The Stanley-Laman Group, Ltd.

Dear Investor:

Over the past several months most sectors of the stock market have sold off. Oil stocks and several consumer staples have been exceptions.

Bonds, a traditional counter-balance to stock market volatility, have also sold off with the Barclays Bond Aggregate Index off 10% year to date.

The most severe declines have occurred in the technology sectors which have seen declines of 50% - 60% in some cases. Netflix, Meta and PayPal as cases in point, are down >45% in 2022.

Drivers:

- Fed Tightening in response to High Inflation

- Russia's invasion of Ukraine and its impact on global grain and energy prices. For example, Russia and Ukraine are major suppliers of Sunflower Oil used in cooking. Indonesia banned the export of palm oil, the world's most consumed edible oil as prices have soared and led to shortages in their domestic supply.

- High U.S. Inflation from strained supply chains due to restarting of the economy post Covid.

- Earnings misses from several bellwether stocks, most notably Netflix.

- China's strict policies (shutting down cities) to combat the new Covid variants which has resulted in port delays and demand softening, all of which impact U.S. and European producers. China's vaccination rate is low among ages 65 and older due to concerns over side effects and previously low virus spread. The government is rushing to vaccinate that vulnerable population before relaxing the lockdown measures.

Past Sell-Offs:

We have seen significant equity sell-offs in the past, including 2000, 2008, 2018, and 2020 and minor pullbacks along the way. Currently, we believe the following:

- The economy is slowing down due to inflationary pressures and rising financing costs (the average 30-year mortgage rate is now at 5.29%, up from 3.24% at the beginning of the year).

- Some market indicators are predicting nine interest rate hikes over the next 24 months. We believe that this is an overreach.

- Several High Leverage Hedge Funds (e.g. Risk Parity) have been forced to sell both stocks and bonds due to market declines and margin maintenance requirements.

- The probability of a recession has risen exponentially due to excessive government spending and poor policy planning. When an economic slowdown does happen, inflation should cool sharply albeit with a lag.

- Housing has already shown signs of slowing due to soaring home prices, limited supply, and rising rates. This slowdown has caused lumber and other material costs to decline.

- Stocks that outperform during periods of economic weakness are companies with secular growth themes and/or defensive product demand. These companies generally maintain their ability to generate growth and strong profit margins.

Our Approach:

A. Continually Review current (and prospective) holdings to determine:
    - Is this company positioned to generate above market earnings in the face of tight labor supply, rising input costs, and a slowing of aggregate demand in the economy?
    - How necessary is the product or service to end customers? How does that need change when economic uncertainty increases?

B. Monitor Geopolitical Events and Policy Actions, recognizing that:
    - News outlets sensationalize events.
    - Market sentiment cycles can shift rapidly and often without any leading signal.

C. Hold high quality, well-run businesses that will continue to expand and innovate, recognizing that investor appetite will ultimately return.

D. Reassess volatility after the rebound.

In closing, our focus on companies with high historical return on invested capital usually leads us to own businesses with a defendable moat and a strong ability to pass on higher costs to customers. In some cases, demand for these types of companies' products and services can increase as corporations seek to become more efficient through increased use of technology and automation. We saw this in 2009.

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