April 2022

And just like that, two years have passed since spring 2020. Two years since none of us had a clue how long COVID would linger … or how quickly today would arrive. Time can confound us that way, magically managing to crawl *and* fly at the same time.

Capital markets are often as confounding, as they convert time + human enterprise into investment returns. Scanning analysts' recaps on the quarter just past, a dominant theme soon emerges: "confusing," "eventful," "uncertain," "complicated," "extremely volatile," and "wild ride," are just a few of the descriptors found. As one analyst summarized:

> "The market's focus on Russia's invasion of Ukraine is being interrupted by the supply-chain effects of Covid lockdowns in Chinese technology hub Shenzhen, imminent tightening by the Federal Reserve as it tries to catch up with inflation, and the risk to the reflation story as consumer sentiment is crushed by rising prices. The result is a confused, and confusing, market."

That's a lot to take in. Which is all the more reason to focus on the lessons time already has taught us about "confused, and confusing" times.

Take, for example, concerns that the recently inverted yield curve for U.S. treasuries and planned increases in the Fed's target funds rate may signal that a recession is nigh. If it happens, that's not ideal. However, manageable doses of these same events could be an antidote to painfully high inflation, an eventual boon for shorter-duration bond yields (as described in this *Wall Street Journal* column by Jason Zweig), and a catalyst for existing allocations to value stocks.

This makes it tricky for investors and markets alike (which, after all, are merely a construct of our own devise) to sort out what even qualifies as "good" and "bad" news from one moment to the next. This likely translates into the volatile market pricing we've seen of late.

Fortunately for disciplined investors like us, it's unnecessary to get swept up by erratic signals, or tricked into assuming a false sense of urgency. Today more than ever, we believe it makes the most sense to keep our eyes and your investments focused on the horizon of your goals.

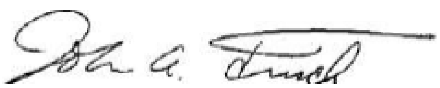
This means continuing to deploy the same core principles we use across time and through various market conditions. If your investment portfolio is already well-structured for your needs, you should already be positioned as effectively as possible in the face of future unknowns. More pointedly to current events, your portfolio should already be appropriately allocated among the push-and-pull concerns related to potential inflation, rising interest rates, recessions, and similar risk/reward tradeoffs. This includes remaining invested in assets that are expected to outperform inflation over time, such as stocks and commercial real estate.

Again, even a best-laid plan doesn’t guarantee success. But it serves as the most logical course toward your end goals. Consider, for example, this inspiring sentiment from a real-life “Queen’s Gambit” Brazilian chess champion Cibele Florêncio:

> “Don’t underestimate the pawn. … You get it to the other side and it can become a queen.”

How else can we assist you with your own investment strategies? As always, we look forward to our next conversation with you.

Regards,



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