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We appreciate your introductions to friends, family and business associates, as well as your continued confidence in us.

## Market Update

### Our Resiliency is Being Tested Once Again

After facing a global health crisis that impacted so many of us, we are again being confronted with challenges that have not been experienced for more than a generation.

The challenges are considerable with each one by itself being enough to make us take pause. That they are coming together at the same time makes our head spin.

Last year was expected to be a year of renewed optimism. While not yet totally victorious in the battle against Covid, there has been notable success in keeping it and its variants in check. Yet, as we complete the first months of this year, the world seems to have taken on a much different tone as it confronts a new set of obstacles.

With the pandemic moving to the collective “back burner”, it is the economy, our wallets, and our hearts that are now being put to the test. The cost of the goods and services that are part of our daily lives, are costing us much more. Our emotions are being torn at their core as the tragedy of war unfolds, in the Ukraine. How we and the world manage our way through this will determine how 2022 will be remembered in the history books.

As we have written previously, global economies were awash in liquidity. From the economic crisis of 2008 to the battle against Covid in 2020, the economic tool of choice was low interest rates and an accommodating central bank. There are active debates over the wisdom and the duration of these policies. Most believe that lower rates along with government funding, helped to avoid a much larger economic disaster.

Today, we find ourselves contending with a different set of problems. Our economy still appears to be strong. Nevertheless, we remain concerned with the impact from the byproducts and the unintended consequences of those easy money policies, the geopolitical and economic shockwaves of a war in Europe and the expanding lockdowns in China.

The economic consequences of the pandemic resulted in a change in buying patterns and lifestyle choices. These behavioral shifts created demand imbalances and higher prices. Some of these imbalances are expected to be reduced over the next year, while others are likely to remain embedded in the economy. It is this forecast, for higher inflation, that has changed the focus of the Federal Reserve and perhaps the path of the economy. By dramatically raising rates this year, the Fed is looking to put the brakes on demand. This is a very fine line to be walked.

As if this plate is not full enough, the world now faces a geopolitical crisis with potential ramifications for the way countries view the world and their neighbors. The future of trade and the survival of a “global economy” is being questioned.

As we try to look past what we have described in this update, we are obligated to comment on client portfolios. As the calendar turned to 2022, we took a “defensive” approach to the markets. We were fortunate to identify early opportunities in the energy and other commodity sectors while adding exposure to such sectors as the defense contractors and pharmaceuticals. We also avoided some of the newer info tech names that the market drove up to what we thought were unsustainable valuations. Going forward we remain cautious into the summer as we closely monitor numerous economic indicators and of course, as we watch and pray for a resolution in Ukraine.

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