Market Update:

We hope everyone and their families are healthy and safe and enjoying the start to summer. The first half of 2022 has certainly been a rough start to the year for both markets and the global economy: facing headwinds from an ongoing war in Ukraine/Russia, high and unpredictable inflation, rising interest rates and continued supply chain disruptions. While it was our belief that markets were due for a pullback and the confluence of these issues would result in a volatile market, we did not expect for it to happen this broadly and quickly. 2022 through the first 115 trading days is the 3rd worst start to a year for the S&P 500. Additionally, with the rise in interest rates, bonds, typically a haven for safety during these drawdowns, have had their WORST start to a year ever, with the Barclays Aggregate Index down almost 12%.

While 2022 has been painful, it's always important to remember that bear markets happen, and they do pass. When? We don't know, but what we do know is that markets recover, and they tend to recover quickly and when you least expect it. While we may not have the same V shaped recovery that we did during COVID, history shows that markets from this point on go up. As you can see from the chart to the right, of the top 8 worst drawdowns to start a year, all of them had positive returns from this point forward except for 2022 which is TBD.

S&P 500: Worst Performance through 115 Trading Days (1928 - 2022)

Rank	Year	Price Return: First 115 Trading Days	Price Return: First 116 to Year-End	Price Return: Full Year
1	1932	-36.9%	35.2%	-14.8%
2	1962	-24.1%	16.1%	-11.8%
3	**2022**	**-23.1%**	**?**	**?**
4	1940	-20.2%	6.4%	-15.1%
5	1970	-19.2%	23.8%	0.0%
6	1939	-14.2%	10.5%	-5.2%
7	1953	-11.4%	5.4%	-6.6%
8	1982	-11.2%	28.9%	14.5%
9	1973	-11.0%	-7.2%	-17.4%
10	1931	-11.0%	-40.6%	-47.1%
11	1937	-10.4%	-31.4%	-38.6%
12	2002	-9.7%	-15.1%	-23.4%
13	1984	-8.8%	10.6%	0.8%
14	1949	-8.6%	20.8%	10.5%
15	1938	-8.3%	35.9%	24.5%

Source: Ycharts

While things could certainly get worse both in the markets and the economy, these troughs are never a reason to do anything rash and make a loss permanent. In our view the risk of exiting is greater than the risk of a much deeper and longer decline. Going back to WWII, there have been 12 bear markets. Following the official start of those bear markets (bear market is measured by the S&P 500 down 20%) the average return in the 12-months following is 24%.

So, what are we doing during this challenging market environment? We are using this time-period to our advantage:

- Tax Loss Harvesting – Selling holdings at a loss and either buying them back in 30 days or replacing them all together. Booking these losses now will pay dividends for our clients in the future.
- Rebalancing – This has been one of the more challenging exercises that is typically done in these type of down markets: taking money from fixed income and adding to equities to get back to target allocations. With the larger than normal decline in bonds, the arbitrage opportunity is not as great as we would like, but we are adjusting where appropriate.
- Adding to Quality – With the drawdown happening so broadly, there are a number of high-quality stocks that have fallen back to prices that make them incredibly attractive. So, we are using this opportunity to further strengthen the quality of our portfolios.
- Adding to Alternatives – Our diversifying strategy holdings have held up very well in this challenging environment and it is in fact during these market dislocations that exciting opportunities arise in the private markets.
- Staying Focused on the Long Term – This is the most important thing we can do! Our job as investment/wealth managers is always to focus on our client's long-term goals and objectives first and foremost.

As always, we want to thank our investors for their continued confidence and trust. We know this is a challenging time, but as history shows, we will get through it. We are here and happy to talk should you have any specific questions or concerns.