Investment Commentary & Letter to Clients

September 2022

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

THIRD QUARTER LETTER SEPTEMBER 30, 2022

"Restoring price stability will take some time and requires using our tools forcefully to bring demand and supply into better balance. Reducing inflation is likely to require a sustained period of below-trend growth. Moreover, there will very likely be some softening of labor market conditions. While higher interest rates, slower growth, and softer labor market conditions will bring down inflation, they will also bring some pain to households and businesses. These are the unfortunate costs of reducing inflation. But a failure to restore price stability would mean far greater pain."

- Fed Chairman, Jerome Powell
Jackson Hole Speech
August 26, 2022

Boy, that pain escalated quickly. Markets, both equity and fixed income, finally took Chair Powell at his word as investment sentiment shifted dramatically this quarter. Prior to the Federal Reserve's annual August retreat in Jackson Hole, the U.S. equity market had rallied 17% from the June lows thru mid-August. For some reason, the markets sensed, incorrectly, the Fed was going to moderate its interest rate increases. Fed officials, especially Chair Powell, thought market participants were too complacent, misreading their intentions to slow the economy to combat high inflation. This perceived "pivot" was making the Fed's job harder. Powell decided to send the markets a message and tossed the punchbowl into one of the Teton's beautiful mountain streams.

Then the markets woke up to the fact that Chair Powell was becoming Mr. Tough Guy, a la Paul Volker, and the machines kicked into gear, dumping stocks, bonds, and crypto, indiscriminately right up until the market close at 4:00 pm Friday, September 30.

To make matters worse this quarter, central banks around the world also moved to combat the effects of rising inflation as banks from South Africa to Norway raised rates. When the Bank of England raised rates for the seventh time in a row, things started to break. The risks of a significant policy mistake leading to a global contagion started to heighten. Currencies started trading widely, and the British pound cratered to its lowest point in 37 years. Long-term U.K. Government bonds, or Gilts, flash crashed, losing a third of their value in four days going into the end of the quarter. While world markets were getting unstable, the U.S. dollar was soaring in contrast, along with U.S. Treasury yields, triggering the quantitative trading algorithms used by the massive macro commodity trading advisors (CTA's) to drive ETF and index funds to dump stocks and bonds. The cherry on the top of the sundae of pain was a scary echo from 2008, another possible "Lehman moment" as fears surfaced that Credit Suisse, a globally systemically important bank was on the brink of collapse.

While we keep our ears to the ground daily for risks and change, macro forces such as these are impossible to predict; therefore, we spend much of our time as business analysts researching global businesses in search of the best of the best companies to own with durable, competitive strengths, pricing power, and managers with skin the same. These types of businesses will typically not only

endure challenging economic periods like these but emerge stronger and even more competitive on the other side. We have been writing in these letters for quite a while about potential policy mistakes emanating out of too loose central bank policies for too long. Fed policymakers, coupled with politicians without any regard for fiscal spending restraint, have led us to this breaking point.

The breaking point being inflation. There is really only one question that matters now: how sticky will inflation prove to be as the global economy slows? Answer this question, and all else follows. If we view the future as a spectrum of outcomes, we can start analyzing the opposite ends. On one end, inflation is persistent and central banks have no choice but to continue to tighten fiscal policy, raise rates, and induce a recession, depth and duration unknown. On the other end, inflation is peaking and noticeably declining toward the Fed's 2% mandate with little damage other than this nasty 20%+ correction.

We can't know where we lie on this spectrum. Some on CNBC see the investment universe as full of certainties, but we view it as replete with probabilities. In investing, certainty can cause you problems because it causes one not to reassess biases or favored conclusions. Successful investing requires resolve, flexibility, and open-mindedness. We try not to "make the call" as to where we are on this spectrum and position your family's capital without a large dose of humility. It is harder on us to be unsure than to be sure because certainty can build our confidence to deploy and invest our capital. We don't want to be paralyzed by doubt either, so by staying humble and relying on our many years of experience, we contemplate ranges of outcomes and invest with a long-term mindset, and always with a margin of safety, always remembering that we might be wrong.

Market Review
Market Statistics as of 09/30/2022

Index	2022 3rd Qtr.	2022 YTD
DJIA	-6.17%	-19.72%
S&P 500	-4.88%	-23.87%
S&P 500 (equal weight)	-4.79%	-20.68%
S&P Mid Cap	-2.46%	-21.52%
Russell 1000/Growth	-3.60%	-30.66%
Russell 1000/Value	-5.62%	-17.75%
Russell 2000	-2.19%	-25.10%
NASDAQ Comp.	-3.91%	-32.00%
Long-Term Treasury Bonds	-9.95%	-28.02%
Inv Grade Corp Bonds	-5.11%	-18.33%
Gold	-7.99%	-7.43%
3 Month T-Bill	.46%	.61%

The decline in the equity markets continued in the third quarter after Chair Powell warned of "some pain ahead", as the Fed made it clear that fighting inflation was its top priority. The early quarter bounce in stocks reversed course, as the S&P 500 index fell 9.2% in September, marking the worst September decline since 2002. The S&P 500 Index, the Dow Jones Industrial Average, and the Nasdaq Composite all recorded their worst first nine months of a calendar year since 2002, according to Dow Jones Market Data. There was truly nowhere to hide in the recent quarter (or year) besides cash (3 Month T-Bill). What has been called the worst bond rout in a generation took yields on the 10-year U. S. Treasury note above 4% (for the first time in more than a decade. The year-to-date returns on long-term U. S. Treasury bonds and investment-grade corporate bonds were

down a startling 28.0% and 18.3%, respectively. The fastest rate hiking cycle in modern history has truly inflicted "pain" on both equity and fixed-income investors.

The Russell 1000 Value Index has outperformed the Russell 1000 Growth Index by 12.9% in the first nine months of 2022, as assets with longer duration growth tend to be penalized more by higher interest rates. The only positive sector of the markets for the first nine months of the year was energy which was up 30.7%. The worst performing sectors (for nine months) were communication services (-39.4%), information technology (-31.9%), real estate (-30.4%), and consumer discretionary (-30.3%). Small and mid-cap stocks fared better than large caps in the third quarter, as the soaring U. S. dollar created more headwinds for U.S. multinationals overseas. Along those same lines, the S&P 500 Equal Weight Index has outperformed the market cap-weighted S&P 500 Index for the year to date by over 3%. Foreign markets (in U.S. $ terms) also struggled with the MSCI ACWI Index (ex U.S.) down by 26.2% and the MSCI Emerging Markets Index down by 26.9% for the first nine months of 2022.

We think investors have concluded that the Fed "put" and T.I.N.A ("There Is No Alternative") have officially been put to rest by investors. As you may recall, the Fed "put" was the belief that the Fed would step in to buoy the markets with an accommodative monetary policy if prices fell to a certain level. The T.I.N.A. acronym implied with interest rates hovering near zero and bond yields so low, stocks represented the only asset class for investors seeking "real" returns. The excesses created by the easy money Fed of Greenspan, Bernanke, Yellen, and Powell (first three years) are rapidly being unwound from the system.

The S&P 500 is currently trading at approximately 15.1 times forward earnings estimates, below the 25-year average of 16.8 times. However, we must point out that the "E" (of price to earnings) is at risk and forward earnings are difficult to predict in a recessionary environment. According to BofA Global Research, "U.S. recessions see on average 20% EPS declines". While predicting the bottom is difficult, the market certainly presents more opportunities for long-term investors than a year ago. As always, we will attempt to use market volatility to our advantage, buying weakness and utilizing strength to reposition the portfolio as opportunities arise.

LIVE OAK PRIVATE WEALTH GROWTH STRATEGY
COMMENTARY & THOUGHTS

When inflation rises to high levels and investors come to believe that inflation will remain high, and Fed Policy is behind the curve, PE ratios contract sharply, with the valuations of longer-duration growth stocks falling more than the broad market. The PE ratio on the S&P 500 has contracted by almost 30% this year. Across our portfolio, we witnessed large declines in valuations this quarter. As discussed earlier, the markets are having one of the worst years in recent memory and are challenging even the most seasoned veterans. Baillie Gifford's U.S. Equity Growth fund was down over 50% in the first six months of the year.

The markets are behaving as if the world completely changed virtually overnight as the inflation genie escaped the bottle. Market PE valuations now seem historically reasonable as long as earnings don't collapse. Our research leads us to believe we are seeing instances of fear leading to extreme disconnections in certain companies' stock prices. In the long term, we believe positive earnings fundamentals will prevail. The last time (except for the swift pandemic decline in 2020) fundamentals diverged so sharply from stock prices was in 2011, when another macroeconomic scare came from fears that a Eurozone debt crisis would lead the world back into a recession like 2008. It feels to us now we would need to see a significant deterioration in earnings to anchor our stock prices currently. There is a risk to this, but we find it unlikely across the entire portfolio.

LIVE OAK PRIVATE WEALTH GROWTH STRATEGY
THIRD QUARTER PORTFOLIO ACTIVITY

As volatility accelerated this quarter, activity and turnover increased as we attempted to capitalize on attractive prices in our higher-quality positions. In July, we added to Wells Fargo at $42.99 on our belief that there is a misperception in the market around interest rate effects on the bank's net interest margin, as well as recession risks. In August, we added to our position in Richmond, VA-based Markel at $1,189.84. Inflation can be problematic for insurance companies as longtail obligations can be hard to quantify and underwrite. We have much confidence in the Markel insurance professionals to navigate this period of uncertainty. From our perspective, higher interest rates won't hurt their fixed-income portfolio either. We added (again) to Alphabet/Google in September at $105.45. By our estimation, Google trades for 16.5 times earnings after adjusting for cash while growing mid to high-single digits. As selling intensified in the last week of the quarter, we made a significant decision to sell FedEx, Lockheed Martin, Verisign, and Medtronic. These four positions were smaller than normal positions in our portfolio, and FedEx confirmed our fears of FedEx-specific execution issues while reporting a dismal quarterly report. Our objective is to concentrate more capital into our higher conviction, higher quality, durable companies. Example being Brookfield Asset Management…and we added significantly to our long-held position at $42.02.

We participated in Brookfield's Annual Investor Day this month and came away resolute in our belief that Brookfield is in an enviable position now that inflation is more apparent, as their larger projects in infrastructure, renewable energy, and real estate stand to benefit from potentially higher for longer inflation. Brookfield's push into insurance, specifically reinsurance, could prove to be a growth driver as well. Bill left the Brookfield Investor Day with a quote in mind from Bruce Flatt, Brookfield's CEO: *"Every crisis we have is always the worst crisis we've ever had. If you have a long-term plan, these things come and go. You can capitalize on this situation."*

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 3Q2022

Charles Schwab (SCHW) (+12.44%)
Schwab has direct exposure to interest rates, and given the rise in rates this quarter, Schwab has benefitted. The company could have material near-term and long-term growth in earnings from rising rates. As 40% of the company's interest-earning assets are tied more to short-term rather than long-term rates, Schwab could benefit. We believe a better market environment for trading should help them in the future.

Lowes (LOW) (+5.89%)
Through Lowes' 2,000 stores, the resiliency of the firm's home decorating, maintenance, repair, and remodeling businesses has paid dividends. In our opinion, Lowes' corporate objectives of boosting margins and return on invested capital appear to be taking hold and assuming a relatively stable housing market, operating leverage and free cash flow generation should continue to boost the shares.

HCA Healthcare (HCA) (+4.99%)
Some of the shortage of nurses and delayed elective procedures abated somewhat this quarter, leading to a recovery in HCA shares. The hospital chain's significant geographical footprint, as well as its diversity of healthcare facilities, continues to reinforce the long-term value proposition. From

our observation, analytics from its industry-leading healthcare services database is leading both to quality effects and cost-related efficiencies, driving solid profitability.

CVS Health (CVS) (+1.52%)
During this quarter, CVS announced the $8B acquisition of Signify Health, positioning the company into home health services. This could be the first step in its growth acquisition plan with expansion into value-based care delivery. This new leg, coupled with Aetna and CVS's existing operations, positions the company to improve cost-effectiveness and care and leverages a move to a more value-based care provider.

Verisign (VRSN) (+1.69%)
We elected to sell our long-held position in Verisign this quarter as the rise of alternative technologies and platforms, such as mobile apps, social media, and online marketplaces, have created increased competitive pressures for the domain industry. While never a large position, due to its rich valuation, we elected to shift these dollars to other higher conviction positions.

Our thoughts on positions that had negative or the least positive impact on the strategy for the period ending 3Q2022

Charter Communications (CHTR) (-36.92%)
Comcast (CMCSA) (–27.20%)
We will lump these two together as they are very similar in business model. Shares of both Charter and Comcast came under significant pressure this quarter for a myriad of reasons, most notably, the perceived threat from fixed wireless internet access vs. the traditional broadband pipe. As many cut the cord on traditional video cable, some worry about these two companies continuing their dominance in broadband internet delivery. We don't share that view and expect them to successfully navigate growing competition while producing strong cash flows and aggressively buying back shares.

FedEx (FDX) (–33.60%)
We voted with our feet and sold our FDX shares this quarter, as it became even more apparent that there are management and execution issues. Global trade could continue to be weaker, and labor contracts are pushing up wages. Lastly, Amazon is rapidly building out its last-mile logistics capabilities. We sold a large amount of FedEx in 2021 and decided to sell the remainder and reinvest the proceeds in our higher conviction positions.

CarMax (KMX) (-28.76%)
CarMax is the largest used car retailer in the US and has grown sales at an annual rate of 13% since 2000. But used-car affordability, coupled with the potential pending recession and higher interest rates, really took the air out of the shares this quarter. The silver lining of the current difficult period for CarMax is their "capacity to suffer", as we see that they are positioned to weather the recession while competitors may not. Further, investments in its omnichannel program could keep KMX shares growing for years, and its auto finance business (CAF) appears to be quite profitable currently.

Ardagh Metal Packaging (AMBP) (-26.5%)
Ardagh Metal Packaging is one of the world's leading makers of consumer aluminum beverage cans. The company remains on the leading edge of sustainability trends, moving beverages away from plastic towards infinitely recyclable aluminum. Born as a SPAC, the company's shares might be misunderstood, but energy supply issues in Europe and major currency headwinds dented the shares this quarter. We continue to believe the company offers investors a best-in-class growth profile

within the beverage can space, and think we are in the early innings of a secular growth phase toward more sustainable aluminum.

LIVE OAK PRIVATE WEALTH CLASSIC VALUE STRATEGY
COMMENTARY & THOUGHTS

"The investor who permits himself to be stampeded or unduly worried by unjustified market declines in his holdings is perversely transforming his basic advantage into a basic disadvantage."

- Benjamin Graham
The Intelligent Investor

In times of rising interest rates and inflation, value stocks tend to outperform their growth counterparts. Rising rates tend to compress valuation multiples of growth companies versus value stocks. Value stocks are less impacted by rising rates, largely due to the fact that more cash flow will be generated sooner, while with growth stocks, cash flows are projected further into the future. We believe that the current valuation discrepancy also favors value over growth. As the table below shows, the Russell 1000 Value Index currently trades at less than 14 times earnings versus a lofty 27 times earnings for the Russell 1000 Growth Index. J. P. Morgan Asset Management studies show that value is currently trading at 88% of its 20-year average on a price/earnings basis, while growth is trading at 109.8% of its 20-year average. The dividend yield on value is almost double the yield on growth issues, which should provide a cushion for investors in rocky markets. The Russell 1000 Growth index is top-heavy in high price-earnings multiple issues, with four names making up over 31% of the index (Apple, Microsoft, Amazon, and Tesla). *Barron's Magazine*[1] recently pointed out that the S&P 500 equal weight (not heavily skewed to mega-cap tech) index trades at 13 times earnings, down from 17 times at the beginning of the year and below the 20-year average of 16.7 times. Clearly, there are bargains to be found beneath the surface, and we believe a "value" strategy offers investors the best risk/reward tradeoff in these uncertain markets.

Index	Price/Earnings	Price/Book Ratio	Dividend Yield
Russell 1000 Value	13.9	2.1	2.05%
Russell 1000 Growth	27.0	9.2	1.07%

LIVE OAK PRIVATE WEALTH CLASSIC VALUE STRATEGY
THIRD QUARTER PORTFOLIO ACTIVITY

After a fair amount of activity early in the year, when a number of our stocks were trading above what we perceived to be fair value, we have done little in the way of portfolio changes. In August we exited our position in Vontier at $24.41 per share. While we continue to like Vontier, the company faces several headwinds that we feel would limit the upside over the coming year. We have also made a number of tax-related trades in taxable accounts, where we may double a position with the intention of selling the original share purchase in 31 days to establish a tax loss. Some of the companies we have made tax-related trades in include Intel, Warner Brothers Discovery, and Bayer. We would expect some tax-related trades to continue over the coming months for our taxable accounts.

[1] *Barron's Magazine, October 7, 2022*

Contributors and Detractors for Live Oak Private Wealth Classic Value Strategy

Our thoughts on positions that had the most positive impact on the strategy for the period ending 3Q2022

Charles Schwab* (SCHW) (+12.44%)
Schwab had better than what we expected second quarter despite having lower assets under management (AUM) than in the previous year. The company's overall revenue increased 13% to $5.1 billion due to the sharp rise in short-term interest rates. Schwab recently approved a new $15 billion buyback.

TJX Companies (TJX) (+10.85%)
TJX is an off-price retailer that should benefit from the glut of inventory that persists at many of the big retail chains. TJX is the buyer of last resort as retailers are desperate to shed inventory. In our opinion, the off-price model should appeal to consumers in the coming months, given the challenging economic backdrop.

Fiserv (FISV) (+1.07%)
Fiserv provides payment and financial services technology worldwide. The company reported solid second-quarter results, with revenues expanding by 10% and adjusted earnings moving higher by 14%. The long-term outlook appears to be strong, driven by growth in debit transactions. Fiserv repurchased 5.1 million shares in the second quarter for approximately $500 million. We would expect the buybacks to continue, providing a boost to earnings per share growth.

Disney* (DIS) (-1.88%)
Buoyed by the lifting of COVID-19 restrictions, Disney's revenues soared 26% in the most recent quarter, and earnings from continuing operations rose by 54%. Disney+ subscriptions rose to 152.1 million during the third quarter, which was above analysts' forecasts. The streaming space has been in upheaval since Netflix reported an unexpected drop in subscribers, and fears mount over the direct-to-consumer model. Disney recently rolled out a new pricing structure and an ad-supported version of Disney+. We believe Disney's diversified content and financial strength will allow the company to withstand competitive pressures and fund the heavy investment in the streaming platform.

Chevron (CVX) (-1.94%)
Chevron, which is one of the world's largest oil companies, saw earnings soar in the most recent quarter due to strength in both the upstream and downstream operations. While the shares pulled back slightly in the most recent quarter, they have increased by 17% year-to-date. Chevron shares trade at just 10.7 times earnings and yield 3.5%. Chevron recently boosted its annual share buyback to $15 billion per year and noted it will continue buybacks even when the commodity cycle turns down. We believe the shares are attractive on a total return basis.

** Shares are also held in our Live Oak Private Wealth Growth Strategy.*

Our thoughts on positions that had negative or least positive impact on the strategy for the period ending 3Q2022

Intel (-29.08%)
Intel is a leading manufacturer of integrated circuits serving the PC market, communications, industrial automation, and other electronic equipment. Continued supply chain challenges and weakness in the PC market and datacenter business resulted in a 22% revenue drop and a swing to

a quarterly loss in earnings for the most recent quarter. Intel faces a number of challenges as it plans to spend heavily on improving and expanding its manufacturing technology. The company is expected to benefit from the CHIPS Act and could receive as much as $10-$15 billion worth of subsidies over the next five years. Intel shares currently yield over 5.6%; however, the market worries that the dividend could be in jeopardy, given the company's massive capex over the next few years.

Comcast* (CMCSA) (-27.20%)
Comcast shares reacted negatively to the most recent earnings report and weakness in its broadband offering and Peacock streaming unit. Part of the weakness in broadband subscribers can be attributed to a "pull forward" of demand which was pandemic related. The company also faces increased competition from "wireless" providers such as Verizon and T-Mobile. Comcast has repurchased $9 billion in shares thus far in 2022 and has recently increased its repurchase program to $20 billion. Comcast generates strong free cash flow and yields 3.6%.

Verizon (VZ) (-26.47%)
Verizon shares have been weak as the company reported mixed results and lowered its full-year guidance for wireless revenue and adjusted earnings per share. We believe the recent selloff has been overdone, and we remain constructive on the shares. Verizon shares currently trade at less than seven times trailing earnings and yield 7.1%.

International Flavors and Fragrances (IFF) (-23.84%)
International Flavors and Fragrances is a leading manufacturer of flavors and fragrance chemicals sold to consumer product manufacturers worldwide. While the company has been executing nicely, the shares have been weak recently, related to the recent acquisition of DuPont's Nutrition and Biosciences unit in 2021. There have also been inflationary cost increases which, thus far, the company has been able to pass through to customers. The company shares trade at approximately 12 times next year's projected (adjusted) earnings and yield 3.7%.

Bayer AG (ADR) (-23.03%)
Bayer is a German multinational life sciences company with segments in pharmaceuticals, consumer health and crop science. Bayer's most recent second-quarter earnings came in ahead of our expectations, driven by broad strength in crop sciences. Most of the recent market weakness is likely the result of continued legal issues surrounding glyphosate and the recent decision by the Supreme Court rejecting Bayer's appeal to dismiss litigation concerning its Roundup weedkiller. Bayer is a strong free cash flow generator and yields 4.5%.

** Shares are also held in our Live Oak Private Wealth Growth Strategy.*

LIVE OAK PRIVATE WEALTH INTERNATIONAL STRATEGY COMMENTARY & THOUGHTS

The third quarter was another difficult quarter for international equity markets as inflation remained at elevated levels which caused central banks around the world to raise interest rates, zapping PE ratios. China continued to make it difficult with continuing zero-Covid policies and shutdowns. Liz Truss, Britain's new Prime Minster, less than a month on the job managed to tank the pound sterling and crush the Gilts with her idea of a new economic program, ex-Brexit, for Great Britain. Mixing in Putin's nuclear threat for ongoing Ukraine certainty, a very challenging macro-economic backdrop for international stocks arose.

International stocks have underperformed tremendously relative to the U.S. Due to the many macroeconomic reasons discussed prior in this letter, the U.S. strength is most in play, outside

thewar in Europe. Our dollar is near its highest value relative to the Japanese Yen in 25 years and now higher than the Euro for the first time in 20+ years. According to the Wall Street Journal, unhedged U.S. investors have been hammered in international stocks by the dollar's 13% gain this year. We can attest to the pain. Our experience leads us to think that, currently, international stocks may be fully priced for maximum pessimism. Drawing on one of the best global stock managers, Sir John Templeton, for positive inspiration…Sir John famously advised to "invest AT the point of maximum pessimism." High-quality equities listed on overseas markets are much less expensive than the U.S., and yes, many of them are more economically sensitive and cyclical, like our positions in Siemens and German chemical producer LANXESS. The U.S. Market is more heavily weighted by technology and healthcare and can be therefore viewed as somewhat less economically sensitive and cyclical. We remain positioned in several of the world's best businesses run by capable owner-operators who understand capital allocation and are experienced in difficult markets. Heineken, Nestle, Phillip Morris International, and Taiwan Semiconductor are a few of our investees that come to mind. With bearishness so pervasive, it wouldn't take much going right to make global diversification lucrative again. Speaking of pervasive bearishness….Alibaba trades at our estimate of 12.5 times 2023 earnings estimates, excluding cash. The perfect storm of Chinese government pressures, especially zero-Covid, malign economic conditions, continue unabated. Yet the company remains a dominant E-commerce and cloud technology leader with solid growth prospects. We think it's significantly undervalued, but boy have we been wrong.

LIVE OAK PRIVATE WEALTH INTERNATIONAL PORTFOLIO ACTIVITY

We actually made no changes to the International Strategy this quarter. We do have several ideas in the queue that are consistent with our view that when we do come out of this down cycle, we want to be positioned in our highest quality businesses with our highest conviction in their future returns.

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 3Q2022

Development Bank of Singapore (DBSDY) (+9.05%)
This quarter, for the third time since 2018, *Global Finance*, a financial publication, named the Development Bank of Singapore the world's best bank. DBS continues to build on its foundational strengths, while keeping financial performance resilient. During the quarter, DBS achieved $3.62B in net profit and return on equity of 13%. Net interest margin is starting to rise. We think asset quality is solid, liquidity is comfortable, and plenty of capital drives our bullish stance on DBS.

Willis Towers Watson (WTW) (+0.75%)
Willis Towers Watson is a global advisory, insurance brokerage and solutions company. As inflation drives an increase in insurance premiums, WTW should benefit from an increase in commissions. Other advisory and solutions offerings are almost tollbooth-like that delivers solid free cash flows. The consulting and benefits side of the business is growing, margins are stable, and we therefore feel good about WTW's future prospects.

Roche Holding (RHHBY) (-3.31%)
Roche is a marvelous Suisse biopharmaceutical and diagnostic company. The companies' top therapies include a variety of oncology products (50%) and market-leading biotech and diagnostics. Roche's pipeline is full of novel candidates, with a substantial portion late stage. Roche has a unique

in-house advantage, given its collaboration between its diagnostics and drug development groups. Healthcare is also a defensive sector during difficult economic times.

Holcim AG (HCMLY) (-3.54%)
Holcim, together with its many subsidiaries, operates as a building materials company in Europe, Asia Pacific, Latin America, the Middle East, Africa, and the U.S. Primarily a cement company, the company also sells aggregates such as crushed stone, gravel, and sand. Holcim has a high degree of vertical integration on a global scale, which gives the company cost and scale advantages. We are expecting high single-digit EPS growth coupled with a solid dividend yield and for Holcim to perform well in these challenging times.

Siemens AG (SIEGY) (-3.51%)
Siemens industrial conglomerate businesses in factory automation, railway equipment, electric, and medical equipment experienced a solid quarter. Cash flows were good, and orders and revenues grew organically. As many companies look to "on-shore" their supply chains due to COVID and geopolitical issues, Siemens's leading portfolio of automation and software should provide a solid boost of results. Increased electrification of autos will require energy-saving smart infrastructure, which the company provides.

Our thoughts on positions that had negative or the least positive impact on the strategy for the period ending 3Q2022

Alibaba (BABA) (-31.04%)
TenCent Holdings (TCEHY) (-25.31%)
JD.com (JD) (-23.73%)
Chinese macroeconomic uncertainty continued to batter these three e-commerce platforms. China's zero-COVID policy weighed on shares again due to recent lockdowns. Alibaba, TenCent, and JD.com remain incredibly cheap compared to their long-term earnings power. Recent People's Bank of China communications suggest a friendlier environment with the U.S. around auditing requirements. We remain bullish, while looking not so smart, and trust in the fact that "good things come to cheap stocks," eventually.

Euronet Worldwide (EERT) (-23.39%)
Euronet is a provider of global electronic payments with an emphasis on automatic teller machines (ATM's), point of sale services, credit and debit card services, and currency exchanges. European tourism and movement around the continent remain below trend, but ATM transaction volumes are growing, and the company is building up its money transfer capabilities. We expect Euronet to push its leverage towards digital payments, driving long-term revenue growth of 6-7%. We remain bullish long-term in the company's earnings potential.

LANXESS AG (LNXSF) (-18.54%)
LANXESS is a German specialty chemical company. Chemical companies are cyclical and dependent on good economic environments. Obviously, conditions are challenging in Europe considering the war. Chemical companies need natural gas to conduct operations, and inflation imposes significantly higher working capital needs. Fortunately, western Germany, where LANXESS is located, sources the majority of its natural gas from LNG and more friendly pipelines from the Netherlands. The stock is one of the cheapest in our portfolio and, given management prowess, we are optimistic about a recovery.

FINAL THOUGHTS

We understand that it is hard to maintain a long-term perspective and not worry about your hard-earned life savings when markets are falling 2-3% per day. We feel the current environment is characterized by extreme pessimism, fueling public markets, driven by fear rather than fundamentals. These are important environments to be extending your time horizon, and we think rewards will come to long-term investors.

Please don't lose sight of the fact that "the market" is nothing more than an auction place that acts as a pricing mechanism for companies. The market is not a place, and certainly not an asset class we invest in. While being tone-deaf towards market volatility is a very worthy trait, we understand it to be difficult. But if you can allow yourself to trust that stocks are real, tangible, fractional interests in a business, you can maintain a proper perspective during volatile times and view your portfolio as if you are invested in private companies, not stocks. The next time you are on a **Boeing** plane and pick up your iPhone to **Google** purchasing tickets to **Disney** World…or open your credit card statement from **Master Card** or **Visa** to check your charges from **Lowes** or **Dollar Tree**…tell yourself… "I own a piece of all of these companies. I actually own a fraction of these businesses and their profits." We believe these are good businesses to own as the growth over time should allow them to become more valuable.

In closing, we would ask you to re-read the excerpt from Warren Buffet's 1997 shareholder letter regarding market fluctuations and hamburgers we included in last quarter's letter. We would also encourage you to make an appointment with your Live Oak Private Wealth advisor to sit down and review your specific investment goals and to see firsthand how you are tracking to plan. We are sure it will be worth your time and make you feel better about coping with the current environment.

We are thankful to be a part of a spectacular team of professionals at Live Oak Private Wealth and are proud to play an important role on a high-performing, comprehensive wealth management team, offering families a lot more than just investments. Please engage as fully as possible in all of our offerings with our financial planning, trust and estate professionals, experienced advisors, and dedicated service and support professionals.

We continue to rely on our collective experience from this being our sixth (if you count the swift 2020 Pandemic selloff) bear market since the mid 1980's. We are calm and steady focusing our attention on our businesses and maintaining the best possible portfolio of equities, fixed income, and alternatives.

We are excited to report that Live Oak Private Wealth continues to grow, even during these difficult times. This is a testament to our professional team and their experience and care for our clients. We continue to enjoy tremendous success in four short years, and we are humbled and appreciate your willingness to compensate us for something we love to do (even in bear markets) and is so important to us all.

Our team of Amy, Andy, Angel, Bill Collier, Connor, Daniel, Jan, Missy, Laura, Terry and looks forward, along with us, 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

This material is not financial advice or an offer to sell any product and is not a recommendation to buy or sell any particular security. Past performance is not indicative of future results. The opinions expressed are those of the Live Oak Private Wealth Management Investment Team. The opinions referenced are as of the date of publication and are subject to change due to changes in the market or economic conditions and may not necessarily come to pass.

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. More information about Live Oak Private Wealth including our advisory services, fees, and objectives can be found in our ADV Part 2A or 2B of Form ADV, which is available upon request.