Butler Family Foundation Investment Committee

Conference Call

February 22, 2022 at 4:00 p.m. CT

I. Welcome

II. Approval of Minutes

III. Year in Review

IV. Portfolio and Performance Update
   A. Portfolio Summary Statement
   B. Overall Foundation Performance
   C. Individual Manager Performance
   D. Summary of Fees and Managers

V. Update on Current/Potential Investments
   A. Vanguard Total International Stock Index Fund
   B. Northstar Capital New Fund
   C. J.P. Morgan

VI. Other Business
   A. Principal Migration

Attachments:

a. Minutes of August 17th Investment Committee
b. Wells Fargo Portfolio Summary Statement
c. Historical Portfolio Performance
d. Individual Manager Performance
e. Summary of Fees and Managers
f. Miscellaneous Articles

Call-in Number: 800-261-3225 (Access Code 5243817049)

MINUTES OF THE AUGUST 17, 2021
INVESTMENT COMMITTEE MEETING
OF THE
PATRICK AND AIMEE BUTLER FAMILY FOUNDATION

The Investment Committee meeting of the Patrick and Aimee Butler Family Foundation was held on Tuesday, August 17, 2021, at 3:00 p.m. Central Time via conference call.

The meeting was called to order by Patrick O'Brien, Chair of the Investment Committee. John K. Butler acted as recording Secretary of the meeting.

Upon call of the Secretary, the following Committee members were present: Peter Butler, Ronald Kaliebe, Andrew B. LeFevour and Patrick O'Brien. Also present was John Butler.

The Committee began by congratulating Andrew LeFevour on the birth of his first child, a boy born on August 13th. Mom, Dad and baby Flynn are all doing well.

The Chair then called for consideration of the minutes of the February 23, 2021 meeting of the Investment Committee. Upon motion duly made, seconded and unanimously carried, the minutes of the February 23, 2021 Investment Committee meeting were approved, ratified and confirmed.

The Chair called on Mr. John Butler, Chief Investment Officer, to review the current holdings of the portfolio and summarize any major changes since December 31, 2020. Mr. Butler began by reviewing the Wells Fargo Summary Statement. Mr. Butler then reviewed Individual Manager performance and asset allocations. He noted that it continues to be a "risk-on" market, which helps the Foundation's absolute returns, but hurts its relative performance. He remains comfortable with the asset allocation and positioning of the Foundation. Usually the Committee reviews the Butler Foundation's overall performance versus its peers at the August meeting; however, the data for the peer group is not yet available.

The Committee next reviewed the Investment Policy Statement. The Investment Committee Charter notes that the Investment Policy Statement will be reviewed by the Committee each year at the August meeting. The current policy was last modified at the August 2020 Investment Committee call and approved by the Board of Trustees on October 4, 2020. Mr. Butler mentioned that there were no recommended changes at this time. After review and discussion, the Committee agreed that no changes were needed and that the Policy would be left unchanged.

Mr. Butler then provided the Committee with an update on some of the Foundation investments and potential new investments. He mentioned that the Foundation's international equity exposure is entirely invested with the Foundation's long-time manager, Mondrian, and as it has grown over the years, they are now the Foundation's largest manager, at roughly 30% of the portfolio. Mr. Butler is recommending allocating part of the international exposure to the Vanguard Total International Stock Index Fund. The timing of the shift would likely be in the next six months, depending on market conditions. The Committee discussed this recommendation and agreed that this made sense, but recommended that it be done in two tranches. Mr. Butler will do this and will notify Committee members prior to initiating the trades.

Next Mr. Butler discussed the upcoming migration of custody services from Wells Fargo to Principal Financial. Although the deal was announced two years ago, the actual implementation date has been pushed back several times. The most recent expected "go-live" date was to be this September, but that has been delayed until early 2022. Staff (Mr. Butler) will continue to monitor the situation and at the appropriate time work to update all operational aspects of the change. The most important of these will be settlement and wire instructions and the valuation of assets held outside the custodian (primarily the partnerships).

The next Committee meeting will be in February, 2022. The meeting will be scheduled in January and materials for the meeting will be sent one week prior to the meeting.

The meeting adjourned at 4:05 p.m. Central Time.

John K. Butler
John K. Butler, Secretary

ATTEST:
Patrick O'Brien, Committee Chair

BASE CURRENCY: USD

WELLS FARGO

	COST	MARKET VALUE	ACCRUED INCOME	%GAIN (LOSS)	% MKT	ESTIMATED ANNUAL INCOME	CURRENT YIELD
SETTLED CASH	0.00	0.00	0.00	.0	.0	0.00	.00
RECEIVABLES	215,753.56	215,753.56		.0	.2		
NET CASH	215,753.56	215,753.56		.0	.2		
CASH EQUIVALENTS							
SHORT TERM FUNDS	9,490,242.11	9,490,242.11	118.32	.0	8.6	949.12	.01
CASH EQUIVALENTS	9,490,242.11	9,490,242.11	118.32	.0	8.6	949.12	.01
FIXED INCOME							
GOVERNMENT AND AGENCIES	5,361,595.89	5,363,168.72	14,276.76	.0	4.9	140,913.29	2.63
BOND FUNDS	5,630,597.25	4,554,652.53	2,838.82	(19.1)	4.1	265,466.12	5.83
MUNICIPAL BONDS	4,443,715.55	4,492,732.15	32,833.81	1.1	4.1	124,029.50	2.76
CORPORATE BONDS AND NOTES	4,588,037.47	4,636,610.43	56,374.09	1.1	4.2	209,433.50	4.52
ASSET-BACKED SECURITIES	1,223,640.67	1,212,978.94	2,289.47	(.9)	1.1	29,206.18	2.41
COLLATERALIZED MTG-BACKED	15,872.34	14,286.37	89.53	(10.0)	.0	1,074.39	7.52
FIXED INCOME	21,263,459.17	20,274,429.14	108,702.48	(4.7)	18.5	770,122.98	3.80
PREFERRED STOCK							
PREFERRED STOCK MISC	124,000.00	126,500.00	0.00	2.0	.1	6,095.00	4.82
PREFERRED STOCK	124,000.00	126,500.00	0.00	2.0	.1	6,095.00	4.82
COMMON STOCK							
HEALTH CARE	1,301,688.34	4,306,950.00	9,480.00	230.9	3.9	112,000.00	2.60
UTILITIES	816,822.27	590,437.50	500.00	(27.7)	.5	2,000.00	.34
FINANCIALS	1,352,741.66	3,594,987.64	12,501.51	165.8	3.3	98,006.04	2.73
CONSUMER STAPLES	1,487,988.50	3,511,880.00	0.00	136.0	3.2	83,874.00	2.39
CONSUMER DISCRETIONARY	189,730.00	2,170,790.00	0.00	X	2.0	34,200.00	1.58
MATERIALS	666,169.07	1,489,570.00	1,530.00	123.6	1.4	15,120.00	1.02
ENERGY	1,047,767.88	2,064,280.00	6,300.00	97.0	1.9	24,300.00	1.18
INFORMATION TECHNOLOGY	1,054,015.25	4,123,030.00	0.00	291.2	3.8	73,140.00	1.77
INDUSTRIALS	1,098,731.09	4,229,100.00	0.00	284.9	3.9	91,080.00	2.15
TELECOMMUNICATION SERVICE	597,175.30	935,280.00	0.00	56.6	.9	46,080.00	4.93
ADR'S	1,566,640.75	1,493,350.00	5,040.00	(4.7)	1.4	51,785.00	3.47
COMMON STOCK	11,179,470.11	28,509,655.14	35,351.51	155.0	26.0	631,585.04	2.22

WELLS FARGO

FD433
SUMMARY STATEMENT
OF INVESTMENT HOLDINGS
BY SECURITY CATEGORIZATION

PATRICK AND AIMEE BUTLERFAMILY FOUNDATION
CONSOLIDATED ACCOUNT
BASE CURRENCY: USD

AS OF DECEMBER 31,2021

	COST	MARKET VALUE	ACCRUED INCOME	%GAIN (LOSS)	% MKT	ESTIMATED ANNUAL INCOME	CURRENT YIELD
EQUITY FUNDS							
MUTUAL EQUITY FUNDS	7,085,355.54	10,601,085.23	315.89	49.6	9.7	22,407.99	.21
EQUITY FUNDS	7,085,355.54	10,601,085.23	315.89	49.6	9.7	22,407.99	.21
MISCELLANEOUS							
OTHER MISCELLANEOUS	360.00	360.00	0.00	.0	.0	0.00	.00
MISCELLANEOUS	360.00	360.00	0.00	.0	.0	0.00	.00
VENTURE/LMTD PART/CLS HLD							
VENTURE CAPITAL	31,151,069.12	40,612,496.40	0.00	30.4	37.0	0.00	.00
VENTURE/LMTD PART/CLS HLD	31,151,069.12	40,612,496.40	0.00	30.4	37.0	0.00	.00
NET ASSETS	80,509,709.61	109,830,521.58	144,488.20	36.4	100.0	1,431,160.13	1.30

Patrick and Aimee Butler Family Foundation - Historical Portfolio Performance

	Butler Family Foundation					Foundation Average					Market Benchmark (65/35)				
	YR	TOTAL	5-YR	10-YR	ITD	YR	TOTAL	5-YR	10-YR	ITD	YR	TOTAL	5-YR	10-YR	ITD
2002	-1.0%	17.1%			5.3%	-5.7%	-4.8%			-1.6%	-9.9%	-15.8%			-5.5%
2003	16.6%	36.5%			8.1%	12.5%	7.1%			1.7%	19.5%	0.6%			0.2%
2004	11.6%	52.3%	8.8%		8.8%	11.4%	19.3%	3.6%		3.6%	7.9%	8.6%	1.7%		1.7%
2005	4.7%	59.4%	7.2%		8.1%	8.2%	29.1%	4.6%		4.4%	4.0%	12.9%	2.8%		2.1%
2006	12.7%	79.7%	8.7%		8.7%	13.7%	46.8%	7.8%		5.6%	11.7%	26.2%	6.2%		3.4%
2007	6.3%	91.0%	10.3%		8.4%	10.3%	61.9%	11.2%		6.2%	6.2%	34.0%	9.7%		3.7%
2008	-21.2%	50.5%	2.0%		4.6%	-25.9%	19.9%	2.3%		2.0%	-22.1%	4.4%	0.7%		0.5%
2009	16.1%	74.7%	2.8%	5.7%	5.7%	20.5%	44.5%	3.9%	3.8%	3.8%	18.8%	24.0%	2.7%	2.2%	2.2%
2010	11.6%	94.9%	4.1%	5.6%	6.3%	12.5%	62.6%	4.7%	4.7%	4.5%	12.1%	39.0%	4.2%	3.5%	3.0%
2011	1.7%	98.1%	2.0%	5.3%	5.9%	-0.7%	61.5%	1.9%	4.8%	4.1%	4.4%	45.1%	2.8%	4.5%	3.2%
2012	12.6%	123.2%	3.2%	6.7%	6.4%	12.0%	80.8%	2.2%	6.6%	4.7%	12.3%	63.0%	4.0%	6.8%	3.8%
2013	18.6%	164.6%	12.0%	6.8%	7.2%	15.6%	109.1%	11.8%	6.9%	5.4%	20.4%	96.2%	13.5%	6.9%	4.9%
2014	5.0%	177.9%	9.7%	6.2%	7.1%	6.1%	121.8%	8.9%	6.4%	5.5%	11.0%	117.8%	11.9%	7.2%	5.3%
2015	0.7%	179.7%	7.5%	5.8%	6.6%	0.0%	121.8%	6.4%	5.6%	5.1%	0.9%	119.8%	9.6%	6.9%	5.0%
2016	9.5%	206.3%	9.1%	5.5%	6.8%	6.4%	136.0%	7.9%	4.9%	5.2%	8.8%	139.1%	10.5%	6.6%	5.3%
2017	12.0%	243.1%	9.0%	6.0%	7.1%	15.0%	171.4%	8.5%	5.3%	5.7%	15.4%	175.9%	11.1%	7.5%	5.8%
2018	-4.3%	228.3%	4.4%	8.1%	6.5%	-3.5%	161.9%	4.6%	8.1%	5.2%	-2.9%	167.9%	6.4%	9.9%	5.3%
2019	16.9%	283.8%	6.7%	8.2%	7.0%	17.4%	207.5%	6.7%	7.8%	5.8%	23.5%	230.9%	8.7%	10.3%	6.2%
2020	4.1%	299.5%	7.4%	7.4%	6.8%	13.1%	247.8%	9.4%	7.9%	6.1%	15.2%	281.2%	11.6%	10.6%	6.6%
2021	11.7%	346.2%	7.8%	8.5%	7.0%	*15.0%*	*299.9%*	*11.1%*	*9.5%*	*6.5%*	17.4%	347.5%	13.4%	11.9%	7.1%

Inception Date is 12/31/99
All returns are net of fees
Any returns in italic are estimates

Patrick and Aimee Butler Family Foundation - Individual Manager Performance

	Allocation - Dec 30, 2021				Performance Data - Dec 30, 2021			
Asset Class	**Assets**	**Wgt**	**Target**	**Range**	**1 YR**	**5 YR**	**ITD**	**Incep. Date**
Cash	$8.8	8%	5%	0-10%	0.0%	0.1%	1.1%	NA
Fixed Income								
Sit Investment Assoc.	$17.6	16%	15%	10-20%	1.5%	4.9%	4.1%	12/31/2011
Barclays Aggregate					-1.5%	3.6%	2.9%	
U.S. Equities	$39.0	36%	40%	35-45%				
Vanguard Small-Cap Index Fund	$10.5	10%			17.7%	13.5%	13.0%	3/31/2018
Large-Cap Value (Internal)	$28.5	26%			22.6%	11.4%	8.9%	12/31/1999
S&P 500					28.7%	18.5%	7.5%	
International Equities								
Mondrian Investment Group	$31.2	28%	25%	20-30%	7.4%	6.9%	5.8%	6/30/2004
MSCI All-Country World					7.8%	9.6%	5.6%	
Alternative Investments								
Miscellaneous	$13.1	12%	15%	10-20%	1.8%	2.3%	5.0%	NA
HFRI Composite					10.1%	7.0%	NA	
Total Foundation	$110	100%	100%		11.7%	8.0%	7.1%	12/31/1999

Notes:

Mondarian fund was changed from International Equity Fund to All Countries World in January 2012
Performance for Alternative Investments is an estimate due to manager changes and time lags

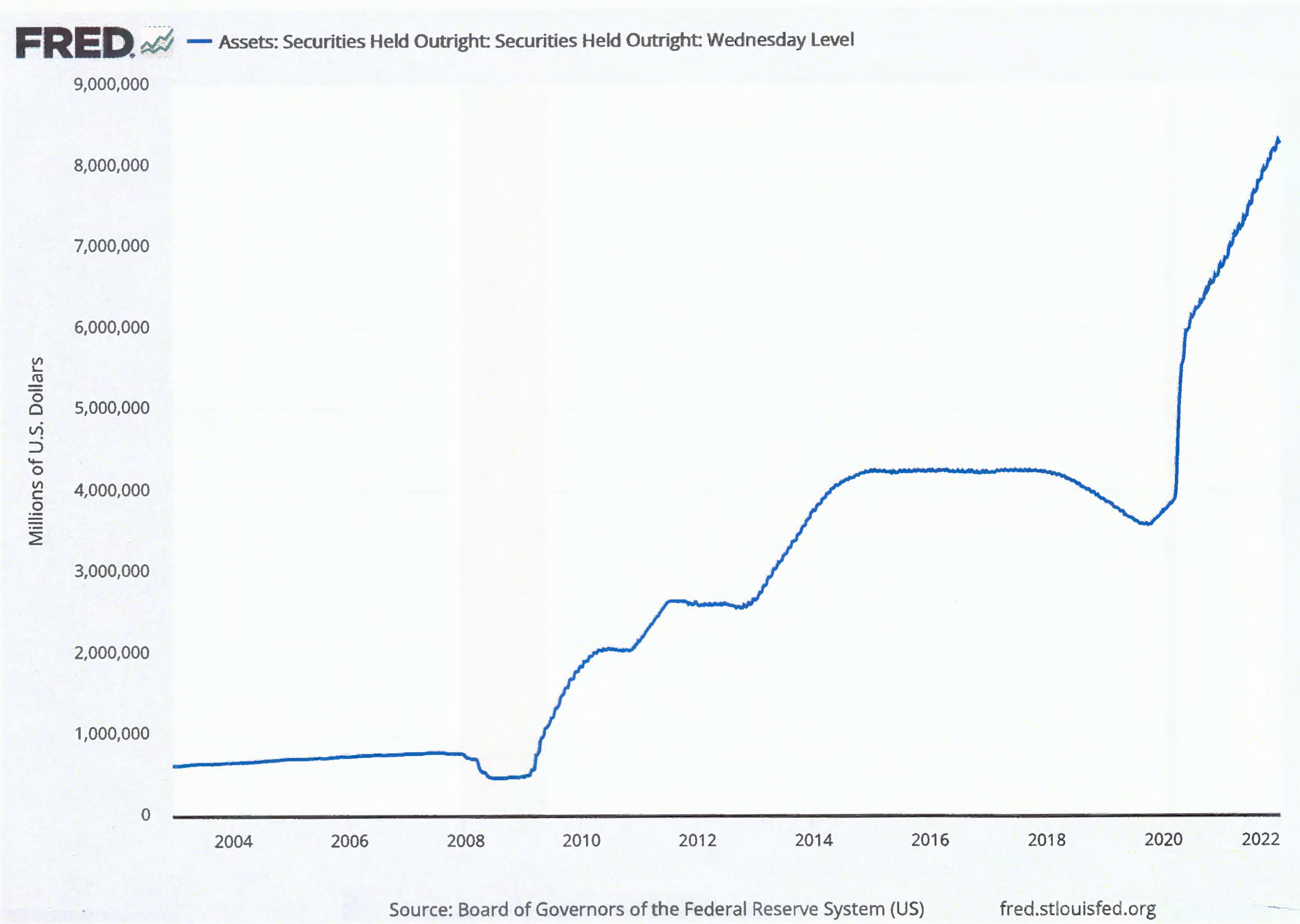
Patrick & Aimee Butler Family Foundation

Summary of Fees, Managers and Custodians - December 31, 2021

Asset Class	SMA or Fund	Custodian	Manager	Assets	Fee	Est. Costs
Cash						
Stock Account	SMA	Wells Fargo	Internal	$1.9	0	$0
Misc. Account	SMA	Wells Fargo	Internal	$6.9	0	$0
Fixed Income						
Sit Investment	SMA	Wells Fargo	Sit Investment	$17.6	32	$56
Equities						
Domestic - Large Value	SMA	Wells Fargo	Internal	$28.5	0	$0
Domestic - Small Cap	Fund	JP Morgan	Vanguard	$10.5	5	$5
International	Fund	JP Morgan	Mondrian	$31.2	67	$209
Alternatives						
Debt Partnerships	Fund	Wells/US Bank	Northstar	$3.9	200	$78
Global Fixed Income	Fund	BNY Mellon	Templeton	$3.7	110	$41
Infrastructure Part.	Fund	Real Asset - NA	Morgan Stanley	$1.9	200	$38
Global Real Estate	Fund	Real Asset - NA	Morgan Stanley	$1.2	200	$24
Wasterwater Opp.	Fund	Real Asset - NA	Equilibrium Cap.	$2.0	200	$40
Gateway Partnership	Fund	Real Asset - NA	Moran & Cos.	$0.4	100	$4
				$110		
Estimated Investment Fees (Direct & Imbedded)						$495
Custodial Costs						$42
Internal Investment Costs						$85
Estimated Total Investment Costs						$622
Percent of Assets						57 bp
Average for Foundations						90-120 bp

Notes:

SMA is seperately managed account
All SMA custodied at Wells Fargo
Fees are stated in basis points (1/100 of 1%)



ARK Innovation ETF

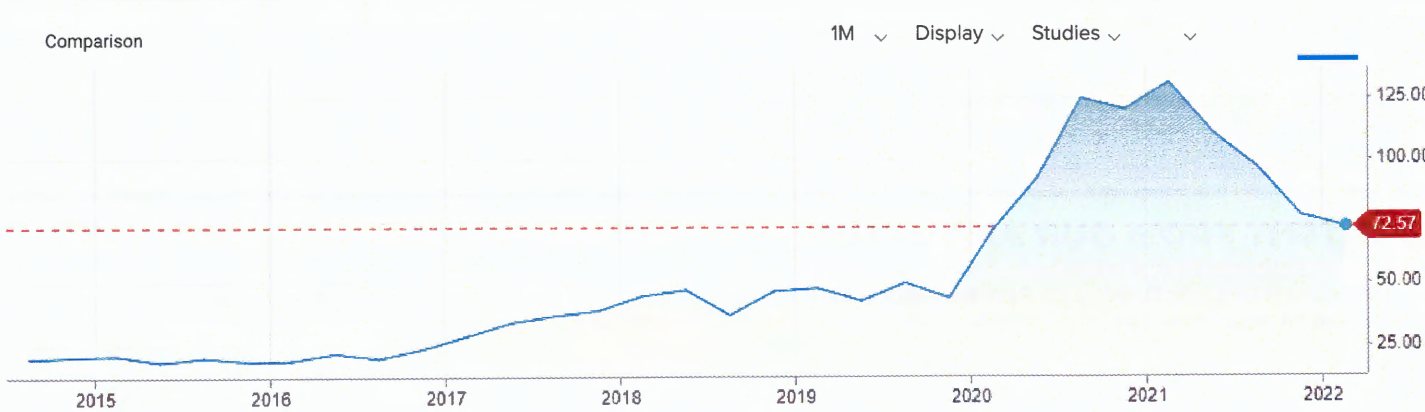
ARKK:NYSE Arca

RT Quote | Last NASDAQ LS, VOL From CTA | USD

Last | 11:13 AM EST

72.57 ▼ -4.51 (-5.85%)

1D 5D 1M 3M 6M YTD 1Y 5Y ALL



Open	**77.41**	**52 Week High**	**159.70**
Day High	**77.56**	**52 Week High Date**	**02/16/21**
Day Low	**72.54**	**52 Week Low**	**64.35**
Prev Close	**77.08**	**52 Week Low Date**	**01/28/22**

The New York Times https://www.nytimes.com/2022/01/04/opinion/inflation-federal-reserve.html

BRET STEPHENS

Will We Go From Pandemic to Recession?

Jan. 4, 2022

By Bret Stephens
Opinion Columnist

The scariest story I read over the holidays had nothing to do with winter wildfires, the Covid-flu combo or the threat of Russia invading Ukraine. It was Christopher Leonard's superb profile in Politico of Thomas Hoenig, a retired central banker. Hoenig made a name for himself after the financial crisis of 2008, as one of the top members of the Federal Reserve who wouldn't go along with then-Chairman Ben Bernanke's efforts to float the economy on an ocean of money.

For this he was treated as a scaremonger, even a crank. But what if he was right?

The question is topical again because of the sudden jump in consumer prices — up by a whopping 6.8 percent for the year ending in November 2021 (or a still-dismaying 4.7 percent if you count only "core" inflation). Some mainstream economists, like Princeton's Alan Blinder, argue that the fundamental cause is "too much demand chasing too little supply" and that inflation will cool once pandemic-induced supply bottlenecks clear up.

Maybe that's so and we can all rest easy. But the people who have been telling us the inflation is "transitory" have been wrong so far. If they keep being wrong, the Fed will have little choice but to stop simply signaling its intentions and start sharply raising rates. To tame the last great inflation of the 1970s, the Fed Chair Paul Volcker raised rates to as high as 20 percent.

And that's where Hoenig's fears begin to look downright nightmarish.

That's because of decisions made by the Fed more than a decade ago. Between 2008 and 2014, the Federal Reserve bought more than $3.5 trillion in federal securities from major banks to encourage lending and investment. "To put that in perspective," Leonard writes, "it's roughly triple the amount of money that the Fed created in its first 95 years of existence." Even after this flood of money, the Fed kept interest rates low for a decade, and then pumped in $700 billion in the face of the pandemic.

Plenty of critics warned that all that money was ultimately bound to have inflationary effects. They were right — though, at least until recently, not in the way generally expected. Prices for consumer goods remained relatively stable.

But prices for assets, real and financial, soared, even after the Fed reversed course and began to reduce its holdings. Between 2011 and 2020, the average value for an acre of farmland rose by 37 percent, the median sales price for a house by 58 percent and the Dow Jones industrial average by 147 percent. This was a bonanza for the savvy investor class, making it difficult for the Fed to ruin the party by raising rates. For others — savings account holders, wage-earners, renters, the young — the effects were less salutary.

Now we have an economy in which asset values keep going up because we expect them to keep going up, and in which easy money is creating speculative bubbles that seem obvious to anyone not living inside of them. Rivian Automotive, to take an example, is an electric-vehicle maker that has been losing money hand-over-fist while delivering, as of November, a grand total of 156 vehicles. That month, it went public with a market cap just shy of $100 billion, larger than Ford's or GM's.

Hoenig was around the last time something like this happened, in the 1970s, when easy money encouraged bankers to underwrite increasingly risky loans while relying on increasingly inflated assets, like farmland and oil wells, as collateral. That helped lead to 1,600 bank failures when the asset bubble burst after Volcker's rate increases.

Hoenig's warning is that we might soon be staring into the teeth of something similar. Or worse. Federal debt held by the public was roughly 24 percent of G.D.P. when Volcker became chair of the Fed. It was 96 percent in the third quarter of last year. Corporate debt of nonfinancial businesses — at around $11.4 trillion — is nearly twice what it was on the eve of the Great Recession.

If inflation persists, it won't take much of a rate hike for the cost of servicing the debt to become ruinous for governments and businesses alike. Like an addict who can't endure the agony of withdrawal, we could soon arrive at a moment when we will not be able to accept the price of taming inflation, and instead we'll be tempted to inflate our way out of our debts. That won't end well.

Even without a sharp rise in the cost of living, low rates didn't end well politically. "Do you think that we would have had the political, shall we say turmoil, revolution, we had in 2016, had we not had this great divide created?" Hoenig asked Leonard. "Had we not had the effects of the zero interest rates that benefited some far more than others?"

Should general inflation come, that 2016 revolution will seem tame. Inflation, unchecked, has a bad way of becoming a father to political instability and extremism.

It could all still turn out all right. Inflation could moderate on its own; gentle interventions could do. But to read the profile of Hoenig is to feel the tingle of the hard, bitter, likely truth.

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Expectations for Equity/Fixed Income Portfolio Returns Should be Lowered

EXPECTED ANNUALIZED RETURNS OVER THE NEXT 5-15 YEARS

		NOMINAL EXPECTED RETURN (%)		
	TIME PERIOD	US EQUITY	US FIXED INCOME	70/30 SIMPLE
Cambridge Associates	10 Years	-0.2	1.0	0.1
GMO[1]	7 Years	-5.9	-0.9	-4.4
Research Affiliates	10 Years	2.1	1.9	2.0
JP Morgan	10 - 15 Years	4.1	2.1	3.5
BlackRock	5 Years	6.2	1.3	4.8
Goldman Sachs	10 Years	6.4	1.9	5.1
Bridgewater Associates[2]	10 Years	3.5	1.7	3.0
Average	--	**2.3**	**1.3**	**2.0**

Note: Cambridge Associates, GMO, Goldman Sachs, and Research Affiliates as of 6/30/21; BlackRock as of 4/30/21. JP Morgan as of 3/31/21. Bridgewater Associates as of August 2021.
US Equity assumptions – GMO, Research Affiliates, and Goldman Sachs expected return assumes 75% large-cap and 25% small-cap stocks. J.P. Morgan and BlackRock expected returns assume 100% large-cap stocks. Fixed Income assumptions – Cambridge Associates expected return assumes 50/50 U.S. Investment Grade/U.S. Sovereign.
[1]Return expectations adjusted from real to nominal assuming +2.2% inflation rate.
[2]Originally published as expected excess return over USD Cash, the USD cash return (+0.4%) has been subtracted from the returns to display total expected return.

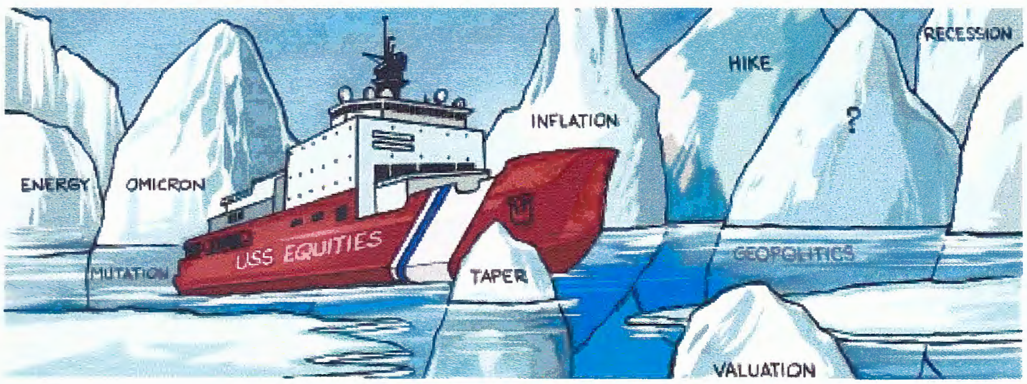
MFO MANAGEMENT COMPANY
INVESTMENT OFFICE

To Our Clients **January 24, 2022**

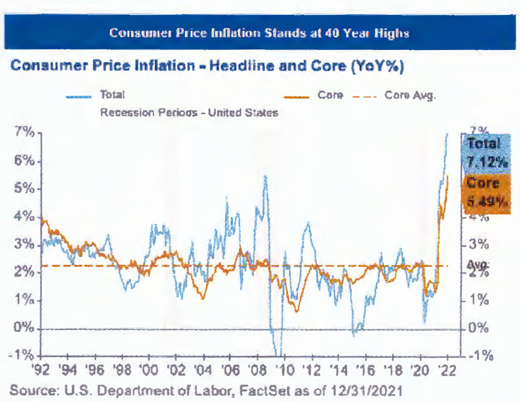
ECONOMIC OUTLOOK & INVESTMENT STRATEGY

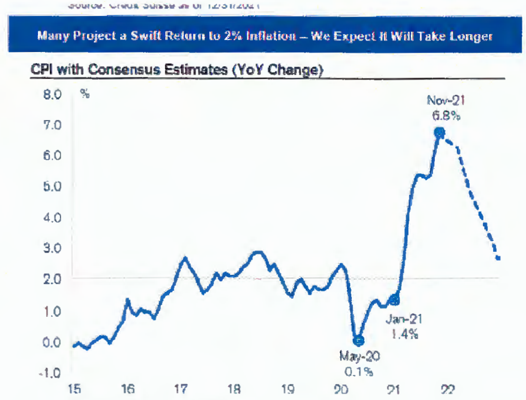
2021 was a strong year for the economy and a banner year for the stock market. As we head into 2022, things will likely get much more complicated as the economy gets back to pre-pandemic levels. While the economy is likely to bounce back further as the Omicron variant fades, the next leg up will come from big cities returning to life (office occupancies are still below 30%). Yet with economic activity already back to 2019 levels it is hard to see the economy growing above average indefinitely. We see the return to a slower, 2-3% GDP growth in late 2022 and beyond. We do not see the chance of a recession in the cards for the coming few years as people get back to work and stimulus continues at the monetary and fiscal level. We hope we have seen the last of the variants, but no one really knows. It is clear, however, that antiviral treatments and vaccines should limit the economic impact to any future Covid related slowdowns.

In 2022, there may be numerous issues (see the Goldman Sachs graphic below), but we will think the economic focus will shift more towards the U.S. midterm elections, cybersecurity, and geopolitical issues. Sabre rattling in Russia, China, North Korea and Iran is not likely to go away as their leaders look for their self-proclaimed place in the new world order. Russia/Ukraine and China/Taiwan are two issues that could potentially drag the U.S. into long drawn-out military conflicts.



Inflation: Inflation continues to be top of mind for investors and the Federal Reserve. The Federal Reserve is promising aggressive interest rate hikes and a shrinking of their balance sheet, both headwinds for the economy and markets. We are likely to see numerous rate hikes in the coming year, much of which is already reflected in the recently rising interest rates. While the inflation reading of 7% is at multi-decades highs, much of it has to do with supply chain issues and disruptions due to the pandemic. Labor issues have exacerbated the Covid related disruptions. Demand for goods is <u>greater</u> than 2019, pushing demand above supply in many cases. Some of the issues will resolve themselves as factories increase production, while some problems will last longer. Travel industries such as hotels and airlines can increase capacity far faster than semiconductors or autos. Rents, which are now rising fast, will slow as there is a lot of new capacity coming online in the next few years. Energy prices probably stay stubbornly high as capex has been cut sharply over the past few years.





Investment Strategy & Review

■ OVERALL ASSET ALLOCATION:

Below is a new look at our asset allocation table using three categories – risk assets, real assets and risk-reduction assets. This is a better way to understand how client portfolios are allocated among different asset classes. While the allocation is the same as the last letter, it is presented by risk rather than just asset class. Let us provide a refresher on the different asset classes and the risk associated with them.

Risk Reduction Assets: Assets such as fixed income or hedge funds are not without risk but can provide downside protection to client accounts in an equity market correction. Assets such as corporate bonds, high yield bonds, municipal bonds and long/short funds fit this category. We tend not to take significant interest rate or credit risk with our fixed income portfolio.

Real Assets: Real assets (aka hard assets) can be considered more "defensive" risk assets. They tend to be less volatile than the equity markets although correlations can vary among different types of real assets. Assets such as real estate, utilities, telecom infrastructure and commodities are in this category. These assets tend to be physical assets that have an underlying physical value typically based on replacement cost, no matter what the equity markets are doing.

Risk Assets: Risk assets can include a wide variety of public or private equity-like asset classes. These include large or small cap U.S/global equities, private assets such as venture capital and private equity and other things such as art, collectibles, crypto currencies, etc. These assets tend to be much more volatile and can swing widely from year to year. These risk assets are also where much of the wealth creation has come from in client portfolios over the years as companies typically grow earnings/valuations in aggregate each year.

	BENCHMARK ASSET ALLOCATION - JANUARY 2022			
ASSET CLASS **	**ALL EQUITY (PERSONAL & TRUSTS) (AGGRESSIVE)**	**BALANCED OBJECTIVES (PERSONAL & TRUSTS)**	**INCOME ORIENTED (PERSONAL & TRUSTS)**	**FOUNDATION MODEL (TOTAL RETURN)**
Risk Reduction Assets				
Fixed Income/Money Market	2%	20%	25%	13%
Long/Short Funds *	10%	13%	6%	15%
Sub-total Risk Assets	**12%**	**33%**	**31%**	**28%**
Real Assets				
Real Estate, REITs, Commodities, Utilities	**10%**	**10%**	**10%**	**7%**
Risk Assets				
U.S. Large Company Equities	33%	20%	22%	20%
U.S. Small Company Equities	25%	20%	20%	20%
Foreign Developed Equities	10%	10%	10%	10%
Emerging Markets Equities	10%	7%	7%	7%
Venture Capital/Private Equity	0%	0%	0%	8%
Sub-total Risk Assets	**78%**	**57%**	**59%**	**65%**
Totals	**100%**	**100%**	**100%**	**100%**

* subject to account circumstances & size, long/short funds, could be up to 15% and private equity/venture capital could be up to 7% of Equity, Balanced and Income-oriented accounts

**Please remember that at any given date actual individual account values may fluctuate within a few percentage points around these targets.

■ FIXED INCOME:

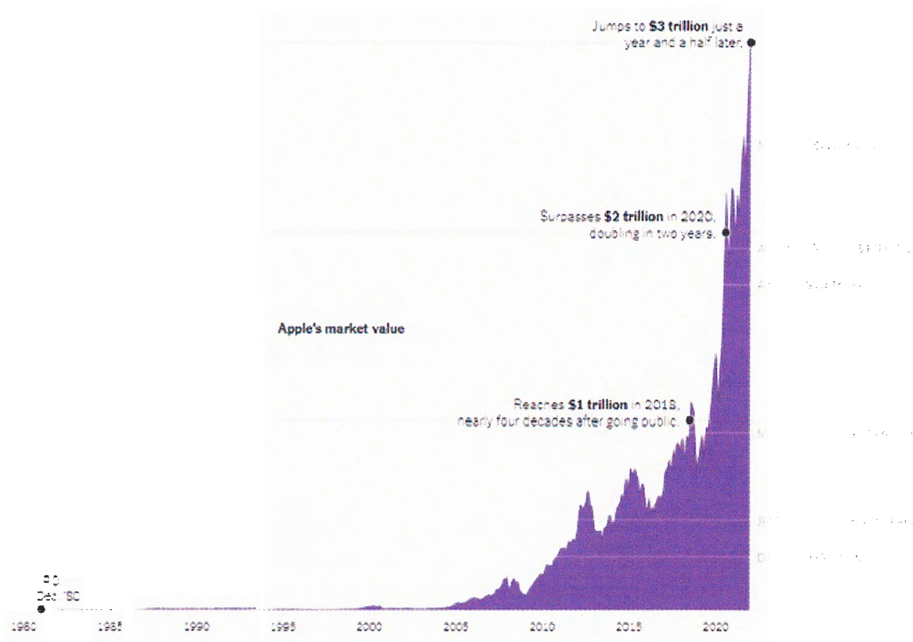
The 10-year Treasury bond yield has approached 1.85%, the highest since the start of the pandemic. The Federal Reserve has been behind the curve on inflation and recently acknowledged it may not be transitory. The question is how many rates hikes we will see this year? The Fed is in a tricky spot simultaneously hiking rates and shrinking its balance sheet while keeping the economy growing. Too much too fast could put the economy into a recession or a very sharp slowdown. We think there is a lid on the 10-year Treasury rate of around 2% as demand for income overwhelms fears of further rate hikes. In any case, a 2% 10-year Treasury is still historically low and should not impede consumer or corporate borrowing or upend equity markets. High quality equities continue to look more attractive than fixed income in a rising rate environment.

- EQUITIES:

2021 Review

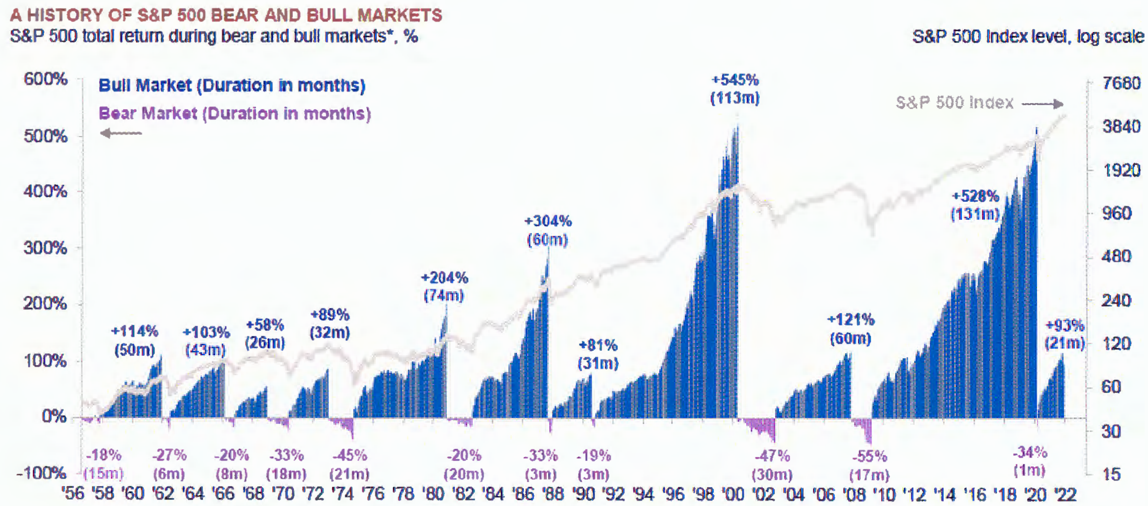
2021 was an extremely strong year for stocks and client accounts with most indexes and client assets at all-time highs. Technology, energy and financials led the market higher. For reference, the S&P 500 Index finished the year up 28.7% on top of 18% last year and 31% in 2019. This has been an incredible run of wealth creation, with the market cumulatively up 100% in three years. Keep in mind, the long-term average return average return for U.S. equities is approx. 10% per year. Small cap equities, foreign and emerging markets all were positive for the year. After a muted 2020, U.S. real estate (REITs) finished the year up over 40%. Average client accounts were up close to 20% in 2021, adding to strong results over the past 3, 5 and 10 years.

2021 is sometimes referred to as the everything rally, with both quality investments and speculative investments performing well for much of the year. In addition to public markets, things like art, collectibles and crypto currencies were up sharply. For MFO clients we saw our large cap technology holdings continue to soar. Sometimes referred to as the FAANGM, stocks like Facebook hit $1 trillion in value, Microsoft and Google hit $2 trillion in value and the incredible Apple Inc. stock hit $3 trillion (Steve Jobs would be proud). We have never seen companies of this market value ever before, but we also have never seen profits this large out of any company in the history of the United States. It is safe to say most of our clients spend much of their day using the services of these companies. They are very sticky and hard to be replaced no matter how hard one would try. We are acutely aware that this performance cannot go on indefinitely and we are using these large tech stocks as sources of cash for distributions, capital calls, gifts, taxes, etc.



2022 Outlook

Looking into 2022, we expect a much choppier market which seems to be the case so far in January. There are numerous headwinds to the markets as we have discussed earlier but to reiterate, the Fed will raise interest rates numerous times this year, which discounts the future value of a company's cash flow stream and the Fed will also pump less liquidity into the market than last year, which puts less cash in the hands of banks, corporate borrowers, and consumers. Covid may subside but there is likely to be more geopolitical issues arising in a world where the United States no longer dictates how the world should be run. This is not necessarily a result of a shrinking United States, but the rise of the emerging markets led by China, India, and Russia. On the positive side valuations, while high, are not extreme, rates will still be historically low and corporate earnings power and balance sheets are as strong as ever. Furthermore, sentiment recently towards equities has turned sharply negative especially towards technology stocks, this is a good contrarian indicator. The chart and graphic below say it all, if investors panic at every negative market event, they would have missed out on historic gains for their portfolio.



Sources: Bloomberg Finance L.P. Data as of December 31, 2021.
*S&P 500 total return calculated based from the peak to trough for bear markets and trough to peak for bull markets.

SOME EXAMPLES OF REASONS NOT TO INVEST

Year	Event	Cumulative total return[1]
1999	Y2K	472.4%
2000	Tech wreck; bubble bursts	372.9%
2001	September 11	420.2%
2002	Dot-com bubble: market down -49%	490.4%
2003	War on Terror – U.S. invades Iraq	657.9%
2004	Boxing Day Tsunami kills 225,000+ in southeast Asia	489.0%
2005	Hurricane Katrina	431.2%
2006	Not a bad year, but Pluto demoted from planet status	406.3%
2007	Sub-prime blows up	337.2%
2008	Global Financial Crisis; bank failures	314.5%
2009	GFC: market down -56%; depths of despair	557.8%
2010	Flash crash; BP oil spill; QE1 ends	420.2%
2011	S&P downgrades U.S. debt; 50% write-down of Greek debt	352.1%
2012	2nd Greek bailout; existential threat to Euro	342.7%
2013	Taper Tantrum	281.7%
2014	Ebola epidemic; Russia annexes Crimea	188.3%
2015	Global deflation scare; China FX devaluation	153.6%
2016	Brexit vote; U.S. election	150.1%
2017	Fed rate hikes; North Korea tensions	123.4%
2018	Trade war; February inflation scare	83.4%
2019	Trade, impeachment inquiry, global growth slowdown	91.8%
2020	*COVID-19 pandemic, U.S. Presidential Election*	45.8%
2021	**Delta variant, China regulatory crackdown, what's next?**	**23.2%**

S&P 500

Sources: J.P. Morgan Private Bank. FactSet. [1] Cumulative total returns for S&P 500 are calculated from December 31 of the

Outlooks and past performance are no guarantee of future results. It is not possible to invest dire

Like last year's February letter, *Westfield Capital*, one of our small company managers based in Boston, nicely outline the positives and negatives for the market as we go into 2022.

What Makes Us Bullish Vs. Bearish

Bullish	Bearish
U.S. corporate earnings outlook remains strong	Fed tightening cycle – possibility for policy error
Robust pent-up demand	High expectations embedded in current prices for certain parts of the market
World is still awash in liquidity	Midterm elections bring uncertainty to 1H22
Record high consumer savings & net worth	Persistent inflation
Covid shifting to endemic phase	Oil price shock
Limited attractive investment alternatives to equities	Geopolitical conflict
Supply chain disruptions likely to moderate	Covid mutations

So, for 2022, we intend to stay the course, but with a more defensive posture to new investments. Income generation continues to be a key variable for new investments. In the last letter we highlighted the Vanguard Utility Index as low risk, decent returning income producing investment for the coming years. There is still so much money looking for a return on investment, we do not believe the bull market is over, but we certainly expect lower returns in the next three years than the past three years.

Crypto Currencies/Taxes:

Crypto currencies are a hot topic these days and most clients want to know our thoughts on the subject. While MFO has decided not to own cryptos for clients directly, we have pointed out to clients they can do it on their own by opening their own Coinbase account. In fact, when meeting with clients we quickly find out many have undisclosed crypto accounts. As mentioned on the client conference call and in letters, clients must alert the tax department if they have a crypto currency/Coinbase account.

While we are skeptical of the value of some, if not all, of the thousands of coins out there, it appears there are some use cases for Bitcoin and Ethereum, coupled with the useful blockchain technology. While the specific value of any such coins cannot be ascertained, it does not appear that cryptos are going away anytime soon. We have chosen to play cryptos through the stock of crypto exchange operator *Coinbase Global* (Nasdaq: COIN) for clients that want to have some exposure.

Should you have any questions, please feel free to contact the MFO Investment Office at (248) 723-0050.

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