Third Quarter 2022

Welcome to Unintended Consequences and Interesting Times

The Law of Unintended Consequences is the premise that actions of people—and especially of government—always have effects that are unanticipated or unintended. Each and every purposeful act leads to results, which are unintended and unforeseen, apart from those which were intended.

The release of an unknown pathogen – Covid 19 – set off a cascade of reactions and consequences that have shattered the world. The social and financial repercussions of lockdowns and government intervention will spawn a generation of books and analysis. The Russian invasion of Ukraine did not produce a quick victory and easy assimilation of the country into Russia but a disaster that now threatens the world with expanding violence, food and energy shortages and tremendous damage to third-world economies from rising prices. Every action taken to combat these issues and others, will in turn produce more unintended consequences. We are indeed living in interesting times.

As investors, where do we go from here? The answer is "It depends." It depends on your level of risk tolerance, how much money you have, how your assets are positioned and what your particular financial needs are. One certainty we do have is that the combination of Covid fears, supply chain issues, inflation, government intervention and war have injected volatility into the equity markets that will impact investors for some time.

This is why we start every investment relationship by striving to understand your needs and risk tolerance and develop your portfolio accordingly. While there can be no guarantees that we will succeed in meeting all your goals, without taking an active investment approach, your portfolio is at the mercy of the market.

Looking forward to what comes next, starts with looking back. Every recession and every bear market has ended with a recovery. In fact, the biggest market gains on the S&P 500 occurred between double-digit corrections:

- 1990-1997: +302%
- 1984-1987: +147%
- 2003-2007: +112%
- 2011-2015: +109%

There have also been opportunities within down markets to exploit sector gains, short-term market rallies, and specific investment themes. While this time may be different, the past teaches us that to take advantage of the opportunities that may occur with a bear market, you need to

- limit losses,
- raise cash where you can,
- continue making contributions to investment accounts, and
- seek opportunities for profit to put your savings to work.

Bear markets are an inevitable part of investing. But they can also be an opportunity for gains not just losses. This is the goal of active management. To create an investment environment that you can stick with through up and down markets so that when opportunities surface, you have not lost confidence in the market and fled.

This is a great time to schedule an appointment with our office and talk about your portfolio and any concerns you have. Please give us a call and let's make that happen, whether remotely or in person.

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