Dear Clients and Friends,

We are sending this brief note to update you on our thoughts on the markets and how we have positioned our client portfolios.

In late June and early July, we had grown a bit more optimistic on the outlook for stock and bond markets under the belief that market participants had gotten quite bearish, valuations were no longer extreme, and the path of the economy and inflation might prove to exceed pessimistic expectations. We added back to risk levels in both equity and fixed income portfolios although remained well below benchmark levels.

In late August, we had become concerned about the stubbornness of inflation and what that would potentially mean for the degree of global monetary tightening that lies ahead. This would not be a favorable environment for equity and fixed income markets.

As a result, we moved back in recent weeks to a similarly conservative posture in our client accounts to where they were earlier this year. In our stock portfolios, we liquidated most of the purchases that we had made during the early summer and reinstated the hedges. Most accounts are significantly below their target equity allocations. Our fixed income portfolios again consist of almost exclusively Treasury notes and high-quality corporate bonds that mature in less than a year. This should allow the earning of annualized interest income in excess of 3% while avoiding any material price risk.

We would prefer to not be making significant changes to our portfolios on a regular basis, but we regard attempting to mitigate losses in difficult markets as one of our primary responsibilities. In the current economic and market environment that calls for a higher degree of activity than normal. We will remain vigilant in searching for the opportunity to move risk levels back to target levels as valuations become more attractive and the outlook becomes more constructive.

As always, we welcome your comments and questions. Please don't hesitate to call, visit, or email at any time.

Your team at the BRAVE

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