Cornerstone Report

Special Report January 27, 2022

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Topics:

- Is The Fed Making A Policy Mistake?
- Inflation Still Accelerating?
- Oil Prices Strengthening
- Omicron
- Stock Market Entering The Perfect Storm?
- Entering A Bear Market, But How Severe?

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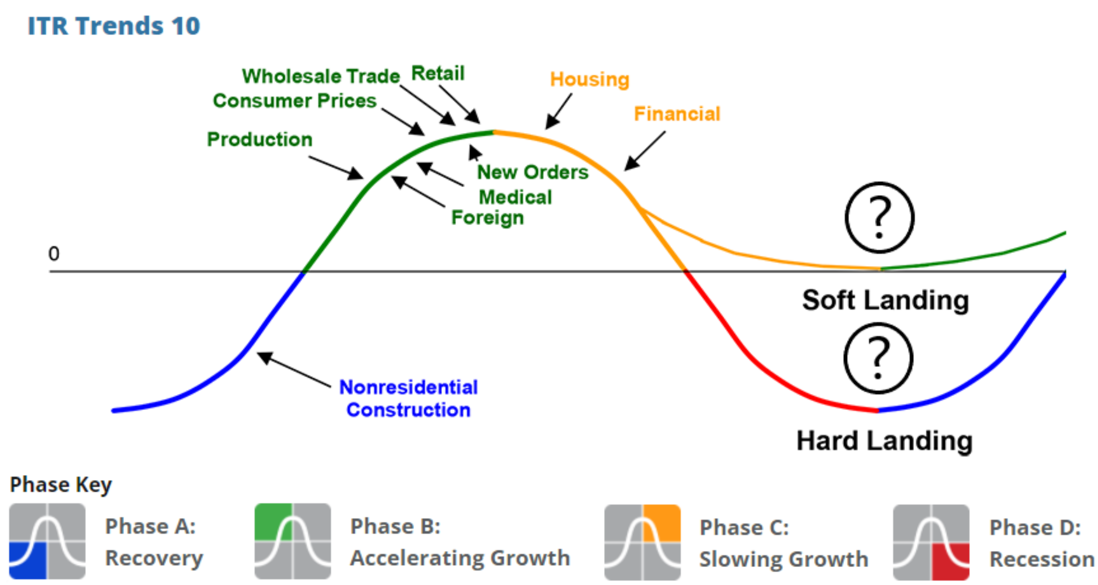
Fed Policy Mistake?

Just at the time when the outlook of many market participants had been ratcheting up regarding expectations for 2022, U.S. economic momentum and stocks appear to be rolling over.

In the chart below, you see the current forecast from ITR, the Beaulieu brothers. While certainly no one is infallible and past performance is no guarantee of future results, ITR and the Beaulieu brothers have had the top-rated economic forecasting record in the U.S. for a number of years (see track record on page 2).



The majority of analysts at our two top research firms, Alpine Macro and Bank Credit Analyst have talked about an economic ***deceleration*** for the first half of 2022 for several months.

December's jobs report came in at less than half the expectations of the market place. Job growth registered at 199,000 new jobs while the market was expecting 400,000.

Undoubtedly, the new wave of COVID has tamped down new jobs offers, as I would expect, but clearly the marketplace had expectations of accelerating growth, just when economic softness looks likely to appear.

In fact, one could make the case that The Federal Reserve may be making a major policy mistake at this point. Chairman Powell has been under intense political pressure for months -- as inflation hawks greatly fear a replay of a 1970's style stagflation.

My concern, is that once the inflation genie gets out of the bottle, it will be very difficult to get back in. While I ***do*** think that inflation will likely cause a 1970's style ***stagflationary*** environment, I believe the bigger issues with inflation will likely occur later this decade.

An apt analogy could be firing the starter's pistol for a 5-mile race. The runners may sprint at first to get positioning, but then slow to a more sustainable pace. Inflation has burst off the line since Covid, but will likely start to slow ***late this year or in 2023,*** unless COVID comes back with a vengeance and creates an entirely new round of bottlenecks and/or labor shortages. I expect that the worst of the inflation will likely hit later this decade.

ITR Economics

Our overall forecast accuracy since 1985 is 94.7% at one year out. At ITR Economics, the length of time a forecast is in place is just as important as its accuracy.

https://www.itreconomics.com/

	2020				2019		2018		2017	
	Data is Through	Date of Forecast	Duration	Accuracy	Duration	Accuracy	Duration	Accuracy	Duration	Accuracy
US GDP	Dec 2019	Mar 20	9	98.4%	18	98.1%	24	99.9%	24	98.5%
US Industrial Production	Feb 2020	Mar 25	9	96.5%	16	99.7%	34	99.4%	23	96.8%
Europe Industrial Production	Jan 2020	Mar 25	9	98.7%	16	97.4%	24	99.2%	10	99.6%
Canada Industrial Production	Dec 2019	Mar 25	9	94.9%	18	99.7%	27	97.1%	12	98.3%
China Industrial Production	Feb 2020	Mar 29	9	92.8%	13	99.5%	30	99.9%	17	99.1%
Retail Sales	Jan 2020	Mar 21	9	98.7%	16	98.9%	28	99.6%	15	99.6%
Housing	Jan 2020	Mar 26	9	99.6%	26	97.6%	26	99.2%	15	97.5%
Employment	Feb 2020	Mar 28	9	93.7%	30	99.9%	30	99.4%	23	99.3%

Duration is measured in months

Is The Fed Making A Policy Mistake?

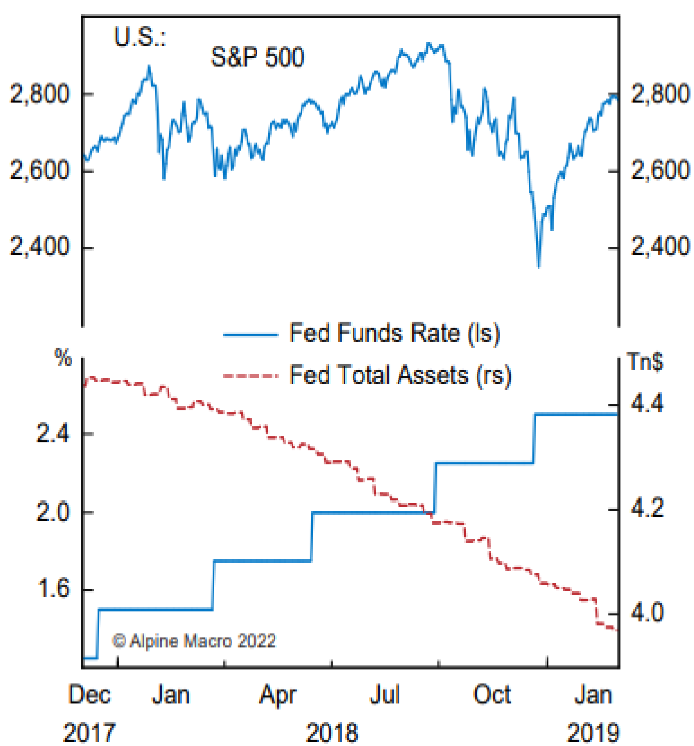
1. Fed minutes released on January 4th contained several ***surprises for the market.*** Jerome Powell's speech in December set the market's expectation that they would end ***Quantitative Easing*** earlier than expected, possibly by March.
2. In addition, expectations were for probably three interest hikes for the Fed's Funds rates in 2022.
3. Also, at that time, the view was that the Fed would roll over or ***reinvest*** the proceeds from government securities and mortgage-backed securities they have been buying. While the Fed would end Quantitative Easing (or adding new money to the system), by reinvesting the proceeds from the bonds when they matured, this would still keep the liquidity in the system.

But as the minutes from the last Fed meeting were released on January 4th, the market started to nosedive. Reading the minutes created a ***significantly more bearish*** outlook than the market had previously expected. Negative surprises occurred on the following:

1. Rather than just ***ending*** the practice of buying new treasuries and mortgage-backed securities (with the Fed's electronic printing press) there was apparently discussion about ***not*** reinvesting bond proceeds as they matured, representing a significant blow to market liquidity. NASDAQ dropped almost 500 points that day.

   If we've learned anything since 2008, it's that the stock market loves high doses of liquidity, and historically, when the liquidity slows or stops, at least in each case since 2008, there has been a significant market correction.

   This appears to be happening again, reminiscent of the 2018 liquidity squeeze and "mama" bear market, as the Fed sold government and mortgage securities, ostensibly to fight future inflation. Borrowing a phrase from Yankees Hall of Fame catcher Yogi Berra, could this be "déjà vu all over again"?



In the chart to the left you see the Fed's actions in 2018, where they raised rates 4 times, but they also depleted or drew down their reserves by selling both government and mortgage backed securities, thus tightening the money supply.

As you can see the stock market did not like this, with the S&P 500 falling approximately 20% from the high, before bottoming out just before the end of the year.

Once the market got the Fed's attention, the Fed decided to reverse policy, then the market went back up.

Is there any reason to think something similar will not happen to the market, assuming the Fed continues with its plans, a near carbon copy response from the Fed this year to 2018?

2. The minutes also indicated potential interest rate hikes coming earlier than expected. Now the market is expecting ***five*** rate hikes in 2022.

So, while it appears that the consensus is economic growth will remain robust through 2022, I believe ***economic slowing*** is the most likely scenario for at least the first half of the year. In my view, the Fed is tightening rates and likely removing liquidity ***at precisely the wrong time!***

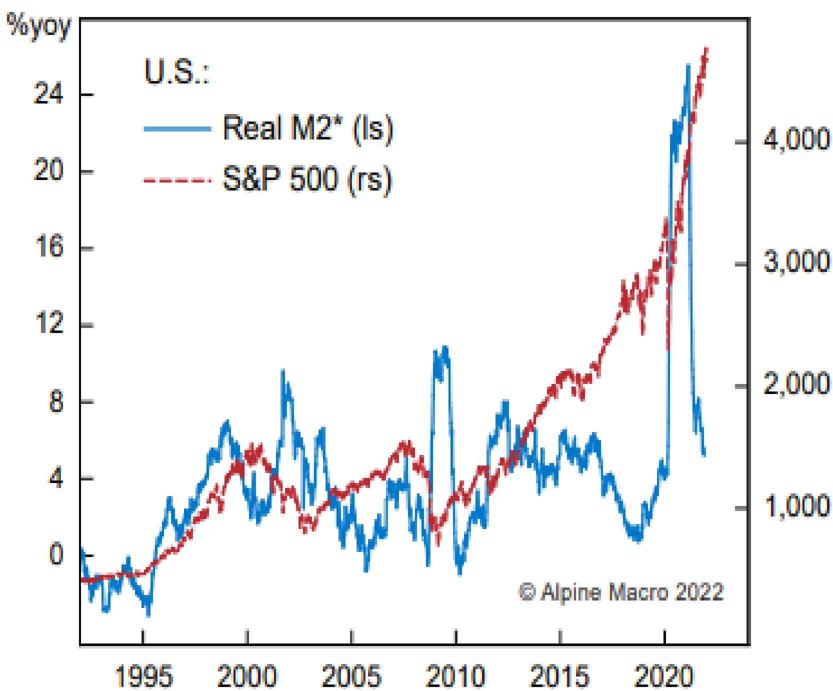
This really should not be surprising. If you look back over the last 20+ years at the major bear markets, generally speaking, the market consensus just prior to the bear markets was for stronger economic growth and a rising stock market, ***precisely*** when we reached the top.

The fact that the Fed now appears to be in a major tightening mode, at what could be the top of this cycle, should not be surprising. In fact, if you look at the market consensus in 2000 at the top of the dotcom bubble and again in 2007 at the top of the housing bubble, you'll find that most participants were very bullish about the upcoming year.

If indeed the Fed has now embarked upon what appears to be an ***aggressive*** tightening campaign, the worst of the market turmoil is not likely over. From my perspective, the three most important influences the Fed has over the stock market in the short run are liquidity, liquidity and liquidity.

While interest hikes certainly do affect the economy, the Fed kinking the liquidity hose (ending QE) has the potential to be much more damaging, as it normally results in a difficult market environment for at least several months as evidenced in 2011, 2015 and 2018.

The S&P 500 dropped 21.6%, 15.1% and 20.2% respectively, in each of those cases (source: Tradestation). And when the market crashes, that in turn can have a big effect, upon not only investor behavior but business decisions and the economy too.



*Deflated by headline CPI
**Alpine Macro proprietary indicator

As you can see, the rate of change on the M2 money supply has virtually collapsed as The Fed is starting to shrink liquidity. This does not hold as a good situation for the market, in my view, as previous episodes where The Fed has shrunk liquidity led to periods of volatility and decline in stocks.

"The Fed's 2018 balance sheet reduction led to a 10% drop in the monetary base and triggered a sharp slowdown in broad money growth. Today, the Fed intends a similar balance sheet runoff, when M2 growth in the U.S. has already slowed sharply."

Alpine Macro 2022

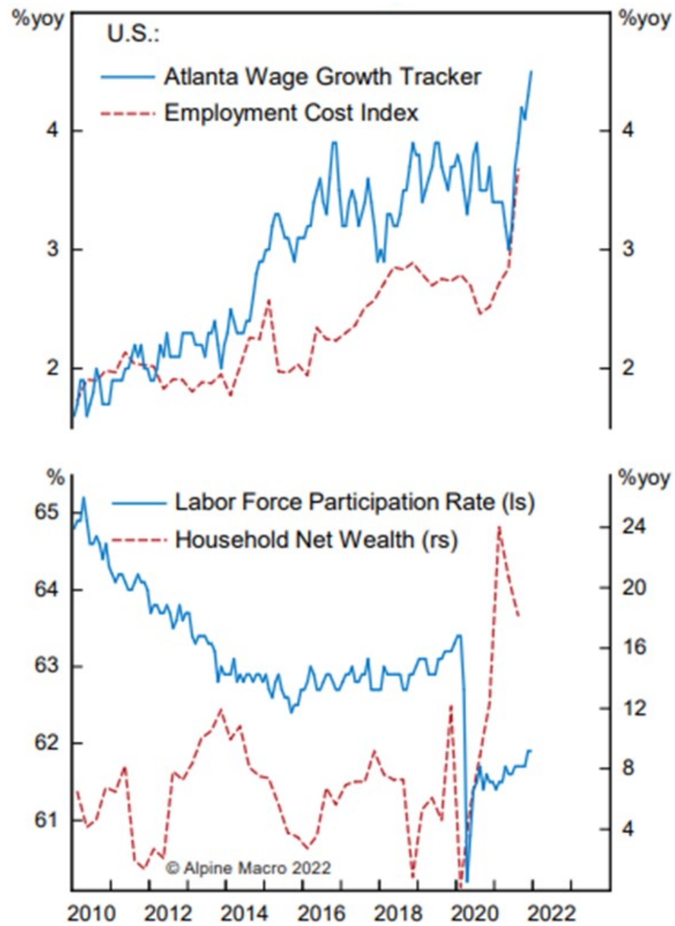
Is Inflation Still Accelerating?

- Inflation appears likely to continue accelerating for at least a few more months, if not for the next year. In the first chart you see the ongoing ***acceleration*** in wages from the Atlanta Fed.

What the Fed greatly fears is what is known as a wage-price spiral. As wages rise due to labor shortages, etc., companies must pay higher wages and benefits to attract new employees.

Thus, in a wage-price spiral this process compounds on itself. Higher prices force employees to ask for higher wages and benefits. Then in order to accommodate more of their budget going to wages and benefits, corporations raise their prices, and this continues to go on and on.

If inflation is indeed heading much higher this decade, this is likely the beginning of this process.



We have had a significant decline in the employment ***participation*** rate since COVID. A significant number of Baby Boomers have retired or left the workforce since COVID. You also have large numbers of people that have decided not to go back to work for a number or reasons including care taking, fear of COVID, another spouse is working, and/or lack of skills for a particular industry. Thus, the ***labor supply*** has been ***shrinking*** simultaneous with the economy growing, pushing the unemployment down to 3.9%, ***below*** the Fed's employment target. (*Alpine Macro Nov. 2021*)

- Both the Producer Price Index (PPI or wholesale prices) and the Consumer Price Index (CPI or retail prices) have continued to accelerate, with the PPI rising 9.7% yoy and the CPI rising 7% yoy. (*Source: Reuters 2022 & CNBC 2022*)

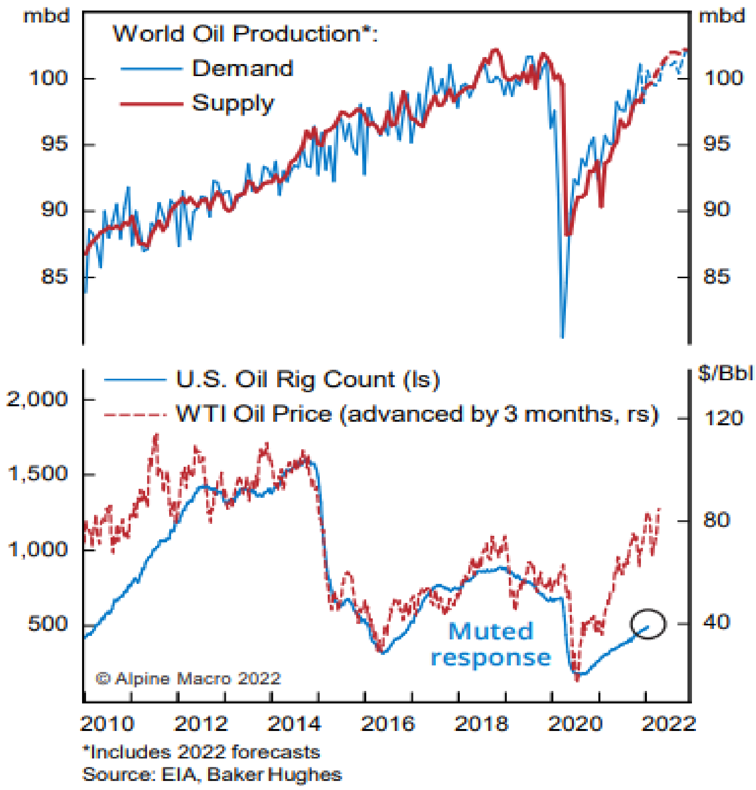
"Clearly, we have moved into an environment that has historically been hostile for stocks. Inflation has become widespread, the headline CPI recently hitting a near 40-year high at 7% annually. Importantly, short term inflation expectations have become elevated, and the Atlanta Fed wage growth tracker is also at the highest levels for more than a decade. There is little slack left in the economy to provide resistance to further price and wage increases. Hence, there is a significant risk that the Fed, fearing a wage-price spiral, will overdo policy restraint at a time when much of the surge in prices is due to supply constraints, which monetary policy can't do much about." Alpine Macro 2022

"…stocks respond to, and are driven mainly by, the rate of change of liquidity, which has a lot to do with what the central bank does." Alpine Macro 2022

Oil Prices Continue To Strengthen

A combination of factors caused oil prices to move above $80 a barrel, and it doesn't look like we're near a top. Positive factors for the oil market are the following:

- There has been a severe curtailment of new drilling activity, especially by the major U.S. oil producers since 2020.



As you can see, worldwide oil demand has almost completely recovered to the level it was prior to COVID.

Yet as you can see in the bottom chart, the new amount of drilling that's taking place worldwide is ***not nearly*** back to pre-COVID levels.

In the end, demand is again rising and new supply coming online is much slower to come around. Simple supply and demand would suggest much higher oil prices in the near and long term.

Part of this likely occurred due to what we refer to as recency in behavioral finance, meaning that ***emotionally***, what has happened most ***recently*** tends to affect our current outlook and financial decisions to the greatest degree.

Oil prices dropping to ***negative $37*** a barrel in April of 2020 certainly affected the oil industry's outlook, greatly reducing new drilling.

Plus, many of the oil majors are under pressure to divert significant portions of their budget to "green energy" from both shareholders and board members alike. The most prominent example of this is Exxon which recently lost 3 board seats to "the hedge fund ***Engine #1***, which had argued Exxon spent recklessly for years on unprofitable projects and had no strategy to navigate the energy transition" rather than pursing environmentally friendly energy sources. Exxon cut its annual capital budget in 2020 from $25 billion to $19 billion, and plans to drop it to $16 billion in 2022. (*Source: Wall Street Journal 2021*)

In my view this is ***extremely premature*** as there is little or no chance that renewable energy will be able to replace traditional hydrocarbons over the next several years -- it will likely take decades.

The extreme lack of new CAPEX is putting a big squeeze on the supply and demand equation, which is primarily what has pushed oil back over $80 a barrel.

- In addition, OPEC+ (traditional OPEC members plus Russia), seemingly has new found discipline to control the output of oil. In fact, in OPEC's most recent meeting, the game plan was to gradually increase output or supply as the world's economy recovered. Yet, due to the latest wave of Coronavirus, OPEC suspended their decision, meaning no decision, keeping things at status quo and taking no further action (Source: Ridgewood Nov. 2021).
- All these factors point to the likelihood of high oil prices over the next 12 plus or minus months. Demand for the world oil market was approximately 101 million barrels a day prior to COVID, it dropped down to less than 80 million barrels a day in the second quarter of 2020. Now it is back up to around 98 million barrels a day, and while Omicron may have some effect on worldwide oil demand in the short run, it is unlikely that we will see mass shutdowns as in the past.

"We are moving into a different phase of the economy – to a stagflation not seen since the 1970's." – Alan Greenspan *(Source: Aden Research August 8, 2017)*

Is Omicron Likely To Cause A Recession?

Last fall, the market had a bit of a shakeup when news of the Omicron mutation of COVID hit the scene. Some clear observations have taken place since then. As we would learn from the daily news, Omicron appears to be much more contagious than the previous forms of COVID and appears to be spread to previously vaccinated people. But as of this writing, hospitalizations are way down and deaths are way down compared to the previous COVID waves. This COVID appears more contagious but less severe and it would also appear that wide spread shutdowns around the world are likely to be sparse.

Is The Stock Market Entering The Perfect Storm?

Economically, the stock market may be entering the perfect storm.

As previously mentioned, the Omicron virus, while less severe than the previous two waves of COVID will likely produce some economic waves due to uncertainty and the potential to create more bottlenecks in the supply chain, which in turn will likely keep inflation higher.

On top of these factors, as discussed previously, we expect a slowing economy for the next 6 months. My current outlook, subject to change, is I do not expect an economic recession in the first half of the year unless there is some "unknown unknown" type of outside shock which hits the economy when already in a weakened status. Omicron, while certainly a negative for the next few months, has pretty much been factored in by the market. But the shock of the potential for a much more aggressive Fed, in addition to the other factors mentioned, will likely make it a lot more difficult for stocks to stay positive.

In addition to these economic factors, there are some major indications that the market may have reached an extreme.

1. ***Valuations on stocks are absolutely at an extreme!*** In the table below, you see a variety of measures for stocks which compare how expensive stocks are related to history. Of the 5 valuation methods shown, 2 of the 5 show the market at all-time highs in terms of ***extreme*** overvaluation. The other 3 show the market at the second highest level -- second only to the 1999-2000 dotcom frenzy.

Valuations at Bull Market Peaks

Bull Market Peak	Trailing P/E	Forward P/E	Shiller P/E	Price/Sales	Buffet Indicator
1966	17.61	--	23.70	--	0.81
1968	18.81	--	22.20	--	0.87
1973	18.73	--	18.71	--	0.78
1980	9.48	7.96	9.65	--	0.45
1987	21.23	14.19	17.68	--	0.60
1990	16.97	12.45	17.75	0.84	0.53
2000	29.98	25.79	43.22	2.35	1.59
2007	19.91	14.90	27.32	1.67	1.16
2020	29.12	16.70	30.73	2.32	1.57
Current	**27.66**	**20.80**	**38.34**	**3.00**	**2.14***

*Estimated

InvesTech Research Oct 15, 2021

Robert Shiller's P/E shown above uses average earnings from the previous 10 years to smooth out the noise. Wall Street prefers to quote projected forward earnings, the problem with this methodology, is that if we have a recession those projected earnings will vanish. Other measures, such as price to book value, and price to sales ratios are currently extreme, with the price to sales ratio the highest of all time.

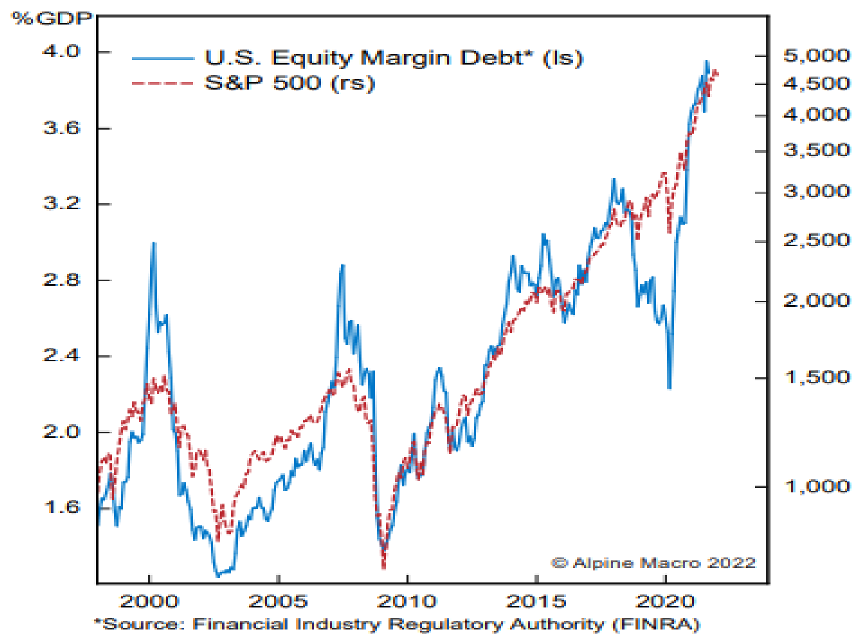
The Buffet Indicator is total stock market capitalization divided by GDP. In other words, how expensive is the market compared to the economy.

2. ***Leverage in the market is extremely high!*** As you can see from the chart, margin debt is the highest it's been in history as a percentage of the economy, far higher than the last two major tops in 2000 and 2007.

   The problem is that, historically margin debt tends to peak ***coincident with the market.*** If a bear starts with both valuations at an extreme and margin debt high, the bear tends to be a bad one.

   If large numbers of margin calls start to hit the market, things will tend to snowball. Stocks going down typically creates ***forced*** selling for margined investors, as they either have to put up more cash to hold their positions or their brokerage firm will sell them out.

   This forced selling pushes stock prices lower, which, in turn, produces more forced selling. If a mass liquidation starts, (think October 2008) the drop can be severe. And while a massive "daddy bear" is not our base case, you should be aware that the potential ingredients appear to be in place.



"One measure of the extreme in market sentiment is margin debt shown in chart above. The current level dwarfs the prior peaks in 2000, 2007 and 2018. Another measure of the extreme level of valuation/sentiment/speculation is the percentage of S&P 500 members with price/sales ratio greater than 10. Currently it stands at around 15%, more than double the level in 2000. Like all similar measures, these don't say much about timing but rather risks." Alpine Macro 2022

3. Speculative behavior has also been at an extreme! Last year speculative behavior seemed to run almost out of control. This includes the Reddit/Robin Hood crowd, where groups of small investors circled in an attempt to make fast money, often targeting single stocks. We also witnessed the SPAC craze (Special Purpose Acquisitions Companies). These are basically shell companies created with the intent of buying a privately held company to take it public.

   SPACs experienced a feeding frenzy earlier last year, and the similarities between this and the IPO's/dotcom (initial public offerings) era of 1999-2000 are amazing.

   So, these market extremes, which historically have occurred either at or near market tops, are happening just as the economy looks to be slowing and the Fed is choking liquidity. All of this, could indeed produce a very rough ride for stocks for at least the first quarter of 2022 and/or beyond.

Will We Experience A True Bear Market And If So, How Severe?

To answer this question, I would first like to define our terminology for bear markets (see enclosed excerpt from a previous Special Report ***Goldilocks and the Three Bears written in 2019.***

From Cornerstone Report February 20, 2019

I'm sure you remember the story of Goldilocks and the Three Bears. I'd like to relate that tale to the stock market and its current status. There were three members of the bear family, Baby Bear, Mama Bear and Daddy Bear. In terms of the stock market, I want to use this to illustrate the differences between a market correction, a medium sized bear market, and a major bear market.

Baby bears in our illustration, represent stock market corrections within the context of an ongoing bull market. While stock market corrections can be scary in the short run, they typically don't run more than a 5-10% drop in the S&P 500, sometimes up to 15% for NASDAQ or more volatile stocks or indexes. The key here, in my opinion, is to learn to ***recognize*** and distinguish between each type of bear market, because each one could involve a different type of strategy.

For example, in a baby bear market or correction, the average investor is probably better off simply riding through the volatility. Using investment math, a 10% market correction only requires an 11% gain to get back to break even. Most investors are likely best off not trying to move to defense (money market or bonds) as corrections are typically fairly shallow and over relatively quickly. Thus it's highly unlikely that the average investor will be able to get out of the market, then back in, without losing a significant portion of their potential return. The correction typically happens too fast.

Mama bear markets, on the other hand, are much different. I would characterize these as market drops in the 20-35% range, depending upon the level of volatility of the particular security or index. The market drop from October to December last year (2018), in my view qualifies as a mama bear. The Dow Jones Industrial Average and the S&P 500 fell just under 20%, NASDAQ and the Russell 2000 small cap index fell right at 27%, and the darlings of the bull market, the FAANG stocks (Facebook, Apple, Amazon, Netflix and Google) fell between 21-45%. (*Source: Tradestation*)

Baby Bears, Mama Bears, Daddy Bears

As I mentioned baby bears are short term corrections within the context of an ongoing bull market. Mama bears are more severe, typically 20-35% declines depending upon the individual stock or indexes volatility level. Whereas daddy bears are the big ones, typically 50-90% drops in major indexes, depending upon the particular volatility levels.

It is my belief that you may want to have a different strategy for each type of bear. Corrections or baby bears, since they're typically shallow and over quickly may be best served by riding out the correction. As I said previously, a 10% drop in the value of an account only requires 11% to break even. In the context of a bull market, this usually amounts to a matter of months.

Mama bears and daddy bears are more severe and may require a different strategy, especially if you're older and have less time to make back losses. A younger person with a longer time horizon may want to utilize a different strategy than an older person. For example, a 40 year old that doesn't need his retirement assets for another 25 years may decide to continue adding money to the market even in the bigger bears, which should result in buying shares at cheaper prices. While this does not guarantee future gains, assuming that the market goes back up later, this can potentially result in increased returns in a process known as dollar cost averaging.

Someone 50-60 years of age or older, by necessity has shorter time frames. They probably have also accumulated more money than the youngsters, thus capital preservation takes on a new meaning the older you get.

If you have a 50% decline in a daddy bear market, now you need a 100% gain to make back your losses. For example, if you have $1 million in the market at the top, which drops to $500,000 at the bottom, you now have to ***double your money*** to break even. While there are no guarantees in the market, this typically takes 4-5 years to break even just to get back to your starting point, and this assumes that you're not taking any income from the account, plus does not count the emotional stress involved.

S&P 500 RECENT BEAR MARKETS

Year	% Loss*	Type
1987	35.94	Mama
1990	20.36	Mama
1998	22.45	Mama
2000	50.50	Daddy
2008	57.69	Daddy
2018	20.24	Mama
2020	35.40**	Mama

*S&P 500 Index, intraday prices DATA: Tradestation **Updated

The above table uses the S&P 500 to measure the extent of the bear market. Please note that other indexes and individual securities may have dropped either more or less than the S&P 500.

With this in mind I want to address what I believe separates the mama bears from the daddy bears and what to do about it. For purposes of this newsletter, I'm primarily going to discuss bear markets that have occurred during my professional career, starting in 1980. I am not going to discuss market corrections, as there have been dozens of these over the last 40 years, plus as I said, often times the best strategy may be to simply ride them out. I'm going to focus on the bigger bears.

In the table above, you see a list of both the mama and daddy bears since 1980. One thing that you may note is that typically, the big bears, the daddy bears normally coincide with a number of factors, but the biggest one is that the economy enters a recession during the daddy bears.

Recessions cause corporate earnings to crash and subsequently stock prices, since corporate earnings are generally the most important factor in the long run for a stock's price (a stock's valuation is primarily an extrapolation of ***expected future earnings*** for that stock).

In addition, the two major bear markets that we've seen in the past 40 years also had other symptoms that appeared ***before*** the bear market started.

1. Prior to the two major bear markets in the last 40 years, stocks became extremely overvalued. You can see this in both the 2000-2003 bear and 2008-2009 bear. The 2000 dot com bear market was the mother of all overvaluations for U.S. stocks, ***as stocks got more overvalued than***

any time in history, even prior to the 1929 Great Depression.

2. Margin debt (investors borrow money to invest in stocks) is typically at very high levels prior to the major bear markets. The problem is that once the crash begins, accounts that have margin can lose money twice as fast as accounts where people just invested cash.

For example, if you have deposited $50,000 with a broker and used margin to buy $100,000 worth of stock, when the market drops 20%, your $100,000 investment is now worth $80,000. But you owe the broker $50,000, therefore you have lost 40% of your original capital. A 50% drop in the account (from $100,000 to $50,000), means that you are wiped out. A 50% decline in this instance means that you've lost all of your $50,000. (Note: Brokerage firms will issue what are known as margin calls at some point before the account falls to zero to protect the firm. If more assets are not deposited into the account, the brokerage firm will automatically sell the investor out. Margin call forced selling tends to exacerbate market crashes.)

So, before both the prior daddy bear markets of my career, stocks were both overvalued and margin debt was very high. In my opinion these two factors are more important in determining ***magnitude*** of the bear market than how severe the economic downturn might be.

In the 2000-2003 bear market, the Fed had been raising interest rates, (subsequently causing a recession), but it was one of the mildest recessions in U.S. history, barely qualifying as a recession, which is normally two ***consecutive*** calendar quarters of negative GDP. In 2001 we had two negative quarters but they weren't consecutive. Yet, ***despite a very mild economic downturn*** we had a severe daddy bear market, with the S&P 500 falling 49% from top to bottom, NASDAQ falling 78% and the Morgan Stanley Dot Com index falling over 90%. (*Source: Tradestation)*

You might ask the question why was the bear market so severe with only a mild economic downturn? The answer is directly above you in points one and two. The market was far and away more overvalued than ever in history plus margin debt was very high, which again, represents built in selling as the bear market progresses.

During the 2008-2009 bear market, the economy crashed as we flirted with another Great Depression. Coincidentally the Fed had also raised interest rates too high, piercing the real estate bubble. But the financial crash resulted from highly leveraged ***subprime*** mortgages tied to real estate (for more information on the meltdown please read my book ***From Boom to Bust and Beyond***). Stocks were also overvalued and margin debt was high prior to the crash.

Summary

In sum, I do believe we're likely headed into a bear market. Bears normally occur when a series of negative surprises hit, affecting the market negatively in multiple ways at the same time.

As I stated earlier, I personally do not expect a "daddy bear" this go around unless there is an "unknown unknown" type of shock, which hits the economy when we are already at a weak point. Right now, the most likely prognostication seems to be growth recurring in the second half of this year. (I reserve the right to change my opinion later ☺).

If you look at the most recent history of the "daddy" bear markets the primary missing ingredient which will likely turn a mama bear (a 20-25% decline), into a daddy bear is a recession. So, while I currently do expect another significant drop in the market, I don't expect it to be a daddy bear unless recession takes hold.

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In general, bond market is volatile, bond prices rise when interest rates fall and vice versa. This effect is usually pronounced for longer-term securities. Any fixed income security sold or redeemed prior to maturity may be subject to a substantial gain or loss. Fixed income investments are subject to various risks including changes in interest rates, credit quality, inflation risk, market valuations, prepayments, corporate events, tax ramifications and other factors.

Investing involves risk including the potential loss of principal. No investment process in the stock market is free of risk; no strategy or risk management technique can guarantee returns or eliminate all risks in any market environment. There is no guarantee that our investment processes will be profitable.

There is no assurance that any strategy will achieve its objectives.

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