Investment Review and Outlook **April 2022**

For those who love volatile financial markets, the first quarter of 2022 was a quarter for the record books. Buffeting the markets was a torrent of mostly unfriendly news flow. Inflation as measured by the CPI hit a 40-year high. The Federal Reserve has begun raising interest rates and has ratcheted up their hawkish tone. And Washington now is so distracted by geopolitical and economic events, there is little hope of future fiscal stimulus packages.

Despite the negative news flow, we feel rather good regarding how we navigated through the market volatility. The vast majority of client accounts performed relatively well. Our investment models have been positioned with a number of investments that helped cushion the blows of rising commodity prices and rising interest rates. While we are never immune to all economic uncertainties, we feel that our portfolios were generally well-prepared to address the most significant headwinds.

With the elevated levels of volatility in the markets, we have had one of the busiest periods in terms of tactical changes to our investment models. Several of the strongest performing sectors, such as gold and energy, were sectors where we found opportunities to prudently reduce exposure and take some profits. Moreover, some sectors of the market that we considered too richly valued for our blood have now presented us with more compelling opportunities for asset reallocation. We feel good about how we managed through the unusual cross currents impacting the markets. Moreover, we remain resolute in our philosophy that one of the most important factors in investment success is using market volatility to opportunistically reposition portfolios.

There is no question that the risks facing the market are not going away any time soon. For example, we see the conflict in Ukraine as a long-term headwind with highly uncertain consequences. Moreover, the shift in Federal Reserve policy could result in a potentially prolonged period of interest rate uncertainties. We will continue to monitor all the macroeconomic and geopolitical risks now more than ever. But we do believe that history will repeat itself. We are bullish on America and will endeavor to position our clients favorably in preparation of the next bull market.

The Politics of Energy

We recently penned a newspaper article highlighting the dangers of poor economic policy, particularly when it comes to energy security. Prices of all fossil fuels (oil, natural gas, coal, etc.) have been surging, particularly in the wake of the Russian invasion of Ukraine. Somewhat reminiscent of the 1970's OPEC oil embargo, we have once again realized the dangers of being overly dependent on energy sourced from unfriendly countries. Germany, as well as several other EU countries, has found itself in a quandary as shortsighted energy policies has led to an overdependence on imports from Russia. As we have been feeling the pain of higher energy prices in the U.S., you should be relieved that you are paying significantly less than our European counterparts, who have seen their heating bills explode.

The bottom line is that the United States has become energy independent over the past few decades. Consequently, we are economically much better off than most other countries. Politicians in Washington must ensure that the U. S. remains energy independent, even as we attempt to make the transition to cleaner fuels. Demonizing the oil and natural gas industry is counterproductive to our goal of remaining energy independent.

We greatly value the ideal of fighting the scourge of climate change. Moreover, we are looking at a number of investment opportunities in the clean energy space. But whether we like it or not, the transformation will take decades. American ingenuity and technological prowess will help get us there. But let us hope that our political leaders do not make this a painful transition.

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