LIVE OAK
PRIVATE WEALTH®

Investment Commentary & Letter to Clients

April 2021

liveoakprivatewealth.com
1741 Tiburon Drive Wilmington, NC 28403 | P: (844) 469.5679

LIVE OAK
PRIVATE WEALTH®

First Quarter Letter March 31, 2021

"The idea of projecting out extremely high growth rates for very, very long periods of time has caused investors to lose very, very large sums of money."

- Warren Buffett

What a difference a year makes! In just 12 months, investors' focus has shifted from the "fear of loss" to the "fear of missing out," often referred to as FOMO. Let's be honest, a year ago, nobody expected the markets to rip higher in the face of the pandemic, business shutdowns and uncertainty related to the November elections. Last year's bear market was the shortest in history, lasting just 33 days. According to Yardeni Research, the median age of bear markets (going back to the 1920s) was 302 days. Over the years, we have discussed the dangers of market timing. To successfully time the markets, one has to be correct not only on when to exit the markets, but also must be correct on when to re-enter the markets. This is quite difficult to navigate, particularly when human emotions become involved.

In the past quarter, all 11 economic sectors showed market gains with cyclicals leading the way. Market leaders during the first quarter were energy (+29.3%), financials (+15.4%) and industrials (11.0%). Market laggards were utilities (+1.9%) technology (+1.7%) and staples (+0.5%). As can be seen in the chart below, returns for the last 12 months are staggering, led by the small and mid-cap indexes. Bonds fell in the most recent quarter as the 10-year treasury yield increased by 83 basis points, driving long-term treasury bond prices down (-13.3%) and investment-grade corporate bond prices down by (-4.5%). During the quarter, there was a large rotation from growth to value and from large caps to small caps. Additionally, the Russell 1000 Value Index outpaced the Russell 1000 Growth Index by 10.4%, the biggest rotation to value since 2001. We believe this move can be attributed to expectations of a strong earnings rebound in the more cyclical (value) areas of the markets. During the most recent quarter and year, the S&P 500 equal-weight index has outperformed the S&P 500 Index by 5.4%, and 15.7%, respectively. This represents a distinct reversal in market internals, with the average stock actually faring better than the market capitalization-based S&P 500 Index.

Market Statistics as of March 31, 2021

Index	2021 1st Quarter	Trailing 12 months Ending March 31, 2021
DJIA	8.3%	53.8%
S&P 500	6.2%	56.4%
S&P 500 (equal weight)	11.5%	71.6%
S&P Mid Cap	13.5%	83.5%
Russell 1000/Growth	.9%	62.7%
Russell 1000/Value	11.3%	56.1%
Russell 2000	12.7%	94.8%
NASDAQ Comp.	3.0%	73.4%

As a sign of things getting better and just cause for the strength this quarter, during the first quarter, analysts increased earnings estimates for companies in the S&P 500. The Q1 bottom-up earnings per share estimate (which is an aggregation of the median Q1 estimates for all 500 companies in the index) increased by 6.0% ($39.86 from $37.61) during the quarter! This is a significant increase and is in contrast with the more typical estimate decreases. Looking at the last five years (20 quarters), the bottom-up EPS estimate has recorded an average decline of 4.2% during the quarter. Analysts have not only increased EPS estimates for the first quarter, but also the full year. The 2021 aggregation of the median estimates increased 5.0% to $175.75.[1]

It appears analysts were too pessimistic in their downward revisions to EPS estimates during the first half of last year. This, of course, was at the height of the virus shutdown. Late last year, analysts started raising estimates as overall economic activity started picking up. Rising commodity prices and interest rate increases appear to have played a role in the upward revision as well. Companies themselves are telegraphing more confidence as well in issuing positive EPS guidance for 2021.

Portfolio Strategy Discussion

Live Oak Private Wealth Growth Strategy
COMMENTARY & THOUGHTS

The internal framework surrounding our growth strategy relates to investing in growing companies at a reasonable price (GARP). We rely on checklists that are geared towards certain traits we are looking for in a successful investment. First on the checklist is the company must possess what we consider a competitive edge or structural advantage that is fueling the growth. It doesn't have to be a rapidly growing early-stage business, but one that clearly has a runway for growth and is moving down the runway. Second is the price or value. We require a degree of cheapness in the company's shares relative to its estimated growth. It is most important to not overestimate this growth or extrapolate it too far. Third on the list is our perception of quality. Much consideration is given to the financial health of the company's balance sheet, the capital allocation skills and hopefully, aligned interests with management.

Growth investing has captured the majority of attention and return over the last several years, especially in many technology businesses. What we consider our reasonable price discipline keeps us out of many high-flying, popular growth companies like Tesla or the many Software as a Service (SaaS) stocks, and SPACs. Many of these very popular growth stocks have been immensely profitable to those who speculated on these shares. Why don't we own these popular and, so far, very lucrative stocks?

Most importantly, because we are disciplined in what we pay for the expected or assumed growth in a company's earnings. We remember the last time valuations for expected growth were priced at extreme levels, the year 2000. The math behind what

[1] *Source: Factset*

you pay and what you end up getting does not work if the growth doesn't continue exponentially. In 2000, many technology stocks were riding the dot.com wave of the internet. One such example was Sun Microsystems, which might be a worthy comparison to Tesla or the many SaaS stocks today. There is a famous quote by the CEO of Sun Microsystems, originally given to Businessweek in March 2002, just under two years after the dot.com bubble burst. This quote is now stored at Bloomberg since Businessweek was acquired by Bloomberg.

In March of 2002, **after Sun Microsystems had lost about 90% of its value**, Scott McNealy, Sun Microsystems CEO, said these words:

> *"…two years ago, we were selling at 10 times revenue when we were at $64. At 10 times revenues, to give you a 10-year payback, I have to pay you 100% of revenues for 10 straight years in dividends. That assumes I can get that by my shareholders. That assumes I have zero cost of goods sold, which is very hard for a computer company. That assumes zero expenses, which is really hard with 39,000 employees. That assumes I pay no taxes, which is very hard. And that assumes you pay no taxes on your dividends, which is kind of illegal. And that assumes with zero R&D for the next 10 years I can maintain the current revenue run rate. Now, having done that, would any of you like to buy my stock at $64? Do you realize how ridiculous those basic assumptions are? You don't need any transparency. You don't need any footnotes. What were you thinking?"*

10 times sales is a high price to pay for any business; perhaps only justifiable in companies with really high margins and incredible growth, but stocks trading at 10 times sales is just as often an indicator of market over ebullience.

Ah...now 20 times revenues is the new 10 times revenues. Here is a small example of market darlings trading at 20 or more times trailing revenue. There are many more.

Company	Market Cap	Multiple of Revenues
Tesla	$696 billion	25 x revenue
Nvidia	$332 billion	22 x revenue
Shopify	$137 billion	54 x revenue

Source: Standard and Poors

This growth end of the market is euphoric. A feature of late-stage bull markets and euphoria is the low-quality new issue market. There is a stage in the market cycle when masses of people trip over themselves to buy newly created shares at prices disconnected from reality. Wall Street salesmen will happily satisfy this demand. We have seen examples of this this quarter with low-quality new issues and there is some real garbage coming to market at dizzying valuations.

First Quarter Portfolio Activity

We made no changes to the GARP model portfolio during the first quarter. Trading activity was very light and only involved minor tweaks to a few positions. We missed our annual pilgrimage to Columbia University in New York this year for their investment conference. Fortunately, we participated virtually and came away feeling good about our portfolio positioning. We also participated virtually in the SHOOK Top Advisor Summit where we listened to many of the world's top investment professionals debate various facets of the markets today. The balance of the quarter saw us attending many portfolio company presentations virtually and listening to a lot of conference calls.

We felt content with our portfolio based on the most recent financial updates from management, even though several of our positions are fully valued, to say the least. Clearly you will see our "growthier" positions were weaker as their higher PE multiples were compressed by the change in interest rates this quarter.

Contributors and Detractors for Live Oak Private Wealth Growth Strategy

Our thoughts on positions that had the most positive impact on the strategy for the period ending 3/31/2021

Carmax (KMX) (+40.44%)
Carmax continues to execute well as demand for autos remains strong. We believe the recent acquisition of Edmunds.com further strengthens Carmax's online and omnichannel experience. The company's new "love your car" 30-day return guarantee should boost sales.

Wells Fargo (WFC) (+29.46%)

Bank of America (BAC) (+27.65%)

Charles Schwab (SCHW) (+22.89%)
All three of these financial companies benefited in the quarter mostly by PE multiple expansion due to the rise in interest rates. Wells and Bank of America both reported a release of loan loss reserves. Schwab continues to digest the TD Ameritrade acquisition. Should reflation continue as economies open up, interest rates should tick higher along with PE multiples for banks.

Fox Corp A (FOXA) (+24%)
There were no noteworthy developments with Fox during the quarter. Its stock was boosted by the rotation to more value-oriented media stocks. We are watching closely Fox's involvement with the growth in online sports gambling.

Our thoughts on portfolio positions that had negative or the least positive impact on the strategy for the period ending 3/31/2021

Verisign (VRSN) (-8.15%)
We remain comfortable with Verisign, one of our smaller positions. Verisign puts the dot in dot.com and while the growth of new internet domain names has slowed, the resiliency of their registry business continues to be quite attractive to us, producing copious free-cash-flow.

Apple (AAPL) (-7.8%)
What can we say about Apple except that we still love the company, its capital allocation, its global brand and products. It just had an off quarter for the stock, as its PE multiple contracted due to higher interest rates and the rotation away from mega-cap tech.

Charter Communications (CHTR) (-6.73%)
Charter continues to add broadband internet customers that are acting to offset the churn in traditional cable bundle video customers. The more streaming increases and work/school from home persists, the more demand needed from Charter. A little PE contraction here too.

Visa (V) (-3.20%)
Visa, one of our more fully valued positions, continues to perform well. Reopening the world will benefit the company as spending increases, especially cross-border travel.

Verizon Communications (VRZN) (-1.02%)
Verizon continues to invest heavily in rolling out its 5G offering. Meanwhile, we remain very comfortable with this crucial utility many of us rely on and are happy with its 4%+ dividend yield. Oh, and Mr. Buffett bought $4B of its shares.

COMMENTARY & THOUGHTS

A year ago, we stated that "value" looked cheap relative to "growth." One year ago, the Russell 1000 Value Index was trading at 13.2 times earnings, 1.6 times book value and had a dividend yield of 3.2%, while the Russell 1000 Growth Index was trading at 26.2 times earnings, 6.9 times book value and yielded 1.2%. Value continues to look attractive to us with a current price/earnings ratio of 18.2 times earnings versus a price/earnings ratio of 29.2 times earnings for growth. This compares with a price/earnings ratio of 21.9x for the S&P 500 Index. Currently, the top ten names in the S&P 500 Index make up 27.4% of the index and trade at a lofty price/earnings ratio versus the rest of the index (see chart below). As the chart suggests, the top 10 names in the index remain pricey versus the rest of the market, just as growth remains expensive relative to value. Since 2012, the top names in the S&P 500 Index have been dominated by the "FAANG" tech giants (Facebook, Amazon, Apple, Netflix, and Google/Alphabet), which we think are all wonderful businesses with what appear to be dominant moats. Typically, there is turnover in the ranks of the top ten names (by market capitalization) and that is actually a sign of what should happen in a capitalist economy. In 1980, ironically seven of the top ten holdings were comprised of energy companies—today energy only makes up 2.8% of the entire index. Needless to say, it is difficult to stay on top of the index, just ask IBM (top stock in 1980 and 1990), General Electric (top stock 2000) and Exxon (top stock 2010). All of those companies have struggled mightily and produced poor returns for investors over the past three decades. We continue to believe the next few years will favor value over growth and that the average stock in the S&P 500 Index will outperform the S&P 500 Index.

P/E Ratio of top 10 vs. rest of the S&P 500 Index

	Current	Average	% of average
Top 10	30.1x	19.5x	154%
Remaining stocks	19.6x	15.6x	126%
S&P 500	21.9x	16.2x	135%

Source: JP Morgan Asset Management (3/31/2021)

This past quarter, we have seen a number of strange events that caused fundamental investors like ourselves to just shake our heads in disbelief. Stocks are now referred to by some as "stonks," profits are called "tendies" and "diamond hands" are participants who are willing to hold their positions through thick and thin.

A number of distressed companies, led by GameStop, were at the center of what has been called a "Reddit Revolution," which orchestrated massive "short squeezes," sending their share prices exponentially higher. A "short-squeeze" occurs when a heavily shorted security becomes crowded, and the short-sellers, who have borrowed the shares begin to cover (or close out) their short position in an effort to cut their losses. This move places upward pressure on the "shorted" stock pushing the share price higher. The move can be further exaggerated by margin calls and shares being called in by the broker lending the security. As the share price rises even higher, other short sellers are forced to cover, with the end result often being a security trading significantly above its intrinsic value. A short-seller's losses are unlimited, making the practice of short-selling extremely risky. GameStop, which traded as low as $3.10 in the last 52 weeks, traded as high as $483 per share at the height of the frenzy. At the peak, GameStop had a market capitalization of approximately $34 billion despite a deteriorating business model and mounting losses. There was also talk that the squeeze was orchestrated to send a message with regard to the inequalities of capitalism to the "establishment," or "suits" (in the words of the Robinhood and Reddit crowds). Elon Musk and Chamath Palihapitiya even tweeted about GameStop, throwing additional gasoline on the fire. While we are strongly in favor of democratizing the markets, it is our belief that when the last chapter is written, this will end badly for most of the participants. Hopefully, this will not sour a new generation of investors towards the equity markets and our capitalist economy. While Robinhood brought free trading and "gamification" to a new group of investors—perhaps they failed to get the message across that investing is not a game and one should not confuse speculating with investing.

Charlie Munger, Vice Chairman of Berkshire Hathaway, in an interview with the Wall Street Journal (2/25/2021) stated, "It's really just wild speculation, like casino gambling or racetrack betting. There is a long history of destructive capitalism, these trading orgies whooped up by the people who profit from them." We continue to approach investing in common stocks as essentially owning a fractional ownership of a company rather than a piece of paper. As Warren Buffett stated, *"Investing is most intelligent when it is most businesslike."*

First Quarter Portfolio Activity

The dramatic market "melt-up" continued in the first quarter as investors are expecting the "reopening" of the economy to drive huge rebounds in GDP and the more cyclical areas of the economy. As a value-oriented investor, there are prices where our discipline dictates that we begin to trim positions that have become oversized and/or approached our short-term price objective. With that in mind, we trimmed our positions in a number of stocks that had exhibited what we consider strong performance over the past year(s). Some of the names that were pared back included: Twitter, Walt Disney, Sony and Qualcomm. Dominion Energy was eliminated from the portfolio late in the first quarter as we believe the headwinds of higher interest rates and bond-like characteristics of the sector will likely limit any upside going forward.

Two names were added to the portfolio during the quarter, Vontier Corporation (VNT) and Fiserv (FISV). Vontier is a Raleigh, NC- based company that was recently spun-out of Fortive Corporation. The company is an industrial technology company, with offerings in retail fueling, auto repair, telematics and smart cities. VNT is largely a capital allocation story, with steady cash flows likely directed towards M&A in adjacent transportation markets. Vontier trades at a significant discount to its industrial peer group and we believe the shares are undervalued. Fiserv, which provides payment and financial services technology worldwide, was also purchased in the first quarter. FISV should benefit from cost synergies related to the acquisition of First Data over the next few years. Fiserv subsidiary, Clover, is showing strong growth in payment volumes and could be an underappreciated asset. FISV currently trades at discount the S&P 500 and we believe it should exhibit significant free cash flow generation over the next several years.

Contributors and Detractors for Live Oak Private Wealth Value Strategy

Our thoughts on positions that had the most positive impact on the strategy for the period ending 3/31/2021

Invesco Ltd, (IVZ) (+45.6%)

For the second consecutive quarter, Invesco shares were a top contributor to the Classic Value strategy performance. Invesco revenues and earnings for the most recent quarter came in above estimates and fund inflows were just under $10 billion for the fourth quarter. Total assets under management ended the fourth quarter at $1.35 trillion a record. Activist investor Nelson Peltz continues to be involved and owns approximately 10% of the shares. IVZ shares, which trade at approximately 10 times earnings continue to look attractive.

Mosaic (MOS) (+37.6%)

Mosaic's quarterly revenues and earnings beat consensus estimates handily in the past quarter as the company saw improving fertilizer markets and a tightening supply-demand balance in both potash and phosphates. The earning's strength is expected to continue, and the consensus estimate for 2021 is $2.61 per share. In our opinion, shares continue to appear attractive trading at approximately 12 times estimates.

MetLife (MET) (+30.5%)

MetLife's quarterly revenues and earnings surpassed estimates for the fourth quarter. MET shares trade at under 10 times estimated earnings and a discount to book value. MET is divesting the auto and home business units, which should strengthen the balance sheet. The life insurance sector should benefit from the trend of higher interest rates and the steepening of the yield curve. We believe MET shares, which yield 3%, remain an attractive total return vehicle.

Intel (INTC) (+29.2%)

In a change of fortune, Intel shares went from one of the largest detractors last quarter to one of the largest positive contributors this quarter. As we discussed last quarter, Dan Loeb of Third Point Capital has become involved, and investors have reacted favorably to the news that Pat Gelsinger has been named as the new CEO. INTC also recently announced plans to invest $20 billion in new foundry business, which is a major strategic change for the company. Intel shares are inexpensive relative to the semiconductor group at 13 times trailing earnings. The shares yield over 2%.

International Flavors and Fragrances (IFF) (+29.0%)

International Flavors was added to the Classic Value strategy in the fourth quarter of 2020. The shares had been pressured in advance of the closing of the acquisition of Dupont's Nutrition and Biosciences unit which closed in February 2021. The transaction is expected to strengthen IFF's position in a number of consumer areas including food and beverage, personal care, and health and wellness. Cost synergies are also expected over the next few years. IFF shares have a dividend yield of 2.2%.

Our thoughts on portfolio positions that had negative or the least positive impact on the strategy for the period ending 3/31/2021

Qualcomm (QCOM) (-11.8%)

Qualcomm shares have been under pressure in the first quarter of 2021 despite earnings that surged 119% in the first quarter. While revenues missed estimates slightly, we believe the share price weakness is largely related to overall weakness in the tech sector in early 2021. We believe QCOM remains well positioned to benefit from strong 5G demand. Qualcomm shares currently trade at 19 times forward estimates and yield 1.9%.

Vontier (VNT) (-9.8%)

Vontier shares were added in the first quarter. Share price weakness is likely due to the recent secondary offering of some $1.6 billion in common stock which was anticipated in conjunction for the spinout from Fortive. (See above for more on VNT).

Apple (AAPL) (-7.8%)

Apple shares were weak as investors have rotated from mega-cap tech issues over the last two quarters. AAPL shares are up just under 92% over the past twelve months and currently AAPL is the largest holding in the S&P 500 Index. We believe Apple remains well positioned for growth with the transition to 5G phones and increased services revenue growth.

Terminix (TMX) (-6.5%)

During the second half of 2020, Terminix transitioned itself into a pure play pest control business by selling the ServiceMaster Brands franchise. Proceeds from the sale will be used for debt reduction and to fund the acquisition of complementary businesses. We believe the focus on the pest control segment is the correct strategy as it has historically been a free cash flow generator.

Novartis (NVS) (-5.9%)

Novartis shares have languished due to weakness in the pharma sector and disappointing fourth quarter results. Fourth quarter results were impacted by disruptions due to the COVID-19 pandemic. Shares should benefit as the company has excellent prospects for top and bottom-line growth as more normal conditions return for the health care industry. NVS shares yield 3.9%, which we believe should provide downside protection.

Live Oak Private Wealth International Strategy
COMMENTARY & THOUGHTS

Our International strategy had a so-so quarter. The rotation from growth to value was not limited to the U.S., as several of our more growth-oriented businesses had a tough quarter stock-wise. U.S.—China relations continue to evolve now with Biden at the helm. Our Chinese e-commerce businesses are definitely in the growth factor and therefore their stocks were impacted by PE compression/higher interest rates just like the FAANG stocks in the U.S.

Brexit has come and gone and has and will impact the U.K. in a negative way, yet there are opportunities due to Brexit. One of our only two U.K. investments, Ferguson PLC, actually derives 80% of its revenue outside the U.K. Europe, (with the exception of the U.K.) looks very attractive to us as the pandemic has brought an unprecedented level of Central Bank action in an attempt to limit the economic impact to businesses and citizens in Europe. The European Union has finally begun to truly work together. Unfortunately, it took a global pandemic to force their hand, but they collectively put a comprehensive stimulus program together and when finally deployed, we believe it will be the rising tide that lifts a lot of boats.

We continue to use a non-consensus approach to identify undervalued, out of favor, franchise quality companies that appear misunderstood and mis-priced. We have the largest "on-deck circle" of international investee candidates in our history. They range from eSports gambling to Japanese tire manufacturers and air filtration to construction cement.

We have slowly started to nibble at a few of these businesses as diligence has wrapped up, but we await better entry points and hence, less risk. An example of this relates to ICON, which we added to meaningfully this quarter on a 14% pullback. ICON is a Contract Research Organization (CRO), which engages in providing outsourced development services to the pharmaceutical industry. These services mostly relate to clinical trials that support the various stages of the clinical development process for new drugs. We hope to have opportunities to buy more shares in our "on-deck circle" of investees in the upcoming quarters.

Contributors and Detractors for Live Oak Private Wealth International Strategy

Our thoughts on positions that had the most positive impact on the strategy for the period ending 3/31/2021

Siemens AG (SIEGY) (+14.63%)
Siemens is a well-known large German-based technology company. The shares were boosted this quarter by robust sales and earnings growth as well as increased awareness of its smart infrastructure segment, which supplies and intelligently converts energy systems and building technologies.

DBS Group Holdings (DBSDY) (+13.65%)
Development Bank of Singapore (DBS) is one of the highest-rated banking groups in Asia. Singapore is the only AAA-rated (by Moody's) city in the Asian region and DBS has continued this quarter with its proven track record of growing earnings. The stock was boosted by the higher interest rates as were our bank investments in the U.S.

Ten Cent Holdings LTD (TCEHY) (+11.00%)
Ten Cent is a Chinese multinational technology conglomerate. China is the world's only economy that grew during the virus. Ten Cent's business of online gaming and WeChat messaging business continue to perform well. These platforms continue to drive 25% revenue growth and 20% growth in operating profit. Geopolitical risks between China and U.S. will persist, but we are comfortable with Ten Cent.

DNB ASA (DNHBY) (+9.10%)
Development Bank of Norway's (DNB) shares performed well, like many banks on reflation prospects and higher interest rates. DNB is Norway's largest financial services company, and we are comforted by DNB's historical return on equity of 12% and its 17% common equity Tier 1 capital ratio, not to mention its current 4% dividend.

Linde PLC (LIN) (+6.31%)
Linde is an industrial gases and engineering company. Demand for nitrogen, argon, helium, and other gases have been weak in Europe due to the pandemic. We are comforted by the company's ability to grow earnings at 12%, operating cash flow at 21%, and increased return on capital to 13%. We feel good about the rebound in demand for Linde as Europe recovers from the pandemic and its economies open up.

Our thoughts on portfolio positions that had negative or the least positive impact on the strategy for the period ending 3/31/2021

New Oriental Education (TCEHY) (-24.65%)
New Oriental is the largest provider of private educational services in China. The shares were very weak this quarter on the risk that China may ban the use of online education for students below seven years of age. The government is inspecting and recertifying after-school tutoring institutions. We are watching this very closely for further development.

Heineken NV (HEINY) (-7.59%)
We believe Heineken is one of the greatest global brands. Unfortunately, beer volumes have been impacted by the pandemic. We feel very good about our HEINY investment as the company outperforms the category across its key markets. As economies continue to open up, travel resumes, warmer weather comes, we are confident in Heineken's stock long term.

Roche Holding AG (RHHBY) (-7.48%)
Roche, the Swiss healthcare giant, continues to perform well from our perspective. They are one of the world's leaders in both biotech and diagnostics. Cancer biologics are driving solid revenue growth. Many of the large pharma stocks have come under some pressure related to the new Democratic administration in the U.S. and potential healthcare reform risks. We are undeterred and remain very comfortable with our position in a leader in oncology therapies.

Safran SA (SAFRY) (-6.65%)
Safran continues to be a key player in aircraft jet engines. Obviously, air travel is not back to normal, but we remain comfortable with our investment in Safran. Today's newer aircraft engines are five times more fuel-efficient and it helps that the Boeing 737 MAX is back in service. We expect the shares to perform better as air travel recovers.

Nestle SA (NSRGY) (-5.34)
Nestle has risen to the challenge of the global pandemic. The company is now in its third consecutive year of improved organic sales growth and margins. The company's pet care business is strong as pet ownership continues to grow and the coffee and plant-based food channel remains strong. Nestle should benefit from an opening up of the world post-pandemic.

Final Thoughts

Just when you thought you came close to figuring out and wrestling with the latest speculative craze...we now have "NFTs or nonfungible tokens." A digital artist from South Carolina, known as Beeple, recently sold at Christie's a $69 million indiscriminate collage of software created pictures of cartoon monsters and unrealistic, tasteless images. "Everydays – The First 5000 Days" was purchased with a cryptocurrency by someone or something who goes by Metakovan. While this unique string of digital characters logged on a blockchain might be considered art, time will tell if this is a new frontier in the art world or the pinnacle of this latest speculative phase in this market cycle.

Markets, whether for stocks or art, have minds of their own and they often fluctuate by changes in investor psychology, not by changes in fundamentals. Investors and speculators' psyches are very ebullient currently as evidenced by the online day traders and $69 million Beeple art.

Many on Wall Street use an old adage related to stages of bull markets:

- Stage one is when a few forward-looking people begin to believe things will get better
- Stage two is when most investors realize improvement is actually underway
- Stage three is when everyone concludes everything will get better forever

It feels like stage three to us now. Giddiness is setting in. These are too many examples to note. Everybody wants in and wants to be in everything. Many may be ignoring the cyclical nature of all markets and are concluding that these easy gains will go on forever. History has shown time and time again, in the late stages of great bull markets, people become willing to pay prices for things (stocks, real estate, art) that assume the good times will go on forever.

But they typically can't, and they usually won't. Markets of all kinds can't move in one direction forever. You have to appreciate the cyclical nature of markets and understand that many markets resemble the movement of a pendulum. The ball swinging spends little time at the center of its arc. Instead, it is always swinging outward to the limits of its arc, only to inevitably swing back towards the center and then onward to its other peak. We can't predict timing changes in cycles or tell you where the pendulum ball is. We didn't predict the crash of 1987, the dot.com 2000 meltdown, the great financial crisis of 2008 or our recent virus pandemic. But in 1987, 2000 and 2008, it wasn't impossible to get a sense that the market was euphoric and most likely in stage three. Investor behavior then, like today, was unquestionably "giddy."

We don't ever know we are getting close to the end of a cycle. We have no crystal ball. We may never know when the tide will turn, but it feels awfully high now. All we can control is the way in which we manage your hard-earned assets. We will continue, as always, to manage your money as if it is our own, with a margin of safety and a keen awareness of what stage we feel like we are in, and what risk and reward opportunities lie ahead.

Now one year after the onset of the pandemic, we remain ever more humbled and appreciative of our partnership with you. We are grateful for your willingness to compensate us for doing something we love to do and is so important to us all.

Our entire Live Oak Private Wealth team looks forward to our continued shared success together.

With warmest regards,

Frank G. Jolley, CFA

Co-Chief Investment Officer

J. William Coleman, III

Co-Chief Investment Officer

Disclosures

1) Past performance is no guarantee of future results and future performance may be higher or lower than the performance shown. The performance results for each equity sleeve are calculated for us by Orion Services and does not reflect investment management fees, custody and other costs or taxes. All of which would be incurred by an investor in any account managed by Live Oak Private Wealth.

2) The performance attribution represented is a simple point-to-point price percentage change for the five best and five worst portfolio positions for the first quarter ending March 31, 2021. Each equity sleeve does not and is not intended to indicate past or future performance for any account or investment strategy managed by Live Oak Private Wealth. Additionally, there is no guarantee that all portfolios will own any or all of the companies mentioned.

3) There can be no assurance that our portfolio management or any account managed by our investment managers will achieve a targeted rate of return or volatility or any other specified parameters. There is no guarantee against loss resulting from an investment.

4) Investment objectives, returns, and volatility are used for measurements and/or comparison purposes only and are only a guideline for prospective investors to evaluate our investment strategy and the accompanying risk/reward ratios.

5) Comparison to any index is for illustrative purposes only. Certain information, including index and benchmark information, has been provided by third-party sources, and although believed to be reliable, has not been independently verified and its accuracy cannot be guaranteed.

6) The information contained here is not complete, may change, and is subject to, and is qualified in its entirety by, the more complete disclosures, risk factors, and other important information contained in Part 2A or 2B of Form ADV. This presentation is for informational purposes only and does not constitute an offer to buy or sell or as a solicitation.

7) Live Oak Private Wealth is a subsidiary of Live Oak Bank. Investment advisory services are offered through LOPW, LLC, an Independent Registered Investment Advisor. Registration does not imply a certain level of skill or training.

8) Opinion and thoughts expressed are those of Bill Coleman and Frank Jolley and not Live Oak Bank.

9) Not all portfolios will necessarily own all companies mentioned, due to factors such as legacy positions, capital gain constraints, sector concentration, time, and other considerations.

10) Any specific comments related to certain metrics of companies mentioned in this communication, such as dividend yield, return on common equity, certain ratios, etc. should not be considered permanent. These metrics fluctuate quarter to quarter and year to year and therefore, past performance of these metrics may not be repeated and cannot be assured in the future.