GAMBLE JONES | CAPITAL MANAGEMENT

A Division of Gamble Jones Investment Counsel

January 1, 2022

We are happy to report that stock market returns were above the historical average for the third consecutive year. However, fixed income returns in 2021 were muted. Financial markets are discounting mechanisms, meaning that changes in investor expectations about the future either depress or elevate security prices. As such, one of the year's most important milestones for financial markets was the fact that, to borrow Winston Churchill's phrase, we reached "the end of beginning" in the war against Covid. Although the virus is still with us, the progress that the health care community has made in treating and preventing the disease has made it possible for investors to start looking beyond the pandemic as they evaluate the future. This progress had a positive impact on the stock market in 2021.

Partly offsetting the progress against Covid, a jump in inflation rates to levels not seen in 39 years has the market on edge. Inflation depresses stock and bond prices because it reduces a future cash flow stream's buying power. As economies reopened, pent-up demand, fueled in part by fiscal and monetary stimulus, encountered a supply chain that was tied up in knots. The Wall Street Journal noted that it was a "…combination not seen, perhaps, since the aftermath of World War II." This combination of strong demand and limited supply created inflationary pressures not seen in decades. Time will tell whether the supply chain bottlenecks can be removed and whether demand will return to more normal levels. Over the long term, we believe demographic trends and the deflationary forces unleashed by technology will keep inflation in check.

The market's year end volatility coincided with a shift in the Federal Reserve's monetary policy. To borrow another phrase from the same Churchill speech, we reached the "beginning of the end" of this cycle's easy money policies. The Federal Reserve has supported the economy during the fight against Covid by keeping interest rates low and purchasing trillions of dollars of mortgages and government debt. In November the Fed announced that it would start removing its support, first by slowly reducing its mortgage and debt purchases. In December the Fed said that it would accelerate the reduction of its purchases, and that it expects to start raising interest rates in the first half of 2022.

This change in the Federal Reserve's monetary policy away from an extremely accommodative position will be important. Higher interest rates will likely create headwinds for future investment results. Interest rates are the discounting mechanism used to value the future cash flow stream that a company or bond is expected to generate, and higher interest rates reduce the present value of future cash flows. Higher interest rates will also make it more difficult for the economy to grow. Given the increased likelihood of higher interest rates, we recommend planning for more muted investment returns than we have experienced these last few years.

Before concluding, we'd like to note that 2021 marked Gamble Jones' 65th year in business. We have experienced many economic and investment cycles since our founding and our investment philosophy has proven its ability to generate attractive long-term results. That investment philosophy is based on the belief that buying companies with attractive returns on capital, healthy balance sheets, strong cash flow streams, good management teams, and attractive growth opportunities at reasonable prices will generate attractive long-term returns.

We wish you all the best in 2022 and look forward to working with you throughout the new year. Thank you for your continued trust.

Sincerely,

Alison

Alison Gamble, President
Gamble Jones Capital Management

PS The Securities and Exchange Commission requires that we annually offer to our clients our Form ADV, Part II. Please contact us should you desire a copy of the document.

PPS If you are in a broker-directed relationship, the SEC requires us to advise you that other brokerage firms may charge lower commissions.

PPPS Attached is a copy of our Privacy Policy.
Also, in order to comply with a section of the Investment Advisers Act of 1940, we are required to state the following: should any change occur in the future with respect to the organization of this firm, now a corporation, we shall advise all clients whom we are then serving of such change either prior to its effective date, or within a reasonable time thereafter; and no agreement with any client will ever be assigned to others without the full knowledge and consent of all parties thereto. Please be assured that the foregoing is a bureaucratic requirement. We do not anticipate nor are we contemplating the sale of Gamble Jones Investment Counsel.

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PRIVACY POLICY

The respect for confidentiality by Gamble Jones Investment Counsel is stated in the Client Retention Letter Agreement. In order to further articulate our feelings on this subject, we have developed this policy to let you know how important your privacy is to us. We will do the utmost to maintain the confidentiality of the nonpublic personal information you have disclosed to us. Below we have outlined how we collect your information and how we use your information.

Gamble Jones Investment Counsel collects nonpublic personal information about you from the following sources:

- Information we receive from you on applications or other new account forms, correspondence, or conversations (such as your name, address, telephone number, social security number, assets, income and date of birth); and
- Information about your transactions with us or others (such as your account number, account balance, payment history, parties and transactions, cost basis information, and other financial information).

We do not disclose any nonpublic personal information about you.

If an individual at Gamble Jones Investment Counsel acts as trustee or co-trustee on a client account, Gamble Jones is deemed to "have custody" of those assets. As such, those accounts are included in an annual surprise audit, required by the SEC. Gamble Jones must provide specific private information related to those accounts to auditors hired by Gamble Jones to fulfill the SEC's annual surprise audit requirement. The purpose of the audit is to provide additional client protection, and the private information given to the auditors is used strictly for the audit. Since we are required by the SEC to provide this information, we do not offer an "opt-out" option for our clients. However, if you would like to make changes so that we no longer have custody of any of your assets, please notify your portfolio manager. In order to conduct business in the client's best interest, we will only disclose nonpublic personal information to a nonaffiliated third party upon specific client request.

Gamble Jones additionally safeguards client information by utilizing paper shredders and burn bags to dispose of sensitive client information.

Cyber-security is of the highest priority.

If you decide to close your account(s) with us, we will adhere to the privacy policies and practices described in this notice.

Gamble Jones Investment Counsel restricts access to your personal and account information to those employees who need to know that information to properly manage your relationship with Gamble Jones Investment Counsel. We maintain physical, electronic, and procedural safeguards to protect your nonpublic personal information. One of the ways in which we protect your privacy is by requiring that our employees sign a Code of Ethics certification, which includes a confidentiality statement regarding our clients.