VAN LIEW TRUST COMPANY

as we see it

Fall 2022

THOUGHTS FROM OUR CHAIRMAN

In this Fall issue, our associate Joseph Healy is providing insight into our company's investment strategy in this unique, challenging world. Extraordinary circumstances such as the Covid shutdown and subsequent stimulus programs laid the foundation in the US for broader measures of government support to individuals and businesses. The road to this more dynamic approach in government spending has proved challenging at times. Still, it has been our country's ability to evolve that it became, and may hold onto, being the greatest, safest and most prosperous nation on earth. Maintaining such qualities is an enormous responsibility, and thankfully, our many freedoms to act individually, and through business activities, are supported by the constitution and our form of capitalism.

Markets in most prosperous nations, over many centuries, have developed investment patterns driven by perceived risk and reward, fear and greed. Mr. Healy entitled this As We See It "Shifting to Neutral". As he expounds in more detail, this does not mean our foot is far from a gentle touch on the brake, or to hitting the gas, as the investment environment evolves.

Alfred B. Van Liew

Shifting to Neutral

Joseph J. Healy, CFA

Today's investor faces a myriad of questions unlike in recent years when we grew accustomed to relative stability. Among today's most prominent questions: When will inflation decline and by how much? How many future interest rate hikes will there be and what will be their scope? What will the impact of the ongoing Russia/Ukraine conflict be on global commodity prices?

Nobody has a crystal ball to answer these questions with certainty. What can be done to protect against the risk of the unknown when things feel "uncertain"? Most investors understand the benefits of diversification and its objective to own assets that will behave differently from one another in various investment scenarios. Diversification helps lower concentration risk, following the common wisdom of "don't keep all your eggs in one basket".

One of the best things that can be done in an uncertain environment is to not make oversized, or undersized for that matter, investments in any one particular area/sector/asset class. It's important to keep focused and grounded about short-term *and* long-term investment objectives and goals, despite how dire the current environment may feel when we read news headlines. Today, we are rapidly bombarded with so much information it's hard to screen out the noise - or to even recognize what is noise. One way to address the markets in uncertain times is to try to keep a "neutral"

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stance close to market sector weightings and your investment targets and objectives.

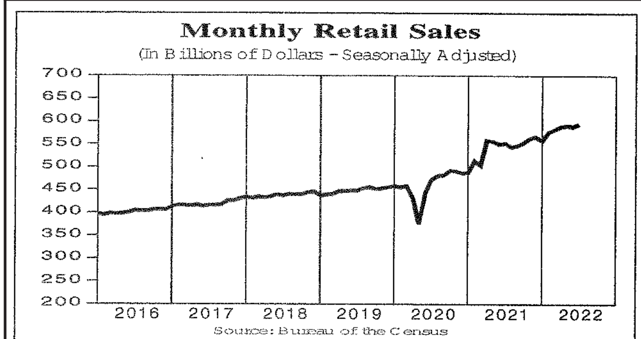
Staying close to your investment targets means not significantly overweighting or underweighting versus your objectives. It's understandable why some investors want to reduce risk (often by reducing equity exposure) in environments like these. But another risk is being overly conservative which can have a drag effect on investments when they rise. It's important to stay focused on the future. An investor's time horizon may be far in the future, meaning that time is your ally. Yes, markets fluctuate but downturns are normal. Historically, equity markets experience 3 corrections of 5% per year, 1 correction of 10% per year, 1 correction of greater than 15% once every 3 years and 1 correction of greater than 20% once every 6 years. These numbers represent more volatility than we've seen in recent years, but it shouldn't come as a surprise. The S&P 500 is up, on average, 3 of every 4 years.

While it's hard to forecast what market conditions may be like down the road you still need to be invested in asset classes that have the potential to grow to meet investment goals. That could mean sticking with asset classes that may seem volatile in the near term.

On the surface the term "neutral" sounds bland. Nobody gets excited about the idea of being neutral. But neutral means not losing sight of the longer term goals and maintaining market exposures to avoid the risks of trying to time the market. Neutral doesn't necessarily mean an indexing approach but rather keeping close to your targets. Nor does neutral mean without risk. There has to be some degree of risk or there is no return.

We'd all like to forget the first half of the year, but July's positive market performance reminds us that the world isn't coming to an end. From a historical perspective every market downturn, correction or bear market has ultimately proven to be a buying opportunity. It may not feel like it at the time. But for investors who have the time horizon and risk tolerance there's no need to panic. Don't fall into the trap of de-risking a portfolio and feeling better in the near term. It's difficult to time when to get both out and back into the market. While you may temporarily feel better being conservative it could jeopardize potentially higher future returns needed to meet your long term goals.

T R E N D L I N E S



Despite high inflation across the board in both goods and services, and weak consumer confidence, retail sales have held up nicely. With some parts of the economy just now starting to show a falloff of activity it is possible we see additional layoffs that could moderate consumer spending. Some point to the back-to-school shopping season as the next big indicator of consumer spending.

We would be delighted to meet with you to share comments about this article, or to review your portfolio in detail.

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