Investment Commentary & Letter to Clients

March 2022

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LIVE OAK
PRIVATE WEALTH®

Quarterly Letter March 31, 2022

"You can be pretty sure you're showing courage as an investor when you listen to what your gut tells you – and do the opposite".
- Jason Zweig

"At heart, uncertainty and investing are synonymous".
- Benjamin Graham

And just like that, the geopolitical news from the Russian-Ukraine conflict, coupled with 40-year highs in inflation, was the catalyst for an overdue global equity market correction. From the intraday high made on January 4th to the lows on February 24th, the U.S. equity market (S&P 500) declined almost 15%, before investors once again stepped in and "bought the dip" to try to take advantage of the price weakness. Despite a strong bounce back in March, stocks closed down for the first quarter, suffering their worst performance in two years. Stocks outperformed both long-term treasuries and corporate bonds which declined by 10.2% and 7.7%, respectively. International stocks fell 5.3% in U. S. dollar terms while emerging markets declined by 6.9%. The S&P 500 equal-weight index fared better than the S&P 500 index (market-cap-weighted) for the quarter, implying that the "average" stock performed better than the index, which is largely driven by mega-cap technology. The Russell 1000 Value Index outperformed the Russell 1000 Growth index by 8.3% for the quarter as investors gravitated to lower valuation issues. Studies have shown that the least expensive stocks (value) have historically outperformed the most expensive stocks (growth) when the 10-year U.S. Treasury yield is rising. During the past quarter, the top three sectors were energy (+37.7%), utilities (+4%), and consumer staples (-1.6%). The worst sectors for the past quarter were communication services (-12.1%), consumer discretionary (-9.2%), and information technology (-8.6%). The best and worst performers seem to be following the script of past periods of stagflation, according to a report by BofA Global Research dated 12/15/2020 (*see chart on page 2*). Stagflation is defined as a period of below-average GDP coupled with rising inflation.

Quarterly Market Statistics as of 03/31/2022

Index	2022 1st Quarter
DJIA	-4.10%
S&P 500	-4.60%
S&P 500 (equal weight)	-2.72%
S&P Mid Cap	-4.88%
Russell 1000/Growth	-9.04%
Russell 1000/Value	-0.74%
Russell 2000	-7.53%
NASDAQ Comp.	-8.95%

History suggests muted market returns and outperformance of commodity-oriented and defensive sectors during periods of stagflation.

Avg. annualized quarterly returns of S&P 500 sectors during periods of stagflation (below-trend US GDP growth and rising inflation; 1972-2019)

Sector	Avg. annualized total returns during periods of stagflation (1972 - 2019)
Utilities	9.7%
Energy	6.1%
Staples	4.4%
Financials	3.6%
Real Estate	3.3%
Health Care	2.8%
S&P 500	**1.2%**
Materials	0.2%
Industrials	0.0%
Communication Services	-0.5%
Technology	-3.2%
Consumer Discretionary	-4.9%

There is an old Wall Street saying that stocks take the stairs up and the elevator down and at times like these, just as in March-April 2020, the elevator may appear to be in free fall. Bull markets, like we have been in for years, are borne in an environment of maximum pessimism and are then met typically with skepticism and build momentum and strength as confidence grows over time. They can die on euphoria or when things just can't get any better. Bull and bear market cycles are like a swinging pendulum. As the pendulum swings upward towards its maximum inflection point (maximum optimism or euphoria), it momentarily stalls out and then reverses course and heads the other way towards its maximum pessimism point. Unfortunately, it spends little time in equilibrium. Throughout much of last year, the market pendulum was swinging in optimism mode, juiced by near-zero interest rates and virus recovery expectations. When markets are priced to perfection, one chink in the armor can be the catalyst causing a reversal. When multiple hits occur nearly simultaneously, the reversal can be shockingly rapid. At times like these, it is critically important to stay disciplined and focused because there can be tremendous amounts of emotionally fueled, irrational trading by individuals and institutions.

Past lessons we have learned in our careers coping with fear-induced corrections and bear markets still apply today.

Lesson #1: Knowing our temperament.

We believe having a calm and rational temperament is a perennial requirement for operating successfully in financial markets.

Lesson #2: Know what you own.

We have very low turnover in our portfolios and therefore have owned many of our businesses for years. Understanding a business well allows for continued commitment and staying power when the quoted price of the business's shares deviate widely from its value.

Lesson #3: The "market" is our servant, not our boss.

The stock market is an "auction place" that is open most days for individuals and institutions to exchange cash for shares in a business. This auction is filled with manic depressants who serve up all kinds of stock prices for what you own on different days. Whether giddy with optimism and high prices or despondent and scared with low prices, we do not allow Mr. Market's emotions to influence our own behavior.

Lesson #4: Understand the true long-term value of the businesses you own and are invested in.

Having an independent, conservative assessment or appraisal of business value allows us to anchor our sense of value to a share price that is independent of a daily stock quote.

Over our respective 35 year+ track records, we have owned stocks during unprecedented volatile periods, such as the 1987 crash, the Kuwait Invasion in 1990, the dot-com meltdown in 2000, September 11th, The Great Financial Crisis in 2008, not to mention four or five Fed tightening cycles. We won't say we saw many of these events in advance, but over our careers have learned to have a steady hand, own high-quality, reasonably valued businesses, and we have therefore successfully navigated these challenging periods.

During volatile times like these we are currently witnessing, many charts and tables get circulated regarding corrections and markets. Below are two that may be pertinent:

Historical Corrections	**S&P 500 Decline**	**Duration (days)**
Fed Tightening 1959 - 1960	13.85%	311
Afghanistan Invasion 1980	17.07%	30
Fed Tightening 1983 - 1984	14.38%	199
Kuwait Invasion 1990	19.92%	62
Russian Default 1998	19.34%	31
Greek Debt Crisis 2011	19.39%	108
Fed Tightening 2015	12.35%	66
Fed Tightening 2018	19.78%	65

CURRENT CORRECTION		
As of March 19th	-6.36%	74 days
Source: Bespoke Intel, Federal Reserve Bank of St. Louis, FactSet Data		

Value at Times of War

Date	Selected geopolitical/ military event	1 Month Later	1 Year Later	3 Year Later
12/7/1941	Pearl Harbor	-0.3%	11.1%	49.5%
10/31/1956	Suez Canal crisis	-0.2%	-3.6%	5.3%
10/20/1962	Cuban missile crisis	0.5%	15.6%	28.6%
10/17/1973	Arab oil embargo	0.1%	32.3%	53.3%
11/3/1979	Iranian hostage crisis	-0.2%	-17.6%	10.3%
12/25/1979	U.S.S.R. in Afghanistan	0.2%	-17.1%	13.8%
8/3/1990	Iraq invades Kuwait	0.6%	-5.7%	27.1%
1/17/1991	Gulf War	-0.7%	-9.4%	26.2%
8/17/1991	Gorbachev coup	-0.1%	14.1%	37.2%
2/26/1993	WTC bombing	-0.4%	1.5%	3.1%
9/11/2001	9/11	-0.5%	7.9%	13.5%
10/7/2001	U.S. in Afghanistan	-1.2%	9.6%	16.3%
3/20/2003	Iraq War	0.6%	12.0%	27.2%
2/20/2014	Russian annexation of Crimea	-0.2%	-3.8%	5.9%

Source: @HanauerMatthais; Value measured with daily returns for the U.S. from Kenneth R. French – Data Library; list of selected geopolitical/military events from Truist IAG extended by 'U.S. in Afghanistan' and 'Russian annexation of Crimea'; 1-month, 1-year, and 3-year periods proxied by 22-,252-,and756-day returns, respectively.

The message here is that these selloffs don't last but so long and it is wise to stay invested for the long run.

LIVE OAK PRIVATE WEALTH GROWTH STRATEGY COMMENTARY & THOUGHTS

This quarter introduced sudden and dramatic shifts in stock market dynamics. Leadership within the market has also reversed dramatically. The high flying, growth at any price, unprofitable tech stocks have literally crashed by 60% or more.

Inflation has broken out to 40-year highs in the U.S. and has become a pressing issue for major central banks worldwide. Due to perfect storm conditions with the Omicron variant of the virus, massive supply chain logistical issues, and now energy prices due to the Russia-Ukraine conflict, U.S. CPI inflation has increased to 7.5%, the highest in 40 years. Growth in an economy is made up of both "real growth" and inflation. Real growth refers to increased economic activity, while inflation represents increased prices. During the ten years leading up to the pandemic, real growth averaged about 2.25% while inflation averaged about 1.75%, for total growth of about 4%.

Stock prices started to correct during the 4th quarter of last year and have accelerated this quarter due to concerns related to higher interest rates and the war in Ukraine. Many are fearful this will trigger a material slowdown in our economy in concert with inflation. This witches brew is called stagflation. There are few investment managers today that have ever operated in the rare economic condition known as stagflation.

Many growth stocks have corrected in price over the last 90 days, even many whose earnings and revenues have increased. This was before we had geopolitical concerns related to the Russian-

Ukraine conflict. Stocks in fact, have historically had lower returns during periods of high inflation and as you can see by the chart below, the probability of negative equity returns increases along with inflation.

What's best for the S&P 500? Low single digit inflation

Inflation (YoY chg. in CPI) vs. S&P 500 YOY price returns, 1928-present

Inflation Range (Quintiles)	S&P 500 Average Return	S&P 500 Median Return	Probability of Negative Returns
-11% to 1%	4%	6%	44%
1% to 2%	11%	13%	22%
2% to 3%	13%	13%	16%
3% to 5%	8%	8%	26%
5% to 20%	2%	0%	49%
Deflation only (<0%)	-2%	-5%	56%

Source: BLS, Bloomberg, BofA US Equity & US Quant Strategy

Historically, higher inflationary periods led to higher interest rate environments and when using a higher interest rate in calculating future estimated values of a business, it typically produces a lower value. Obviously, inflation and interest rates are quite correlated and therefore today, with the U.S. central banks hiking rates to bring down inflation, growth stock prices have come under valuation pressure. Additionally, as interest rates rise, the rate of return offered by lower volatility bonds increases. In fact, after several years of waiting patiently with more cash than we would like to hold, we have bought quite a few bonds recently in our Balanced Account strategy. If rates start to increase substantially, bonds may start to offer competition to stocks, but we are a long way from that now in our opinion.

FIRST-QUARTER PORTFOLIO ACTIVITY

As volatility increased this quarter due to the aforementioned interest rate changes and the Russian-Ukraine conflict, trading activity in the portfolio picked up. We sold Air Products to make room for an increased position in Danaher. Air Products missed its second quarter of earnings in a row as volume growth in Asia was down again. Margins declined and increased energy prices have introduced negative leverage in the company's chemical division. Meanwhile, Danaher has had the opposite experience with earnings, as they continue to grow quarter to quarter. Danaher is one of the world's finest life sciences businesses and is a science and technology innovator specializing in diagnostics and software for clinicians to enhance patient care. They help customers globally to ensure the freshness and safety of food, pharmaceuticals, consumer goods, as well as water quality. Given Danaher's dependable growth, the shares have been richly priced, especially with zero percent interest rates. The normalization of interest rates, due to inflation, has brought down the
PE multiple of Danaher's shares and the share price had corrected 20%. We see long-term value in the shares, especially at 20% off highs.

We bought a few more shares of Disney and Brookfield in several accounts as the correction offered good prices, in our opinion. Microsoft had big news in the quarter with its announcement of the acquisition of Activision Blizzard for $68.7 billion. Microsoft has ambitions for a much bigger gaming market as well as early endeavors related to the metaverse. Google continued to impress, turning in one of its best quarterly performances ever and announced a 20:1 stock split.

We invested in a new position this quarter, Ardagh Metal Packaging (AMBP) at $8.90. Ardagh Metal Packaging is an aluminum can manufacturer, and the company is benefitting from strong can demand from a broad range of customers in sparkling water (La Croix), energy and soft drinks, and the shift away from plastic to aluminum for environmental reasons. This is our main thesis for our investment. Just a 1% shift from plastic water bottles to cans will require a 5% incremental can supply. This growth will require significant investment and the company plans to invest $1.8 billion through 2024 and hopes to add an additional 21 billion cans of capacity. Nearly all this capacity is secured with long-term contracts of four to seven years from the major beverage manufacturers. There should be a long runway for growth, especially with the shift from single-use plastic water bottles to cans. The company plans to fund this growth in capacity from cash flow.

Berkshire Hathaway, and our banks, Bank of America, Wells Fargo, and Schwab, had nice moves up this quarter in sympathy with rising interest rates. Markel, our specialty insurance company from Richmond, VA had a good move up as well. Inflation can be the friend of insurance companies, as some premiums rise with asset values. Our two businesses levered to defense, Raytheon and Lockheed Martin, caught a bid this quarter in response to the Russian-Ukrainian conflict.

Lastly, Dollar Tree continued its momentum, as the activists who were pushing for change were successful in remaking the board. Many believe this will accelerate much-needed change to the company.

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 1Q2022

Lockheed Martin (LMT) (+24.2%)
Lockheed moved up substantially this quarter, as did most defense-oriented stocks, due to the Russian-Ukraine conflict. Between the company's Black Hawk helicopter, F-18 and F-35 fighters, and hit to kill missile systems, Lockheed remains attractively positioned during times of war.

Markel (MKL) (+19.6%)
Richmond, Virginia-based specialty insurance company, Markel, moved up this quarter on the backs of favorable interest rate and insurance premium growth trends. Inflation can be somewhat friendly to insurance companies as higher insurable asset values can lead to higher premiums. Markel Ventures deployed additional investment capital favorably as well.

Berkshire Hathaway B (BRKB) (+18.0%)
We can't recall Berkshire making this contributors list in quite a while. Considering it is our largest position, we are quite pleased. Much of the news this quarter was due to the company deploying a large amount of its cash reserves in accretive buybacks and new investments in Occidental and Allegheny. Inflation and interest rate trends helped Berkshire as was similar to Markel.

Bristol Myers (BMY) (+17.5%)
Bristol Myers, like many defensive like healthcare stocks, rallied this quarter as volatility drove many to safer stocks like Bristol. The company continues to execute well with its cancer therapeutics and oncology drugs. Opdivo, Eliquis, and Revlimid are well-positioned to continue to offer patients much-needed relief.

Raytheon Technologies (RTX) (+15.1%)
Raytheon, like Lockheed Martin, benefitted from the increased awareness related to the Russian-Ukraine conflict. Security from missile warning and surveillance systems as well as land warfare defense products provided by some NATO countries to the Ukraine army, had many interested in Raytheon this quarter.

Our thoughts on positions that had negative or the least positive impact on the strategy for the period ending 1Q2022

CarMax (KMX) (–25.9%)
Premium PE multiple growth stocks, like CarMax struggled on the backs of the correction this quarter. The company continues to delight customers with its omnichannel used car experience. Business is a little challenging due to tight supplies of autos coming off leases and trade-ins due to new car and truck supply chain woes.

Lowes (LOW) (–21.8%)
Lowes too was caught up in the correction this quarter due to their somewhat elevated PE multiple as well. Higher interest rates have led to higher mortgage rates, threatening to derail the red-hot housing market. We feel Lowes will be just fine as many new homeowners will still need rakes, shovels, ladders, and plants for their yards.

Air Products and Chemicals (APD) (-17.9%)
We elected to sell our position in Air Products and Chemicals this quarter as continued negative sentiment around the company's shares intensified after another quarter of challenging business results, slower growth, and rich valuation.

Charter Communications (CHTR) (-16.3%)
While not a tech-oriented growth stock, Charter was caught up in the growth factor sell-off this quarter. Charter, like Comcast, continues to "swap" cable-bundled video subscribers for broadband subscribers. Charter continues to aggressively buy back its shares. We remain comfortable with Charter.

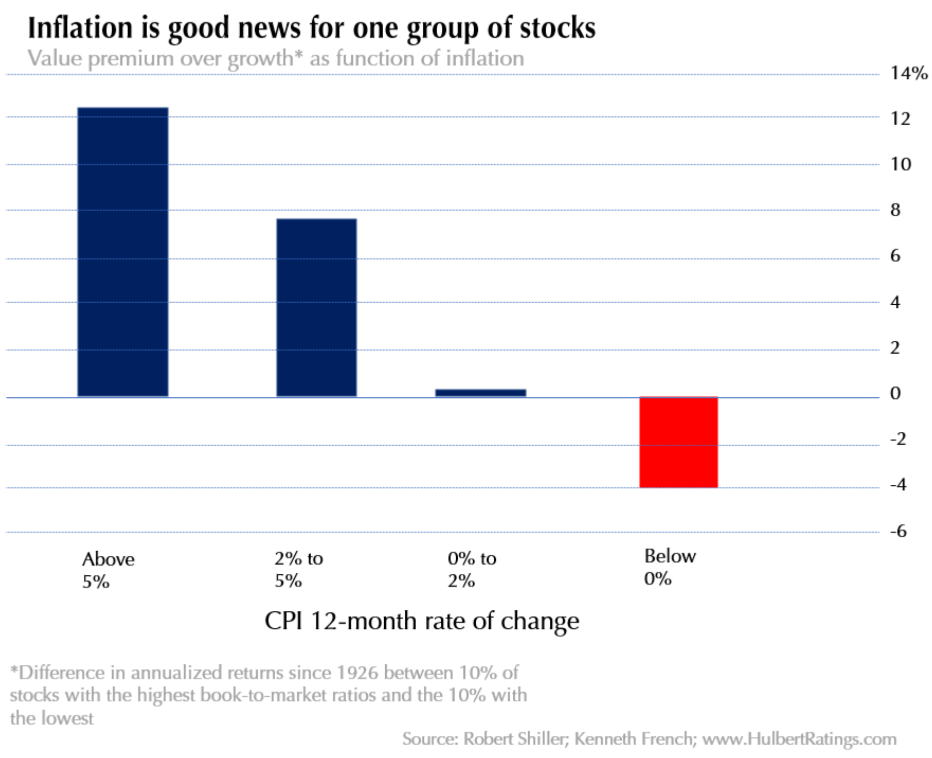
Abbott Labs (ABT) (-15.9%)
Abbott Labs has been an outsized benefactor from the Covid 19 Coronavirus. The company is a leader in testing and test kits for the virus, and now thankfully that the virus is waning, the company will suffer slightly with lower testing volumes. We will gladly accept a down quarter or two in return for the virus becoming endemic. Abbott continues to perform well in the other areas related to diabetes and cardiology.

LIVE OAK PRIVATE WEALTH CLASSIC VALUE STRATEGY
COMMENTARY & THOUGHTS

"Price is the essential determinant in every investment equation. At some price, every company is a buy; every company is a hold; and at a still higher price, every company is a sell. We do not really recognize the concept of a value company."

Seth Klarman

Recently our discussions with clients have included the topic of "inflation" and what the impact is on client portfolios. As defined by Investopedia, "Inflation is a decrease in the purchasing power of money, reflected in a general increase in the prices of goods and services in an economy." Given the inflationary surge, how should investors position portfolios? During 2021, Central Banks dropped the word "transitory" from the inflation talk and are now acknowledging that inflation will stay higher for longer and they will respond by raising interest rates. This should be beneficial for value stocks, at least relative to growth stocks and indices such as the S&P 500 (which is heavily weighted in mega-cap growth issues). The markets seem to agree with this statement. Since November 30th, when Powell dropped the word "transitory" from the Fed language, the Russell 1000 Value Index has risen 5.5%, while the Russell 1000 Growth Index has fallen 7.1%, a difference of 12.6%.



Despite the recent outperformance, value indexes still trade at substantial discounts from growth indexes. Alliance Bernstein in an article dated 2/18/22 stated, "By the end of January, the MSCI World Value's price-to-forward-earnings ratio was 50% lower than that of the MSCI World Growth". As we have discussed on numerous occasions growth stocks have benefited from the Fed's policy to keep rates at essentially zero since the financial crisis. Bernstein points out that since 2019, "valuations of growth equities have been tightly linked to the real yield of the 10-year

U.S. Treasury. As real yields fell—and even turned negative during the pandemic—growth stocks rose in near lockstep". Bernstein suggests that price/earnings ratios for growth stocks could compress by 34%, while they expect price-earnings ratio for value stocks would compress by 10%. Obviously, a number of growth companies will generate earnings growth to help offset the multiple compression, but for value, the hurdle is much lower. In a Wall Street Journal article dated 10/26/2021, author Spencer Jakab stated, "Decades like the 1940's, 1970's and 1980's saw value stocks beat growth amid fairly high inflation. By contrast, decades with low inflation or deflation such as the 2010's, 1930's and 1990's saw the opposite trend".

FIRST-QUARTER PORTFOLIO ACTIVITY

During the first quarter, we exited our positions in CVS, Raytheon, and Mosaic. Essentially each of these positions was sold on price spikes which took the shares to what we deemed to be fully valued. We believe CVS will see a moderation in COVID-related revenues generated by testing kits and vaccinations, making comparisons more difficult over the coming year. In the case of defense contractor, Raytheon, the shares spiked by approximately 17% due to the Russian invasion of Ukraine. While we like the shares long-term we felt the risk/reward was less compelling and liked the idea of having cash to redeploy into further market weakness. We also scaled out of Mosaic with our final sale taking place on March 10th. Mosaic is a fertilizer company that is benefitting dramatically from higher fertilizer prices which have soared in recent weeks as Russia's invasion of Ukraine has further exacerbated the global supply chain disruptions. The fertilizer industry is extremely cyclical, not one for buy and hold investors. While we realize we are possibly a bit early in our exit, it is our thought that any positive news from the Russia/Ukraine situation would possibly result in a lower share price for Mosaic. On the buy-side, we increased our weightings in Bayer and Sony in the first quarter. In both cases, the positions in some client accounts were below our target and our desire was to move the position sizes back to our desired weighting. We will discuss our reason for optimism below regarding Bayer and Sony in our commentary below regarding contributors and detractors.

Our thoughts on portfolio positions that had the most positive impact on the strategy for the period ending 1Q2022

Mosaic (MOS) +58.3% (through date of sale 3/10/22)

We sold Mosaic through a number of sales in the first quarter. While Mosaic shares remain reasonably priced, the shares soared by some 58% in the quarter due to soaring fertilizer prices. (We should point out that Mosaic was our best performer in 2021 as well with a return of 70.8%.) Supply chain issues due to the Russian invasion of Ukraine morphed the shares into a momentum favorite of hedge funds and speculators and we decided to head for the exits. As we mentioned earlier, the fertilizer space is highly cyclical. Just two years ago the shares bottomed at $6.50 per share.

Chevron (CVX) (+38.8%)

Chevron shares essentially kept pace with the energy sector in the first quarter, which rose 37.6%. The entire energy sector makes up just 3.9% of the S&P 500 currently vs 15% in September of 2014 when oil prices were in the $80-$100 per barrel range. CVX shares trade at approximately 11 times earnings and yield 3.5%. These high-quality shares continue to be an attractive holding for long-term investors.

Bayer AG ADR (BAYRY) (+29.1%)
Bayer's most recent quarter showed strong results, with earnings beat largely driven by the crop science unit. This strength is expected to continue in 2022. There has also been some positive development in the legal issues regarding glyphosate, where the Solicitor General may recommend that the litigation be heard by the Supreme Court. Bayer shares look cheap at 9 times earnings and yield 3.2%.

Berkshire Hathaway (BRK B) (+18.0%)
Berkshire Hathaway's fourth-quarter earnings continued strong with operating earnings surging by 45%. The company has continued to repurchase shares with repurchases totaling $27 billion in 2021. Recently BRK B offered to acquire Alleghany Corp a property casualty insurer/reinsurer for $11.6 billion. This would tuck in nicely with Berkshire's insurance operations and the market reacted favorably to the news. Berkshire shares remain a core holding in both the Classic Value Strategy and Focused Opportunity Strategy.

Dollar Tree (DLTR) (+14.0%)
Dollar Tree shares have reacted favorably to the news that the firm has reached a settlement with activist investor Mantle Ridge, adding seven new directors including Richard Dreiling who was the former Dollar General CEO. Dreiling will serve as Executive Chairman of the Board and Paul Hilal of Mantle Ridge will be serving as Vice-Chairman. The recent change in DLTR's pricing strategy is expected to drive sales and earnings going forward. Dollar Tree shares trade at a reasonable 1.1 times sales and 19 times 2022 earnings.

Our thoughts on positions that had a negative or least positive impact on the strategy for the period ending 1Q2022

TJX Companies (TJX) (-20.3%)
TJX reported fourth-quarter results in late February and sales were strong with comparable store sales across all categories rising 10%. The earnings picture wasn't quite as strong as higher labor and freight costs hit margins, driving earnings per share slightly behind that of 2020. TJX shares are trading at just under 19 times earnings and yield just under 2%. We believe the shares are attractive on this recent pullback in the share price.

Sony Group Corp (SONY) (-18.7%)
Sony shares have taken a battering lately as investors question the company's future competitiveness in gaming in the wake of Microsoft's proposed acquisition of Activision Blizzard. There have also been concerns surrounding global supply-chain issues and electronic components shortages. We believe SONY shares are attractive with dominant positions in financial services, game and network services, motion pictures, music, and electronics. SONY shares appear attractive after the recent 23% pullback and trade at approximately 17.5 times earnings.

Vontier Corp (VNT) (-17.4%)
Vontier's fourth-quarter results were solid, beating expectations, however, the shares have continued to be weak as the company projected headwinds in the retail fueling business in 2022 and 2023. Earnings are expected to be approximately $3.00 to $3.10 per share in 2022 and the shares trade at approximately 8 times earnings. Vontier's business model is rooted in the philosophy of its former parent companies, Danaher and Fortive.

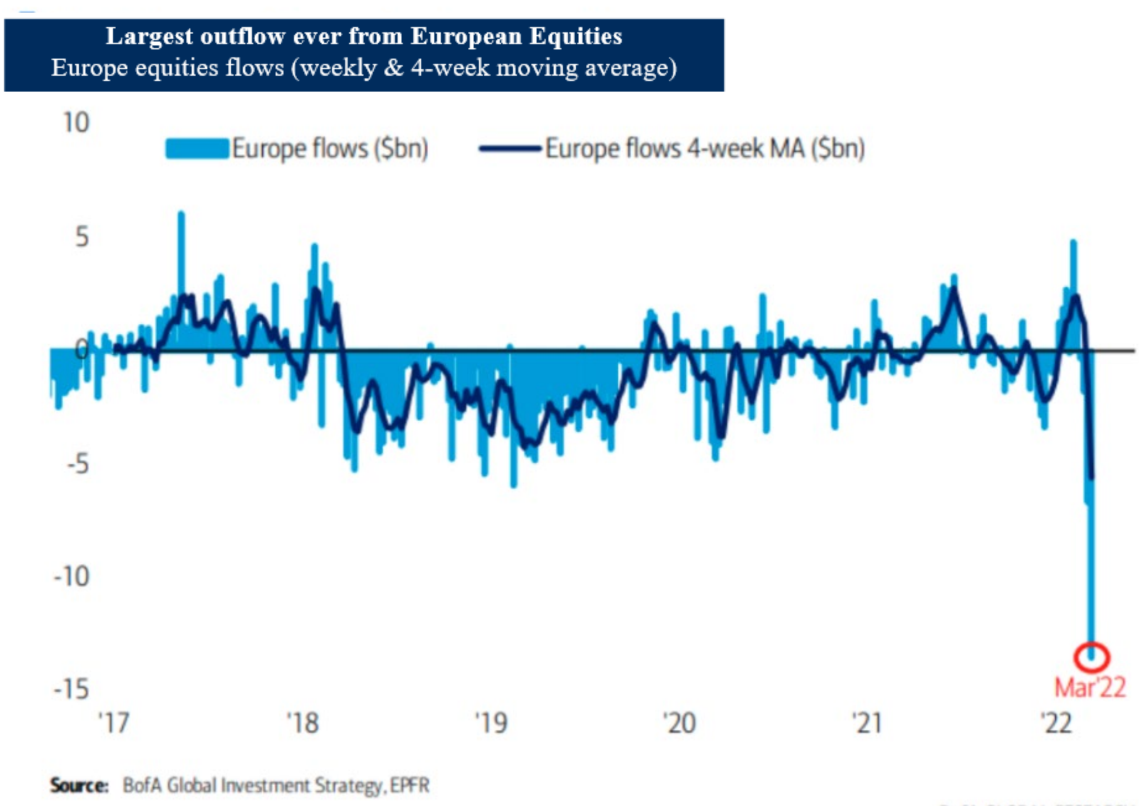
Qualcomm (QCOM) (-16.4%)
Qualcomm shares were weak in the first quarter despite reporting quarterly revenue growth of 30% and earnings growth of 49%. QCOM and investment firm SSW Partners recently closed on its acquisition of Veoneer for $4.5 billion. This will allow QCOM to diversify the business model into driver assistance technology based on mobile connectivity. Qualcomm shares are trading at approximately 14 times the estimated earnings for 2022 and yield 1.85%.

Volkswagen AG ADR (VWAGY) (-15.5%)
Volkswagen shares have been weak in the past quarter despite reporting fiscal year results above expectations and positive developments regarding the IPO of Porsche AG. Volkswagen is in the process of hiring bankers to float up to $11.2 billion in Porsche shares with the proceeds used to provide financial flexibility as they expand further into electric vehicles. Porsche is expected to go public with a valuation in the $90 billion range which we would expect to lift the shares of VWAGY which have a market cap of just over $110 billion. VWAGY shares appear inexpensive trading at under 8 times earnings and yield 3.4%.

LIVE OAK PRIVATE WEALTH INTERNATIONAL STRATEGY COMMENTARY & THOUGHTS

The invasion of Ukraine by Russia hit European equity markets quite hard. There is now the risk of additional inflationary pressure coming from higher energy prices as a result of the conflict, alongside a risk to European GDP growth. The risk to stagflation is increasing, as it is in the U.S. potentially. There are still many unknowns in terms of the direction of energy prices from here, whether sanctions will extend to energy and agricultural sectors, and potential government fiscal responses to the eastern European conflict.

As you can see in the chart below, European equities suffered the largest outflow (selling) ever. Much of this due to indexation and passive investment products selling in response to the war. We feel there are quite a few babies here that have been thrown out with the bathwater.



Prior to the invasion, our International Strategy had a healthy allocation to many of Europe's quality companies. We believe our European pharma companies Sanofi and Roche shouldn't be too impacted by the crisis. Heineken, Unilever, and Nestle have very strong, global brands that have large percentages of revenues outside of Europe which should insulate these businesses as well. French multinational Schneider Electric and Germany's Siemens should remain well positioned in automation trends, energy management, and smart infrastructure. All of these businesses stock values have declined precipitously as a knee-jerk reaction to the invasion. We believe their long-term intrinsic values remain much higher than the current stock quotes. Recession fears and stagflation woes will persist we guess, and many will avoid European equities as a result, but we feel that there is much opportunity in Europe, especially at these temporarily depressed prices. We believe our International Strategy combines solid research and understanding of our investee's drivers of earnings and we are confident our portfolio can navigate difficult periods such as the turbulent markets we are facing today when you view it through a long-term lens.

March 15th will hopefully prove to be the low watermark with our China equities. On March 16th, Beijing intended to calm markets and reassure investors with a promise of a slew of market-friendly measures at a special meeting of the State Councils Financial Stability and Development Committee. There were "signals" for a possible end to the crackdown on our tech company investees. This positive rhetoric triggered an immediate impressive rally in Alibaba, TenCent, JD.com, and Baidu along the magnitude of 30-35%. We remain steadfast in our belief that many of the best businesses in China will adapt to many of the new regulatory policies and that while these tough regulations have moderated growth, they have not completely derailed the growth prospects.

LIVE OAK PRIVATE WEALTH INTERNATIONAL PORTFOLIO ACTIVITY

Portfolio positioning picked up as the volatility increased during this quarter. We initiated a new position in Spotify after correcting 40% off its recent high last November. Spotify is the category leader in music streaming with over 300 million subscribers across 92 countries. With 34% of the global streaming market, the company has nearly twice the market share of Apple Music at 19%. The Joe Rogan podcast controversy coupled with the mass liquidation of ARK Innovative ETF, created the price opportunity to invest in this company at an attractive entry point.

We also took advantage of weakness in Europe related to the Russia-Ukraine conflict and added to Lanxess AG, the German specialty chemicals company, Lafarge Holcim, the Swiss-based ready-mix concrete and aggregates company, and GVC Holdings, the international sports wagering company, in several accounts.

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 1Q2022

Euronet Worldwide (EEFT) (+9.2%)

Euronet shares rebounded from last quarter on the back of robust growth in electronic fund transfers and money transfer growth. The company has expanded its media content in Australia and boosted its presence in ATMs around the world.

Development Bank of Singapore (DBSDY) (+7.0%)
For Southeast Asia's largest lender, the DBS Group's business momentum continues. As pandemic hit economies continue to rebound, the company stands to benefit from earnings leverage from higher interest rates. The company continues to position itself as a leader in wealth management as well as investment banking.

Sanofi (SNY) (+2.5%)
France-based Sanofi is a leader in fighting infectious diseases. Through vaccines immunology, neurology, oncology, and other health disorders, the company continues to improve people's lives. As volatility ramped up this quarter, due to inflation, higher interest rates, and the Russian-Ukrainian conflict, perceived safer and less volatile pharmaceutical stocks attracted more - attention.

Phillip Morris International (PM) (-1.1%)
Phillip Morris continues to lead a transformation in the tobacco industry to create a smoke-free future. PMI is building its future on a new category of smoke-free products. PMI has increased its annual dividend every year since becoming a public company in 2008, compounding at an annual growth rate of 8%.

DNB Asa (DNBBY) (-1.7%)
The Development Bank of Norway provides financial services for retail and corporate customers in Norway. The shares held up well against a very challenging backdrop in Europe, as higher interest rates stand to benefit the company. The Norwegian economy stands to benefit from higher energy prices as well.

Our thoughts on positions that had negative or the least positive impact on the strategy for the period ending 1Q2022

Spotify (SPOT) (–35.5%)
We initiated a new position in the company as the shares declined this quarter first with the Joe Rogan podcast controversy, and then the growth stock correction. At our entry point of $180, we are confident in the long-term value of this music streaming giant and growth in subscription revenue.

Lanxess (LNXSF) (–26.1%)
Lanxess, unfortunately, couldn't escape the steep selloff in European stocks this quarter. The company's dependence on energy to drive its chemical and additives business was questioned as supplies of gas and oil are disrupted in Europe due to the war. Despite this hopefully temporary issue, Lanxess closed 2021 with significantly improved sales and earnings.

Ferguson PLC (FERG) (–25.2%)
Ferguson is the leading value-added distributor of plumbing and HVAC products in North America. Ferguson has leading positions in large, growing, fragmented markets and the company's scale delivers outstanding performance with a long-term track record of stellar growth. Supply chain issues and worries of a building slow down due to higher mortgage rates weighed on the shares this quarter.

Icon PLC (ICLR) (-21.5%)
Icon is a world-leading healthcare clinical research organization. Record net business contract wins last quarter and a backlog of $19 billion gives us confidence in the shares. Icon was caught up in much of the indiscriminate selling of European stocks due to the Russian-Ukraine conflict.

Ten Cent (TCEHY) (-20.4%)
Ten Cent shares suffered yet again another quarter of negative sentiment towards Chinese tech stocks. Heightened regulations and Chinese consumer slowdown worries weighed on the shares yet again. As the world's largest video game company in the world's most populous country, we remain steadfast in our belief that the company's shares will show their true value. Positive regulatory rhetoric out of the Chinese government this quarter is positive.

Closing Thoughts

As we find ourselves in the middle of the Russia-Ukraine conflict and the end of the zero percent interest rate policy we have operated in for over ten years, the market is in correction phase. Yet thirteen years ago, the entire financial world was in free fall. Lehman Brothers, a financial institution that has been around since before the Civil War, declared bankruptcy. Mortgage delinquencies were skyrocketing, peaking at 11%. One in ten workers was without a job and the U.S. Stock Market had fallen 45% in the previous five quarters.

But, if investors were to have held tight, from the bottom on March 9, 2009, the S&P 500 would return 17% a year for the next thirteen years, +700%...hard to believe. It appeared then we were going into the financial abyss, and everyone would lose it all. Yet we recovered. Darkness and fear always seem to give way to light and optimism as troubles fade. It has been well documented unfortunately that many investors, panicked with uncertainty, bailed out in 2008 and 2009. The quotes at the beginning of this letter address uncertainty and we are now facing a healthy dose of it today.

The way to deal with uncertain times (which are always) and your financial well-being, is to have a plan. We believe one of Live Oak Private Wealth's core competencies lies in comprehensive financial planning. Our experienced team of Certified Financial Planners (CFP®) and fiduciary trust and estate specialists can help answer important questions, such as "can I still meet my family's financial goals and objectives if the market falls 20% and does not recover for several years?" Making yourself financially bulletproof is the only way to buy partial immunity from panic during difficult markets. Please make sure you are taking advantage of the experienced CFP® professionals at Live Oak Private Wealth to ensure you have the correct amount of immunity balanced with opportunities for growth.

Our experienced investment team knows that unexpected things will happen and when we think about what, if anything, we should do in reaction to the risks of war or stagflation, many of our answers lie with our time-tested philosophy of curating strategic portfolios of what we feel are highly resilient, quality businesses. We closely monitor them and update our appraisals of value each quarter. We are constantly refreshing our analysis and internally debating our views, during both high and low times of uncertainty.

There is no certainty in investing, only making the best possible decisions based on the information at hand. Our team is monitoring global events very carefully and will make any changes in our portfolios that we think will offer better risk-adjusted returns for you over the long run. So, while we are currently experiencing volatile times, according to MFS, the fund group in Boston, **over the last 72 years**, the S&P 500 has been up:

S&P 500
54% of days
61% of months
74% of years
79% of rolling 5-year periods
89% of rolling 10-year periods

Therefore, we believe staying invested in quality growing businesses over long periods of time is the key to compounding your wealth.

We remain humbled by your trust in us and grateful for your willingness to compensate us for doing something we love to do and that 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
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Co-Chief Investment Officer

Disclosures:

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