May 10, 2022

Some quick thoughts on recent market volatility and declining asset prices:

- Elevated market volatility year-to-date is a result of the policy mistake by the Federal Reserve of not raising interest rates sooner and allowing abundant liquidity to persist too long.

- Battling the resultant and non-transitory inflation is now the key focus as the Federal Reserve tries to move earnestly to a higher interest rate scheme, amidst a backdrop of slowing growth.

- The historically high valuations coming into the calendar year were, clearly, not merited, particularly for an environment of declining growth, reduced earnings, and higher rates.

- Coming into the year, we had been carrying higher cash positions and modest diversified fixed income exposures in anticipation of this environment to dampen the impact of declining stock and bond prices.

- As we forecasted in our Market Outlook, the odds of an economic recession have increased dramatically, and we will be fortunate to avoid a recession in the coming quarters.

Our directive is to navigate these choppy waters with thoughtful positioning that will allow us to be nimble when markets regain their footing. This will continue to take time, and even with being proactively quite defensive, it will not be without some pain in the portfolio. We are not trying to market time, but to make adjustments that balance risk with commensurate reward. In many ways our economy is in uncharted waters, but we are confident that when market storms clear we will again be rewarded for sound financial judgments.

As always, if you have any concerns or questions about our outlook or strategy, please do not hesitate to reach out.