THE PACIFIC FINANCIAL GROUP

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Dear Fellow Shareholders:

In sitting down to write this letter, I am struck by how far we have come over the past year, yet in certain ways it feels much the same. While Covid-19 still remains a part of our daily lives, we have come far in the sense that pandemic related restrictions are no longer widespread and there is a general sense of life returning to normal. At the same time, we are still dealing with supply chain issues and higher prices as a result of the pandemic and other consequential events.

Market performance over the past year ending April 30, 2022 was unremarkable, with most major indices posting solid returns as we closed the books on 2021. However, as we entered 2022, investors began reassessing the economic outlook with inflation remaining stubbornly high and the Federal Reserve aggressively raising rates. In addition, the Russian invasion of Ukraine meant more supply chain disruptions and higher energy prices, notably at the gas pump, which negatively impacts consumer spending.

The confluence of these factors resulted in the S&P falling 12.92% between January and April of 2022, the worst four-month start to a year since 1939. Bonds fared even worse as a result of sharply rising interest rates. In fact, the first quarter of 2022 was the worst quarter U.S. bonds have had in more than 40 years. Growth oriented stocks, due to their sensitivity to interest rates, were one of the worst performing areas of the market, with the NASDAQ posting a loss of 21.06% from January through April.

While negative returns are never welcome, they are a healthy part of investing. As we began 2022, the annualized three-year rolling rate of return on the S&P 500 was just over 26%. While that number is very impressive, it is simply not sustainable. To add perspective, the long-term average three-year rolling return of the S&P 500 is closer to 12%. It is an important reminder for shareholders to focus on their long-term investing goals and not be distracted by the inevitable market fluctuations that occur over the short term.

The PFG funds performed within our expectations over the one-year period ending April 30, 2022. Most were in-line with their benchmark prior to the market sell-off this year. PFG funds with a growth overweight underperformed from January to April, primarily due to interest rates rising sharply over a short-time period. Growth stocks tend to be more sensitive to interest rates because future cash flows are expected to be larger than present cash flows. As interest rates rise, those expected cash flows are discounted more, resulting in lower present valuations. Tactical strategies generally performed well as a result of moving to a more defensive position or by shifting allocations toward areas of the market that typically perform well late cycle. By offering distinct investing styles, we are able to provide our clients a full suite of model portfolios with different risk objectives and diversification across various PFG funds.

We remain optimistic for the outlook going forward. We believe higher interest rates have largely been priced in and, in a worst-case scenario, should we enter into a recession, we believe it will likely be shallow as consumer balance sheets are strong and corporate earnings remain robust.

Thank you for your continued trust in the Pacific Financial Group.

Sincerely,

Jennifer Enstad, Chief Investment Officer
Pacific Financial Group, LLC
April 30, 2022

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