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Abnormal Markets, Few Questions
2022 Q1 Market Review

The financial markets were lower in Q1. Four of the five asset classes we follow were modestly lower; Commodities was the only one that was up – and handsomely – by 25%. This again shows the value of diversification in a portfolio.

Today there is a war, and financial markets are down – but not necessarily because of the war. With the perspective of several years of being a professional investor, I believe that the current market is not really abnormal. Crises, like wars, happen with regularity and markets do respond to them and usually temporarily. So in my view Q1 is not really an abnormal investing situation. Yet we fielded many questions about the war and its impact on financial markets, from investors.

On the other hand, what we do find a little abnormal is the way markets behaved in 2021, even after a good 2020. All key asset classes except bonds were up, and significantly in 2021. But bonds, the favored asset class of so many investors because they are generally considered to be 'safe', were down somewhat. Yet, we got very few questions about 2021 markets. Curious!

Investors abhor uncertainty – even professional investors! But errors in judgement start arising when we conflate Uncertainty with Risk. The two are not synonyms. And the war and inflation in Q1 do make for uncertainty and the (erroneous) perception of risk. We try hard to keep these two things separate and our experience makes our task a little easier.

Our style of prudent investing may come across as a simplistic "buy and hold" approach. While it may look that way, "buy and hold" is very different than "buy and ignore". So, we regularly review and research our investments, and if our analysis suggests there is no reason to make changes – we don't.

For our clients, we reviewed and re-balanced their portfolios in Q1. We plan to keep them diversified across the 5 main asset classes and to rely on fundamentals and evidence-based investment strategies, and to remain cost-conscious. We think this remains a sound investment approach.

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Our evidence–based Investment Philosophy

We seek to double clients' wealth every 10-12 years and to do it without exposing portfolios to the risk of a permanent loss of capital. Our objective is to preserve the money you invest with us and to maintain its value over time. Of course, performance cannot be guaranteed, and past performance is not indicative of future results.

Our portfolios are sensibly diversified across the five main asset classes, and with markets becoming increasingly global, we seek opportunities regardless of where they are located.

We strive to manage investments prudently, using the value-style oriented approach of buying high quality investments when they are available at attractive (inexpensive) prices.

We select investments to get better total returns fully recognizing that risk management, cash requirements, tax considerations, social investing demand, etc. may reduce returns of portfolios.

We use both active and indexed portfolio management techniques depending on market conditions. When markets offer opportunities, or as we uncover compelling ideas, active portfolio management is useful. At other times our default position is to use evidence-based indexed investments.

We believe that market conditions are important, especially when clients add to or withdraw capital. At these times, we pay attention to market trends based on the relative attractiveness of major asset classes and our expectations about their future performance. But normally, we do not attempt to time the market; research suggests it is futile.

We use fundamental techniques, quantitative approaches, and behavioral finance to guide us when we buy and sell securities and strive to take the least amount of risk that is consistent with a client's objectives – as distinct from shooting for the highest returns.