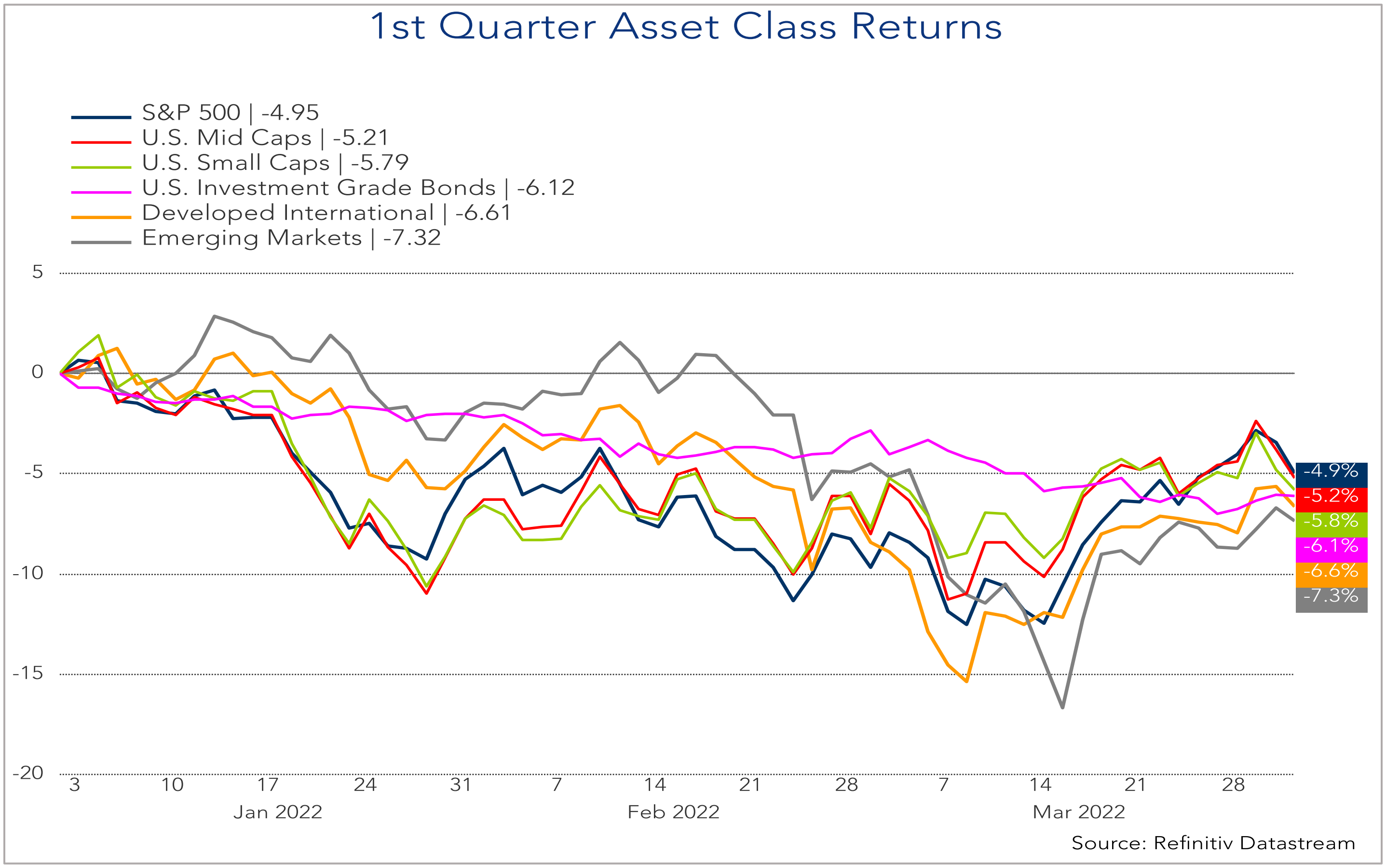
Mainsail Quarterly Market Commentary

1ST QUARTER 2022 UPDATE

Powell & Putin

After a strong finish to 2021, investors experienced a volatile start to the year with nearly all of the major global asset classes finishing in negative territory. U.S. Large-Cap Equities (S&P 500 -4.6%) snapped a streak of six quarters of positive returns, the longest streak since the 4th quarter of 2017. International equities also struggled (MSCI All Cap World Index Ex-U.S. -5.44%) as the invasion of Ukraine by Russia added to an already unpredictable economic growth outlook as European economies deal with supply chain and energy disruptions. Small Caps, Mid Caps, and Emerging Markets also finished the quarter in the red as did the entire U.S. bond complex. Other than cash and commodities, there was very little place for investors to hide during the quarter.



Putin

It was an incredibly eventful quarter on the news front. Vladimir Putin's invasion of Ukraine caught the world by surprise causing a sharp rise in energy and material prices around the world, exacerbating inflationary pressures both in the U.S. and abroad. While most western powers quickly condemned the attack, NATO has clearly stated its reluctance to get involved beyond basic military aid. What is likely to follow is a drawn-out battle for various regions of Ukraine which could lead to a destabilization of the European economy given their heavy reliance on Russian oil and gas. This will have a ripple effect on global growth, though the magnitude is still unknown.

Powell

As inflation continued raging to 40-year highs during the first quarter, Jerome Powell, the chair of the Federal Reserve, signaled an about-face shift in monetary policy. At their November 2021 meeting, the Fed dropped the word "transitory" when referring to inflationary pressures and implied that inflation would remain persistently high for the foreseeable future. Their conclusion was that a more hawkish approach to slowing rising costs was required and they began to lay out plans to raise rates and reduce the size of their balance sheet.

As we head into the 2nd quarter, the market has begun anticipating a series of large increases in the Fed Funds rate, starting with a 0.50% rise at their May meeting. In response to this shift, bond yields rose dramatically ahead of the Fed's move, sending bond prices tumbling. Usually, a safe haven from stock market declines, bonds offered no such protection in Q1 as the U.S. Bond Aggregate fell 6.1%

What This Means For The Markets

As we head into 2022 both equity and bond markets face a unique set of challenges. While Powell and Putin are making their mark, they are not the only forces at hand. It is certainly true that most economic data points we watch are currently quite positive. Retail sales are strong, personal income is high and accelerating, the unemployment rate and jobless claims are at or near multi-decade lows, and consumers have low debt levels and high savings balances. Given the fact that consumer spending accounts for over 70% of US GDP, this has proven to be a healthy tailwind for the economy. Despite this, as the training wheels are removed from the economic stimulus coming out of the COVID recession, and inflation remains persistent, the Mainsail Investment Committee is taking a cautious stance.

For those clients who are using their portfolio for income in retirement, we are suggesting setting aside enough capital to cover your needs for a year or more. For those with longer term time horizons, we are comfortable recommending a fully allocated approach, albeit with a slightly more cautious and balanced stance with healthy allocations to lower volatility stocks and shorter duration bonds.

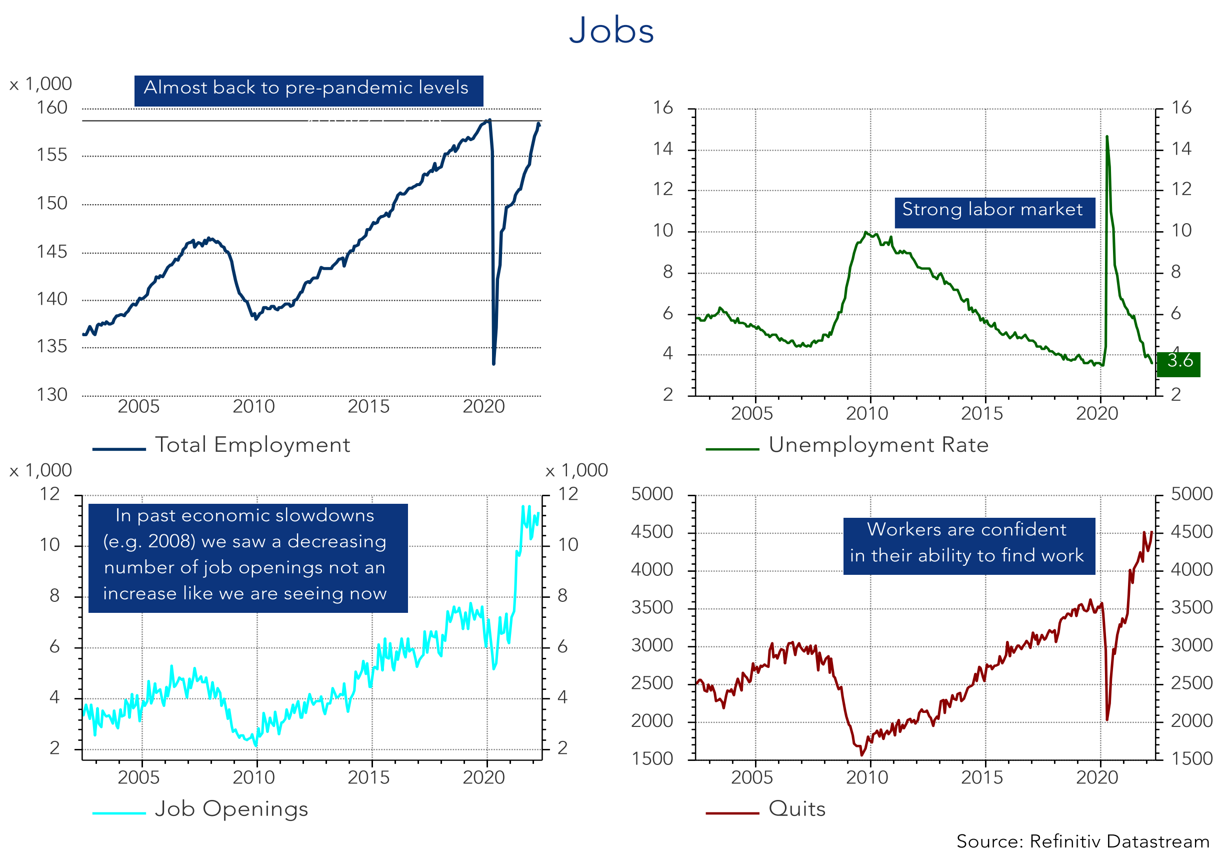
Positives

- Valuations on stocks have come down and investor sentiment is extremely negative (typically a contrarian indicator)
- Inflation is showing signs of peaking with Core CPI, which excludes more volatile pieces like food and energy, slowing its rate of growth in February and March to a month-over-month growth rate below that of the trailing 12-month average.
- The labor market is extremely healthy with average hourly earnings growing at the fastest pace in nearly forty years, the number of employees quitting their jobs reaching an all time high in Q1, and the number of job openings topping 11.5m for the first time ever. All these data points imply a worker who is confident in his/her ability to find work.
- Business Investment & Spending was strong in Q1
- Fiscal Stimulus related to the 2021 Infrastructure is set to accelerate in 2022
- The latest readings on US Corporate Profit margins reached 10-year highs

Negatives

- Rising Interest rates may lower P/E multiples, putting downward pressure on stock prices
- The Fed may make a policy error as they shift to a more hawkish stance on monetary policy
- Europe and China's economic slowdown has the potential to negatively impact the global economy and U.S. multinationals in particular
- Persistent inflation is likely to lead to pressures on corporate profit margins
- Continued negative income growth for US consumers stemming from persistently high consumer inflation
- An unexpected escalation of the War in Ukraine
- Rising interest rates could take a bite out of consumer demand

Charts of Interest



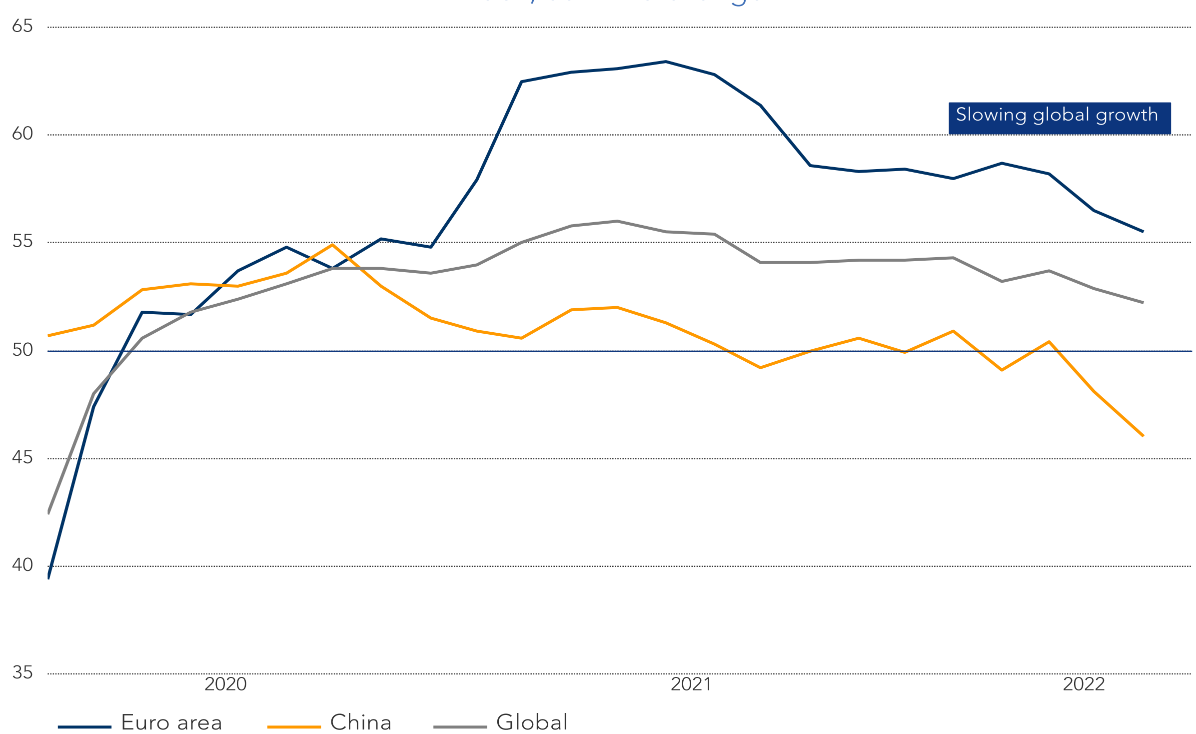
P: 804-693-5500 F: 804-693-2925 | 6641 Main Street, Gloucester, VA 23061 | 4510 Cox Rd. Suite 103 Glen Allen, VA 23060
www.mainsailwealthadvisors.com

ISM Manufacturing Data

Source: Refinitiv Datastream

Manufacturing PMIs

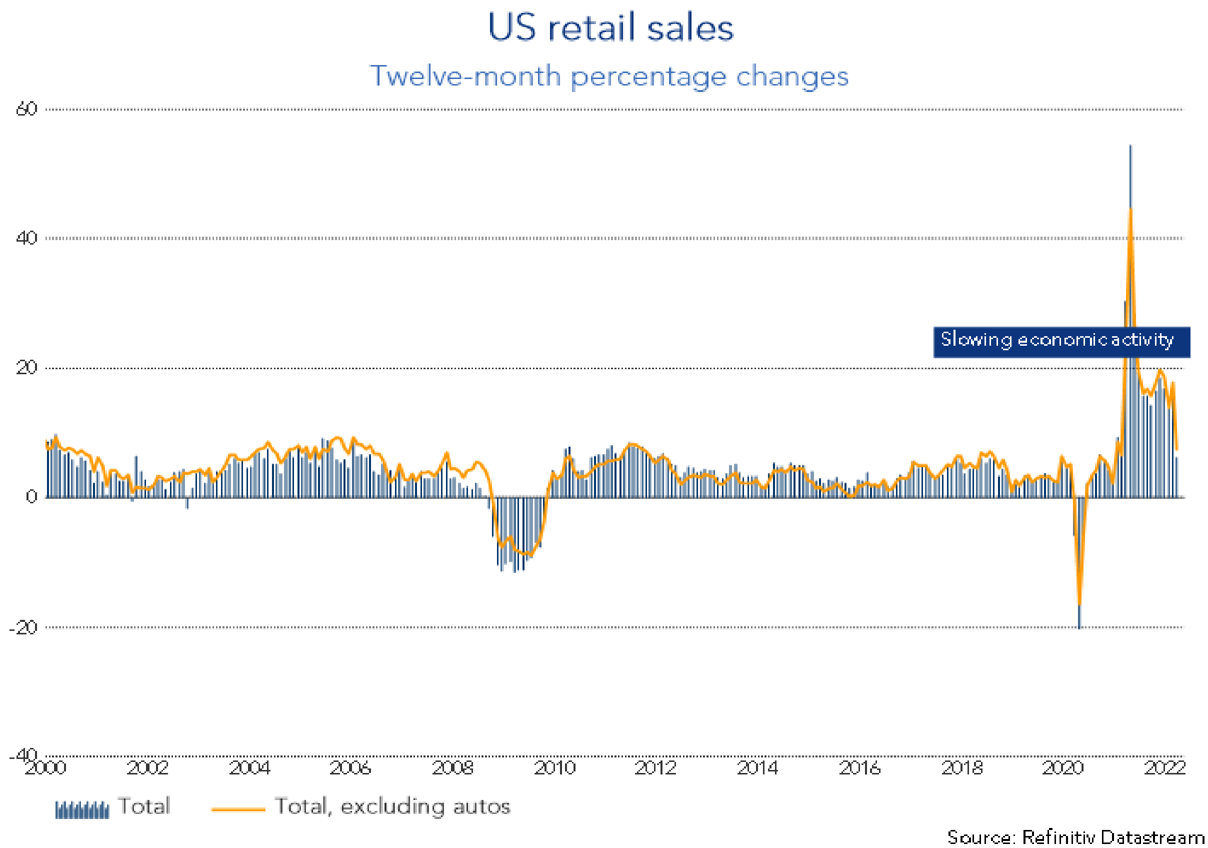
Index, 50 = 'no change'

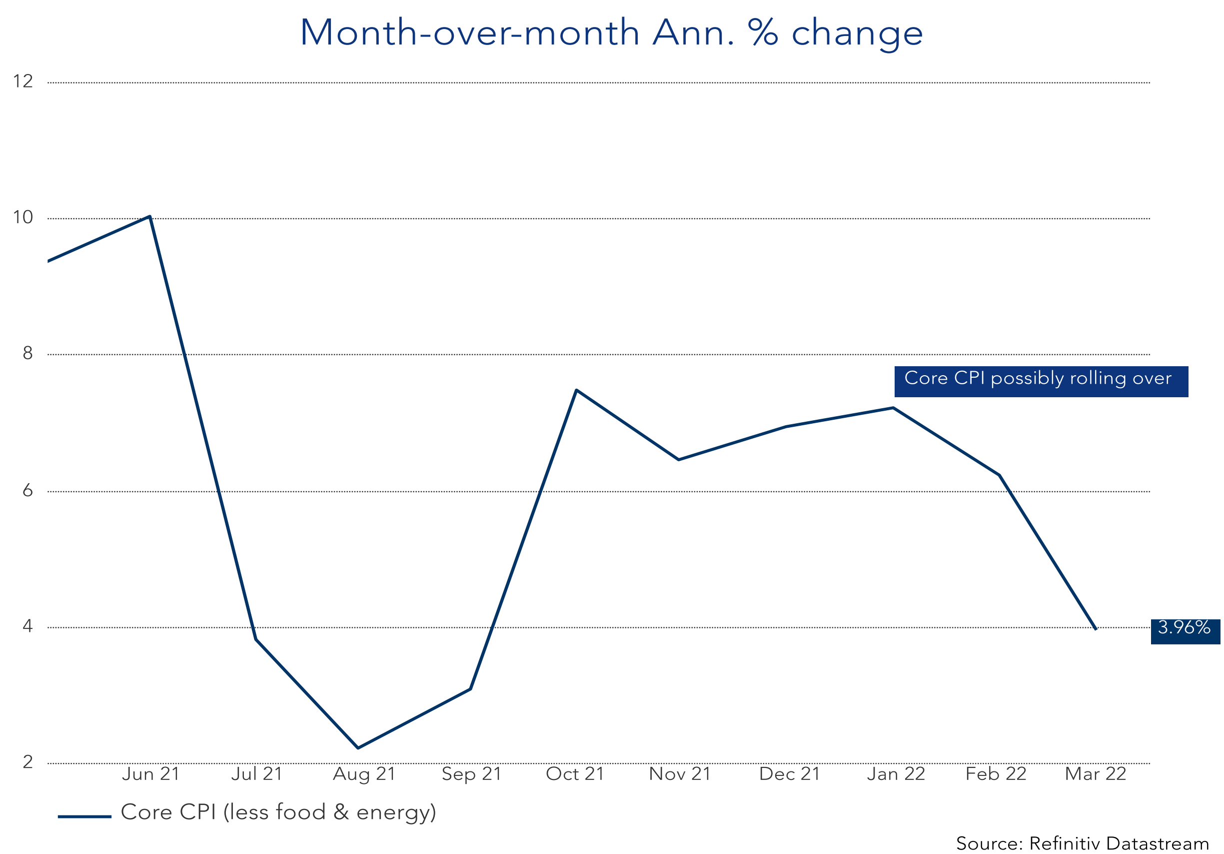


Source: Refinitiv Datastream

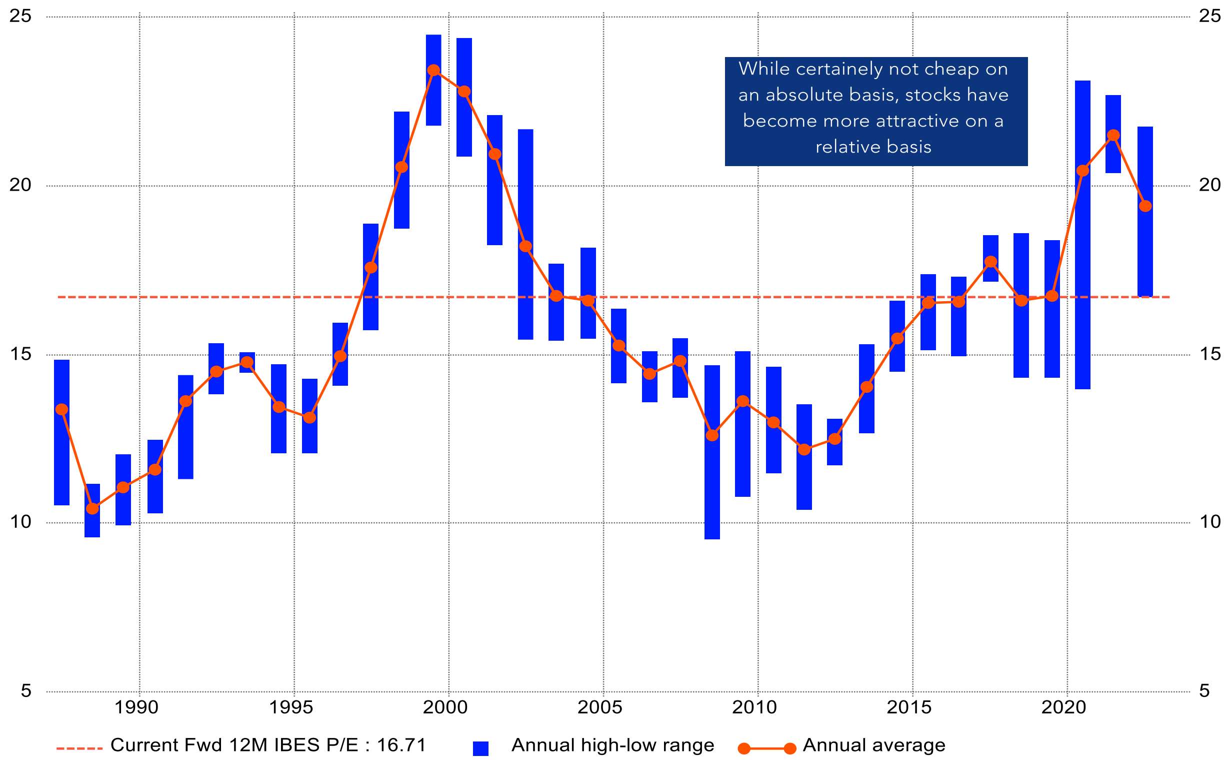
P: 804-693-5500 F: 804-693-2925 | 6641 Main Street, Gloucester, VA 23061 | 4510 Cox Rd. Suite 103 Glen Allen, VA 23060
www.mainsailwealthadvisors.com

Mainsail
WEALTH ADVISORS





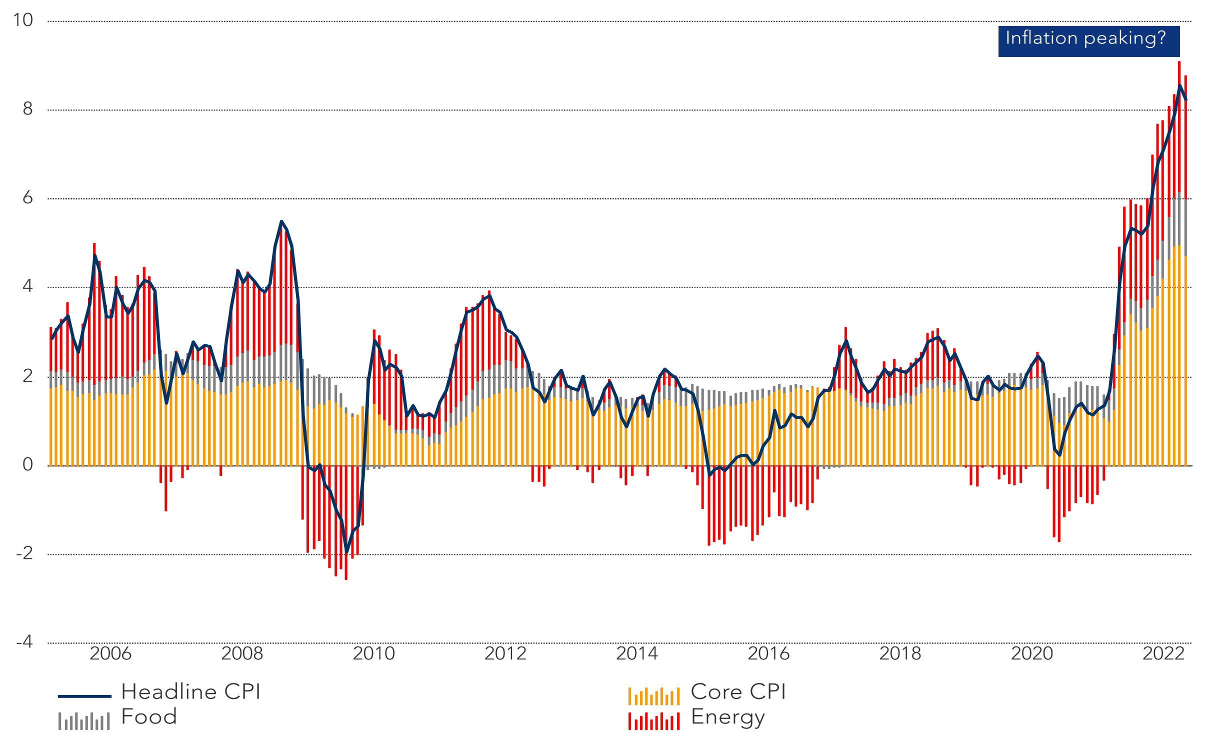
S&P 500 Forward P/E Range



Source: Refinitiv Datastream

US headline CPI and contributions

Per cent



Source: Refinitiv Datastream

P: 804-693-5500 F: 804-693-2925 | 6641 Main Street, Gloucester, VA 23061 | 4510 Cox Rd. Suite 103 Glen Allen, VA 23060
www.mainsailwealthadvisors.com

GENERAL DISCLOSURES

Securities offered through Raymond James Financial Services, Inc., Member FINRA/SIPC

Investors should consider the investment objectives, risks, charges and expenses of exchange traded funds and mutual funds carefully before investing. The prospectus contains this and other information and should be read carefully before investing. The prospectus is available from your investment professional.

Mainsail Wealth Advisors, Raymond James Financial Services, Inc., its affiliates, officers, directors or branch offices may in the normal course of business have a position in any securities mentioned in this report. This information is not intended as a solicitation or an offer to buy or sell any security referred to herein.

Investment advisory services offered through Raymond James Financial Services Advisors, Inc. Mainsail Wealth Advisors is not a registered broker/dealer and is independent of Raymond James Financial Services, Inc.

The information contained in this report does not purport to be a complete description of the securities, markets, or developments referred to in this material. The information has been obtained from sources considered to be reliable, but we do not guarantee that the foregoing material is accurate or complete. Any opinions are those of Mainsail Wealth Advisors LLC and not necessarily those of Raymond James. Expressions of opinion are as of this date and are subject to change without notice. Past performance may not be indicative of future results. Investing always involves risk, including the loss of principal. There is no guarantee that any strategy will be successful. Asset allocation and diversification do not ensure a profit of protect against a loss. Performance data quoted represents past performance and does not guarantee future results. Please contact your financial representative if there has been a change in your investment objectives, special restrictions, or financial circumstances.

In a fee-based account clients pay a quarterly fee, based on the level of assets in the account, for the services of a financial advisor as part of an advisory relationship. In deciding to pay a fee rather than commissions, clients should understand that the fee may be higher than a commission alternative during periods of lower trading. Advisory fees are in addition to the internal expenses charged by mutual funds and other investment company securities. To the extent that clients intend to hold these securities, the internal expenses should be included when evaluating the costs of a fee-based account. Clients should periodically re-evaluate whether the use of an asset-based fee continues to be appropriate in servicing their needs. A list of additional considerations, as well as the fee schedule, is available in the firm's Form ADV Part II as well as the client agreement.

This report is not a replacement for the official customer account statements from Raymond James or other custodians. Investors are reminded to compare the findings in this report to their official customer account statements.

The companies engaged in business related to a specific sector are subject to fierce competition and their products and services may be subject to rapid obsolescence. Sector investments are companies engaged in business related to a specific sector. They are subject to fierce competition and their products and services may be subject to rapid obsolescence. There are additional risks associated with investing in an individual sector, including limited diversification.

INDEX DEFINITIONS

Inclusion of these indexes is for illustrative purposes only. Keep in mind that individuals cannot invest directly in any index, and index performance does not include transaction costs or other fees, which will affect actual investment performance. Individual investor's results will vary. Past performance does not guarantee future results.

The S&P 500 is an unmanaged index of 500 widely held stocks that is generally considered representative of the U.S. stock market.

The Barclays Capital US Aggregate Index is an unmanaged market value weighted performance benchmark for investment grade fixed rate debt issues, including government, corporate, asset backed, mortgage backed securities with a maturity of at least 1 year.

The S&P SmallCap 600® measures the small-cap segment of the U.S. equity market. The index is designed to track companies that meet specific inclusion criteria to ensure that they are liquid and financially viable.

The S&P MidCap 400® Index provides investors with a benchmark for mid-sized U.S. companies. The index, which is distinct from the large-cap S&P 500®, measures the performance of mid-sized companies, reflecting the distinctive risk and return characteristics of this market segment.

Dow Jones U.S. Select Dividend Index represents the country's leading stocks by dividend yield and is made up of one hundred stocks which are selected to the index by dividend yield, subject to screens for dividend-per-share growth rate, dividend payout ratio and average daily dollar trading volume.

The Dow Jones U.S. Select REIT Index intends to measure the performance of publicly traded REITs and REIT-like securities. The index is a subset of the Dow Jones U.S. Select Real Estate Securities Index (RESI}, which represents equity real estate investment trusts (REITs} and real estate operating companies (REOCs} traded in the U.S. The indices are designed to serve as proxies for direct real estate investment, in part by excluding companies whose performance may be driven by factors other than the value of real estate.

MSCI Emerging Markets is designed to measure equity market performance in 25 emerging market indexes. The index's three largest industries are materials, energy, and banks.

NASDAQ Composite Index is an unmanaged index of securities traded on the NASDAQ system.

The Barclays US Corporate High Yield 2% Issuer Capped Bond Index is an issuer constrained version of the flagship US Corporate High Yield Index, which measures the USD-denominated, high yield, fixed-rate corporate bond market. The index follows the same rules as the uncapped version but limits the exposure of each issuer to 2% of the total market value and redistributes any excess market value index wide on a pro rata basis.

MSCI World Ex-U.S. (Net Div) Index captures large and mid-cap representation across 22 of 23 Developed Markets (DM} countries*-

-excluding the United States. With 1,023 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

ASSET CLASS DEFINITIONS

U.S. Large Cap Equity

Russell 1000 Index: Based on a combination of their market cap and current index membership, this index consists of approximately 1,000 of the largest securities from the Russell 3000. Representing approximately 92% of the Russell 3000, the index is created to provide a full and unbiased indicator of the large cap segment.

U.S. Mid Cap Equity

Russell Midcap Index: A subset of the Russell 1000 index, the Russell Midcap index measures the performance of the mid-cap segment of the U.S. equity universe. Based on a combination of their market cap and current index membership, includes approximately 800 of the smallest securities which represents approximately 27% of the total market capitalization of the Russell 1000 companies. The index is created to provide a full and unbiased indicator of the mid-cap segment.

U.S. Small Cap Equity

Russell 2000 Index: The Russell 2000 Index measures the performance of the small-cap segment of the U.S. equity universe. The Russell 2000 is a subset of the Russell 3000 Index representing approximately 10% of the total market capitalization of that index. It includes approximately 2000 of the smallest securities based on a combination of their market cap and current index membership. The Russell 2000 Index is constructed to provide a comprehensive and unbiased small-cap barometer and is completely reconstituted annually to ensure larger stocks do not distort the performance and characteristics of the true small-cap opportunity set.

P: 804-693-5500 F: 804-693-2925 | 6641 Main Street, Gloucester, VA 23061 | 4510 Cox Rd. Suite 103 Glen Allen, VA 23060
www.mainsailwealthadvisors.com