CROWELL WEEDON ASSET MANAGEMENT
MONTECITO INVESTMENT PORTFOLIOS

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Dear Fellow Investors,

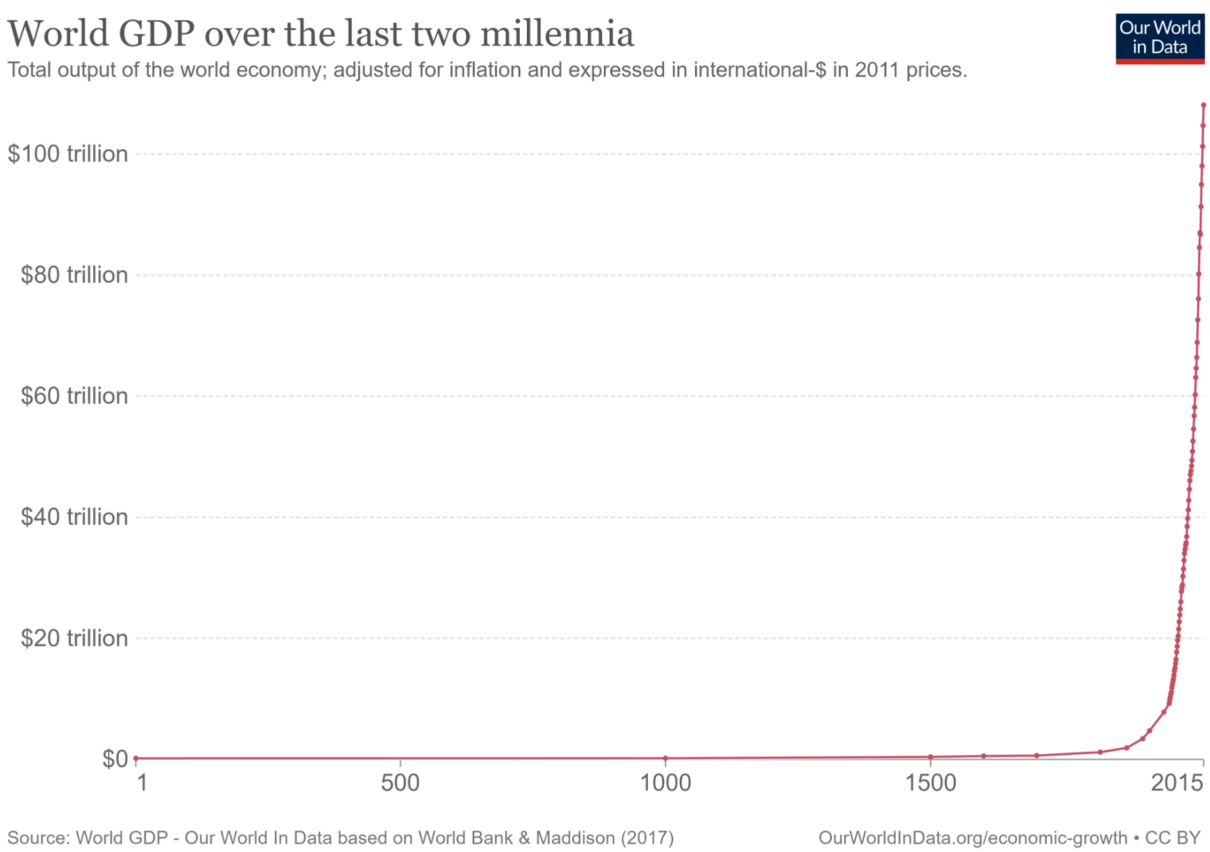
With recent stress in the financial system we wanted to highlight some of the coverage related to your account(s) at DA Davidson & Co. Attached, please find the piece titled "How Your Assets Are Protected at D.A. Davidson & Co.". This piece succinctly summarizes coverages like FDIC, SIPC, and Excess SIPC. As a reminder, DA Davidson is an employee-owned firm. When your own capital is on the line, you tend to behave differently. Perhaps some of the financial issues we're seeing today could be remedied if more financial institutions required management to have significant "skin in the game".

Blame for today's stress has been placed on the Fed. However, we've long held that next-to-zero interest rate policy had turned US government bonds from being risk-free assets to ones loaded with risk should rates move higher – this has happened. With the fastest hiking cycle in history, many financial institutions were somehow blindsided by this. Part of us can't blame them. The Fed had been preaching their "transitory" inflation narrative up until early 2022, when CPI climbed to nearly 8%. They continued a zero rate policy and were still buying bonds (Quantitative Easing), long after most COVID restrictions had been lifted. Despite numerous, credible voices calling for the Fed to pause or even cut rates, they remain steadfast in their hiking cycle. However, these past few weeks saw the first cracks revealed and has led to a slew of new questions about the health of the financial system.

Expectations are an important component of inflation. If you believe prices will be higher in the future there is urgency to spend now, putting further pressure on prices. Arguably, the most difficult component of inflation to impact are these expectations. Perhaps, this is what the Fed has known all along. We have to believe they're aware of their most vocal critics arguing that they're looking at lagged data when it comes to inflation and that they should pay more attention to the bond market screaming that a recession is around the corner. Maybe what the market is reluctant to admit is that the Fed needs to break something to truly crack confidence, anchor rational expectations, and get things back to the way they were before COVID. At this point, we would be leaning towards "mission accomplished". Future rate hikes (if any) are most likely nearing an end. Further, to show some support for Jerome Powell, he was in favor of ending ultra-accommodative policy five years ago when the world was still addicted to low rates. Perhaps Congress should be our real scapegoat, binging on this cheap money with very little to show for it. The August 2022 paper Inflation as a Fiscal Limit put it best, "Trend inflation is fully controlled by the monetary authority only when public debt can be successfully stabilized by credible future fiscal plans." Fiscal responsibility will be required to tame inflation.

With reset expectations, normal interest rates, pictures of digital rocks no longer selling for millions of dollars, and less-than-common-sense concepts like Modern Monetary Theory laid to rest, we believe the ingredients for our next bull market are taking shape. Lasting bull markets are often driven by innovation, resulting in productivity enhancements that drive future earnings. They typically begin when doubt is prevalent and the sentiment of fear overtakes optimism. Although difficult to predict, we may be here today.

Some argue that the government shouldn't intervene and that customers need to do a better job of assessing the financial health of their financial institution. We believe this is unrealistic as a bank's financial disclosures can be difficult to grasp. Many board members, managers, regulators, and even analysts didn't fully understand the risks of rising interest rates on their bank's financial health. Heck, Wells Fargo's most recent 10k is nearly 200 pages long with approximately 100 pages of footnotes! While understanding your bank's financial health may be hard to grasp, what isn't difficult to understand is the remarkable progress humanity has made. We are on an exponential trajectory of progress and economic output as seen from the below chart. Please remember, while we have always experienced panics and fear in financial markets, at the end of the day, innovation has driven humanity forward. As highlighted in our annual letter, innovation is advancing at light-speed. The risk from not investing in the future of where humanity is headed will most likely dwarf the risk we highlighted when investing in long-term bonds with interest rates as historic lows.



As always, we welcome your feedback and would love to talk about these and other topics that may be important to you. We thank you for your continued confidence and the opportunity to manage your investments. We take very seriously our responsibility. ***Montecito Investment Portfolio's Mission: To provide diversified, disciplined long term investment solutions, service and guidance to help our clients achieve, and maintain, their "Financial Independence".***

Sincerely,

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- Investors cannot invest directly in an index. These unmanaged indexes do not reflect management fees and transaction costs that are associated with some investments.

How Your Assets Are Protected at D.A. Davidson & Co.

Client asset protection overview

Your assets with D.A. Davidson & Co. are protected in several ways, as we take seriously our responsibility for any funds or other assets that you have entrusted to us.

Our firm adheres to federal securities regulations that are designed to protect your funds and your securities kept with D.A. Davidson. The Securities and Exchange Commission (SEC) requires firms such as ours to deposit client funds in a separate account, distinct from the money used in our day-to-day business. This segregation of funds is subject to regular examination by D.A. Davidson's internal and external auditors and regulatory reporting requirements.

Additionally, our clients' securities certificates are generally held in industry-owned central depositories under the control of an independent entity, the Depository Trust Company, which is the world's largest central securities depository. Regulated by the SEC and a member of the U.S. Federal Reserve, the depository serves both as a custodian of securities and a national clearinghouse for settling trades.

Many of your cash assets with D.A. Davidson are insured by the Federal Deposit Insurance Corporation (FDIC). These assets include, but are not limited to, cash held within the Bank Insured Deposit Program (BIDP) and Certificates of Deposit (CDs) that are held at our firm. The FDIC's standard insurance amount is $250,000 per bank per depositor for each account category. Through BIDP, D.A. Davidson will deposit up to $246,500 ($493,000 for joint accounts of two or more individuals) of your available cash in each program bank. As a result, cash deposits will be eligible for up to approximately $4 million in deposit insurance from the FDIC, which varies depending on the number of banks participating in the BIDP from time-to-time. FDIC deposit insurance is backed by the full faith and credit of the U.S. government. More information can be found at fdic.gov.

Assets are covered by SIPC

D.A. Davidson is a member of the Securities Investor Protection Corporation (SIPC). Congress created the SIPC in 1970 to provide certain financial protection to clients of member broker-dealers. If any cash or securities (such as stocks and bonds) are found missing from eligible customer accounts, SIPC steps in to replace those assets. This protection is limited to $500,000 for each customer, including a maximum of $250,000 for cash claims. Please note that SIPC is not intended to protect customers against any market risk and will not cover losses resulting from a fall in a security's value.

SIPC funds are used to help make investors whole after all the client assets held with a brokerage firm are recovered. The SIPC limit of $500,000 ($250,000 cash) per account does not mean that each account will receive only up to $500,000. Rather, in a SIPC proceeding on behalf of a client, the account will receive a pro-rata share of all client assets that may be recovered in liquidation. The account is then provided with up to $500,000 from SIPC to make up any difference that may still exist.

SIPC is considered the first line of defense in the event that a brokerage firm fails and owes its clients cash and securities that are missing from accounts. Although not every investor is protected by SIPC, no fewer than 99 percent of persons who are eligible have had their investments returned from SIPC.

SIPC covers most types of securities, such as stocks, bonds, mutual fund shares and variable annuities. However, SIPC insurance does not cover commodities (including commodity futures contracts and options), fixed annuity contracts, currency, cash held in D.A. Davidson's Bank Insured Deposit Program, or investment contracts (such as limited partnerships) that are not registered with the SEC under the Securities Act of 1933.

You can obtain more information about SIPC, including the SIPC brochure that outlines the program's investor protections, by visiting sipc.org or by calling SIPC at (202) 371-8300.

Excess SIPC adds more protection

D.A. Davidson clients are further protected by additional account protection that extends beyond the SIPC limits. This additional insurance coverage is commonly referred to as "Excess SIPC" and is provided through arrangements between securities firms and insurance companies. If you hold more than one account with D.A. Davidson in separate capacities (such as individual or joint accounts or a trustee account), each account is protected by both SIPC and Excess SIPC as needed.

The Excess SIPC protection provided to D.A. Davidson clients has an aggregate firm limit of $150 million, including a maximum cash limit of $900,000 per customer for cash above the basic SIPC protection. This coverage does not protect against the loss of market value of securities. In the unlikely event of a firm's bankruptcy or insolvency, a client may incur losses if the aggregate amount of insurance coverage has been exhausted.

The additional coverage provided by D.A. Davidson's Excess SIPC is purchased through underwriters of Lloyd's of London, the world's leading insurance market. Established in 1688 and regulated by the Financial Services Authority, Lloyd's provides specialist insurance coverage to businesses worldwide. With Lloyd's, multiple financial backers have come together to pool and spread risk.

Additional information available

More information about Lloyd's of London can be found at lloyds.com.

Sources of information: SIPC, FDIC and Lloyd's of London.