

First Quarter (Q1) 2022 Summary

April 1, 2022

- Russia's invasion of Ukraine, hot inflation, and Fed rate hikes converge as difficult-to-compartmentalize uncertainty.
- Stocks ended Q1 lower but well above late February lows.
- Bonds remain pressured by the sharp rise in interest rates and the Fed's intention to hike aggressively to fight inflation.
- GPM stock portfolios lost ground with the market in Q1.
- We built up our core holdings and initiated three new stock positions on broad market weakness.
- GPM balanced portfolios declined with stocks and bonds.

Markets

Reference Index Fund	Performance for the Period					Average Annual Performance			
	Q1 2022	2021	2020	2019	2018	3 Yrs	5 Yrs	10 Yrs	15 Yrs
Short-Term Treasury Bond	-2.5	-0.9	4.0	3.6	1.4	1.0	1.1	0.9	1.9
Intermediate-Term Treasury Bond	-4.9	-2.3	8.2	6.3	1.0	1.5	1.7	1.6	3.4
Intermediate-Term Investment Grade Bond	-6.9	-1.1	10.4	10.5	-0.5	2.6	2.8	3.2	4.5
High-Yield Bond	-4.2	3.8	5.4	15.9	-2.9	4.1	4.3	5.3	5.7
S&P 500 Stock ETF (SPY)	-4.6	28.8	18.2	31.2	-4.6	18.9	15.9	14.5	10.2
Small-Cap Stock	-5.8	17.6	19.0	27.2	-9.4	13.0	11.2	12.0	9.1
Total International Stock	-6.1	8.6	11.2	21.4	-14.4	7.7	6.7	5.7	3.1

Except for SPY, data is for Vanguard funds. All returns include reinvested income. Income (dividend) yield shown is SEC format.

Commentary

Brief Stock Market Recap

Stock indices worldwide fell in Q1 as Russia's invasion of Ukraine, hot inflation, and higher interest rates converged to weigh on sentiment. Notably, U.S. Treasury yields have already risen to early 2019 levels, multiples above 2020 historic lows. Federal Reserve Chairman Jay Powell acknowledged inflation became hotter than expected and the Fed plotted out aggressive rate hikes for the remainder of 2022. Powell reaffirmed his view that inflation would back off later this year. He said the Fed would be flexible and may under-deliver on its seven plotted hikes this year if inflation cools, rapid tightening leads to significant market turmoil, or the economic outlook deteriorates substantially.

Outlook

Just as COVID Omicron cases declined sharply, Russia attacked Ukraine, which quickly chilled sentiment and investor confidence that economic expansion will accelerate and broaden as the pandemic moderates and reopening occurs. Our view remains that underlying demand is solid and the constrained ability to satisfy demand will improve. The duration and scope of Russia's attack is a difficult to handicap wildcard. We think the U.S. economy is still solid. Sentiment however is vulnerable. Operationally, the companies we own are performing well. We are very confident they will continue to deliver rewarding growth in revenue, earnings, and cash flow.

S&P 500 Stock Index



10 Yr. U.S. Treasury Yield



Consumer Price Index (CPI)



U.S. Real GDP y/y % change



GPM is an independent, employee-owned portfolio management and advisory firm founded in 1993. We manage money for a diverse base of private clients and advise on financial planning strategy and investing. Our team culture promotes high quality critical thinking to support clients holistically, leveraging nearly eighty years of combined experience. Team members invest in GPM portfolio holdings alongside our clients. **This document contains general information intended exclusively for GPM clients.** The opinions and commentary presented reflect our best judgement at this time, are considered "forward-looking statements," and are subject to change at any time without obligation to update them. Actual future results may be different than our expectations. There can be no assurance that your investment objectives will be realized. Investing involves risk and losses can occur. Portfolio actions and positions discussed have been executed broadly in GPM managed accounts that hold individual securities and NOT in accounts that invest exclusively in ETF's or mutual funds. It should not be implied or assumed that every portfolio action was executed in, and position discussed, is held in every client account.

GPM Portfolios – Overview

Stock accounts are normally 100% invested for long-term growth in value and income. **Balanced accounts** hold stocks and bonds for a more conservative approach.

Core GPM stock ownership criteria:

- ✓ We primarily invest in high-quality, highly sustainable businesses with long-term track records of growth in sales, earnings, cash flow, dividends, and ultimately stock prices. We believe this strategy will provide attractive overall portfolio returns with less risk than the broad market.
- ✓ We focus on businesses with highly recurring revenue models and solid business visibility that supports reasonable forecasting.
- ✓ We want agile and experienced management teams that reinvest capital at high rates of return and drive long-term shareholder value.
- ✓ We target companies that create demand with innovative products, superior services, and effective marketing - with the size and scale to compete and win worldwide.

GPM stock portfolios lost ground with the broader market in Q1. This pullback or “valuation reset” has been underway since mid-2021, when the stock market began unwinding the froth of excessive speculation that built up since mid-2020. Low-quality speculative stocks, SPACS, and memes have mostly been obliterated. Richly valued shares of solid, proven companies have come well off recent highs – some look oversold. Stock prices of the high-quality “generals” GPM mostly owns finally surrendered in '22. Operationally, our companies continue to perform very well, as they did prior to and during the pandemic.

We invest with long-term perspective – not much market-timing. Over nearly 33 years ended 12/31/21, GPM stock portfolios realized an *average annual return of 11.6% with one or more pullbacks of greater than 10% in almost every year* and negative returns in seven.

For the five years ended 12/31/21, GPM stock portfolios realized an average annual return of 19.5%. During that time, the S&P 500 Stock Index had three 10% or greater pullbacks (~10% early '18; ~20% Q4 '18; and ~34% early '20). In 2018, a nearly 20% drop in Q4 erased gains for the year. In the three years that followed, the S&P 500 returned +31%, +18%, and +29% in 2019, '20, and '21 respectively. We have no crystal ball to rely on, but we believe that in a year or so, investors will look back at this reset since last summer as an opportunity to buy quality – our type of companies.

Balanced portfolios also lost ground in the quarter. All three portfolio components were negative. The March rebound in **stocks** helped reduce losses by quarter-end. **Investment grade corporate bonds** and **high yield bonds (HYB)** lost the most ground as yields rose, credit spreads widened, and prices declined by more than the income earned. Negative bond impact in portfolios was moderated by GPM’s liquidation of longer-term corporate bond positions early in the quarter to further reduce duration or rate hike sensitivity given current inflation challenges and evolving Fed policy, while continuing to capture reasonable income. Notably, most market interest rates, and bond yields have already risen to pre-pandemic levels of early 2019, multiples above 2020 historic lows.

10-yr Treasury yield: 2.40%; ~5X mid-2020 low of 0.50%.

2-yr Treasury yield: 2.38%; 18X early 2021 low of 0.13%.

Stock Portfolio Insight

Portfolio Holdings By Sector

Asset Class	Allocation
Technology	35.58 %
Consumer Cyclical	16.91 %
Healthcare	11.22 %
Financial Services	11.01 %
Industrials	8.64 %
Communication Services	7.90 %
Consumer Defensive	5.67 %
Real Estate	1.62 %
Cash	1.46 %
Portfolio Total:	100.00 %

Portfolio Holdings By Equity Style

Equity Style	Allocation
Large Growth	48.47 %
Large Core	30.32 %
Small Core	6.86 %
Mid Core	6.06 %
Mid Growth	4.26 %
Large Value	2.56 %
Uncategorized	1.46 %
Portfolio Total:	100.00 %

During the Quarter

We liquidated three stocks, added three new companies, and increased the size of multiple core positions. At quarter-end, we held 27 stocks. 17 pay cash dividends and so far, this year, *six increased pay rates by amounts ranging from 8% to nearly 30%.*

Period-end data shown above closely approximates all GPM stock portfolios.

Periods of heightened uncertainty usually bring increased investor and market anxiety. Talking heads come out of the woodwork with doomsday predictions. Historically, what usually follows such “risk-off” periods is substantially less painful than dire forecasts, creating opportunities for longer-term investors.

The GPM Growth Team

GPM is an independent, employee-owned portfolio management and advisory firm founded in 1993. We manage money for a diverse base of private clients and advise on financial planning strategy and investing. Our team culture promotes high quality critical thinking and continuous improvement to support clients holistically, leveraging eighty years of combined experience. Team members invest in GPM portfolio holdings alongside our clients.

We operate with discipline and unwavering dedication to a consistent investment process and exceptional client support. Our investment philosophy is built with long-term perspective and a commitment to invest in high quality, growing businesses with sustainable competitive and value-creating advantages - profitable companies that we believe will over time, provide attractive overall portfolio returns with less risk than the broad market.

Tim Griffin, founding shareholder 1993.
Portfolio Manager, Analyst, Client Advisor.
Years of Portfolio Management
Experience: 38+



Mark Hogan, shareholder.
Analyst, Portfolio Manager.
Years of Stock Research
Experience: 6+



Joseph Griffin, shareholder.
Managing Partner, Portfolio Manager.
Years of Research and Portfolio Management
Experience: 14+



Brittney Stevenson, shareholder.
Managing Partner, Client Advisor.
Years of Financial Services
Experience: 14+



Kevin Leahy, Client Advisor.
Years of Financial Services
Experience: 6+



GPM offers two distinct portfolio approaches: 100% Stock and Balanced. Both portfolio strategies are clearly defined and built on the same foundation of approximately 30 high quality companies. Portfolios are well-tailored to fit each client in support of their long-term wealth accumulation and income generation goals. **GPM Aspire ETF-based portfolios** are well suited for investors in the earlier stages of their wealth accumulation process and others who prefer an ETF approach.

Our team invests in GPM portfolio holdings alongside clients. Our founder employs a growth-weighted, GPM balanced portfolio approach. Nearly 100% of his personal investment portfolio is invested in the same securities owned for GPM clients.

Featured links:

[Economy at a Glance](#) – St. Louis Fed

[US Manufacturing PMI](#) - S&P Global

[Report On Business](#) - Institute for Supply Management