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LEGACY WEALTH

April 1st, 2022

Client Name
123 Client Road
Client City, State Zip

Dear Client,

We hope all is going well with you and yours as we close out a first quarter that provided trials and challenges that were felt across the globe. While it appears the suffering and loss that Covid brought over the last two years is now mostly behind us, our hearts are heavy for the people of Ukraine and the suffering they are enduring due to the Russian invasion. The resiliency and bravery of the Ukrainian people has been inspiring and we are encouraged by signs that the Russian forces are stalling out as they lack food, water, fuel, and other supplies. We mourn with the victims of these horrifying acts of aggression, and we continue to pray God will provide protection of the innocent, comfort for the mourning, healing for the injured, and a near term resolution to the conflict that will bring peace.

EQUITY MARKETS

The invasion of Ukraine exacerbated the cloud of uncertainty that was already looming over the financial markets due to inflation of 7.9%, supply chain woes, and declining consumer sentiment. During the quarter the S&P 500 was down as much as 13% at one point, only to recover much of those losses shortly thereafter, closing out the quarter down Jess%. It's interesting to note that although this type of volatility is unsettling, it is a normal aspect of how the market behaves, especially during periods of heightened uncertainty. While there are always different reasons for these corrections, history has shown that it is virtually impossible to predict their timing, depth, and duration. Although we can't forecast these factors, when a portfolio is properly allocated, we can weather the storms and stay on track with your financial objectives. At the end of the letter, we've attached an analysis that shows 32 market corrections going back to 1980 averaging 18.8%, along with the average recovery from the correction over the next year of 24.9% and a two year average recovery of 37.5%.

BOND MARKETS

Fixed income markets have had a very rough start to the year as well. Although when the equity markets are riddled with uncertainty, bond markets typically provide stability, the Federal Reserve's decision to increase interest rates by as much as seven times in 2022 has caused bond valuations to drop significantly with the Barclays aggregate bond index down abc% since the first of the year. It's important to note that although the value of bonds may drop during an increasing interest rate environment, if held to maturity, the bonds themselves still mature at face value and will pay their appropriate coupon (interest) rate on an ongoing basis up to maturity.

Accordingly, the bonds still provide stability even though there is a temporary valuation impact in a rising interest rate environment if they were to be sold today. As we look forward, we are maintaining shorter term durations on our actively managed bond holdings, with the understanding that as interest rates rise the shorter term bonds will mature and then be reallocated into higher yielding bonds as appropriate.

THE ECONOMY

Amid concerns of rising inflation, geopolitical unrest, rising interest rates, and a recently inverted yield curve, the question “should I be concerned about where the economy is headed” seems appropriate. Although we never have complete clarity on the direction of the economy, we have a couple of observations to consider. It does appear that the longer the war persists, the greater the pressure we will feel surrounding energy prices and inflation overall. However, there are a number of factors that give us cautious optimism as we look ahead:

1) Coming out of the Covid shutdown/slowdown, our “pre-war” global economy had good momentum and some of the strongest underlying foundations since prior to the sub-prime mortgage crisis 14 years ago.
2) As concerns over the war subside, many analysts believe a “relief rally” in equities will develop understanding the solid underlying economic fundamentals.
3) The recent 10% rally in equities from mid-March reflects a level of investor confidence and resilience that appears to be looking beyond the near-term volatility issues to longer term growth.
4) While inflation remains a valid concern, the Fed’s tightening and increasing rates throughout 2022 ideally will help to stem the tide on inflation bringing it back to the lower Fed “target levels” around 3%.
5) Unemployment is down to 3.8% and there are actually 5 million more jobs available than there are people to fill them even if we were at 0% unemployment.
6) Consumer demand for products and services remains high, and both US and Euro economies have lower debt servicing, greater liquidity, and significant increases in income coming out of the last two years.
7) Corporate earnings and future growth projections remain strong in many sectors as they backfill the ongoing demand for products and services and continue the post Covid economic expansion.
8) Ongoing GDP projections for continued growth throughout 2022 and 2023 remain strong, and above historical averages.

While these and other factors lead us to believe there is a low likelihood of recession and a strong case for ongoing growth, we are very cognizant of the fact that predicting directions of the market in relation to the economy is not only difficult, but potentially damaging to achieving our long-term objectives of growth and income from your portfolio. Accordingly, we continue to maintain that proper diversification, professional management, tactical rebalancing, and active tax management in line with your specific planning objectives, will provide us with the highest likelihood of long-term success.

PORTFOLIO OVERVIEW

As you can see, we have attached your most recent portfolio update for your review, which you can also access at any time through the Legacy Wealth App as well. Although the first quarter provided a bit of a bumpy ride, we were pleased to see a strong recovery as the quarter came to an end. As with 2021 we have been encouraged to see your portfolio continued to experience strong net performance in relation to the appropriate blended benchmarks. While most sectors in the equity and fixed income markets were initially impacted negatively by the unrest in Ukraine, some of the holdings in our alternatives sleeve have done quite well within the energy sector, precious metals, and commodities in general. Accordingly, it may seem logical to ask if we should increase our allocations in these areas for such a time as this.

At this time, we believe our allocations in alternatives, equities, and fixed income are at appropriate levels and, other than periodic rebalancing, we don’t feel it is prudent to overweight any of these areas beyond our current allocations.

If we knew the conflict in Ukraine would persist for months to come, putting additional pressure on energy prices and other commodities, we would increase our exposure in those spaces. However, if a resolution to the war is forthcoming, we will likely see a gradual unwinding of the recent increases we have seen in oil, gas, precious metals, and the commodities space in general. We believe adding to these spaces at this time would be speculative and potentially poor timing as well. Accordingly, we will continue to engage in strategic rebalancing and managing your portfolio in light of the current events, while still maintaining out focus on your long term objectives as well.

UPDATES

As you know, we take your privacy very seriously, and as required annually by the SEC, we have enclosed a copy of that notice for your review. We have also recently updated our ADV with the SEC, and if you would like a full copy of the ADV, simply let us know. The only material change in our updated ADV was that “representatives with our firm are no longer dually registered as investment advisors with M Financial.” As you may remember, this transition occurred in 2020, and although we do still maintain a broker dealer agreement with M Financial to allow us to provide ongoing service on certain accounts, the vast majority of our client accounts are advisory in nature and are managed through Legacy Wealth Asset Management.

Please take some time to review your enclosed updates and should you have any questions or concerns, of course feel free to call. If we have not heard from you, we will keep in touch. As always, we consider it an honor and privilege to serve you and look forward to doing so for many years to come.

Kindest Regards,

Michael Brocker
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Chartered Financial Consultant
Masters of Science in Financial Services

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Stocks Tend To Do Well After Corrections

S&P 500 Index Corrections (1980 - Current)

High Date	S&P 500 High Price	Low Date	S&P 500 Low Price	Correction Return	S&P 500 1-Year Return After Lows	S&P 500 2-Year Return After Lows
2/13/1980	118.44	3/27/1980	98.22	-17.1%	37.1%	14.0%
11/28/1980	140.52	9/25/1981	112.77	-19.8%	9.4%	50.5%
11/30/1981	126.35	3/8/1982	107.34	-15.1%	43.2%	48.4%
5/7/1982	119.47	8/12/1982	102.42	-14.3%	57.7%	57.9%
10/10/1983	172.65	7/24/1984	147.82	-14.4%	30.3%	61.5%
8/25/1987	336.77	10/19/1987	224.84	-33.2%	22.9%	52.5%
10/21/1987	258.38	10/26/1987	227.67	-11.9%	24.0%	51.5%
11/2/1987	255.75	12/4/1987	223.92	-12.5%	21.4%	56.6%
10/9/1989	359.80	1/30/1990	322.98	-10.2%	4.0%	28.5%
7/16/1990	368.95	10/11/1990	295.46	-19.9%	28.8%	38.0%
10/7/1997	983.12	10/27/1997	876.99	-10.8%	21.5%	47.9%
7/17/1998	1186.75	8/31/1998	957.28	-19.3%	37.9%	57.7%
9/23/1998	1066.09	10/8/1998	959.44	-10.0%	39.2%	46.9%
7/16/1999	1418.78	10/15/1999	1247.41	-12.1%	10.2%	-13.9%
3/24/2000	1527.46	4/14/2000	1356.56	-11.2%	-12.1%	-18.8%
9/1/2000	1520.77	4/4/2001	1103.25	-27.5%	0.0%	-21.0%
5/21/2001	1312.83	9/21/2001	965.80	-26.4%	-13.7%	6.5%
1/4/2002	1172.51	7/23/2002	797.70	-32.0%	23.9%	36.2%
8/22/2002	962.70	10/9/2002	776.76	-19.3%	33.7%	44.8%
11/27/2002	938.87	3/11/2003	800.73	-14.7%	40.4%	51.0%
10/9/2007	1565.15	3/10/2008	1273.37	-18.6%	-43.5%	-10.0%
5/19/2008	1426.63	10/10/2008	899.22	-37.0%	19.7%	30.1%
10/13/2008	1003.35	10/27/2008	848.92	-15.4%	25.3%	39.3%
11/4/2008	1005.75	11/20/2008	752.44	-25.2%	45.0%	59.2%
1/6/2009	934.70	3/9/2009	676.53	-27.6%	68.6%	95.4%
4/23/2010	1217.28	7/2/2010	1022.58	-16.0%	31.0%	33.5%
4/29/2011	1363.61	10/3/2011	1099.23	-19.4%	31.5%	53.8%
5/21/2015	2130.82	8/25/2015	1867.61	-12.4%	16.5%	30.0%
11/3/2015	2109.79	2/11/2016	1829.08	-13.3%	26.6%	46.6%
1/26/2018	2872.87	2/8/2018	2581.00	-10.2%	5.0%	29.6%
9/20/2018	2930.75	12/24/2018	2351.10	-19.8%	37.1%	57.8%
2/19/2020	3386.15	2/23/2020	2237.40	-33.9%	74.8%	?
		Average		-18.80%	24.9%	37.5%
		Median		-16.50%	25.9%	46.6%

Source: LPL Research, Ned David Research, FactSet 03/23/2021
All indexes are unmanaged and cannot be invested into directly.
Past performance is no guarantee of future results.

Economic Data Trends

Data Point	15-year Average	1 year ago	6 mo. ago	Current	Recent Trending Status
Unemployment Rate	6.3%	6.0%	4.7%	3.6%	Improving
Jobs Added last 3 months (thousands)	219	1934	1630	1685	Steady
Participation Rate	63.5%	61.5%	61.7%	62.4%	Improving
Job Openings (mils)	5.164	7.86	10.629	11.266	Improving
Consumer Sentiment Level	81.5	84.9	72.8	59.4	Declining
Retail Sales last 3 months (bils)	1,175.67	1,508.07	1,647.87	1,720.81	Improving
Home Prices (Case-Shiller Reading)	178.96	238.62	263.38	284.33	Improving
Existing Home Sales Annualized (mils)	5.02	6.17	5.99	6.02	Steady
Housing Starts Annualized (mils)	1.052	1.447	1.573	1.769	Improving
US Corporate Profits After Tax (last 12 months) (bils)	6,762	7,433	8,258	9,944	Improving
Real GDP Growth Yr./Yr.	1.9%	4.5%	6.7%	7.0%	Improving
Manufacturing (ISM PMI)	53.4	60.8	59.9	58.6	Slowing
Services (ISM PMI)	55.0	55.3	61.7	56.5	Steady

Data obtained from Y Charts as of March 31st, 2022

Market Performance

Morningstar Target Risk Indices	1st Quarter	1 Year Return	3 Year Avg. Return	5 Year Avg. Return
Conservative	-5.42	-1.70	4.09	4.12
Moderately Conservative	-5.35	0.36	6.74	6.27
Moderate	-5.19	2.26	8.88	7.35
Moderately Aggressive	-5.07	4.01	10.92	9.73
Aggressive	-4.85	5.66	12.35	10.92
Index	**1st Quarter**	**1 Year Return**	**3 Year Avg. Return**	**5 Year Avg. Return**
S&P 500 (US Large Cap)	-4.60	15.65	18.92	15.99
Russell 2000 (US Small Cap)	-7.53	-5.79	11.74	9.74
MSCI EAFE (International)	-5.79	1.65	8.29	7.23
MSCI Emerging Markets Index	-6.92	-11.08	5.31	6.35
Barclays US Aggregate Bond Index	-5.93	-4.15	1.69	2.14
Barclays US Treasury Bills 1-3 Month	0.03	0.06	0.74	1.07
Bloomberg Barclays US Corp. High Yield Index	-4.84	-0.66	4.58	4.69
Bloomberg Commodity Index	25.55	49.25	16.12	9.00
Dow Jones US Real Estate Index	-6.50	20.66	10.67	10.14

Data provided by Y Charts and Morningstar as of March 31st, 2022