

Investment Insights

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Our Philosophy A broadly diversified portfolio gives our clients the best chance to achieve their goals while taking as little risk as possible. However, there are fundamental economic realities that warrant consideration as we construct and modify portfolios.

Assumptions & Outlook

- For the calendar year 2022; we had the worst stock market performance since 2008 - and - the worst bond performance since the late 70's.
- The Russian invasion of Ukraine has created uncertainty in global markets.
- Pandemic related supply chain disruptions continue to plague the markets and economies globally.
- In 2022, the Federal Reserve raised interest rates a total of seven times for a total of 4.5%. They will continue to raise rates in 2023 until the target inflation rate of 2% is achieved.
- As of the end of December 2022, our Circuit Breaker is showing a "Underweight" sign, with the closing Index value 6.3% below the "Normal" sign.
- Inflation has spiked to levels we have not experienced in over 40 years. However, it has moderated recently.
- Most analysts are forecasting high odds of a recession in 2023, the only question is how long and how deep.

Portfolio Implications

- For clients in the distribution phase, we will continue to review and manage an appropriate level of reserves (i.e. bank cash, money market funds and high quality bonds).
- One benefit of a rising interest rate environment is cash positions are now paying a meaningful yield of slightly below 4%.
- For clients in the accumulation phase, rebalancing your portfolio to ensure you are aligned with your target allocation may have merit.
- Our investment policy provides the framework and discipline for making investment decisions. We continue to invest globally, in both stocks and bonds.
- Rising interest rates will lead to higher bond yields which should help the total return of bond holders in the intermediate and longer term.
- During market corrections, it can be a good idea to consider reducing discretionary spending to help with investment sustainability.

As always, thank you for your trust and confidence.



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