Hi Client/Insert Name,

I wanted to quickly touch base in light of the recent market volatility. We appreciate these moves in markets can be unsettling and naturally stir up several questions:

1. What is driving market volatility?
2. How is my portfolio positioned for these events?
3. What, if anything, should we do about it?

Our investment process sources its conviction from our history of emphasizing long-term outcomes, focusing on your portfolio objectives, and allowing our outlook to evolve as circumstances change. In short, we seek to avoid emotional reactions.

Below, we have provided some additional perspective on recent volatility and the markets more broadly. In addition, we offer a host of other resources that should help provide insight to the current investing landscape (including a [short video](https://www.youtube.com/watch?v=wanGhf9lg7k) on how to approach market volatility).

As always, please feel free to reach out to me should you have additional questions or would like to discuss your portfolio or situation. (can personalize or even suggest dates)

*Recent Market Drivers*

*We entered 2022 highlighting four* [*key potential drivers of returns*](https://www.fiducientadvisors.com/research/2022-outlook-navigating-moderation) *– From Pandemic to Endemic, Policy Maker Tightrope, Inflation, and Volatility Ahead. While these drivers have unfolded in a more pronounced manner than anticipated, we believe these factors will continue to influence markets.*

*As we wrote in our most recent* [*April Market Commentary*](https://www.fiducientadvisors.com/research/april-market-review-when-hawks-cry-a-hawkish-tone-from-the-fed-leaves-investors-in-a-sad-state)*, the feedback loop of high inflation leading to higher interest rates has had a material impact across markets. Futures markets are currently pricing in as many as ten (10) rate hikes in 2022, potentially resulting in a Fed Funds rate of 3.0 – 3.25 percent by December (substantially higher than the 0.0 – 0.25 percent range in place at the beginning of the year). If predictions become reality, this outcome would mark the most hawkish move by the Fed since 1994, when then Fed chair Alan Greenspan increased rates by 3.0 percent over the course of a year.*

*The movement to meaningfully higher interest rates has materially afflicted bonds with the Bloomberg Aggregate Bond Index posting its worst four-month return (-9.5 percent through the end of April) since the index incepted in 1976. Additionally, higher interest rates have weighed on highly valued stocks, such as those in the technology industry. Sixty-one (61) percent of stocks in the technology-heavy NASDAQ are down 20 percent or more in 2022. Of note, 29 percent of these stocks are down 60 percent or more over the same period. Finally, rising interest rates in the U.S. have strengthened the U.S. dollar. A robust dollar, coupled with more highly elevated geopolitical risks, has weighed on foreign investments.*

*Positioning & Action*

*We recognize no investor has the power of prediction. Therefore, to navigate heightened crosscurrents in markets, investors are best served by focusing on those facts and insights that tip the scale toward what is most likely and building a disciplined process that is repeatable to capture and use this information.*

*Entering 2022, we increased weights to diversified real assets to help guard against inflation, added to positions in unconstrained fixed income to buoy against interest rate volatility, encouraged an overall tone of caution when considering risk posture, and advocated for diversification given recent trends of owning more growth at the expense of value stocks. By and large, these changes have benefited relative returns in 2022. Despite these preparations, returns have been underwhelming year-to-date as many asset classes have sold off in unison. Nonetheless, we believe these portfolio positionings remain well suited and appropriate for what may continue to be a rocky road ahead.*

*Our team continues to meet regularly to evaluate opportunities and risks across the investment landscape. While we do not believe any further action is warranted at this moment, we recognize market conditions can evolve quickly and we remain vigilant and steadfast in our investment approach.*

*Disclosures*

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