of Apollo's Equity business, is one of the industry's leading performers for more than 30 years.

The $94 billion AUM franchise investment strategy centers around three principal transaction types: **buyouts, corporate carve-outs, and distressed investments**.

Apollo capitalizes on these three transaction types by finding value-oriented opportunities and strengthening performance through growth, innovation, and operational enhancements.

In all, Apollo's Equity business goal is to help build better companies that positively impact the community.

In addition to these three main business strategies — Yield, Hybrid and Equity — Apollo also has a **Retirement Services business**.

This segment seeks to help millions of people retire in a better position by providing guaranteed income products through **Athene**, a life and retirement reinsurance company acquired by Apollo in January 2022.

Apollo's Retirement Services business invests across private and public global markets to source high-quality, long-duration investments.

It's Time to Invest With the Rich

Apollo is in the business of "excess return per unit of risk" using alternative investments.

By alternative, I'm talking about investments that go beyond publicly traded stocks and bonds.

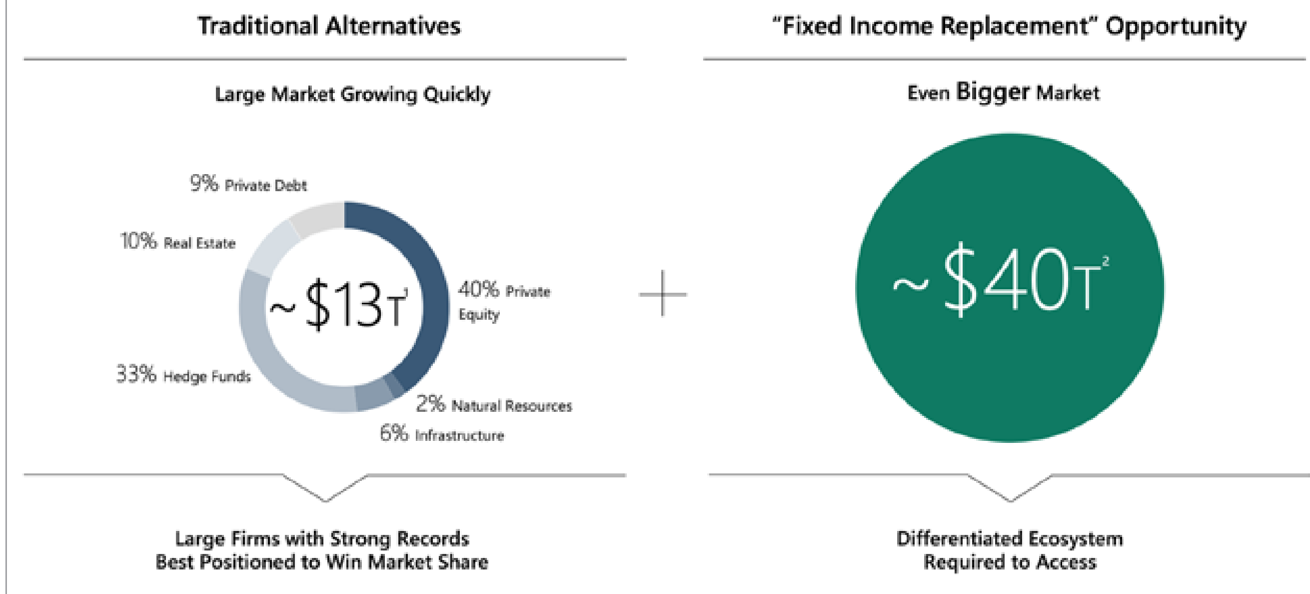
These are the types of strategies not typically available to the average investor.

An important part of its business caters to **high-net-worth** clients, aka the rich.

Apollo has created a suite of products that help the rich get richer.

As CEO Marc Rowan sees it, the biggest client base that needs alternatives in today's market are high-net-worth clients.

According to him, high-net-worth individuals will be eager to adopt alternatives. And rather than only keep 50% of their wealth in alternatives, they may move to a bigger allocation.



And that, if you recall, is Apollo's specialty. This is an investment opportunity in the making for us.

Apollo has the largest addressable market among its peers.

And the most promising outlook for the company's share price is that most of Apollo's earnings are generated by nearly guaranteed fees from across its business strategies.

Per *Seeking Alpha*, Apollo's fee-related business comprises Apollo's private markets business. Here, fees "are earned as a percentage of long-term committed capital. Capital is generally locked up for seven-plus years and fees are earned on committed capital."

What this means is stable, recurring income for Apollo — and for its shareholders.

In December 2022, Mr. Rowan was interviewed by Goldman Sachs at the U.S. Financial Services Conference.

He shared the following take on his business:

> *…As you roll into 2023, a high-net-worth investor will be able to buy from Apollo the equivalent of what they can buy from any diversified asset manager, <u>but as an alternative</u>.*
>
> *You will be able to buy alternative investment-grade only yield, you will be able to buy alternative total return, alternative opportunistic… alternative hedge fund, alternative to publicly traded stocks, S&P 500.*
>
> *And you will be able to <u>buy it from us</u>, inside of annuity, to defer taxes to at least 59.5* [years of age], *but more likely forever, as a pure retirement savings vehicle.*

I think we're in the really early stages of adoption for alternatives.

Investing in Apollo Global Management, which seeks alternative forms of investments that help the rich get richer, is a pure play way to counteract the squeeze being placed on the middle class.

Plus, the company has paid a healthy, steady dividend yield of 2.32% since 2019.

So, here is your action to take.

Action to Take to Follow Our Model Portfolio: Buy Apollo Global Management Inc. (NYSE: APO) at the market.

It’s Time to Prepare for the Middle Class Massacre

That’s it for now. I hope you enjoyed reading this guide to surviving and prospering during the next economic crisis.

In the meantime, make sure to tune in every Tuesday for your weekly update. It’s here that I’ll give you the most up-to-date information on the market, the economy and your model portfolio.

That weekly update hits your inbox every Tuesday afternoon, but if you ever miss it, you can also find it here on the website.

Until then, stay safe.

Regards,

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