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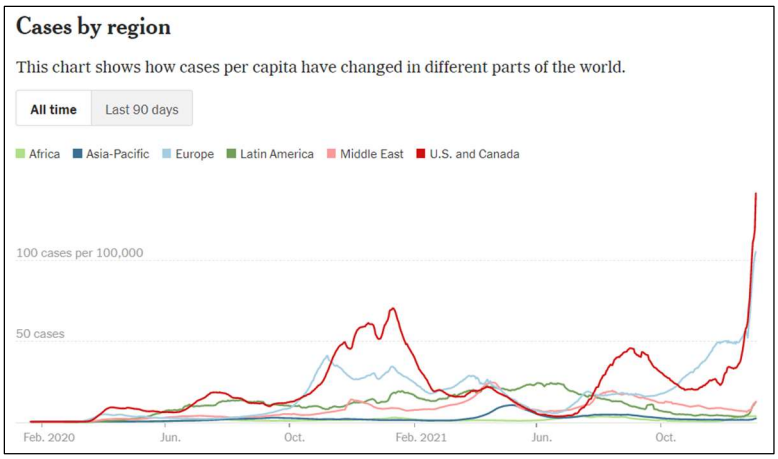
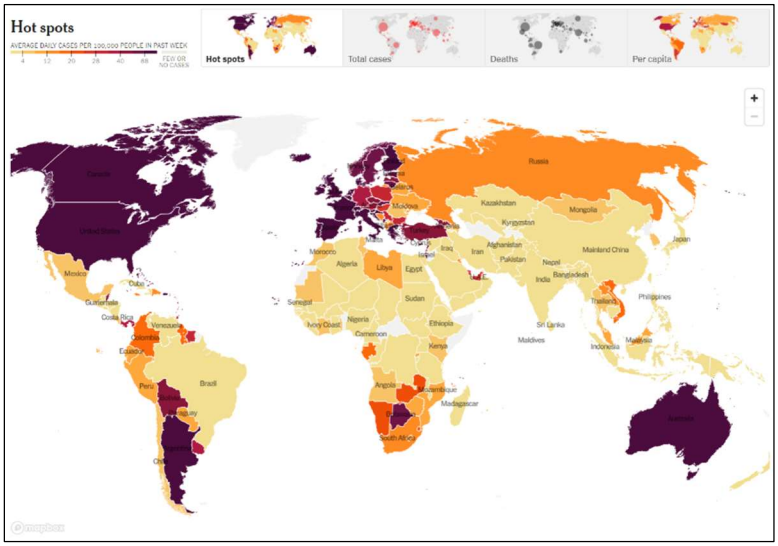
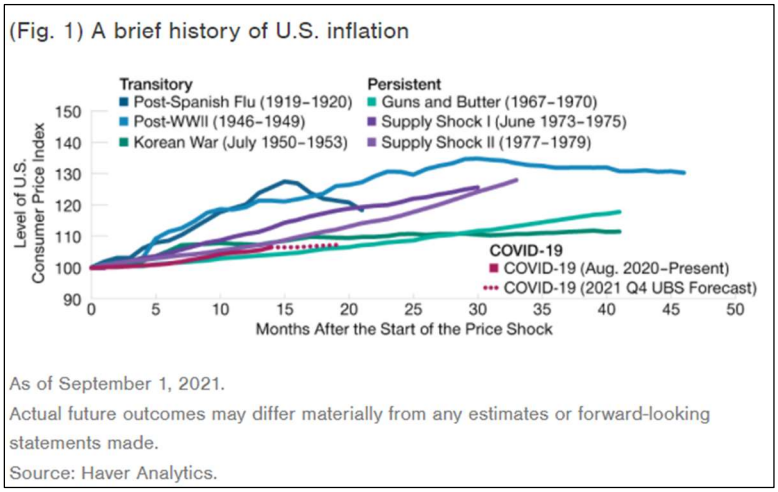
January 4, 2022 – Inflation, the Fed and Energy







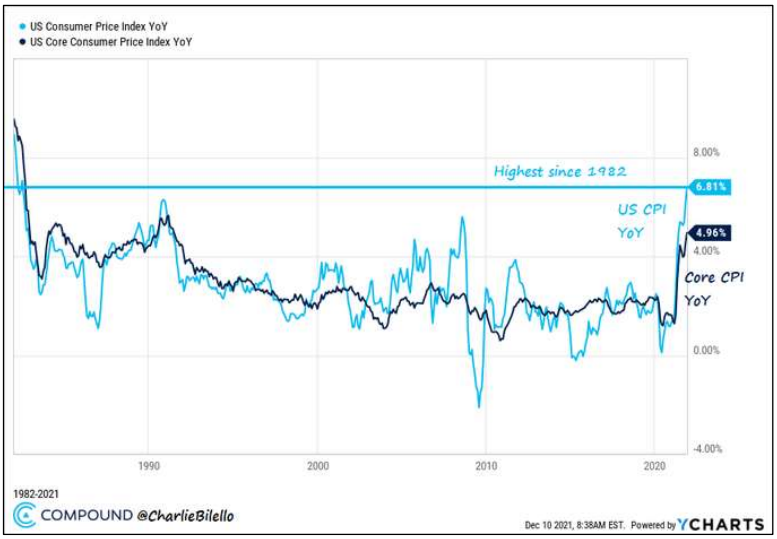
We hope that you had a nice holiday season and that this snowy start to 2022 finds you well. We began our most recent letter in October ’21 discussing the resurgence of global restrictions and economic disruptions in response to the Delta variant of the ongoing coronavirus pandemic. Here we are a few months later in a new year and in the midst of a new viral strain sweeping the world. Fortunately, while the Omicron strain is extremely transmissible and the case counts are through the roof, it appears that for those who are vaccinated the health implications of an Omicron infection are significantly less dire than experienced during prior surges.

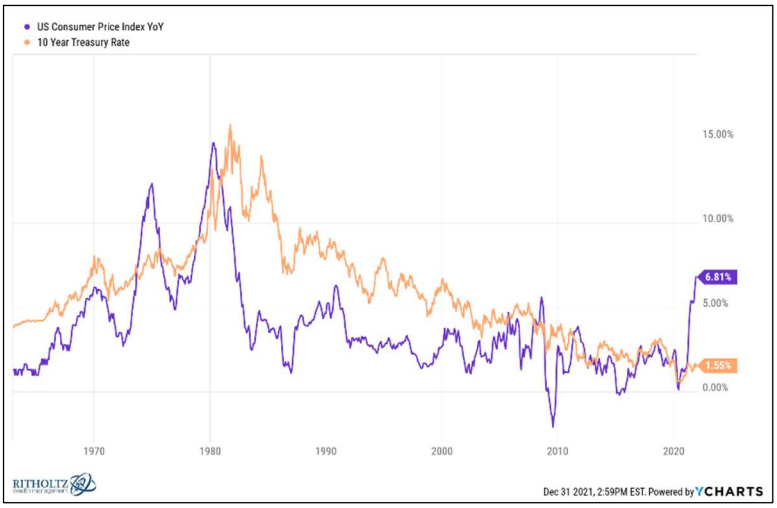
While greatly decreased hospitalization and fatality rates are undeniably positive, we can still expect ongoing supply chain and services disruptions as those infected are forced to isolate at home and production and distribution facilities are forced to temporarily shut down in the face of outbreaks. It appears that the earliest recognized Omicron surge in South Africa has peaked and daily new case counts there are subsiding as quickly as they spiked, so hopefully the same will be seen in other parts of the world over the next couple of months as Omicron inevitably spreads. In the meantime, all eyes will be on hospitals for signs of strain and on politicians for signs of restrictions.

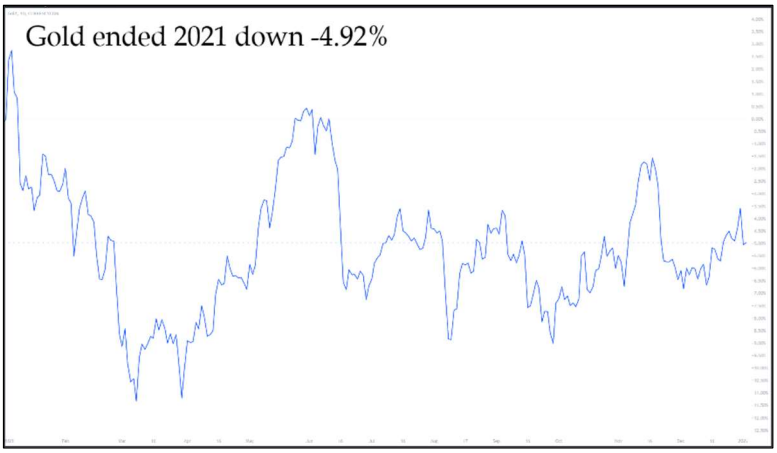
The longer these disruptions continue, and the more widespread they prove to be, the more likely this period of elevated inflation will prove to be persistent. The chart to the left accompanied the following comments from T. Rowe Price:

Arif Husain, head of International Fixed Income,… argued that the basic ingredients for structural inflation are in evidence more now than at any point over the past few decades. "If there is ever going to be inflation, now is the time," he said. "Central banks are unlikely to hike aggressively because they don't want to cause market disruption. Governments aren't exercising fiscal discipline because there are no consequences for fiscal indiscipline. But most of all, there is simply a truckload of money held in financial assets – if there is a rotation and some of that money flows out of financial assets into the real economy in the form of capital expenditure and consumer spending, it will put significant upward pressure on prices."

A key question is whether the post-COVID global economy will resemble the one that preceded the pandemic or be fundamentally different. Chris Faulkner-MacDonagh, a portfolio manager in the Multi-Asset Division, urged a historical perspective. He said that while transitory inflation shocks usually have a single cause, persistent inflation tends to arise from a confluence of factors. "People often think the great inflation of the 1970s was caused mainly by the 1973 oil crisis," he said. "In reality, however, used car and food prices were already rising rapidly before that. In other words, inflation gathered steam because there were a series of supply shocks, not just one (Figure 1, prior page).







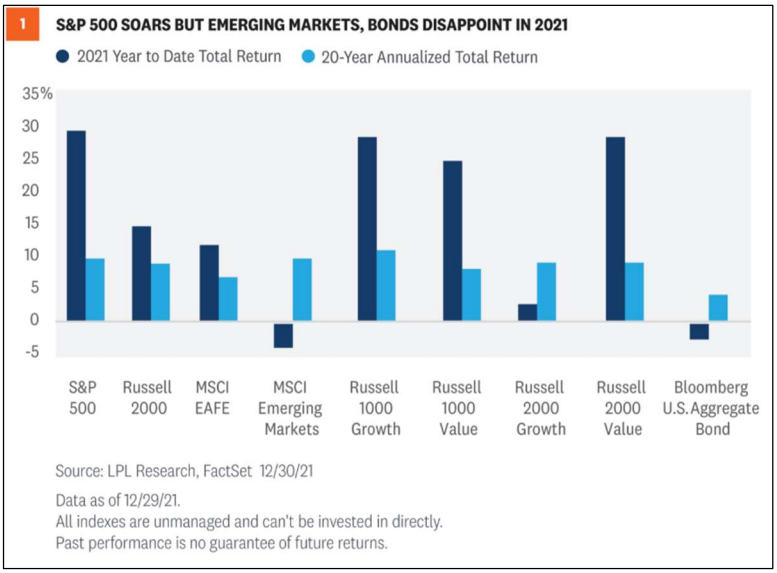
The current surge in inflation is similar to that of the 1970s because it has multiple causes, Faulkner-MacDonagh said. "Just like the 1970s, we've had a series of supply shocks, including used cars and energy," he said. "By the time, these sequential supply shocks have worked their way through the system, we'll have had 24 consecutive months of rapid price increases – and that doesn't sound very transitory to me."

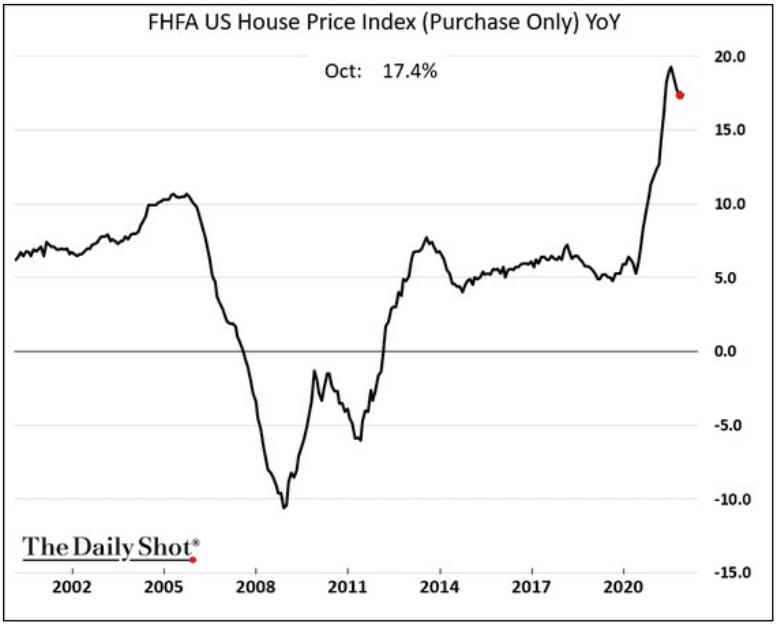
Faulkner-MacDonagh argued that a "huge supply mismatch" between downstream consumer inventories and upstream producer inventories will result in retailers having to undergo major inventory restocking next year. "There is going to be the mother of all scrambles for resources in 2022 as retailers will be restocking, consumers will be borrowing, the federal government will be borrowing via the fiscal deficit, and firms will be investing again as these supply chain issues are resolved," he said. "I do think inflation will come down from current levels, but only very modestly and not very rapidly."

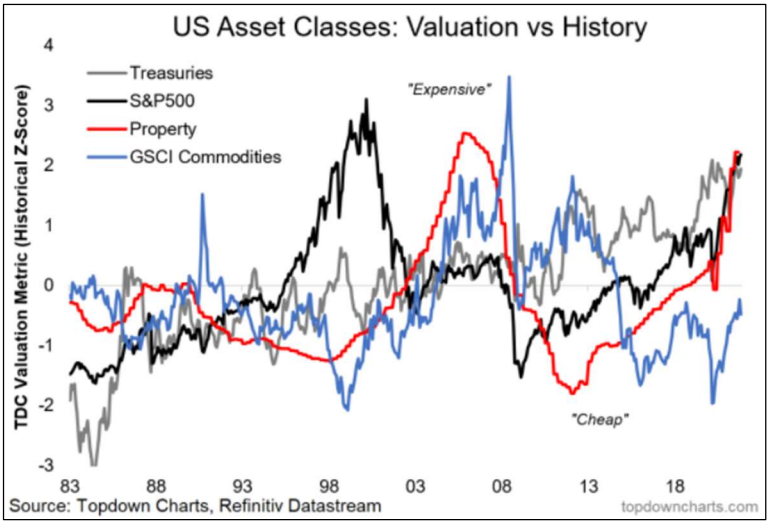
- *T. Rowe Price, "The Great Inflation Debate" December 2021*

Our July 2021 letter titled "Is It Transitory?" (available to read and download at our website www.UlmanFinancial.com) suggested that elevated, but not runaway, inflation was likely to

persist for some time and we recommended structuring portfolios as such: "Longer term, however, we remain confident that our exposure to energy, metals and miners, as well as our continued focus on precious metals and infrastructure-related investments, will serve us well."







In November the Consumer Price Index (CPI) rose at an annual rate of 6.8%, the fastest rate of price appreciation since 1982. If you had given that piece of information to a seasoned investor a quarter or two ahead of time, with the universe of available historical market data as their guide, their allocation strategy would have been to go long gold and avoid long-term bonds. Our energy, metals/mining and infrastructure positions fared quite well last year, but as to those precious metals… not so much. From the Irrelevant Investor blog, written by Ritholz Wealth Management's Michael Batnick:

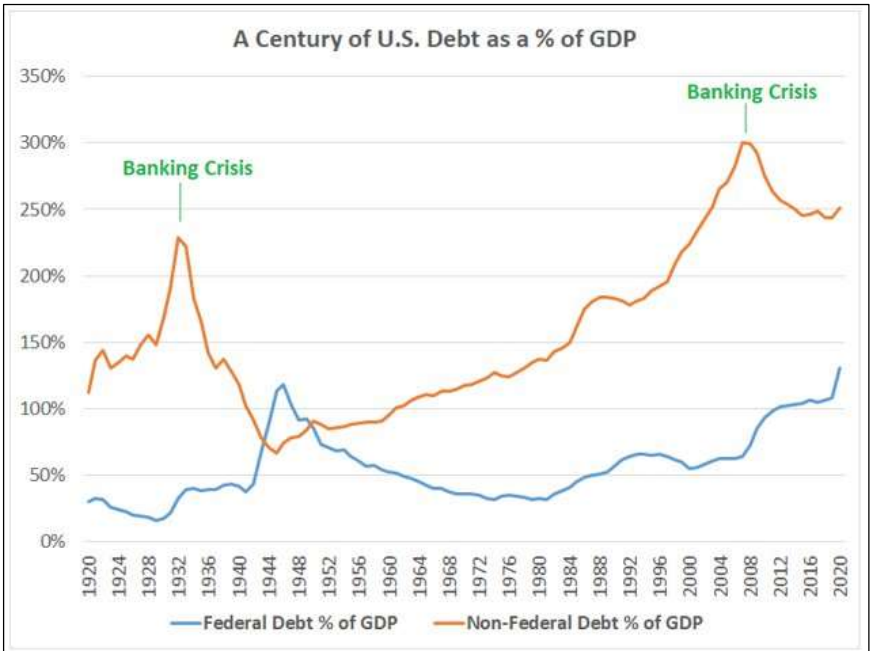
Consumer prices rose 6.8% over the last 12 months. Gasoline is up 58%. Used cars are up 31%. Bacon is up 17.8%. Bedroom furniture rose 11.8%. The last few years saw a record amount of money printing and inflation like we haven't experienced in decades. Gold enthusiasts could not have teed up a fatter pitch.

Copper returned 26%. Agricultural commodities… gained 22%. A broad basket of commodities… gained 42%. And yet, sad trombone, Gold fell almost 5%. To add insult to injury, bonds, which are allergic to inflation, only fell 1.75%.

In the worst inflationary environment since the 1970s, bonds outperformed gold. If this doesn't shake your convictions, nothing will.

- *Michael Batnick, "10 Lessons from 2021" December 31, 2021*

Ouch! Long time readers know that we've been proponents of gold as a portion of a well-allocated portfolio for years. We would have expected that the astronomical US federal deficit of the past two years, the resultant increase of the nation's debt-to-GDP ratio and ballooning monetary base in addition to the highest inflation print in almost 40



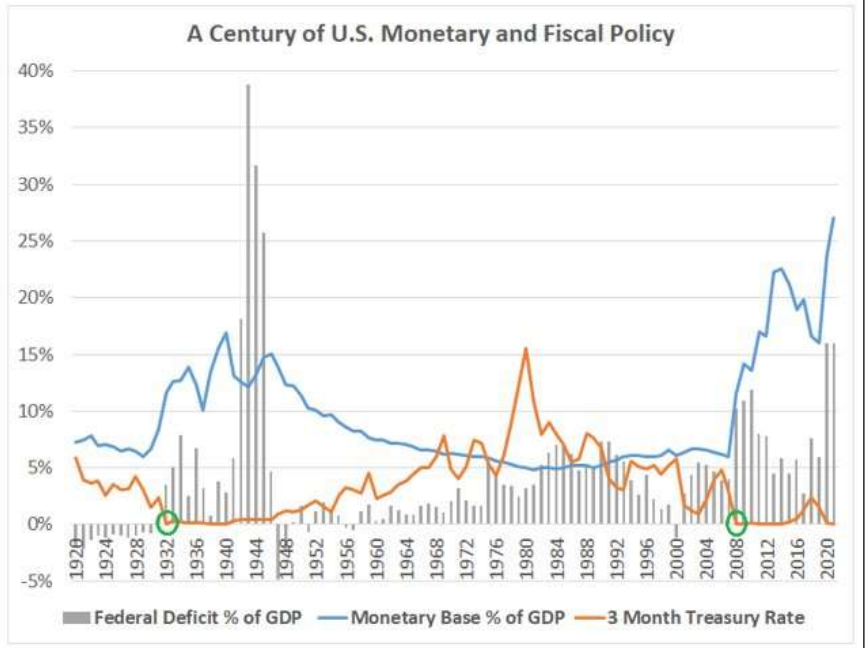


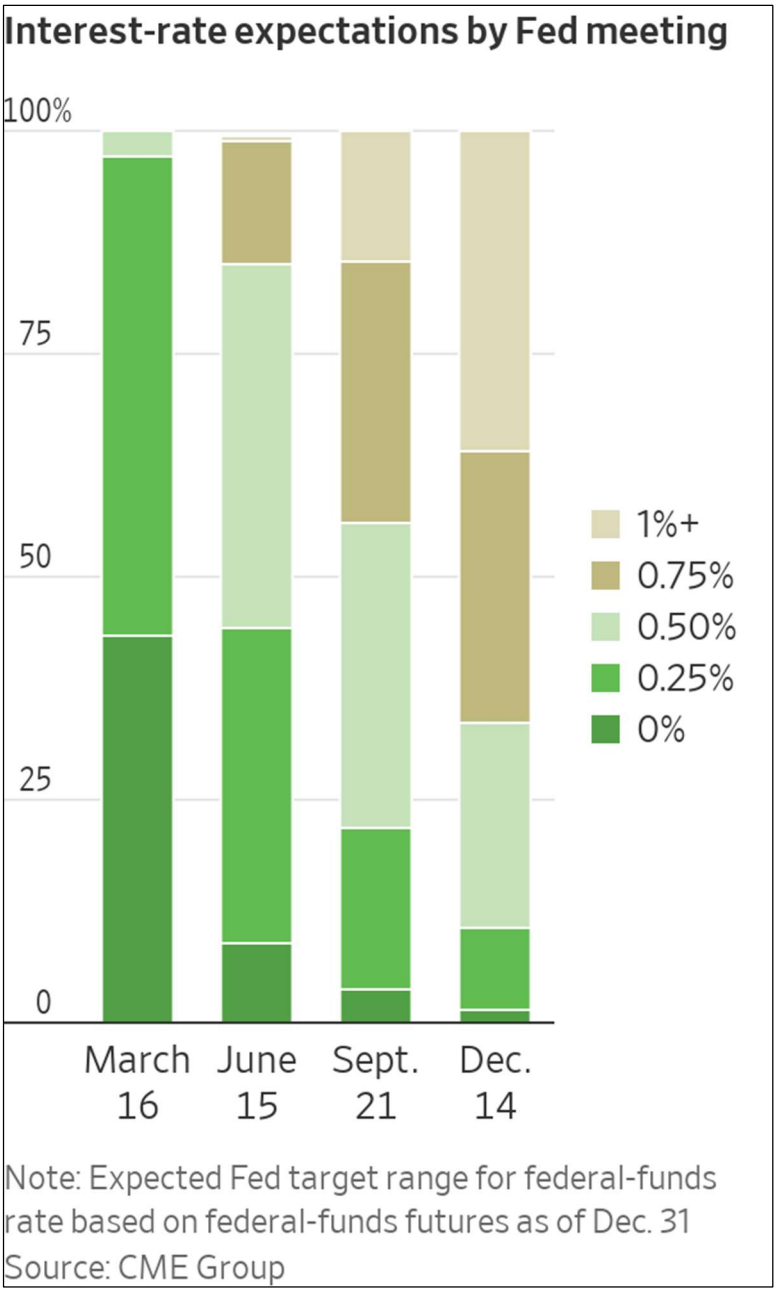
Chart Source: Lyn Alden
Data Sources: Federal Reserve, US Treasury Department,

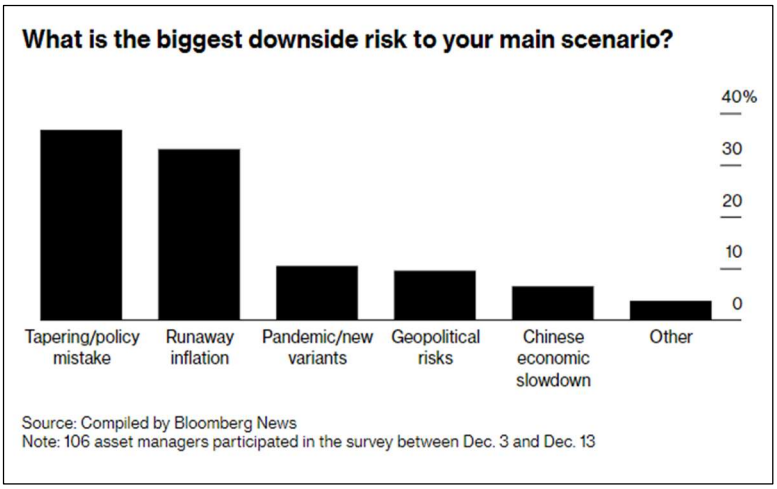
years would validate this position. Michael Batnick is absolutely correct that 2021 should have been a banner year for our favorite shiny rock and in turn for the gold miners whose gleaming fundamentals we outlined in our October letter. Many will point to the rise of Bitcoin and other cryptocurrencies as a more efficient sound money alternative to gold as to why gold did not attract greater investor attention. Others have highlighted gold's 70% appreciation between August 2018 and August 2020 as requiring a consolidation before the next leg of the bull market can take off. Either way, gold should have done better in 2021 and as such will remain in the proverbial penalty box for the time being. We will need to see a convincing rally out of the $1,700-1,900/oz range it has been in since late 2020 before becoming more constructive and recommending greater than a minimal 'foot-in-the-door' allocation.

Another area in which knowing a future outcome doesn't necessarily guarantee investment success is politics. With 2022 being a mid-term election year, and future control of Congress likely to dominate headlines, it will be valuable to keep in mind the expectation and resultant investment outcomes of political power shifts of recent years. From the LPL Research Department:

Politics and investing don't mix. This is one lesson we likely knew before the year began, but 2021 provided another strong example of why politics and investing don't mix, both for broad markets and for the market impact of more specific policy.

For example, when President Biden was elected, one of the sectors most expected to suffer was traditional energy. The bear case for energy was that Democratic policies towards fracking and the fossil fuels industry would further harm one of the worst performing sectors over the past decade. In contrast, the solar industry was expected to benefit from an acceleration towards renewable and clean energy sources.





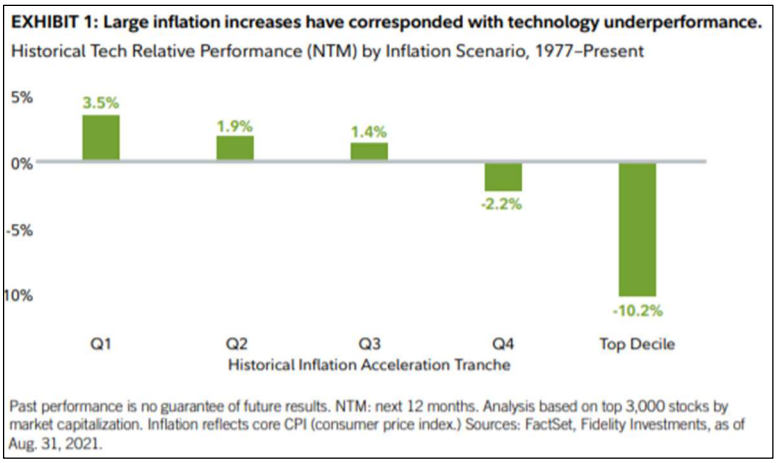
Well, what happened? The complete opposite. The S&P 500 Energy Sector was by far the top performing sector of the year, up more than 50%, while the MAC Global Solar Energy Index, a basket of stocks focused on solar energy, fell nearly 30%. And this isn't the only time in recent history we have seen the energy sector returns upend traditional thinking. When President Trump was elected back in 2016, the two consensus sector winners from his presidency were expected to be energy and financials due to deregulation. However, from the date of the 2016 Presidential election to the 2020 election, energy stocks were cut in half while the financials sector returned less than half that of the broader market. Forecasters had the policy right and the business impact was generally as expected, but nevertheless it seemed small from a pure market perspective compared to other drivers influencing sector returns.

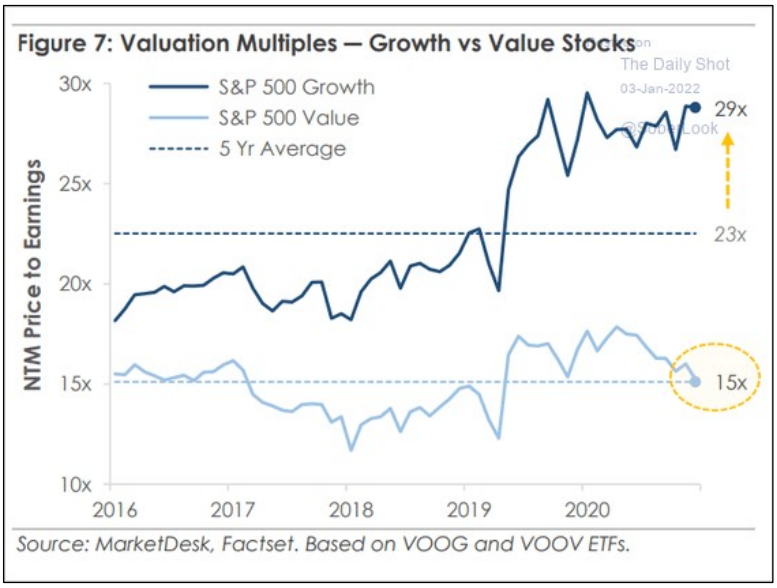
Speaking more broadly, stocks have done extremely well over the past decade, with little regard or correlation to which party has held the White House or Congress, and we believe investors would do well to remember that in 2022 as midterm elections begin to dominate the news cycle. It's not that policy prognostications are incorrect or that policy doesn't matter. Rather, when it comes to markets there are larger economic forces in play that typically matter a lot more.

- *LPL Financial Research Department, "Three 2021 Market Lessons for 2022" January 3, 2022*

Knowing who will win in November, or who you want to win, is going to be less important this year than knowing the policy path of the Federal Reserve.

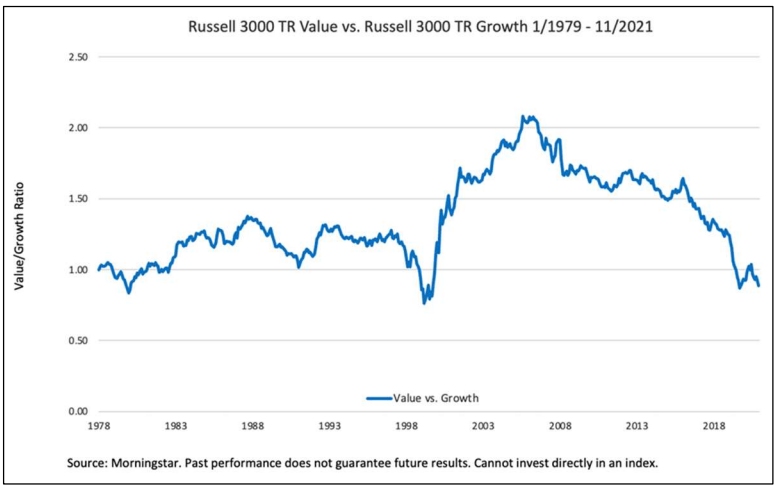
During the depths of the initial Covid-19 surge in March 2020, when the global economy was shut down and nobody knew how bad things might get, the Fed acted to support the economy and financial markets by cutting the Fed Funds Rate by 1.5%, back to the zero lower bound it first reached in response to the 2008 Global Financial Crisis, and embarked on the largest quantitative easing program yet. That monetary support, coupled with the fiscal support of direct cash





Metric	Russell 3000 Value Index	Russell 3000 Growth Index
P/E	17.01	32.81
P/B	2.33	11.62
P/S	1.86	5.08
P/C	12.16	24.43
P/FCF	24.84	40.77

Source: Morningstar as of 11/30/2021



transfers from the Treasury and various loan repayment and eviction moratoria passed through Congress, is what lit the fuse on the US growth stock rocket ship that has been soaring ever since.

At its most recent Federal Open Market Committee (FOMC) meeting on December 15th, in response to a robust economy, rapidly improving employment statistics and the likelihood of persistent inflation, the Fed announced that it would double the rate at which it reduces its monthly asset purchases, ending the expansion of its balance sheet (QE) in March 2022, and anticipated three to four rate hikes by the end of 2022. The potential for a policy mistake as the Fed removes its unprecedented level of accommodation, and how the economy and financial markets react, is now of greater concern to many asset managers than the risks posed by runaway inflation itself.

Analysts say the uncertainty — such as around inflation, coronavirus variants, the pace of rate rises, US midterm elections — means investors have to think harder about which stocks can thrive.

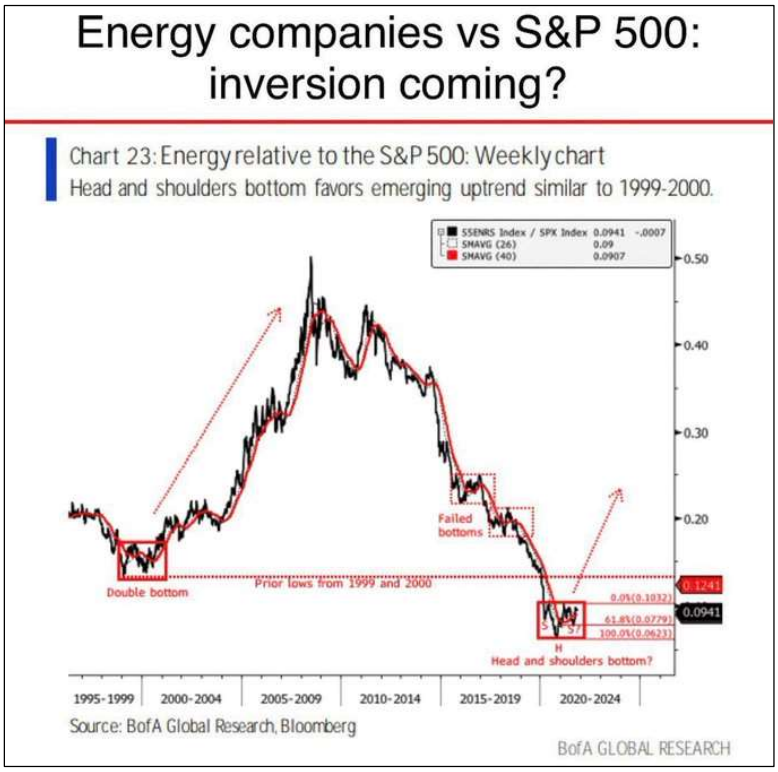
The prospect of higher rates has hit tech stocks, particularly unprofitable ones, over the last month. The future earning potential of techs is usually exciting, but looks less attractive when there are higher yields to be had elsewhere.

US inflation is expected to remain elevated for much of 2022. That could further hurt many tech stocks, by pushing investors toward other companies with solid dividends or that can pass costs on to customers, analysts said… Investors are preparing for a rougher time in 2022, compared with the relative calm of 2021, as growth rates cool and inflation remains elevated.

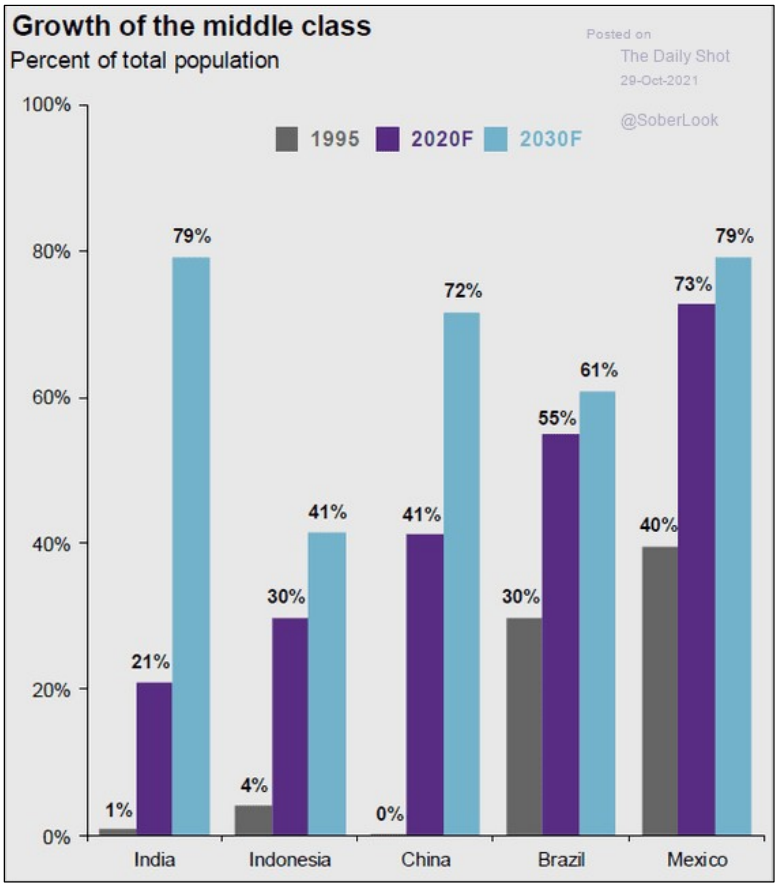
Steen Jakobsen, chief investment officer at Saxo Bank, told Insider he thinks there's a 25% chance that the Fed lets inflation get out of control and has to hike rates faster than investors expect, in what is called a policy mistake. "Then we get a full-blown sell-off in the market," he said.

- *Business Insider, December 21, 2021*

As can be seen in the top chart on the prior page, tech stocks tend to underperform the broader market in periods of persistently high inflation. Traditional valuation metrics such as price to earnings (P/E), price to book (P/B), price to sales (P/S) and price to free cash flow (P/FCF) suggest that in the event of a broad market sell-off in response to a Fed policy mistake, value sectors such as financials, industrials, energy and consumer staples have a considerably greater margin of safety and should perform more favorably than the high-flying tech names that have come to dominate the broad indexes in recent years. The tech bubble of the late 1990s, which happened to be the last time growth had outperformed value to such a degree, ended with an historic rerating of the overvalued tech sector and ushered in a multi-year period of value stock outperformance. Past performance is no guarantee of future results, but looking out the next 5-10 years our preference is value, specifically energy and industrials, over tech.



This letter is already getting lengthy, but at the risk of monopolizing your time we'd like to dig deeper on the energy sector and where we would recommend focusing investment capital using several extended quotations peppered with our thoughts on implications and opportunities.

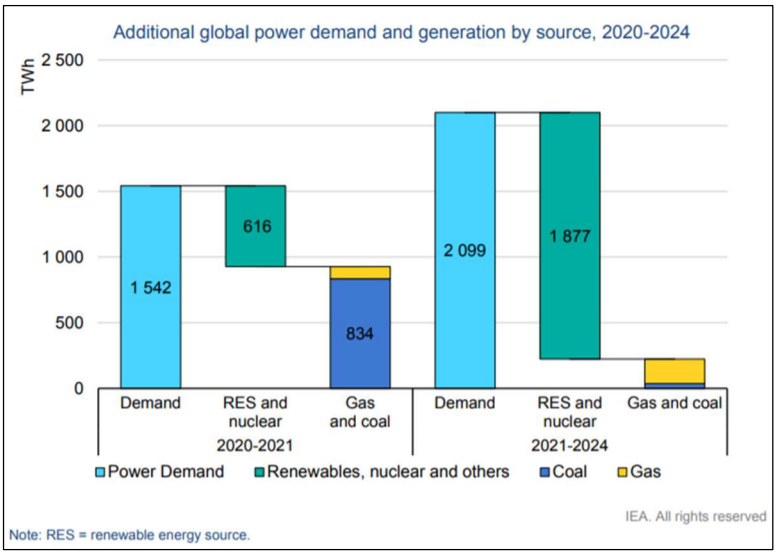


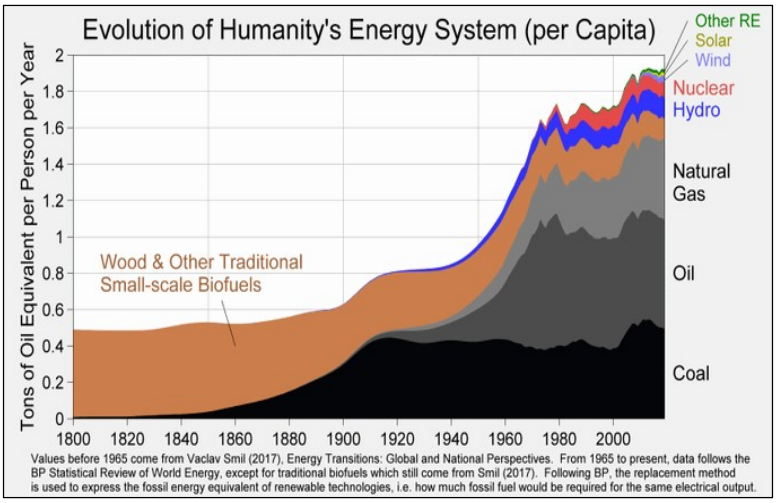
The TL;DR (too long; didn't read) version of the next several pages is essentially this – the global push to reduce, and potentially eventually eliminate, carbon emissions is going to be incredibly resource intensive. Excessive amounts of metals like copper, cobalt, nickel and lithium will be needed to create the conduit and storage capacity to provide "clean" electricity to the developed world, not to mention the rapidly modernizing and more populous nations of the emerging and frontier markets.

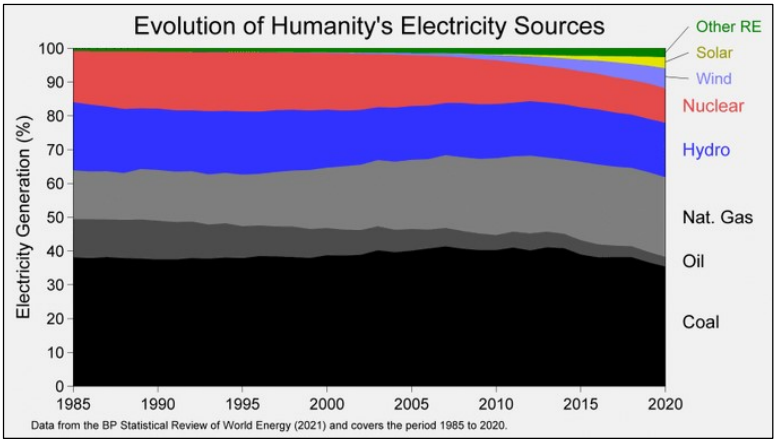
Renewable energy sources like wind, solar, hydro and geothermal will be a huge part of this push, obviously, but are currently insufficient to provide the necessary reliable base load energy the world needs to function. In order to transition from where we are to where we are going, traditional fossil fuels like oil and natural gas will be necessary for decades to come and current well-

intentioned environmental policies are making those resources harder, and therefore more expensive, to locate, extract, process and transport.

Eliminating the use of coal-fired power plants in favor of those that burn natural gas and eliminating/reducing the use of oil-fired power plants in favor of nuclear reactors is going to have to be the "lesser evil" bridge that reduces carbon emissions in the near term while nascent clean energy technology is developed and perfected and wind and solar infrastructure is built out. We intend to capitalize on this volatile period of transition in the global energy space by allocating a portion of our clients' portfolios to industrial metals and miners, specifically copper, lithium and uranium, while maintaining a modicum of exposure to the undervalued oil and gas sector.







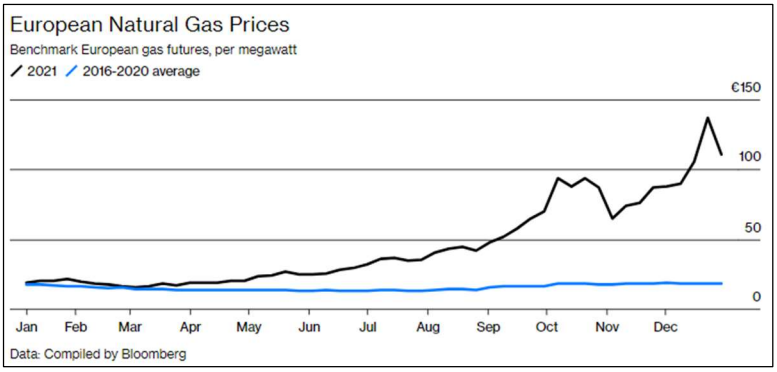
(All bolded portions of the following excerpts are our emphasis, not the authors'.)

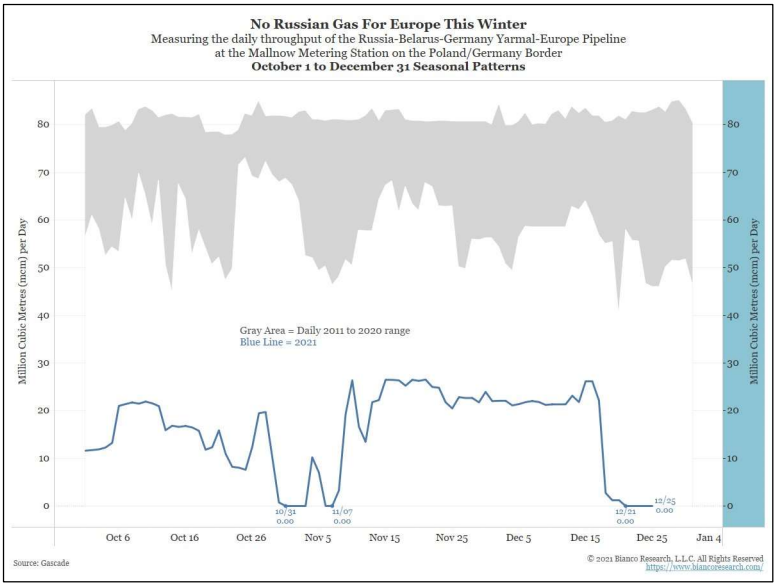
Oil posted its biggest annual advance since 2009 as vaccination rollouts accelerated the reopening of economies, spurring global consumption while crude production returned at a more moderate pace. West Texas Intermediate (WTI) rose 55% for the biggest year-to-date gain in over a decade. Brent [crude], the global benchmark, rose 50%, the largest gain since 2016. Investors are now trying to gauge the outlook for energy demand over the coming year as the latest Covid-19 variant rapidly spreads and OPEC gathers with allied producers next week to discuss output policy…

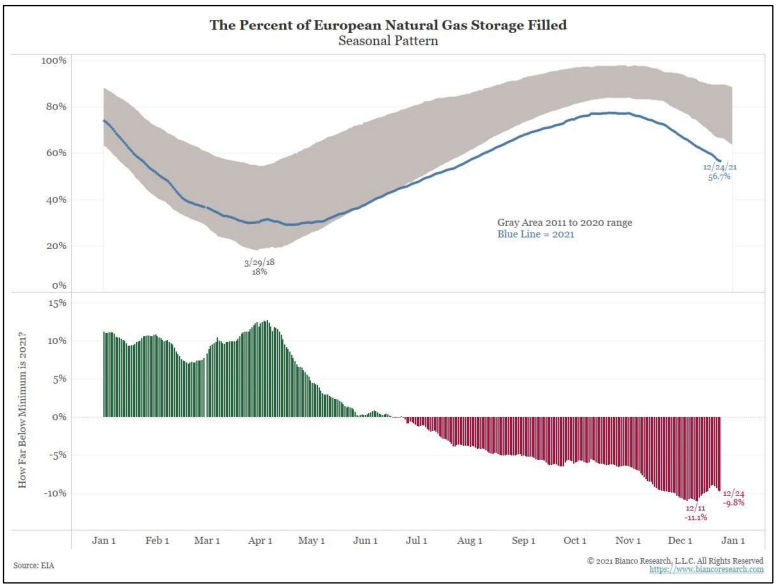
US crude also finished the year with the longest run of consecutive quarterly increases since 1983. The discovery of Omicron in late November briefly jolted markets and threatened to quash the rally but crude recovered as demand appeared to withstand rising infections…

***Oil's 2021 rally was also due to an energy crunch, prompted by shortages of natural gas and coal earlier this fall**. Surging gas prices led to rising demand for alternative power generation in Europe and Asia heading into the Northern Hemisphere winter.*

- *Bloomberg, December 31, 2021*







Just four months after Amos Hochstein, the U.S. envoy for energy security, said Europe wasn't doing enough to prepare for the dark and cold season ahead, the continent is grappling with a supply crunch that's caused benchmark ***gas prices to more than quadruple from last year's levels****, squeezing businesses and households. The crisis has left the European Union at the mercy of the weather and Russian President Vladimir Putin's wiles, both notoriously difficult to predict…*

Although the situation came to a head abruptly, it's been years in the making. Europe is in the midst of an energy transition, ***shutting down coal-fired electricity plants and increasing its reliance on renewables. Wind and solar are cleaner but sometimes fickle, as illustrated by the sudden drop in turbine-generated power the continent recorded last year.***

Moscow's increased leverage over its neighbors became apparent at the tail end of the last winter, an unusually cold and long one that depleted Europe's inventories of gas just as its economies were emerging from the pandemic-induced recession. Over the summer, state-controlled Gazprom PJSC began capping flows to the continent, aggravating shortages caused by deferred maintenance at oil and gas fields in the North Sea and raising the stakes on a costly and long-delayed pipeline project championed by the Kremlin…

Still, Europe's leaders betrayed no alarm. On July 14, the European Commission unveiled the world's most ambitious package to eliminate fossil fuels in a bid to avert the worst consequences of climate change. ***With their eyes trained on longer-term goals, such as reducing greenhouse gas emissions at least 55% by 2030 from 1990 levels, the politicians did not sufficiently appreciate some of the potential pitfalls that lay immediately ahead on the road to decarbonization****…*

A recent bump in LNG imports from the U.S. has provided some relief, but it's temporary at best. France needs to take several of its reactors offline for maintenance and repairs, resulting in a 30% reduction in nuclear capacity in early January, while Germany is moving ahead with plans to shut down all of its nuclear plants. With the two coldest months of winter still ahead, the fear is that Europe may run out of gas…

Storage sites are only 56% full, more than 15 percentage points below the 10-year average. "In none of the past years since records began have we had comparably low storage levels at this time," says Sebastian Bleschke, head of INES, the association of German gas and hydrogen storage system operators. Barring an increase in Russian exports, something that

doesn't appear to be in the cards, levels will be at less than 15% by the end of March, the lowest on record, according to researcher Wood Mackenzie Ltd. And that's assuming normal weather conditions.

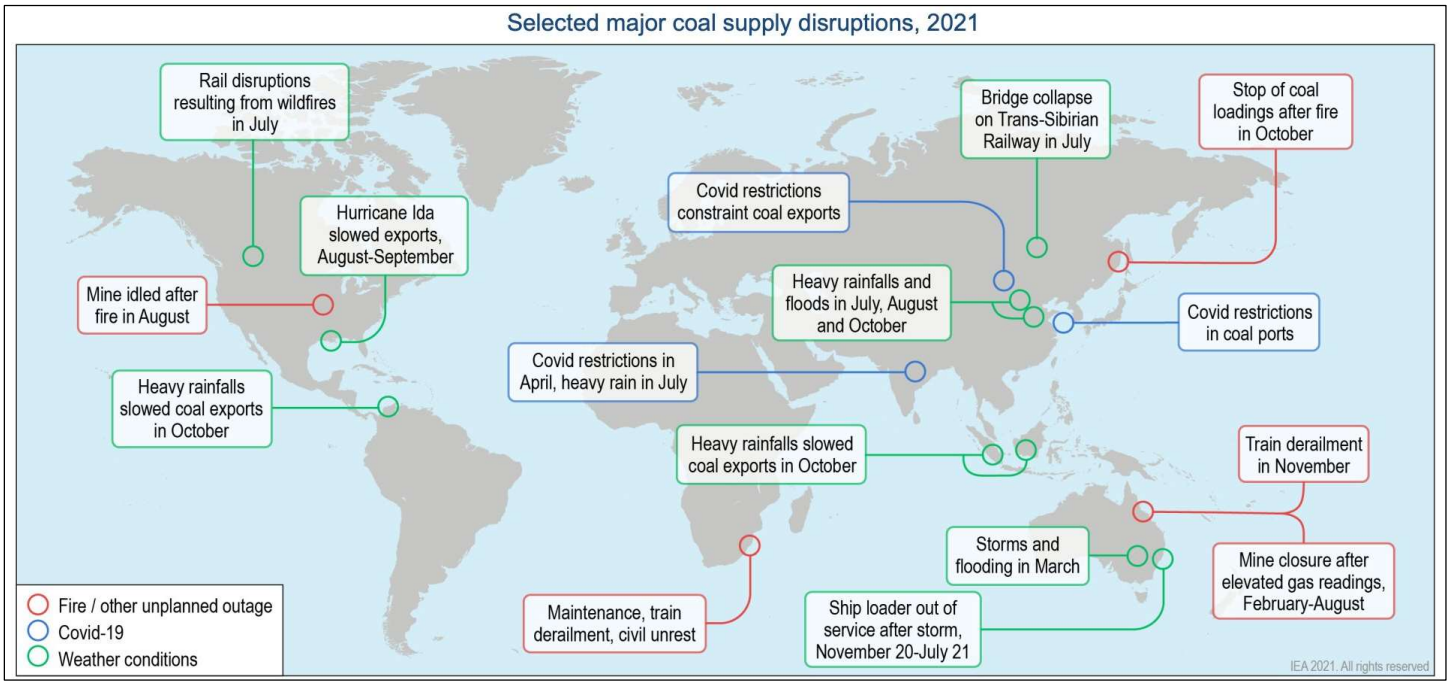
With energy policy largely in the hands of member states, EU officials lack the authority to compel national governments to replenish gas inventories more quickly. To make matters worse, Russia is building troops on the border with Ukraine, a move U.S. intelligence sources say presages a possible invasion. ***About a third of Russian gas flowing to Europe crosses Ukraine****, and though shipments weren't disrupted during Russia's 2014 annexation of Crimea, there's no guarantee that would remain the case if a war were to break out this year.*

*The energy situation limits the scope of actions Western powers can take to counter Russian aggression, says Jason Bordoff, director of the Center on Global Energy Policy at Columbia University. "****The ability of Europe and the U.S. to respond to a Russian invasion is constrained both by a desire not to exacerbate Europe's energy crisis*** *by sanctioning Russian energy exports and, more broadly, by the threat that Russia could retaliate to any confrontation by restricting gas flows into Europe, as Russia did in 2006 and 2009," says Bordoff, a former energy and climate adviser in the Obama administration.*

*Traders are already preparing for the worst, with prices for gas delivered from spring through 2023 surging about 40% over the past month****. Some say the crunch could last until 2025****, when the next wave of LNG projects in the U.S. starts supplying the world market.*

"It's hard to see how a decent level of gas storage can be achieved without additional Russian exports via Nord Stream 2 or existing routes," says Massimo Di-Odoardo, vice president for gas and LNG research at Wood Mackenzie. "2022 will be another volatile year for European gas prices."

- *Bloomberg, January 4, 2022*



Indonesia, the world's biggest exporter of coal used in electricity generation, on Saturday said it ***has banned January exports of the fuel in a move aimed at safeguarding its domestic power supply****. Rising demand for electricity in the country risks widespread blackouts unless more supplies are diverted to power stations, the Ministry of Energy and Mineral Resources said in a statement… The decision comes against the backdrop off surging demand, as* ***post-pandemic economic growth across the world drives electricity needs that cannot be met from less-polluting alternatives****.*

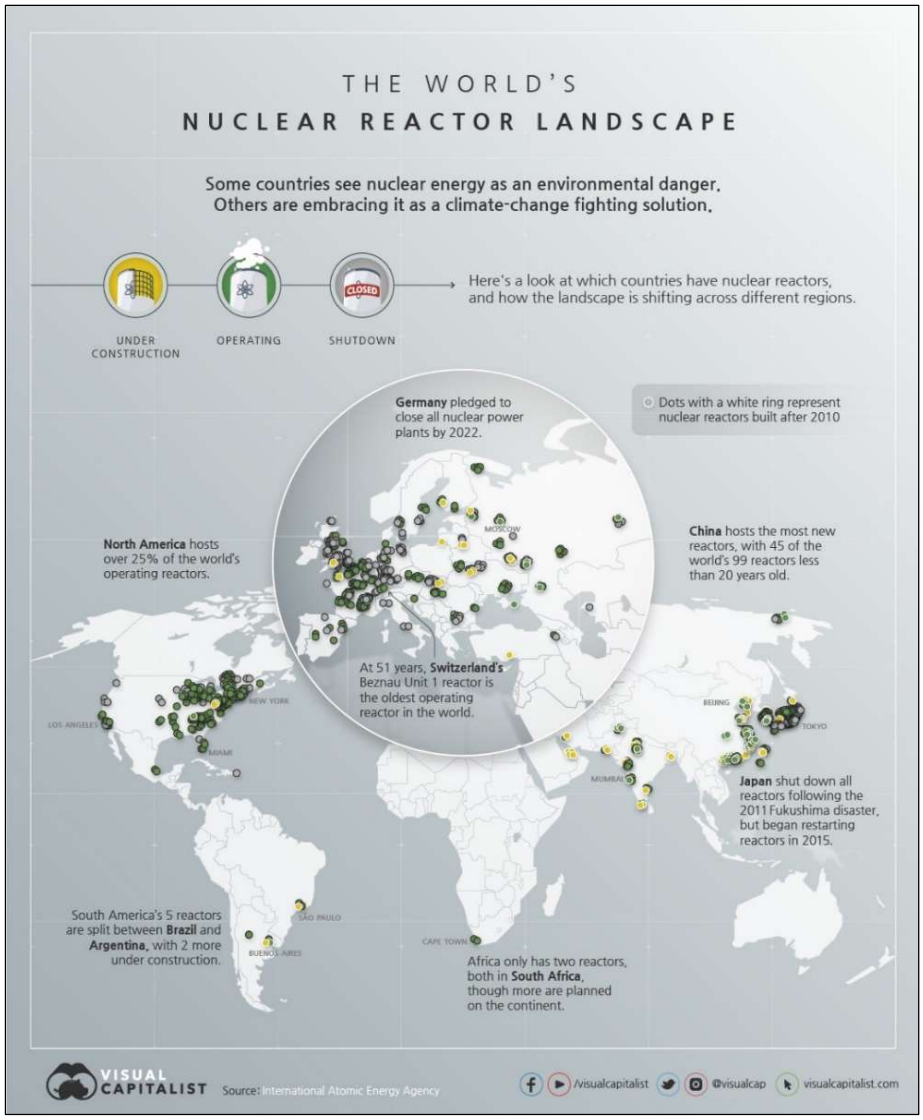
The International Energy Agency (IEA) last month said global demand for coal, the world's biggest source of greenhouse gases, hit a record in 2021 and would be sustained into 2022, threatening plans set out at last year's COP26 climate change conference to cut emissions.

-msn.com, January 1, 2022

Electricity prices in Europe reached their highest level last year. Consider Germany. ***The impact of the bizarre decision taken by chancellor Angela Merkel to phase out nuclear power there is becoming apparent****. This year, the entire fleet of nuclear power plants, some relatively new, will be shut down. As a consequence, Germany is more dependent than ever on gas to power its electricity grid, and* ***most of this gas is sourced from Russia. Wind-generated electricity has proven to be problematic with an extended wind drought in Germany and other parts of Europe.***

There is also still a reasonable amount of Germany's electricity generated from coal. The newly installed government – a coalition with a strong environmental slant – has had to water down its commitment to phase out coal by including the adverb ideally in the aim of eliminating coal by 2030.

Electricity prices also are rising strongly in other parts of Europe, with wholesale prices increasing by more than 200 per cent in France, Spain and Britain in the past year. ***Energy-intensive plants such as smelters, steelworks and fertilizer producers are having to curtail or, in some instances, halt production****.*



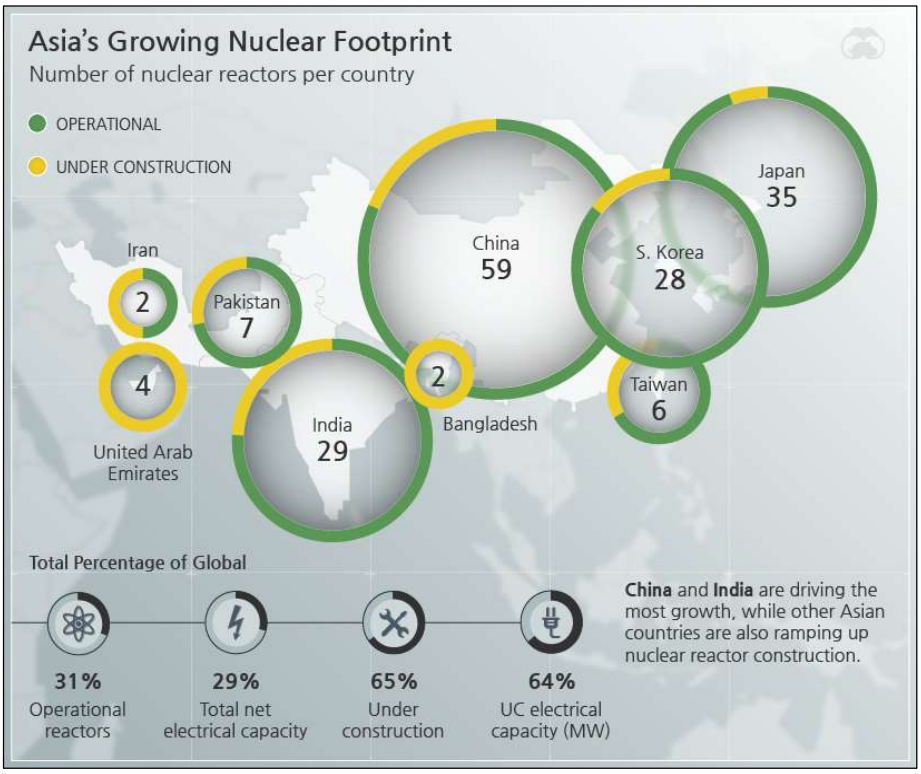
California is also facing its own energy crunch, in part because of the closure of a large nuclear plant. Electricity prices are among the highest in the US*. While solar is widely used by households, in 2020 more gas-generated electricity was added than solar. The state also must import electricity from other states, often sourced from coal…*

Worldwide, there is a relative shortage of natural gas*, particularly after China sought to supplement its supplies after a series of domestic blackouts. Liquefied natural gas tankers are being diverted to supply customers willing to pay the highest spot price.*

There is also the issue of the difficulties and time needed to bring new supplies of energy, including natural gas, to market. With private finance wary of funding any fossil fuel-related activities, the normal responsiveness of supply to higher prices is significantly

attenuated. In other words, this energy crisis is not necessarily self-correcting.

A second theme relates to nuclear power. While most countries have not taken the German option to phase out nuclear power altogether, others with nuclear electricity generation capacity have deliberately cut output or prevaricated. Under France's Green Growth Act, electricity generation must cut its reliance on nuclear power to 50 per cent by 2025. And while Britain is in the process of having the (nuclear) Hinkley Point C plant built, it will not be in operation until 2026. The site was first approved in 2010.



It is only in the past 12 months that some political leaders have changed their minds on nuclear power, the most reliable emissions-free source of all. *French President Emmanuel Macron is calling on the EU to define nuclear (and natural gas) as environmentally friendly and eligible for subsidized financing. According to him,* ***"nuclear power is one of the solutions to decarbonize our economies"****.*

A third and important theme is the role of climate-related policy settings in driving up prices and creating some of the problems in energy markets*. In Britain, for instance, there are specific green levies embedded in electricity prices paid by households. Moreover, as electricity producers have been forced to switch to coal and even oil, the price of carbon credits have been pushed up, which are in turn passed on to consumers.*

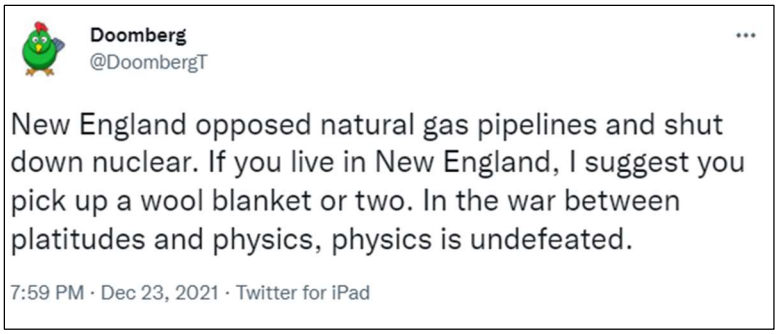
A final consideration is the prospect that ***higher energy prices will contribute to the growing signs of higher inflation, directly and indirectly****. As a critical input price, energy drives other prices (including food); higher electricity prices can start a spiral of higher prices and wages. Towards the end of last year we saw several central banks respond to higher inflation by raising official interest rates.*

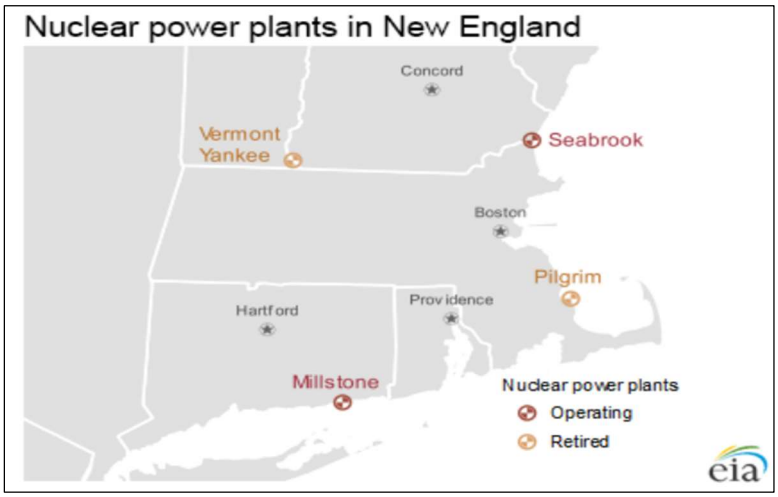
- *Australian.com, January 1, 2022*

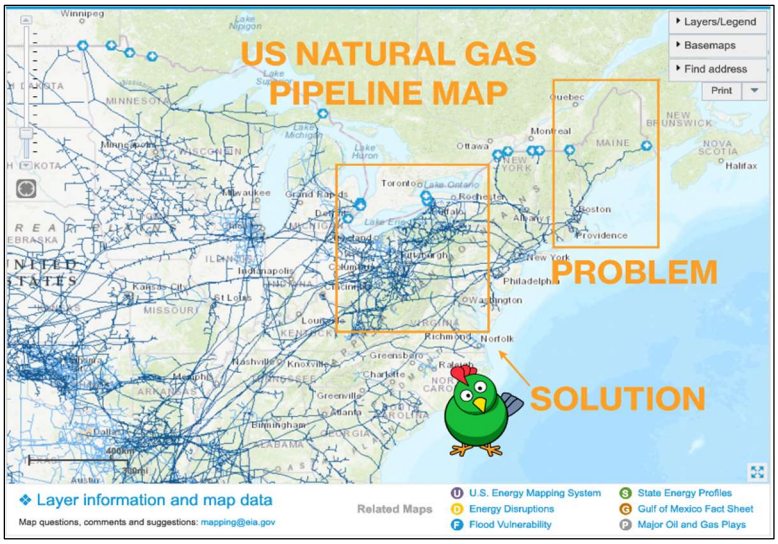
The European Union has drawn up plans to label some natural gas and nuclear energy projects as "green" investments after a year-long battle between governments over which investments are truly climate-friendly*… By restricting the "green" label to truly climate-friendly projects, the system aims to make those investments more attractive to private capital, and stop "greenwashing", where companies or investors overstate their eco-friendly credentials…*

Gas and nuclear power generation would be labelled green on the grounds that they are "transitional" activities *- defined as those that are not fully sustainable, but which have emissions below industry average and do not lock in polluting assets… Natural gas emits roughly half the CO2 emissions of coal when burned in power plants, but gas infrastructure is also associated with leaks of methane, a potent planet-warming gas… Nuclear power produces very low CO2 emissions but the Commission sought expert advice this year on whether the fuel should be deemed green given the potential environmental impact of radioactive waste disposal.*

- *Reuters, January 1, 2022*







One of the most controversial laws in the US is the Merchant Marine Act of 1920, more commonly known as the Jones Act. The law is meant to help ensure a healthy US merchant marine fleet and to support domestic shipbuilding. These are considered critical to national security, especially during times of war. A key stipulation of the law is that ***foreign-owned ships cannot transport goods*** *between* ***two US ports – only ships built, owned, and crewed by Americans are permitted to do so.***

While the US has become the largest producer of natural gas and an ever-larger exporter of LNG, the country does not produce LNG carriers. Since there are no US LNG carriers, New England cannot benefit from the build-out of LNG export facilities along the Gulf of Mexico, despite having significant LNG import facilities like the one in Everett, Massachusetts. That means New England is in the same bidding pool as Europe and Asia. Amazingly, most LNG imports to the Everett terminal have come from Trinidad and Tobago! ***Instead of simply building pipelines to its land neighbors, New England pays for boats to sail more than 2,000 miles – burning fossil fuels and polluting the oceans as they do so – and pays a substantially higher price for the privilege. Bonkers!***

- *Doomberg.com, "New England is an Energy Crisis Waiting to Happen" December 30, 2021*

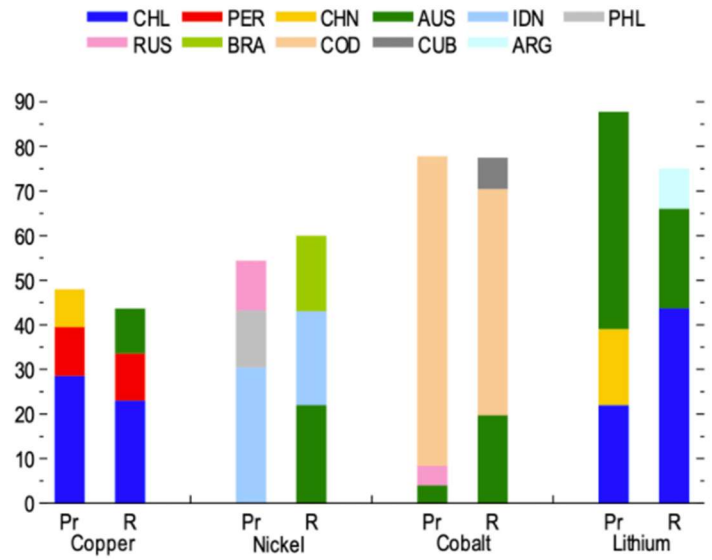
Lithium is a basic component of lithium-ion batteries, enabling the flow of electrical currents. Because of the metal's light weight, long life, large storage capacity and easy recharging, ***demand is expected to grow exponentially over the next decade*** *to power an expanding fleet of electric vehicles… and spread power grid battery storage for renewable energy. This year alone, prices for lithium compounds are up over 200 percent on several global markets.*

*"****The amount of lithium we need in any of our climate goals is incredible****," said Anna Shpitsberg, the U.S. deputy assistant secretary of state for energy transformation. "Everyone is trying to build up their supply chains and think about how to be strategic."*

- *New York Times, December 16, 2021*

Lithium is an essential component of batteries. And as the global economy seeks alternatives to fossil fuels to slow down climate change, lithium demand – and prices – are soaring. Mining companies in Chile, the world's second largest lithium producer after Australia, are keen to increase production, as are politicians who see mining as crucial to national prosperity. ***They face mounting opposition, though, from Chileans who argue that the country's very economic model, based on extraction of natural resources, has exacted too high an environmental cost and failed to spread the benefits to all citizens, including its Indigenous people…***

Figure 4 Top three countries by share of global production and reserves for selected metals (percentage points)



Around the world, nations face similar dilemmas *– in the forests of central Africa, in Native American territories in the United States – as they try to tackily the climate crisis without repeating past mistakes.*

- *New York Times, December 29, 2021*

Thank you for taking the time to read this (longer than usual) quarterly letter. We welcome your comments and look forward to seeing you in 2022.

Sincerely,

Clay Ulman, CFP®

Jim Ulman, ChFC, CLU, MBA

**The Standard & Poor's 500 Index (S&P500) is a capitalization-weighted index of 500 stocks designed to measure performance of the broad domestic economy through changes in the aggregate market value of the 500 stocks representing all major industries. The Dow Jones Industrial Average (Dow) is a price-weighted index of 30 significant stocks traded on the New York Stock Exchange and the Nasdaq. The Nasdaq 100 Index is a basket of the 100 largest, most actively traded US companies listed on the Nasdaq stock exchange. Indices such as the S&P 500 Index, the Dow Jones Industrial Average and the Nasdaq 100 Index are unmanaged, and investors are not able to invest directly into any index. Past performance is no guarantee of future results.*

Precious metal investing involves greater fluctuation and potential for losses. Because of their narrow focus, investments concentrated in certain sectors or industries will be subject to greater volatility and specific risks compared with investing more broadly across may sectors, industries, and companies. International investing involves special risks such as currency fluctuation and political instability and may not be suitable for all investors.

The opinions voiced in this material are for general information only and are not intended to provide specific advice or recommendations for any individual. To determine which investment(s) may be appropriate for you, consult your financial advisor prior to investing. The economic forecasts set forth in the presentation may not develop as predicted and there can be no guarantee that strategies promoted will be successful. All investing involves risk, including loss of principal. No strategy assures success or protects against loss.

All indices are unmanaged and cannot be invested into directly.