IIM RISK-BASED FUND PERFORMANCE

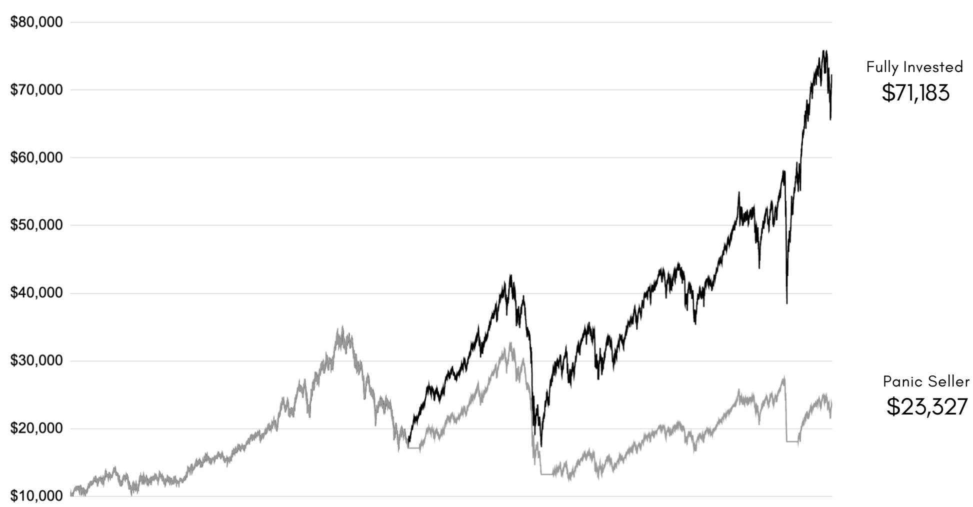
We had three competing factors fueling market volatility this quarter: increasing inflation, rising interest rates, and geopolitical conflict. At the beginning of the year, optimistically, we had pent-up demand from the pandemic - people had cash and were looking forward to getting back to their lives - to start traveling and heading out to dinner and events. We were also experiencing increasing inflation from pandemic stimulus and the corresponding tightening of monetary policy (rising interest rates) from the federal reserve. Then, we saw how quickly things can change when the world and financial markets were shocked by the invasion of Ukraine.

Initially, it felt insensitive writing about money right now, but we feel it is our responsibility to help clients navigate this difficult time the best we can within our chosen profession. As part of our long-term relationship with clients, we develop an appropriate asset allocation based on individual objectives and risk tolerance, so we are recommending that clients stay the course and to continue, or start, making recurring level contributions into their accounts. By dollar-cost averaging (buying more shares when the market declines and less when the market increases), we can decrease volatility and save more too.

Both the aggressive and conservative portfolios were down 5.0% on a net-of-fee basis over the quarter, compared to the S&P 500 which was down 5.4%. In volatile markets, there isn't always somewhere to hide, and that is certainly the case this quarter, but that doesn't change our long-term asset allocation models. Looking ahead at the rest of the year, we do see potential areas of positive contribution: large cap equities (quality companies may outperform), high yield bonds (more sensitive to short-term rising interest rates), and commodities (tend to outperform in an increasing inflationary environment).

FOCUS TOPIC: AVOID PANIC SELLING

Staying fully invested through tough times creates better long-term outcomes for investors. To illustrate this point, we looked at the daily returns of the MSCI All Country World Index and determined the bottom of the Tech Crash (March 2003), the Credit Crisis (March 2009), and the COVID-19 Pandemic (March 2020). We then compared the outcome for two different types of investors: the first stayed fully invested, and the second sold at each bottom and didn't get back into the market for six-months. The following chart shows the two outcomes on an initial investment of $10,000 made on January 1, 1988. As you can see, the panic seller missed out on $47,856 of investment return. At IIM, we let history, not emotion, be our guide and it is our job to continue to remind clients to stay the course.



If you would like to review your portfolio and discuss financial objectives, please use the following link – [book online.]

Justin Wollman
PORTFOLIO MANAGER
415 717 2661
justin@intent.finance