A NEWSLETTER FOR OUR CLIENTS

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Investment Overview

The first several months of 2022 have been extremely negative for most investable asset classes, with declines in stock and bond markets that began last November reaching bear market levels. After reaching all-time highs last year high growth company stocks and the tech sector have seen the most extreme selling and these were the areas of the market that significantly outperformed over the last 20 years. Long-term trends have been broken during the current market turmoil. Since the global financial crisis, the Federal Reserve has held interest rates at historic lows to spur growth in the economy. Now, to slow inflation that's at 40-year highs, the Federal Reserve is quickly raising interest rates and reducing quantitative easing measures that create liquidity but can also create inflation. Rising interest rates, lingering Covid effects on the global economy, Russia's invasion of Ukraine and supply chain issues have led to the largest declines in stocks since 2008 and 2009. For bonds, the decline has become just about the worst decline in bond market history according to the New York Times. However, because bond yields are dramatically higher than they were just a few months ago, like buying stocks at these depressed levels, bonds also provide an attractive buying opportunity at these levels. The New York Times has a good analysis of how rare the bond market decline is and how to view this as a buying opportunity: https://www.nytimes.com/2022/04/01/business/bond-market-decline.html

Did Something Change Overnight?

The declines seen in stocks are highlighted by the break in the 20-year trend of a certain class of stocks outperforming the other. Since 2002, "growth stocks" or the shares of companies growing at a rapid pace and "tech stocks", or shares of companies in a variety of industries with the common theme that they are tech innovators, have massively outperformed other types of investments. Amazcompany but to change retail, Google went from a search company to something resembling a communications utility company, Tesla is a car company, but has used technology to leapfrog competitors. However, tech and growth stocks since reaching all-time highs last November have become unpopular and investors have sold stock of great companies at a shocking pace. Over this same period, stocks of relatively boring more mature companies have outperformed tech and growth stocks despite having lackluster future prospects.

Traditionally, stock values track the business' value and clearly companies like Google and Microsoft, who have been growing profit and revenues 20% to 30% per year for a long time deserve better valuations than companies on the decline such as Campbell's Soup or Kraft Heinz. Yet, these boring "stable" value stocks are selling at similar PE ratios (the most popular valuation metric) to high growth tech innovators. This pattern in the past has held almost exclusively during bear markets. But when those bear markets end, growth and tech

stocks have traditionally outperformed the broader markets again. This is our expectation and with our stock portfolios we have made almost no portfolio changes because we believe in the long-term trajectory of the stocks we own. (source: TD Ameritrade)

The Energy sector has severely lagged every other sector of the market for well over 10 years, but this year all 10 of the top ten performing stocks in the U.S., year to date, are Energy stocks. In contrast, the Information Technology Sector, which has outperformed the Energy sector cumulatively 411.13% to just 21.38% for the last 10 years, has been the worst performing sector since November 2021. We believe that the trend of rewarding companies with high growth rates and dominant positions in their industries due to tech adaptations with higher stock prices will resume soon. This would mean the stock prices of companies like Google and Microsoft again outperform slow growing companies like Campbell's Soup and Kraft Heinz. (source: https://www.nerdwallet.com/article/investing/best-performing-stocks)

Because the economy re-opened more quickly than expected in many parts of the world, consumers caught up on activities such as travel and in-store shopping, leading to a short-term growth slowdown vs 2021 for many "growth" companies. This means areas such as e-commerce, streaming video, and remote work may not have grown as fast as in 2020 or 2021 this year, but these areas of the economy will continue to grow rapidly for the next decade. Another indicator that the recent market selloff may simply be a break in a multi-decade trend is the recent performance of the mutual funds listed as the top performers of the last 10 and 20 years according to Kiplinger's magazine. As the table below shows, the top 10 performing mutual funds of the last 10 years (many of whom are the best performing for the last 20 years) are down anywhere from 30% to 70% from the recent highs.

Is it possible that the best mutual fund managers of the last decade have "lost their touch"? Is it possible the companies in these portfolios suddenly became poor companies and bad investments? Has the economic landscape changed so much in 7 months that investors expect companies like Microsoft, Google, Apple, Amazon, Visa, and other companies that are inescapable parts of our lives to fail to grow or retain their dominant positions? The obvious answers to these questions should be No. These portfolio managers know what they're doing, the stocks they own are the same companies they were in November and its likely that many of the companies that have dominated the economy in the last 10 years will continue to do well in the future. Some companies will not retain their dominant positions, but clearly innovative, fast growing, profitable companies should remain great investments for the long term.

Data through 5/11/22

Large-Company Stock Funds - 10 years

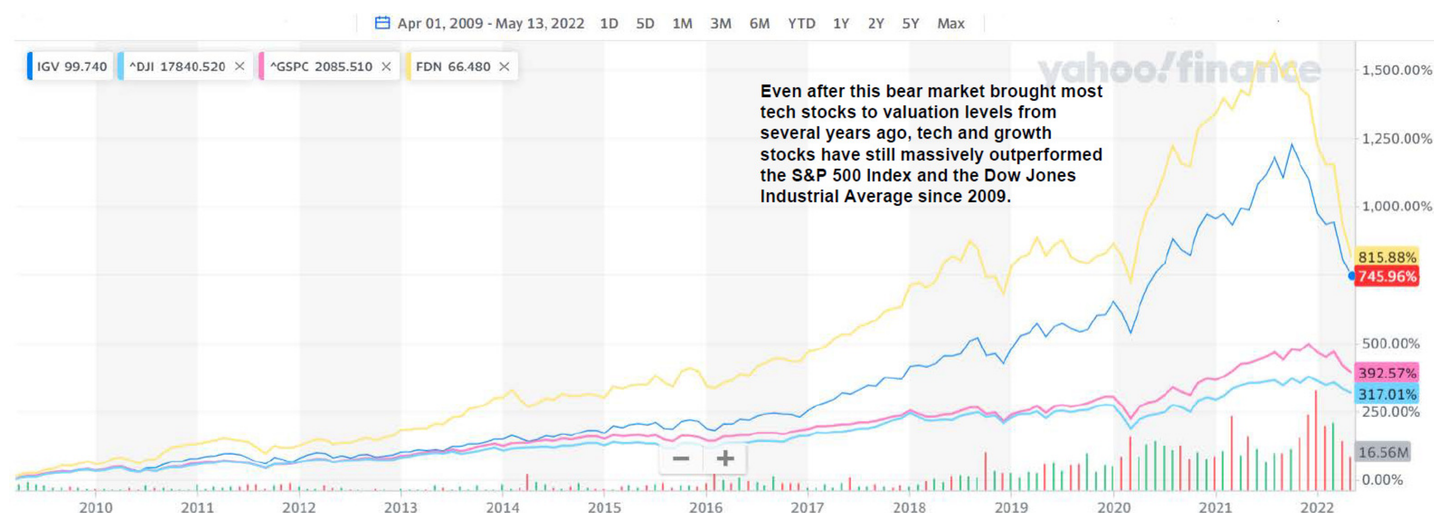
FUND NAME	SYMBOL	1-YR RETURN	3-YR RETURN	5-YR RETURN	*10-YR RETURN*	20-YR RETURN	VOL RANK	DECLINE FROM HIGH	EXPENSE RATIO
Fidelity Growth Company"*	FDGRX	1.75%	28.03%	24.15%	**19.36%**	13.3%	9	-41.82%	0.79%
Shelton Capital Nasdaq-100 Index Direct	NASDX	10.61	26.54	22	**19.15**	12.86	7	-29.60%	0.5
USAA Nasdaq-100 Index	USNQX	10.59	26.69	22.32	**19.13**	12.62	7	-30.99%	0.44
Fidelity OTC Portfolio	FOCPX	4.54	24.92	21.73	**18.8**	13.46	8	-36.82%	0.8
Fidelity Advisor Growth Opportunities A	FAGAX	-9.6	23.8	25.64	**18.8**	11.3	10	-44.90%	1.04
Fidelity Blue Chip Growth	FBGRX	0.96	25.89	23.37	**18.66**	11.22	9	-37.87%	0.78
Morgan Stanley Multi Cap Growth A	CPOAX	-34.74	19.3	24.88	**18.51**	12.63	10	-69.53%	1.04
Morgan Stanley Inst! Growth Portfolio A	MSEGX	-27.85	20.05	22.82	**18.41**	11.63	10	-72.76%	0.78
Rydex Nasdaq-100 H	RYHOX	9.4	25.17	20.91	**17.92**	11.69	7	-31.68%	1.59
JPMorgan Growth Advantage A	VHIAX	4.46	24.41	22.18	**17.87**	12.85	8	-39.12%	1.13

Source: Kiplinger's Magazine, May 2022

The market is showing some signs of reaching a bottom, though experts have been wrong on calling the bottom several times just since January. But with stocks more likely to rise than fall especially after such dramatic declines have made stocks cheap already, we think it's likely that if the market has reached a bottom the kind of investing we focus on with our stock strategies could be rewarded with fantastic long-term performance. As an example, from the 2009 market lows until reaching a peak on November 9th, 2021, the First Dow Jones Trust Internet Fund and the iShares Expanded Tech Software Sector fund gained 1,560.77% and 1,250.23% respectively. Over the same period, the S&P 500 Index gained 489.28% and the Dow Jones Industrial Average gained 378.81%. These diversified tech funds have held heavy weightings in the

stocks that have dominated the U.S. economy for over a decade including Microsoft, Apple, Google, Amazon and smaller faster growing companies that are also becoming important parts of our daily lives. Will tech and growth stocks achieve 4 times the cumulative returns of the Dow Jones again in the next decade? That's an unknown but it seems likely tech and growth stocks in the fastest growing part of the economy should continue to provide very strong performance.

This graph shows how much the tech and growth funds mentioned above have outperformed the rest of the market since the 2009 stock market bottom.



Source: Yahoo Finance

For our clients and most investors, the best thing to do is to look at times like this in the stock market as either buying opportunities or a time to hold on, at least until markets have recovered from oversold conditions. We are advising our clients to stick to their long-term investment plan and focus on the very long term because most investment portfolios are meant to grow for decades and for heirs. Understanding this extreme market behavior won't last is important, as is understanding what one owns and making sure to hold onto quality investments and avoid speculative behavior. Recent collapses in the crypto market have made it clear that assets that have real value should always be chosen over assets like Bitcoin, which may be worth the price its selling for, or it could also be worthless. After years of analysis, Bitcoin and other cryptocurrencies have failed to achieve any mission like growth, stability or inflation hedges. Instead, Bitcoin has produced massive losses for nearly half of Bitcoin investors ever and has not proven to be safe for holders, those using crypto for transactions or safe from cyber thieves.

On other hand, investing in dominant U.S. companies that have real cash in the bank, provide real services and products to customers and have proven to be immensely profitable and necessary to our lives reduces the risk of "losing it all" like many crypto investors are experiencing. There is no way some of the companies we are heavily invested in like Google, Microsoft, Adobe, Visa, Costco, etc. are worthless and these companies have rewarded investors for many years.

Recent market turbulence though has made it clear that many investors could benefit from more diversification and potentially more access to the bond market now that bonds are cheaper than in the past

years and offer improved yields. So we have launched 2 new investment strategies this year in order to provide clients with alternatives to investing directly in individual stocks. These two new investment strategies, Diversified Growth and Conservative Growth, focus on reducing risk and volatility as much as they focus on future returns.

Although we launched these new strategies in January in response to market events, we were able to backtest how portfolios allocated this way might have performed historically. What we found was that the exchange traded funds (ETFs) we chose, and these allocations would have produced very strong performance results, with volatility less than a portfolio of 20 to 30 stocks. The Diversified Growth strategy is focused on the S&P 500, the Nasdaq 100 and about a 35% allocation to the iShares Expanded Tech Software Sector fund reference above. This strategy is extremely diversified but also tilted toward the fastest growing areas of the market – tech and growth. The Conservative Growth strategy also has about a 25% allocation to tech and growth, but it also seeks about a 25% allocation to bonds, again via ETFs.

Below is a presentation of the performance and volatility metrics of these strategies. Note that the strategies were created this year so the tables below show partially backtested performance with our management fees calculated at a rate of 1.5% per year. What we see is that these strategies might continue to provide strong performance, with less volatility going forward. We are encouraging many clients to consider these investment strategies now and in the future, though we remain cautious about making significant changes in the midst of a significant bear market.

Performance as of 3/31/2022						
Strategy/Index Name	1 Year Annualized	3 Year Annualized	3 Year Cumulative	Annualized Since Inception	Cumulative Since Inception	Annualized Standard Deviation
Diversified Growth – Net	**21.85%**	**25.43%**	**97.32%**	**24.65%**	**212.20%**	**16.24%**
Diversified Growth - Gross	**22.72%**	**27.39%**	**103.20%**	**25.82%**	**227.66%**	**16.52%**
S&P 500 Index	13.98%	16.90%	59.74%	14.60%	102.22%	15.32%

Model Inception: 01/01/2017

Our Diversified Growth strategy seeks to achieve growth from investing in diversified equity ETFs with exposure to the Nasdaq innovators, the software industry and emerging technologies. The desired holding period is long term. The composite creation date is 01/01/2017. Returns are presented net and gross of actual management fees paid. Fees are described on the last page of this report and apply to all composites managed by Ebert Capital Management Inc. ECM's account inclusion policy is the first full month or the end of the month in which the account is fully invested. The composite contains both taxable and nontaxable accounts. The returns of the individual portfolios within the composite are time-weighted, use trade date accounting, are based upon monthly portfolio valuations, and include partially backtested data. The composite returns are asset-weighted based upon the beginning period market values calculated in U.S. dollars. The composite contained fewer than 1% of non fee-paying accounts at the end of each year. The performance presented from 01/01/2017 is backtested performance of a model portfolio with the same securities allocations as found in actual client accounts. ECM's management fee was imputed at the highest level of our fee schedule, 1.5% annually. The performance results from 01/01/2017 through 12/31/2021 are hypothetical and not based on the performance of actual client accounts. Backtests were performed at portfoliovisualizer.com.

Performance as of 3/31/2022						
Strategy/Index Name	1 Year Annualized	3 Year Annualized	3 Year Cumulative	Annualized Since Inception	Cumulative Since Inception	Annualized Standard Deviation
Conservative Growth - Net	**12.33%**	**19.93%**	**72.51%**	**19.39%**	**149.81%**	**14.88%**
Conservative Growth - Gross	**13.14%**	**21.66%**	**77.16%**	**20.51%**	**162.16%**	**14.98%**
S&P 500 Index	13.98%	16.90%	59.74%	14.60%	102.22%	15.32%

Model Inception: 01/01/2017

Our Conservative Growth strategy seeks to achieve growth with reduced volatility from investing a mix of equity and fixed income ETFs. The equity ETFs tilt towards sectors with exposure to emerging technologies and the fixed income part of the portfolio focuses on income and low volatility. The desired holding period is long term. The composite creation date is 01/01/2017. Returns are presented net and gross of actual management fees paid. Fees are described on the last page of this report and apply to all composites managed by Ebert Capital Management Inc. ECM's account inclusion policy is the first full month or the end of the month in which the account is fully invested. The composite contains both taxable and nontaxable accounts. The returns of the individual portfolios within the composite are time-weighted, use trade date accounting, are based upon monthly portfolio valuations, and include partially backtested data. The composite returns are asset-weighted based upon the beginning period market values calculated in U.S. dollars. The composite contained fewer than 1% of non fee-paying accounts at the end of each year. The performance presented from 01/01/2017 is backtested performance of a model portfolio with the same securities allocations as found in actual client accounts. ECM's management fee was imputed at the highest level of our fee schedule, 1.5% annually. The performance results from 01/01/2017 through 12/31/2021 are hypothetical and not based on the performance of actual client accounts. Backtests were performed at portfoliovisualizer.com.

Disclaimer/Disclosure

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Please note that because our firm is transitioning our main custodian from Axos Advisor Services to Charles Schwab, our performance calculation vendor, Orion Advisor Technologies is experiencing delays in providing us GIPS® compliant performance figures. We hope to update our GIPS® compliant performance reports in the next quarter.

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