

As we continue to navigate the challenges in the world around us, we want to express our concerns and sadness for the suffering and devastation of the Ukrainian people. In the midst of this violent tragedy, we are inspired by the courage and spirit of the people of Ukraine, and we remain hopeful for a path forward of stability and peace.

Talbot Financial – First Quarter 2022 Review

Please find attached your Talbot Financial first quarter 2022 portfolio review to supplement your monthly account statements available from Schwab. The report provides a performance summary of your investment portfolio compared to the S&P 500 Total Return Index (“Index”), Talbot Financial’s benchmark, and lists your investment portfolio holdings by industry sector.

Investment Review

The Index declined 4.6% in the first quarter. The decrease was driven predominantly by fears over inflation and the Russia/Ukraine war. Concerns over both drove energy prices higher, resulting in the Energy Sector being the top performing industry of the Index for the quarter. The Technology Sector underperformed the Index as higher growth-oriented stocks were out of favor with many investors. We continue to have a more bullish perspective on the longer-term outlook for technology stocks owned in your portfolio; and thus, we have largely maintained our holdings within the sector. The Financial Sector outperformed the Index on the potential for higher interest rates, which has historically generated strong revenues for banks.

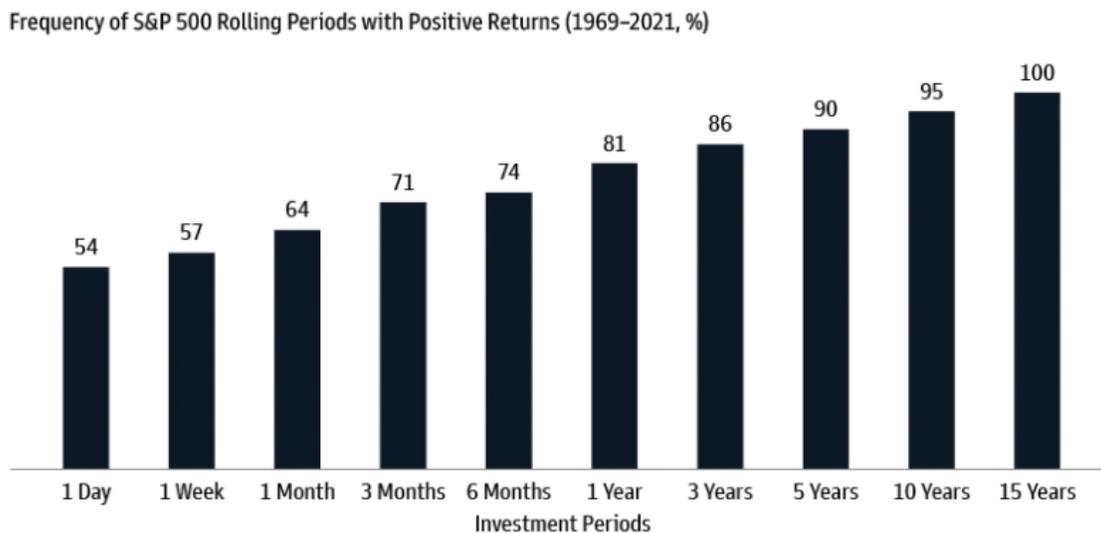
Market volatility increased during quarter, which is typical during periods of geopolitical shock such as the war in Ukraine. The knee-jerk reaction is often to sell higher risk assets (i.e., stocks) and buy safe-haven assets (i.e., cash). We analyzed historical data to determine how a “buy and hold” strategy performed during times of increased geopolitical risk. Following are the results of the eight most recent shock events:

Start	End	Event	S&P 500	
			During	3m After
Aug '90	Feb '91	The Gulf War	4.4	6.2
Sep '01	Sep '01	September 2001	-4.7	10.3
Mar '03	May '03	US Invasion of Iraq	4.6	7.0
Dec '10	Jan '11	Tunisian Revolution	4.0	2.0
Jul '11	Sep '11	European Debt Crisis Peaks	-16.5	12.0
Feb '14	Mar '14	Annexation of Crimea	0.7	5.6
Jun '16	Jul '16	Brexit Referendum	-0.6	2.9
Aug '21	Aug '21	Taliban Takeover of Kabul	1.4	0.8
Median			1.0	5.9

The median return of stocks during the last eight geopolitical shocks was a positive return of +1%. Importantly, stocks posted a median three-month return of almost 6% following the initial response in the financial markets

to the various events. Hence, investors have been well-served to remain invested throughout periods of uncertainty.

To reiterate once again, our fundamental investment philosophy is to own equities of industry leading companies with superior balance sheets and strong growth prospects. A key underpinning of this approach is maintaining a long-term focus. This belief is best illustrated by the following chart, which shows the frequency of returns for the S&P 500 for given holding periods between 1969 through 2021.



Source: Goldman Sachs Asset Management. As of December 31, 2021. 1-day and 1-week periods are rolling periods over daily returns. 1-month through 15-year periods are rolling periods over monthly returns. Past performance does not guarantee future results, which may vary.

The far-left column shows the percentage of time the S&P 500 posted a positive return for a given day from 1969-2021. On any given day over the past 52-years, the market had a positive return 54% of the time. As the chart moves from the short-term (i.e., 1 Day) to the long-term (i.e., 15 Years) the odds of positive returns materially improve. At the longest holding period, 15 years, the S&P 500 posted a positive return 100% of the time. Past performance does not guarantee future returns, but the past is certainly indicative of the benefit of owning stocks for the long-term.

In summary, first quarter market returns were challenged by inflation and geopolitical concerns. Importantly, we do not own “the market,” instead your investment portfolio consists of select companies we believe will be able to grow revenue, earnings, and shareholder value to outpace the broader market over the long-term.

Our office in Bellevue is open and we would welcome the opportunity to review your portfolio in person, by phone or on a Zoom conference. Please contact us for a review, or to answer any questions you may have about your portfolio.

Best wishes,

Talbot Financial, LLC

www.talbotfinancial.com