March 31, 2022
Market Update

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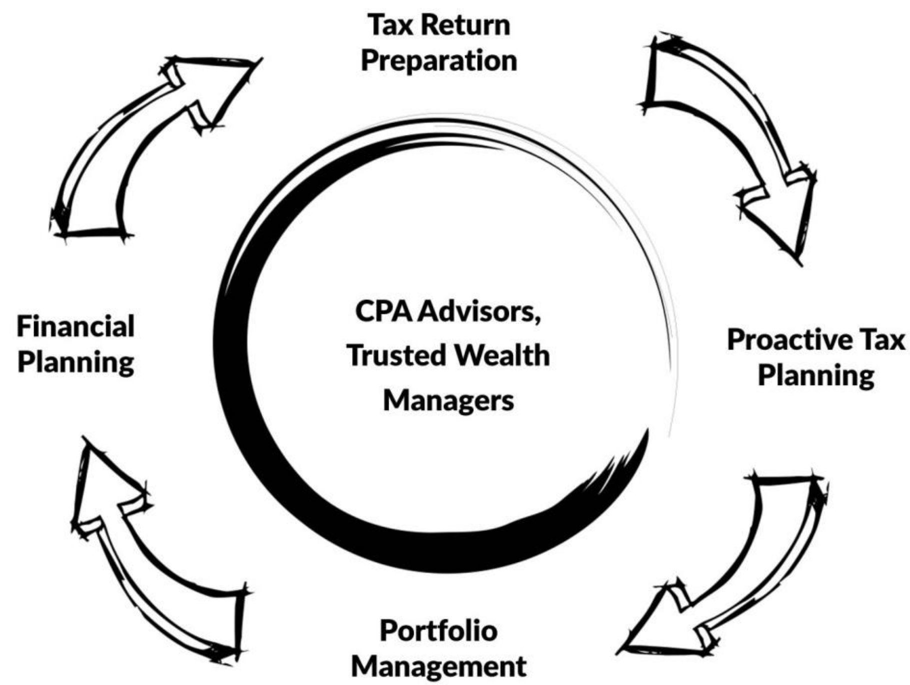

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- Legal advice provided to California clients only via Nelson & Vogelheim (aka "FFG Law"), an affiliated law practice only after signing a legal engagement letter. Thomas Vogelheim is a California licensed attorney who practices estate planning through this separate entity.

- Richard Davey is a licensed real estate agent in the state of Idaho. Trevor Scotto is a licensed real estate agent in the state of California. They may offer clients services from this separate business. As real estate agents, they may receive separate yet typical compensation for these services which will be disclosed in detail if they are ever to arise.

Outline

Q1’2022 Market Review

- A Review of Some Benchmarks: Worldwide Index Returns for Q1’2022 and Full Year 2021

Hot Topics for 2022

- Interest Rates and Recession Risks
  - Treasury Yield Curve Inversion: A Recession Warning Signal
  - Leading Economic Indicators

- Inflation
  - Most necessities are getting more expensive
  - COVID-19 Impacts and Russia/Ukraine War

- Housing
  - Housing Price Indices
  - Mortgage Rates / Affordability
  - Inventory

Investing in Times of Uncertainty

- Do the Opposite of the Retail Investor
- Short-Term – Cash is King – Flights to the US Dollar
- 5 Year Stock Returns Following Major Bear Markets
- The Durability of the Stock Market Over the Last Century
- Stocks – Style Themes / Diversification Themes
- Bonds
- Precious Metals – The Truly Uncorrelated Asset Class

Conclusions

Presentation Conclusions (if you aren't interested in the details)

- Most major asset classes (even bonds) are negative year-to-date through 3/31/2022
- The inversion of the 2/30-year treasury yields is reason to be cautious, but most major economic indicators still signal a very strong economy and relying on this metric alone can cause investors to miss out on late-stage stock market rallies.
- Inflation is broad-spread and was a major problem before Putin's war in Ukraine. That said, inflation will likely be exacerbated by the war, particularly with higher prices in metals, petroleum, and grain products. Supply shortages caused by COVID-19 shutdowns are clearly a culprit and show a parallel between this period and the 1945-1949 post WW2 period. Unprecedented world reserve currency supply growth (dollars, yen, euros, pounds, etc.) is likely also a major factor.
- Signs are brewing of a real estate bubble. Affordability is way down, inventory is up, and prices are now above the 2006-2007 bubble highs on the Zillow, Case/Shiller, and FHFA housing indexes even after adjusting for inflation.
- Retail investors have underperformed almost all investment asset class static returns over the last 20 years. We attribute this to two dynamics: (1) panic / emotional selling that is more common among uncoached investors, and (2) forced selling due to liquidity crunches which is more common among retail investors who have no financial plan in place to plan for bear market contingencies.

Presentation Conclusions (if you aren't interested in the details)

- The batting average of a broad stock market index investment over 5+ year holding periods is truly incredible. With diversification across indexes, odds tilt even further in the investors' favor, but plans must be built around the ability to hold stocks for a 5+ year period to take advantage of this dynamic.
- Since the early 1950s, wars have provided little predictive power for the volatility / magnitude of stock market returns relative to long-run averages.
- There is a lot of talk about a "stock market bubble" in the US. Looking at price-to-earnings multiples, valuations aren't that crazy in many segments of the market especially with low interest rates - But mid-cap and large-cap growth stocks appear very overvalued.
- International stocks appear to be priced at the best bargains seen in 20 years when viewed relative to US stocks.
- Investment grade corporate bonds which now pay ~4% are starting to make sense for ballast in client portfolios to mitigate stock market risk.
- Gold's uncorrelated returns and strong historical performance during major stock market declines support this asset class being a great hedge for a portfolio during times of crisis (record inflation and global geopolitical conflict).

Benchmark Index Returns

March 31, 2022 YTD Returns and 2021 Full Calendar Year Returns

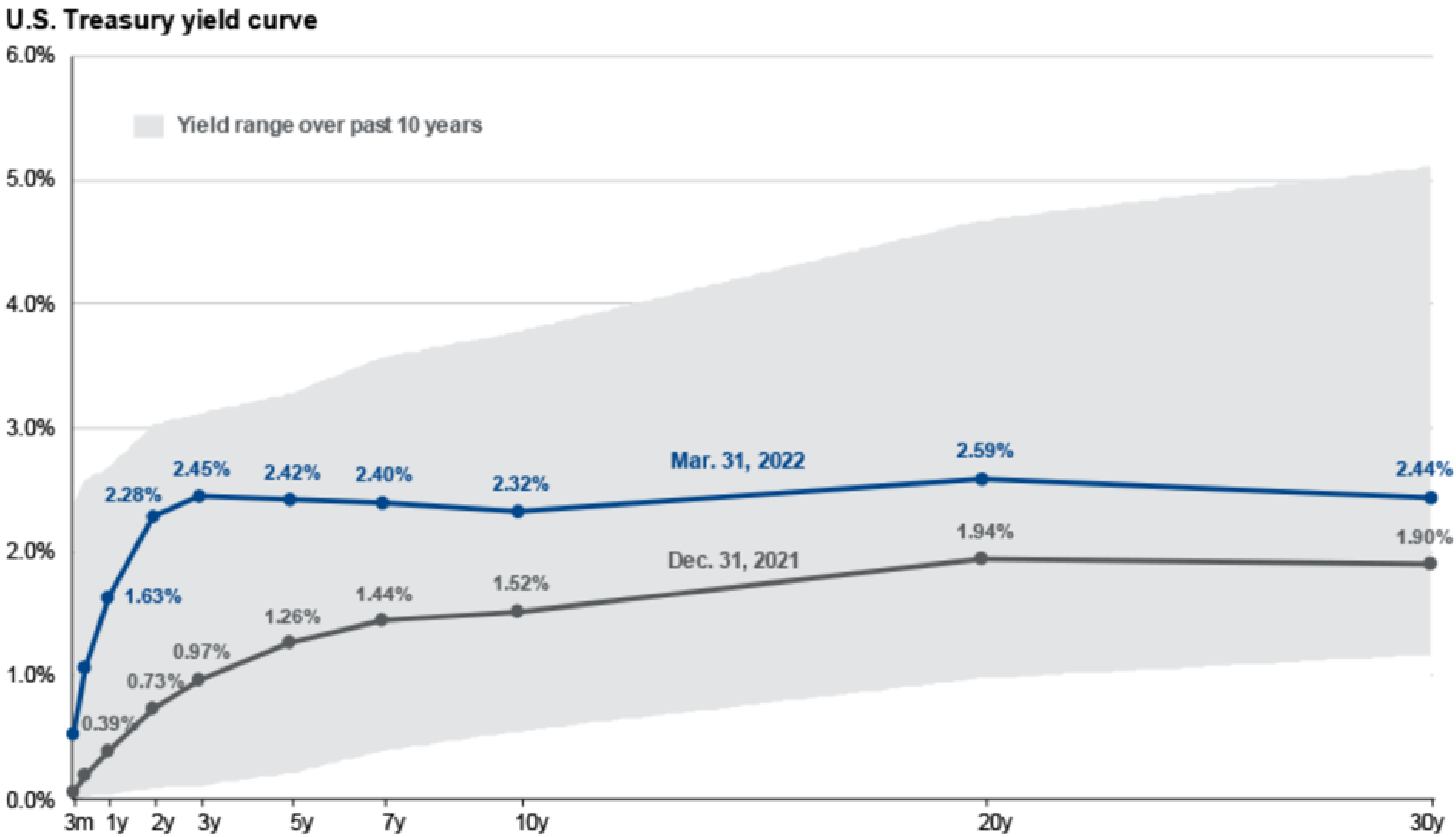
Category	Ticker	Description	2022	2021
Major World Stock Indices	SPY	S&P 500	-4.6%	28.6%
	DIA	Dow Jones	-4.1%	20.8%
	IWM	Small Cap Stocks	-7.5%	14.6%
	IWF	Russell 1000 Large Growth	-9.1%	27.4%
	IWD	Russell 1000 Large Value	-0.8%	24.9%
	EFG	EAFE Growth (INT'L Growth)	-12.9%	11.0%
	EFV	EAFE Value (INT'L Value)	-0.6%	10.8%
	IEV	European 350	-8.0%	16.3%
	EWJ	Japanese Stocks	-8.1%	1.6%
	MCHI	Chinese Stocks	-15.6%	-22.4%
	INDA	Indian Stocks	-2.8%	22.4%
	EEM	Emerging Market Stocks	-7.8%	-3.7%
Bonds Indices	GOVT	US FED Gov't Bonds	-5.5%	-2.5%
	TFI	US State/Local (Muni) Gov't Bonds	-7.1%	0.4%
	LQD	US High Credit Rating Corp Bonds	-8.4%	-1.6%
	JNK	US Low Credit Rating Corp Bonds	-4.7%	4.3%
	IAGG	International Bonds	-4.3%	-1.8%

Category	Ticker	Description	2022	2021
Benchmark Funds	AOR	Growth (~60-70% Stocks)	-5.5%	11.1%
	AOM	Moderate (~40-50% " ")	-5.6%	6.9%
	AOK	Conservative (~25-35% " ")	-5.6%	4.8%
USA Industry Stock Sectors	XLY	Consumer Discretionary	-9.4%	27.9%
	XLP	Consumer Staples	-1.3%	17.1%
	XLE	Energy	39.0%	53.3%
	XLF	Financial	-1.5%	34.8%
	XLV	Healthcare	-2.6%	25.9%
	XLI	Industrial	-2.4%	21.0%
	XLB	Materials	-2.4%	27.5%
	RWR	Real Estate Inv Trusts	-3.8%	45.5%
	XTL	Telecommunications	-8.7%	21.4%
	XLK	Technology	-8.5%	34.6%
	XLU	Utilities	4.7%	17.6%
Tangibles	DBC	Broad Commodities Index	25.8%	41.4%
	N/A	US Crude Oil (Futures)	32.5%	56.5%
	GLD	Gold Bullion	6.6%	-4.1%

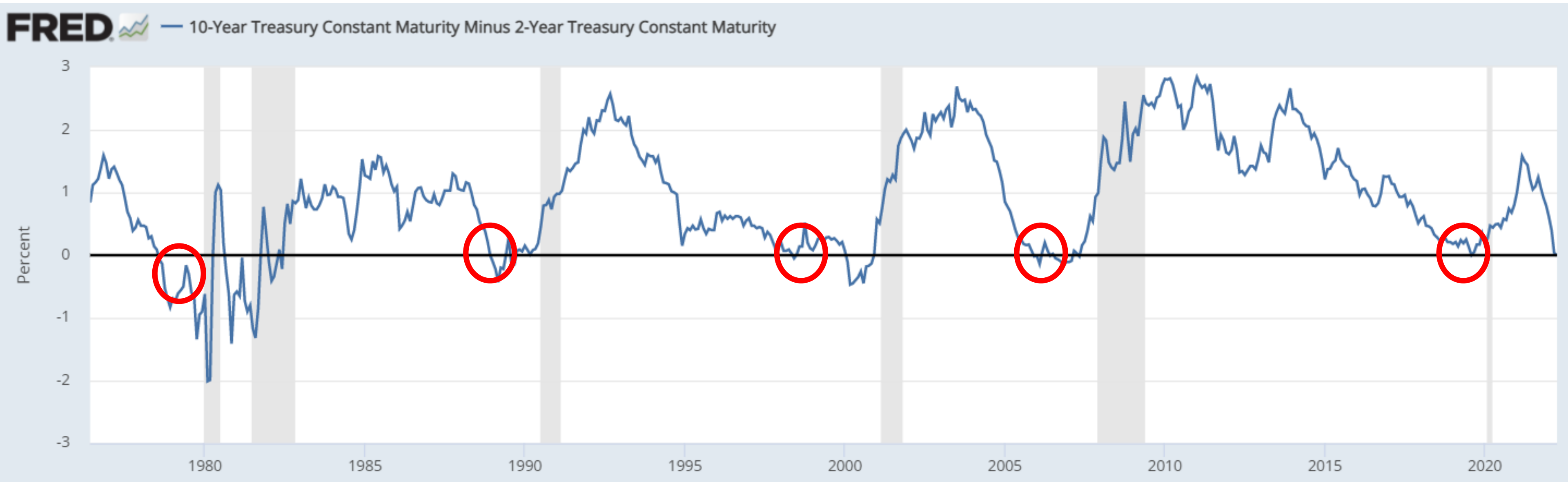
Data as of market close - 03/31/2022 - pulled from morningstar.com >> performance by ticker symbol >> net asset value (NAV) total return %

**Rounded to one decimal place*

Interest Rates & Recession Risk: Yield Curve Inversions Have Been Reliable Predictors of Recessions in the past, but …



Interest Rates & Recession Risk: Inversions are sometimes early which if followed blindly can cause investors to miss late-stage bull-run rallies.

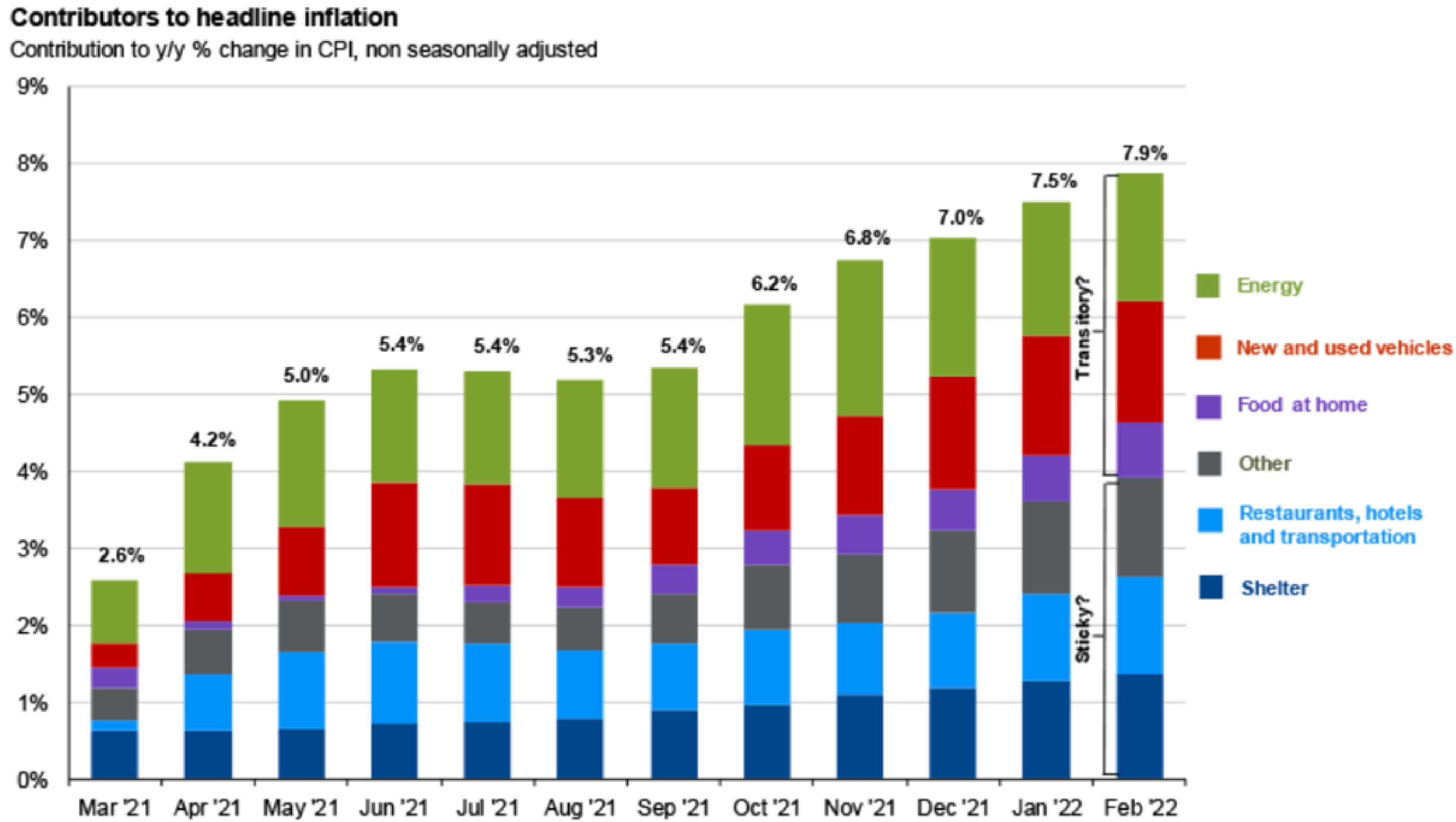


Recession Risk: Most leading economic indicators are still signaling expansion, but wage growth has tapered off recently and money supply growth is under threat with more hawkish rhetoric related to treasury asset purchases (aka quantitative easing) being released by the FED in recent weeks.

U.S. Recession Risk Indicators

		March 31, 2022	December 31, 2022	September 30, 2021
Consumer	Housing Permits	↑	↑	↑
	Job Sentiment	↑	↑	↑
	Jobless Claims	↑	↑	↑
	Retail Sales	↑	↑	↑
	Wage Growth	✕	✕	↑
Business Activity	Commodities	↑	↑	↑
	ISM New Orders	↑	↑	↑
	Profit Margins	↑	↑	↑
	Truck Shipments	↑	↑	↑
Financial	Credit Spreads	↑	↑	↑
	Money Supply	●	●	↑
	Yield Curve	↑	↑	↑
	Overall Signal	↑	↑	↑

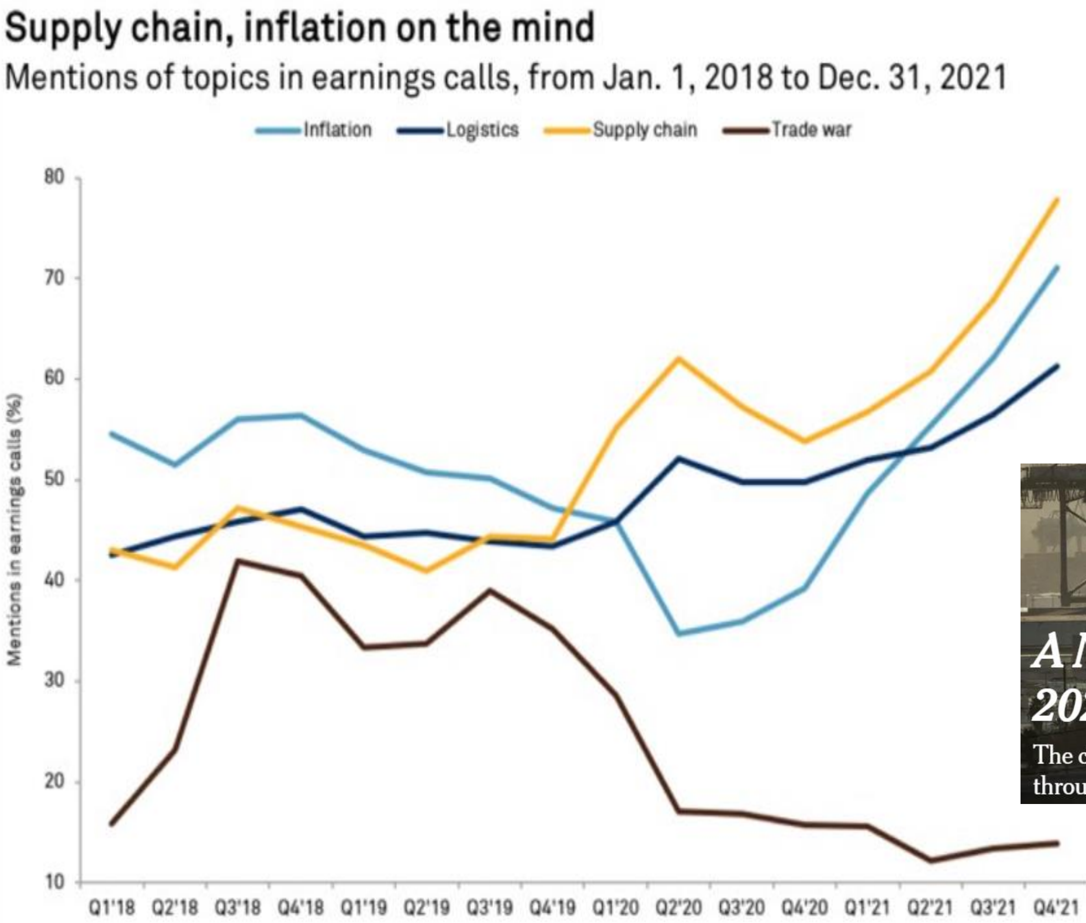
Inflation: It's Broad-Based and Was a Problem Well Before "Putin's War"



Source: BLS, J.P. Morgan Asset Management. Contributions mirror the BLS methodology on Table 7 of the CPI report. Values may not sum to headline CPI figures due to rounding and underlying calculations. "Shelter" includes owners equivalent rent and rent of primary residence. "Other" primarily reflects household furnishings, apparel and medical care services.
Guide to the Markets – U.S. Data are as of March 31, 2022.

J.P.Morgan

Inflation: As of year-end, supply chain constraints are still worsening.



Inflation: Shortage-Induced Inflation Explained In The Words of the World's Richest Person…. And History Was His Guide

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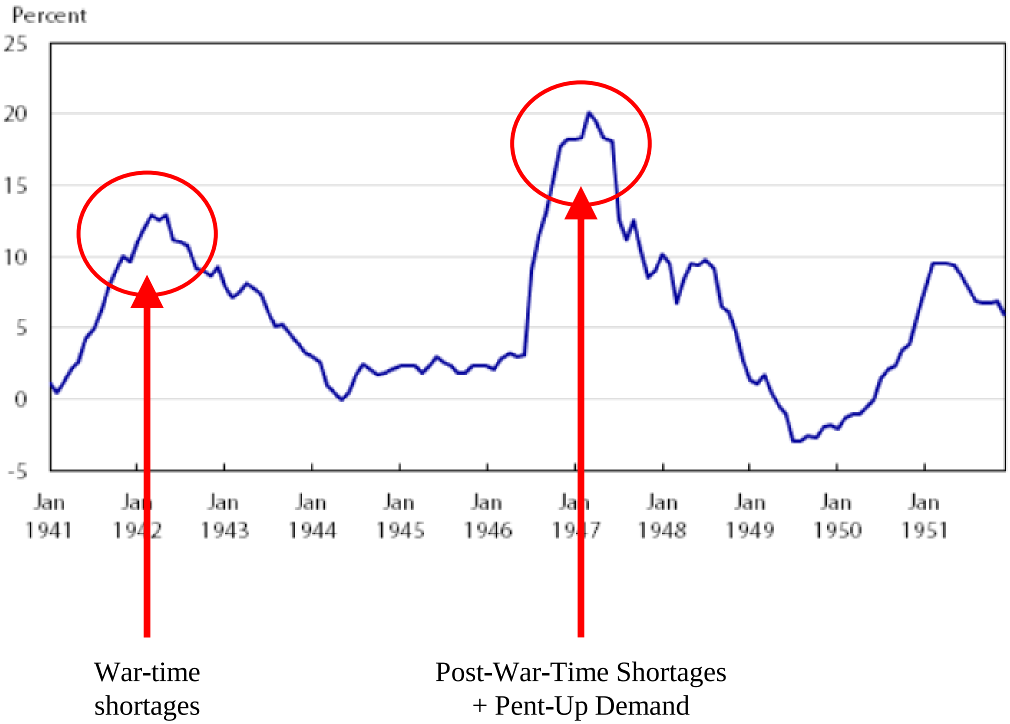
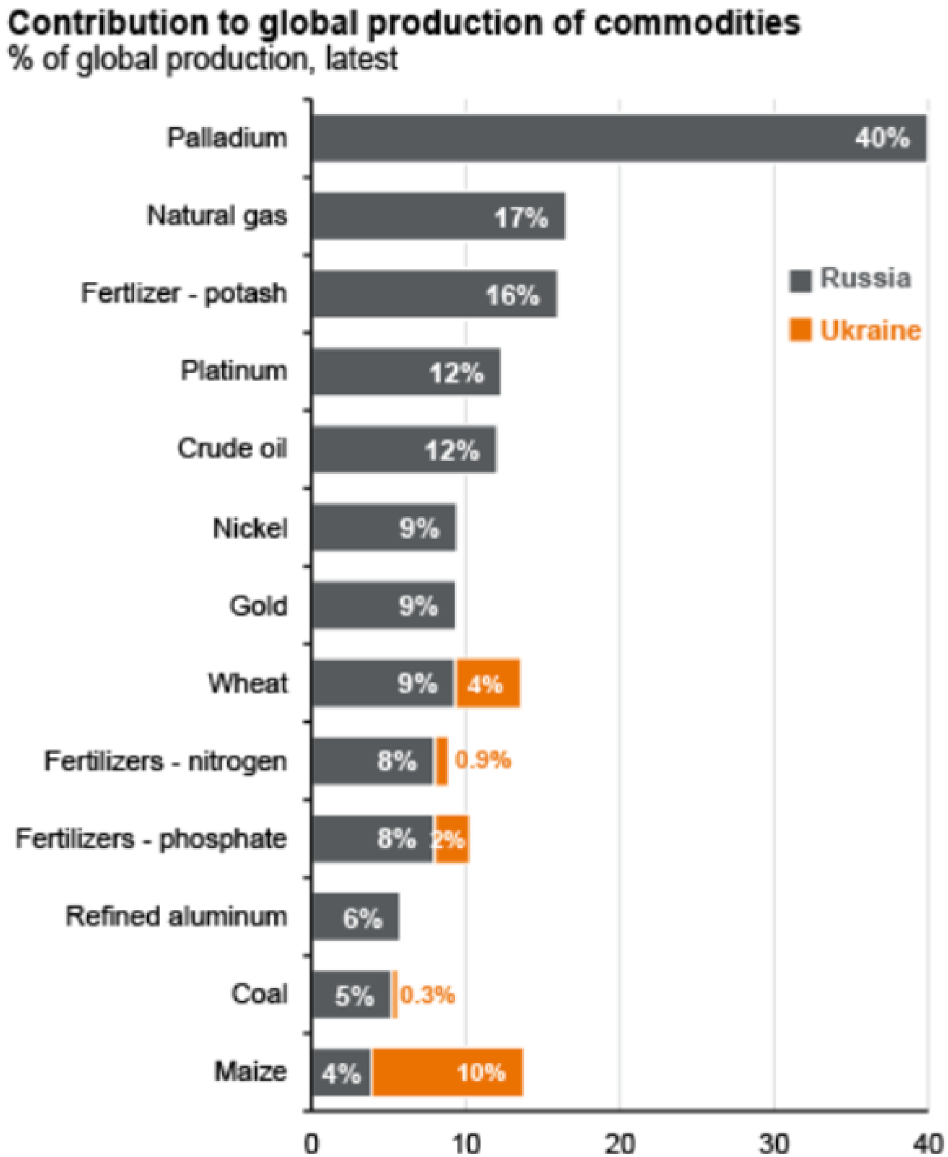
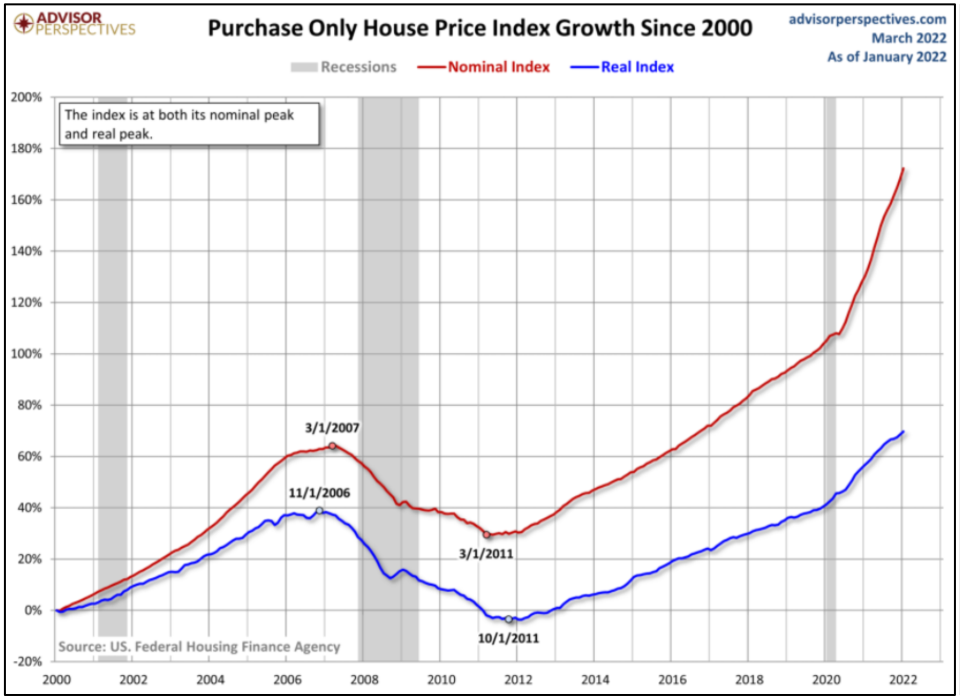
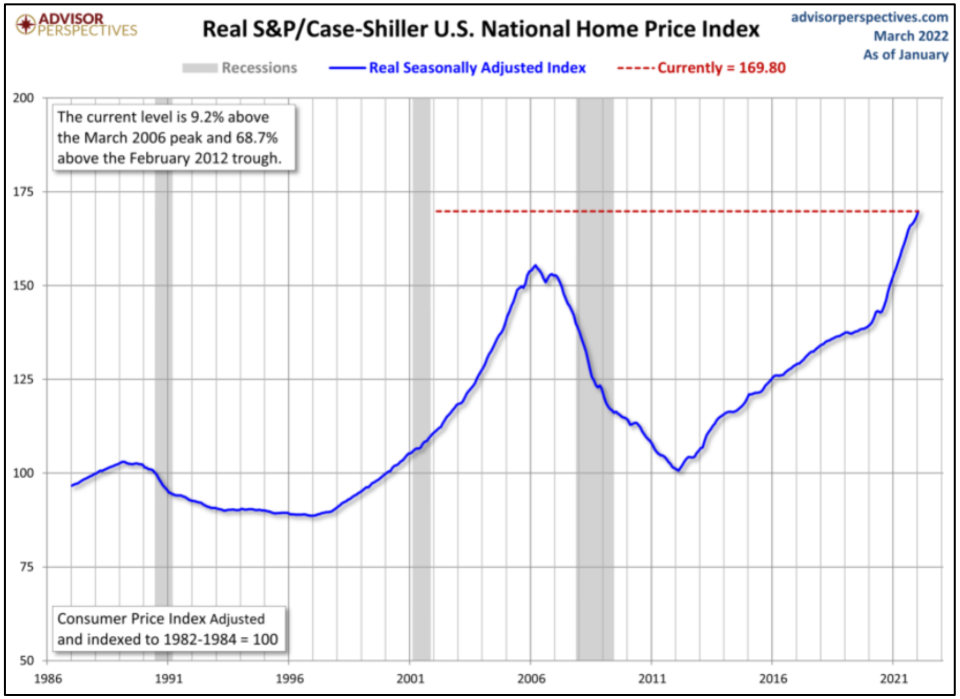


Inflation: Russia/Ukraine War Only Worsens Existing Problems

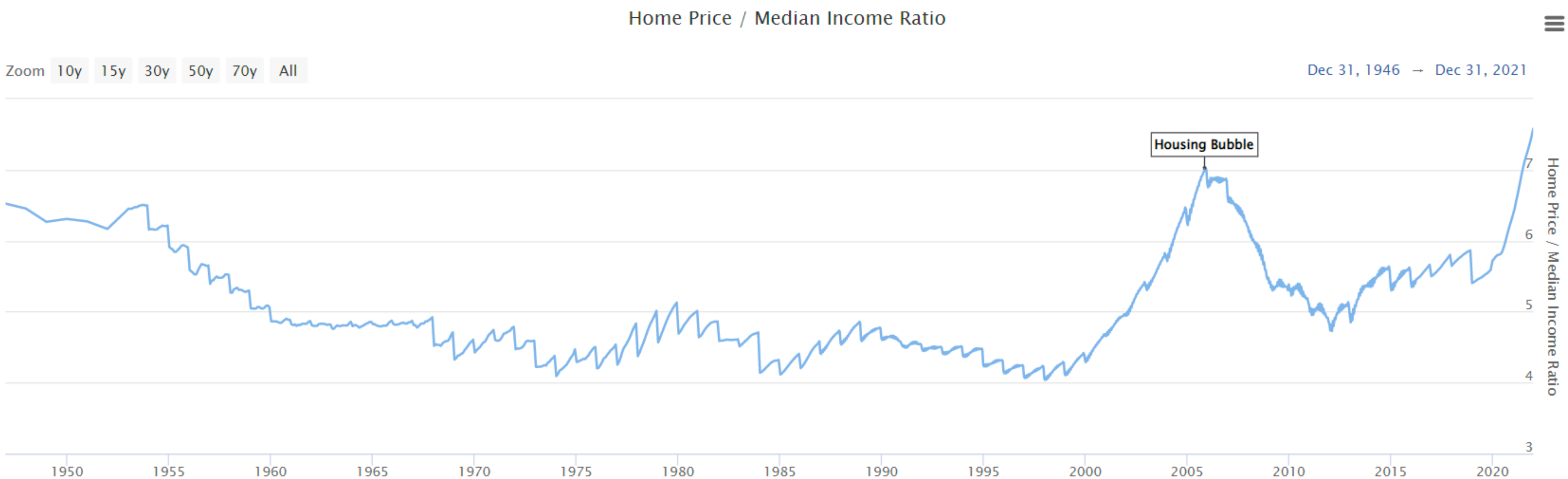


Housing: Pricing Is Historic – Even After Adjusting for Inflation

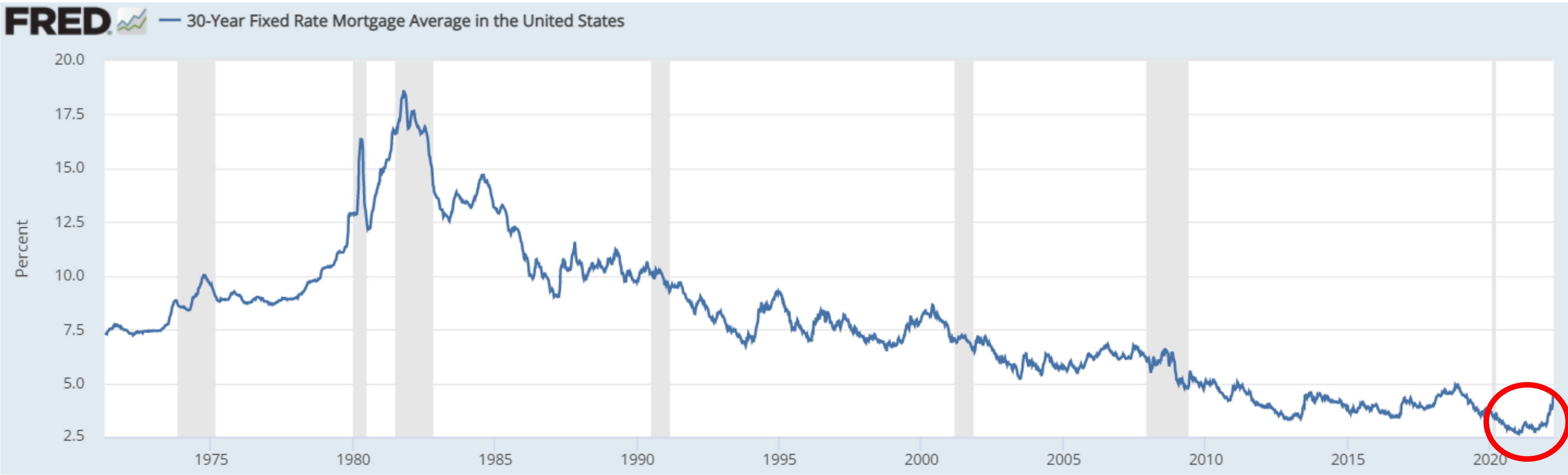




Housing: Affordability is at the worst level in 75+ years

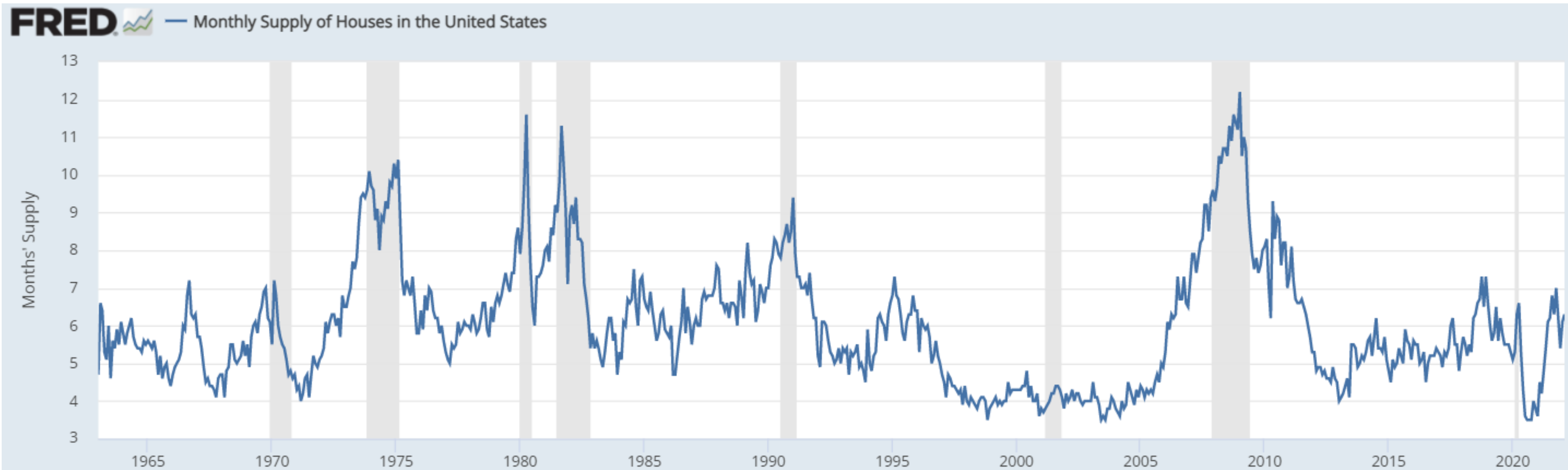


Housing : 30 Year Fixed Rate Mortgage YoY Change Looks Like a Minor Uptick… Tell That To Someone with a $1 Million Mortgage!



[01/07/2021 Low]	30 Year Fixed Mortgage Payment on a $1M Mortgage at 2.65% >>	$4,029/mo
[03/31/2022 Current]	Year Fixed Mortgage Payment on a $1M Mortgage at 4.67% >>	$5,168/mo
		+$1,139/mo
		28% increase

Housing : The Main Bull-Case for a Continued Real Estate Boom
Inventory Remains [somewhat] Low



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War

Supply Shortages

What Should You Do in Times of Uncertainty?

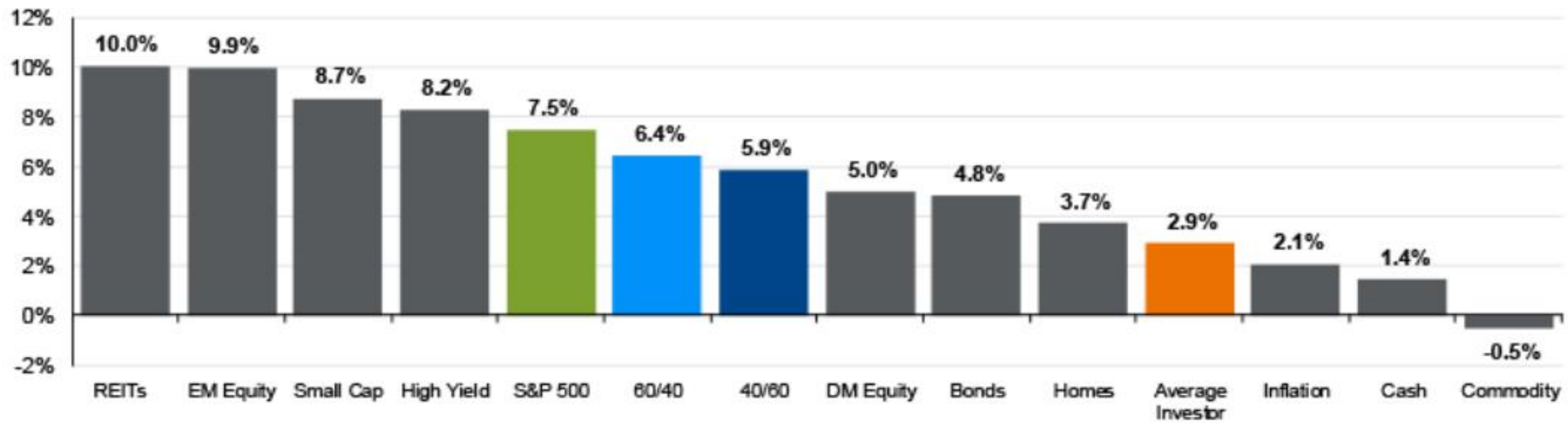
Bubbles

Inflation

Investing in Times of Crisis: Avoid common "retail investor" behavior – Clearly it doesn't work!

- Reactionary (emotional) attempts to time the market's violent swings
- Performance chasing – what HAS worked isn't necessarily what WILL work
- Concentration / lack of diversification
- Lack of Research / Due Diligence – this is especially common with private investments where fraud risks are magnified
- Financial planning using "rosy scenarios" for income/job stability which can lead to surprise liquidity crunches in recessions/bear markets that instigate forced selling of stocks at the bottom (even if not intended).

20-year annualized returns by asset class (2001 – 2020)



Source: Bloomberg, FactSet, Standard & Poor's, J.P. Morgan Asset Management; (Bottom) Dalbar Inc., MSCI, NAREIT, Russell.
Indices used are as follows: REITs: NAREIT Equity REIT Index, Small Cap: Russell 2000, EM Equity: MSCI EM, DM Equity: MSCI EAFE, Commodity: Bloomberg Commodity Index, High Yield: Bloomberg Global HY Index, Bonds: Bloomberg U.S. Aggregate Index, Homes: median sale price of existing single-family homes, Cash: Bloomberg 1-3m Treasury, Inflation: CPI. 60/40: A balanced portfolio with 60% invested in S&P 500 Index and 40% invested in high-quality U.S. fixed income, represented by the Bloomberg U.S. Aggregate Index. The portfolio is rebalanced annually. Average asset allocation investor return is based on an analysis by Dalbar Inc., which utilizes the net of aggregate mutual fund sales, redemptions and exchanges each month as a measure of investor behavior.
Guide to the Markets – U.S. Data are as of March 31, 2022.

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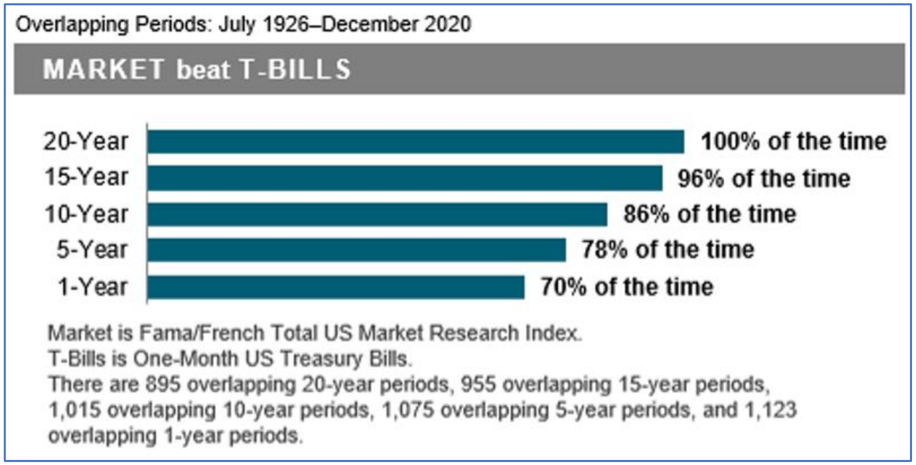
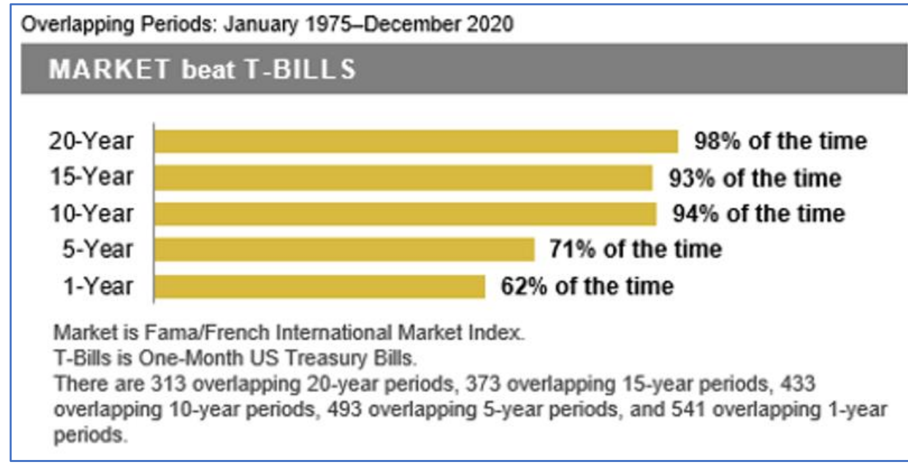
ASSET MANAGEMENT

Investing in Times of Crisis

Cash is King for Short-Term Needs, But….

It's a Dismal Long-Term Wealth-Building Asset





Key Takeaway: *Make sure your reserves are funded for the short-term so that your stocks can be left to cook for the long-term.*

General Liquidity Guidelines

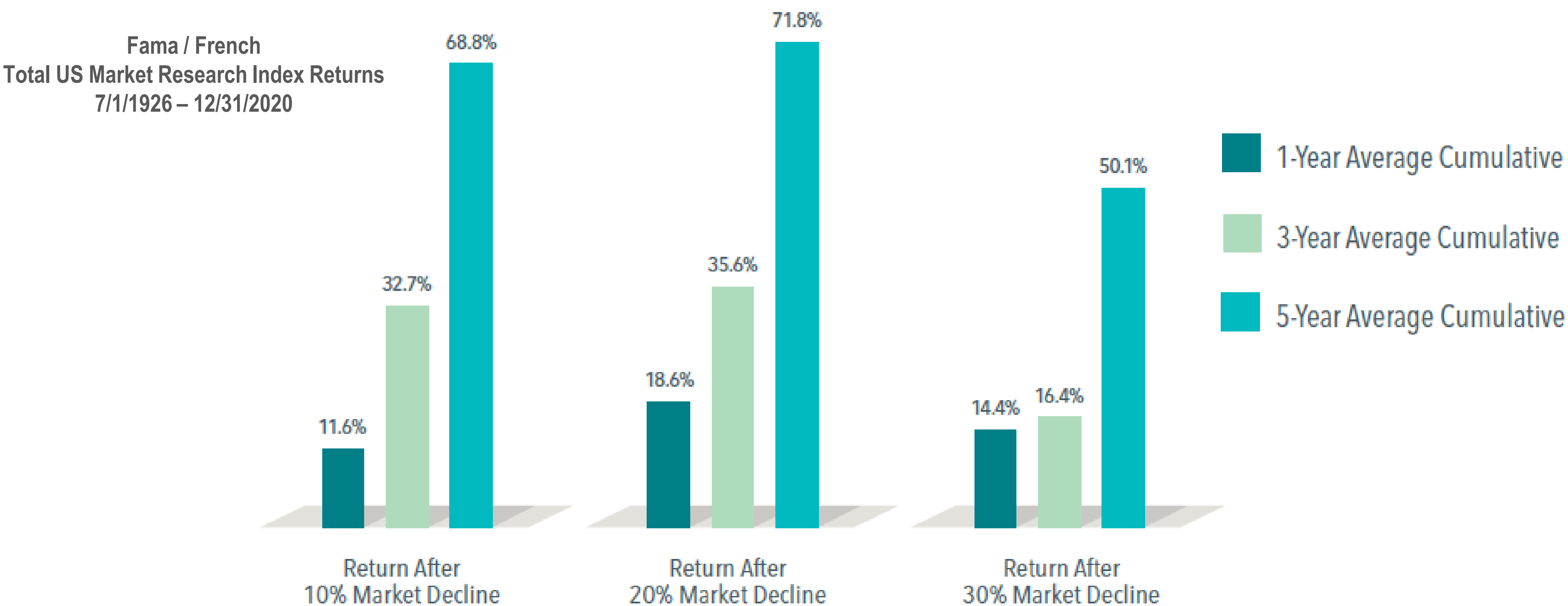
- Young Accumulators with No Dependents >> ~4-6 months living expenses in cash
- Accumulators with Dependents >> ~9-12 months living expenses
- Retirees in Distribution Phase >> ~1-2 years of cash, 5-10 years of investment grade bonds

Stock Market Resilience Over Time – "Just Hold On Tight And You'll Make it Back."

Have you done the planning to execute on this strategy? Or is it just wishful thinking?

- Have you built a "crisis budget"?
- Have you avoided variable rate debt?
- Are your cash reserves sufficiently funded?
- Is proper insurance in place to protect your income and risks posed by chronic illness?
- If you are still working, are you honing your job skills to remain irreplaceable?

***Takeaway:* Make sure you are positioned to stay invested after major declines when returns have historically been very attractive. This involves being emotionally and strategically prepared for these events.**



Stock Market Resilience: Have Wars Disrupted the Upward Trend Line of Markets?

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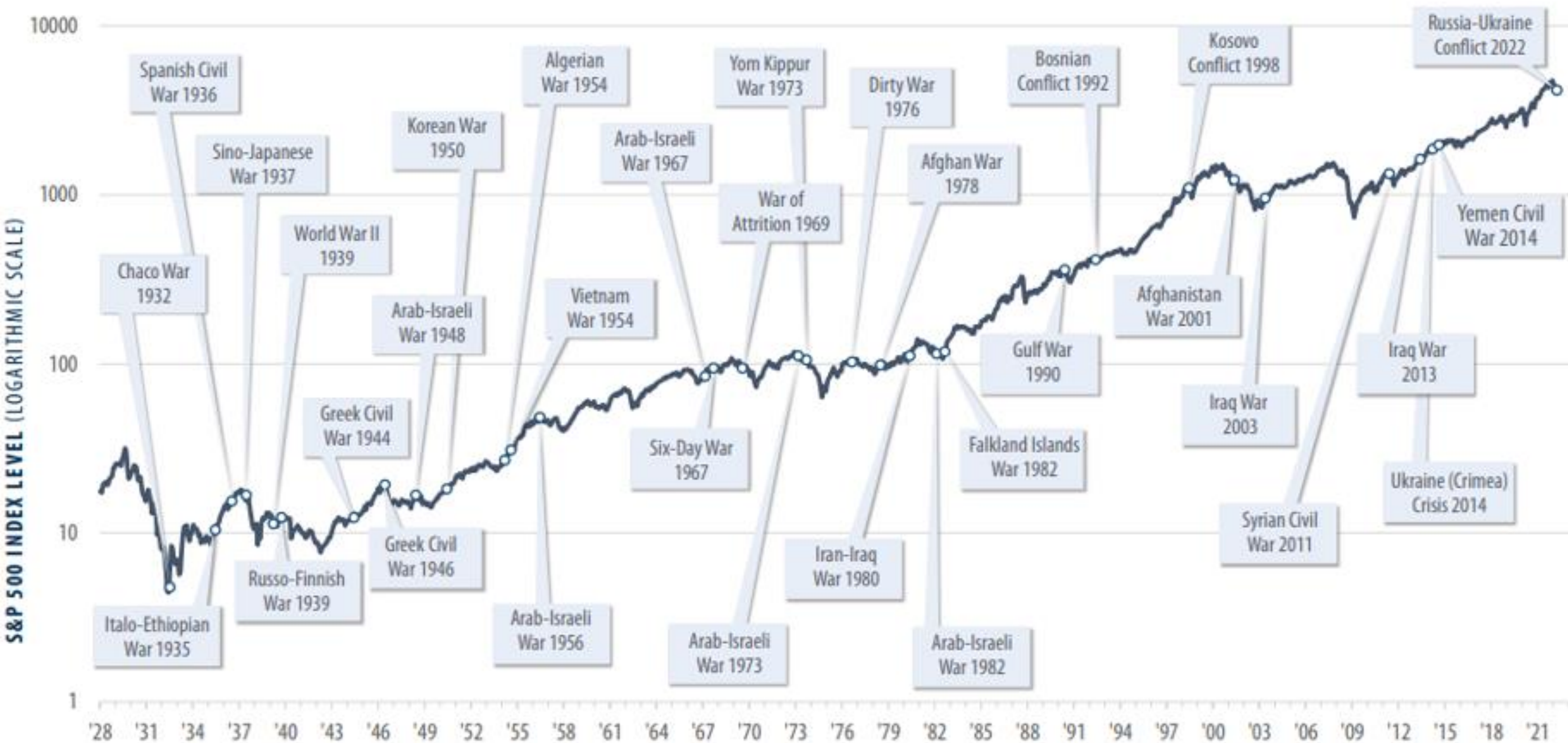
War Times & The Stock Market

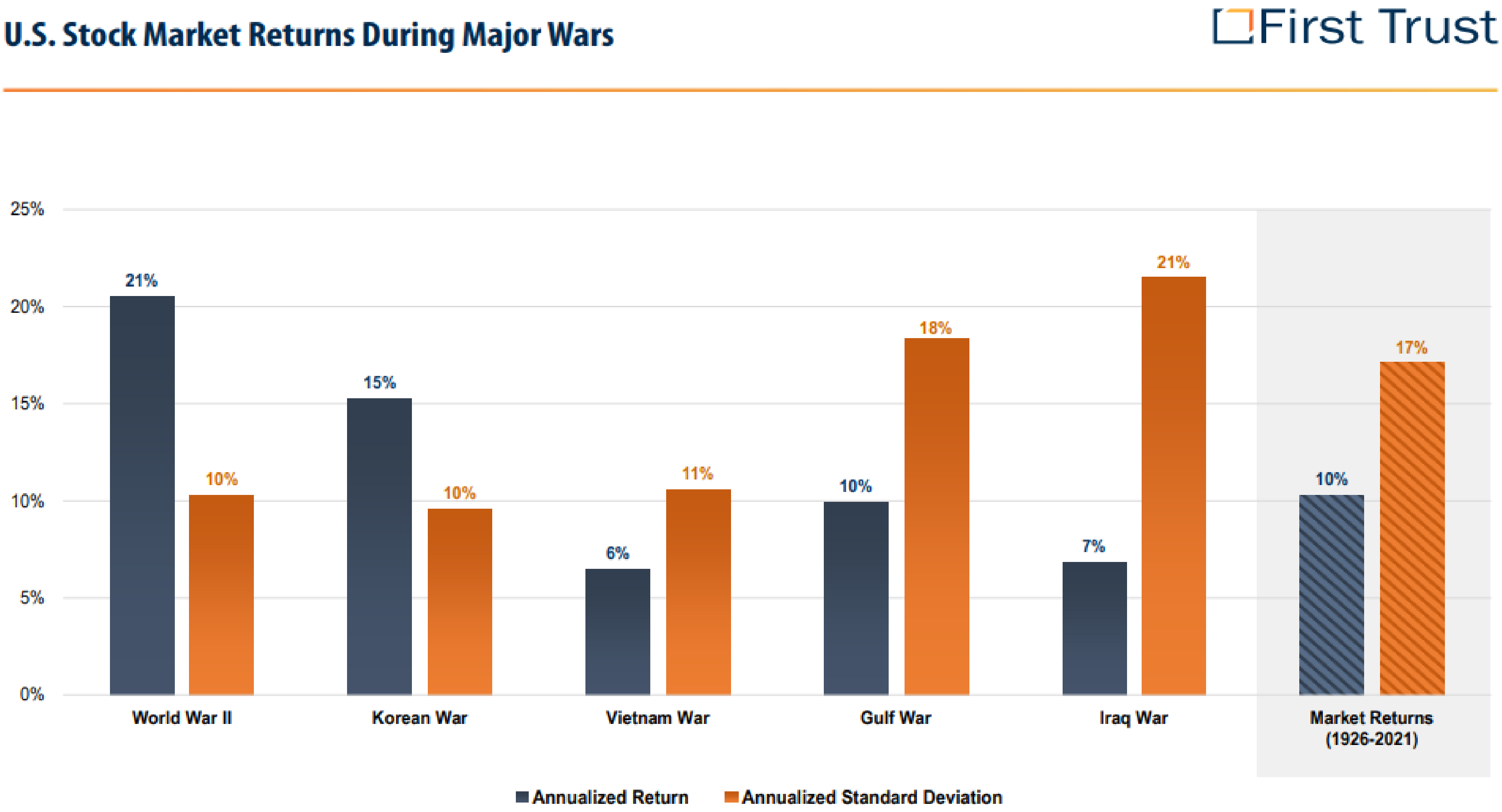
S&P 500 Index

First Trust

Wars and conflicts have been a constant throughout history, however recent events might cause us to look at how the stock market has performed during past times of war. The chart below shows the S&P 500 Index level since 1927 and several of the major wars and conflicts since then. Though uncertainty may temporarily shape the market, we believe seeing the market's overall resiliency can help maintain a long-term perspective.



Stock Market Resilience: Do Wars Generate Abnormal Returns from Long-Term Averages (+ or -)? A Quick Look Makes It Difficult to Draw Any Meaningful Conclusions



If We Shouldn’t Stock Pick or Market Time Based on Wars, What SHOULD We Look At?

- Relative Valuations of Various Stock Styles
- Relative Valuations of Various Region’s Stock Markets
- Various Asset Class Sensitivity / Exposure to Interest Rate Increases
- Hedges to Stock Market Volatility
    - Precious Metals
    - Investment Grade Bonds

Valuations of Different Stock Styles:

Value vs. Growth Stocks, Small vs. Large Companies

Current P/E vs. 20-year avg. P/E

	Value	Blend	Growth
Large	15.3 / 13.7	19.5 / 15.5	26.8 / 18.5
Mid	15.1 / 14.5	17.9 / 16.4	28.6 / 20.4
Small	14.7 / 17.0	21.1 / 21.4	40.5 / 35.5

Current P/E as % of 20-year avg. PE

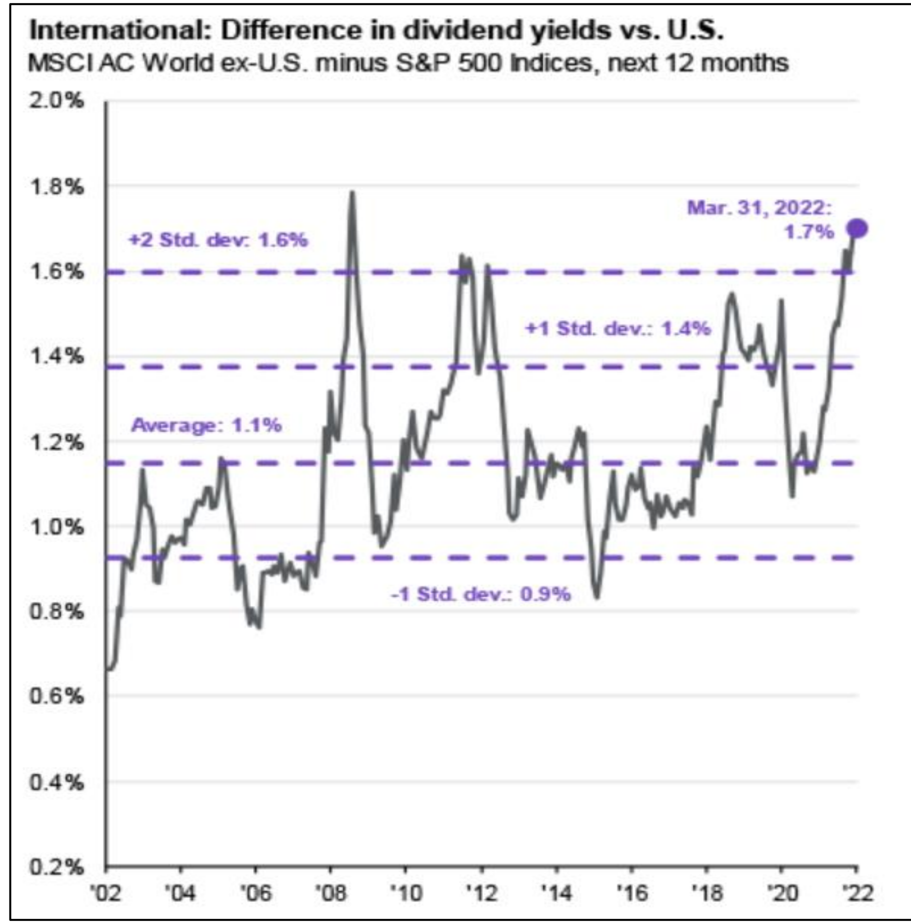
	Value	Blend	Growth
Large	111.7%	125.7%	144.7%
Mid	104.2%	109.1%	140.3%
Small	86.6%	98.6%	114.1%

With what are still historically low interest rates, modestly higher valuations are reasonable, but some segments appear to be very expensive, even after handicapping for low interest rates.

P/E – "Price to Earnings" Ratio – The amount of $s you pay for your share of $1.00/yr of annual profits of a company

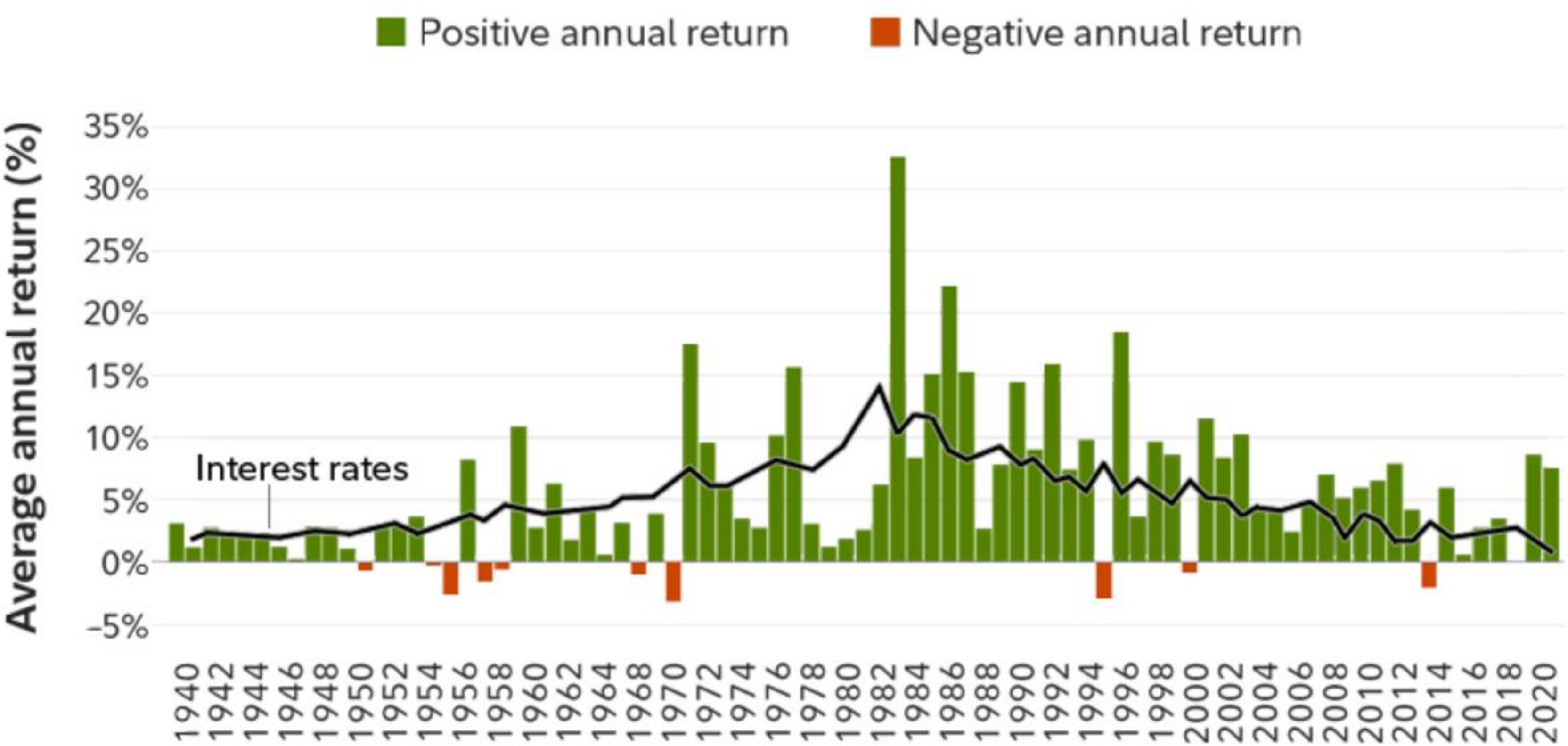
Valuations of Different Stock Styles:
US Stocks vs. Foreign Stocks In Aggregate

International stocks (relative to US Stocks) have rarely looked cheaper. Meaningful exposure here could be the recipe for protection from US-based market bubbles.



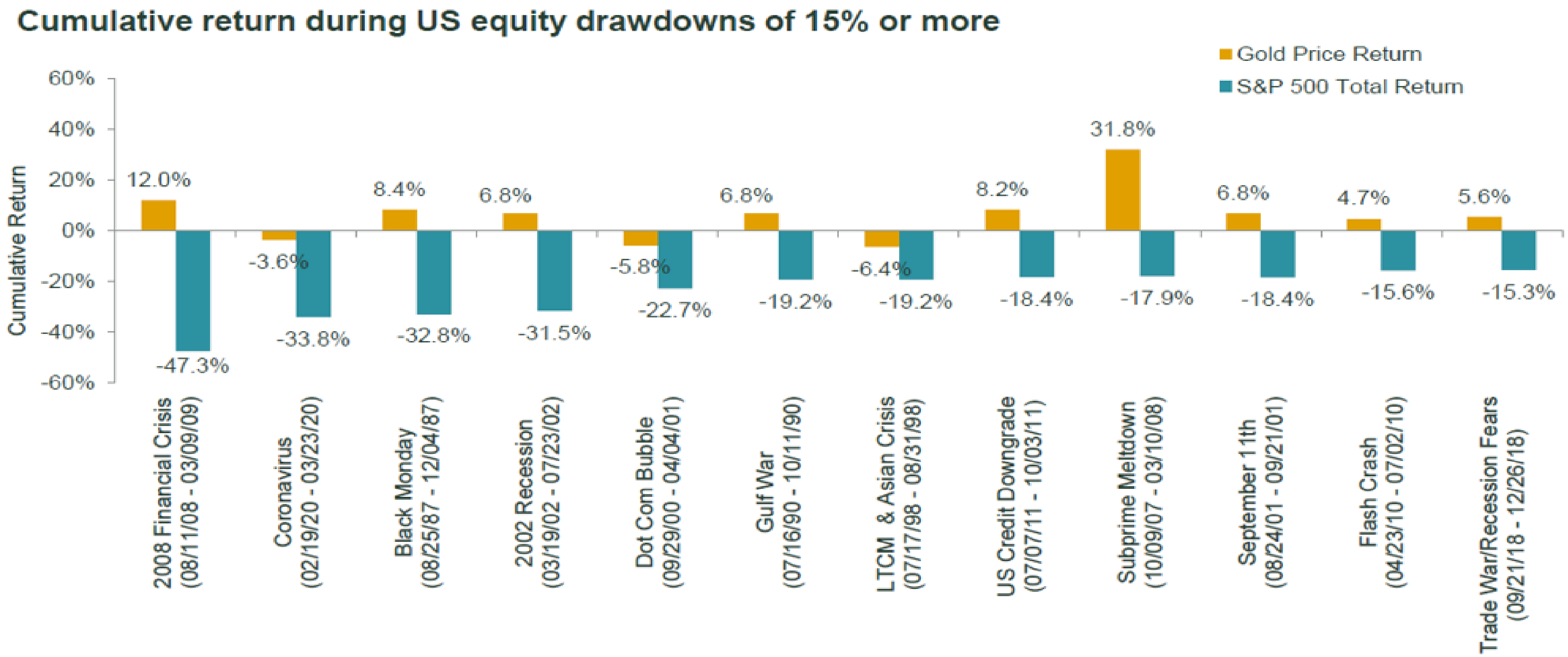
Bonds Are Boring…. And That's Okay

Takeaway:* At 3/31/2022,** *BBB bonds paid ~3.9% as compared to only 2.1% in Jan'2021. While that is "boring", over the last ~80 years, negative calendar year returns in bonds can be counted on your hands (10 total) with no calendar year loss > 5%. In a world of very high risks in stocks, and climbing bond yields, bonds as a core holding (vs. cash / treasury bills) are starting to make sense once again.* ***This is great news for conservative investors.



Gold in Times of Crisis

The precious metal has historically provided protection during severe stock market declines and tail risk events.



Source: Bloomberg Finance, L.P., State Street Global Advisors. US Equity represented by S&P 500 Total Return. Gold = gold spot price. Data from 08/25/87 to 12/31/21. Past performance is not a guarantee of future results. Index returns are unmanaged and do not reflect the deduction of any fees or expenses.

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- **Slide 10:** *Guide to the Markets: US. | 2Q 2022*. JP Morgan Asset Management, 4 Apr. 2022, https://am.jpmorgan.com/us/en/asset-management/adv/insights/market-insights/guide-to-the-markets/. Slide 27
- **Slide 11:** Oak, Eric. "Supply Chain, Inflation Top Subjects of Q4'21 Earnings Calls." *S&P Global Market Intelligence*, S&P Global, 9 Feb. 2022, https://www.spglobal.com/marketintelligence/en/news-insights/latest-news-headlines/supply-chain-inflation-top-subjects-of-q4-21-earnings-calls-68778647.
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- **Slide 13:** *Guide to the Markets: US. | 2Q 2022*. JP Morgan Asset Management, 4 Apr. 2022, https://am.jpmorgan.com/us/en/asset-management/adv/insights/market-insights/guide-to-the-markets/. Slide 60
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