

Scotty C. George Chief Investment Strategist November 8, 2021

Market Outlook:

Not why, but how

Current events conversation is punctuated by a lot of headlines and analysis about why things are as they are...inflation, supply chain bottlenecks, unemployment, poverty, social change, stock market records. But investors really need to focus not so much on the *why* these things occur but on *how* to mitigate their negative impact upon portfolio performance. And the best way to do that is to be consistent in applying an investment discipline which best matches one's risk tolerances. In our case, advancing from point A to point B is a function of strategic asset allocation, cycle and phase measurement, and statistical analysis of macro trends. Our quantitative discipline is a paradigm not only for identifying potential winners in their space but also underweighting laggards especially those challenged to keep pace with vast generational changes in the global realm.

There are many risk management strategies, the most successful of which rely upon preparation and preparedness *in advance of* inevitable twist and turns in the economy. Something as simple as buying a stock might entail hundreds of factors. Every macro silo can be evaluated for its durability and long term social relevance. Couple those data with client preferences about risk aversion and you ultimately create symmetry amongst all the asset classes and choices one has to make. Once again, our guiding thesis is that *asset allocation, itself, plays a greater role in the probability of portfolio capital gains than does any individual security within that portfolio.* For example, there is a greater appetite for socially responsible themes in today's marketplace than at any time in the past two decades. We attribute this to a change in values brought on by the horrific effects of the pandemic and society's greater appreciation for personal responsibility and caring for others. Thematic investing also organizes the marketplace into secular ideas that cut across specific sectors, geographic boundaries, market capitalization, and political ideology. We see areas such as water, agriculture, life sciences, alternative energy, ecology, and infrastructure as having that impact, particularly in emerging markets as they mitigate the headwinds caused by the global health crisis.

Bear in mind that the Wall Street firms have also metaphorically "found religion" during this time and are saturating the media with commercials featuring walks on the beach, retirement homes in secluded mountains, and using earnest Senior Vice President spokespersons looking directly into the camera telling you how much they care about you. Online trading platforms make a feverish pitch to convince you that it is "simple" to trade your way to prosperity, as if making money is...and always will be...a straight-line riskless endeavor. Be forewarned about any gambit that tugs at your heartstrings when you feel most vulnerable.

Fool me once...

Media perpetuation of these stereotypes would be amusing if it weren't so sad that the real percentage of clients who have the means to effectuate these "riskless" wealth building strategies is such a small number, while the rest of the population are feverishly trying to keep pace with household finances, mythical benchmarks, their neighbors, and other unrealistic expectations about how the other half lives.

Successful outcomes in life requires patience and discipline...something in short supply right now. Let me give you a personal example: if you watch the professional golf Tours on television, a showcase for the best players on the planet, you come away thinking that you, too, might achieve a modicum of success on the golf course just by going out and teeing it up on any weekend. And yet the hours and years of practice required to attain their proficiency is lost on most of us who go to the driving range and beat balls, without guidance from a professional, believing that it's "easy" to master the game.

Some people understand the limitation of their abilities. Economics and market strategy is the same experience. Wealth building does not come easily or without study of trends, portfolio allocation methodology, and a strong dose of social consciousness. When collaborating with a professional the money management relationship can be rewarding and profitable...but most definitely not compatible with a "must have it now" culture so many are seeking. Breaking any big process into several small attainable steps is key to imagining what the ultimate result might look like.

Arlington Econometrics is a quantitative market tool. Utilizing proprietary algorithmic equations, AE offers solutions for market-timing, asset allocation, and macro economic analysis. Using historical time-series measurements, Arlington Econometrics optimizes the analytical process and forecasting coefficients to make economic forecasting more objective.

The information contained herein has been obtained from sources believed to be reliable, but is not necessarily complete and its accuracy cannot be guaranteed. This report is not to be construed as an offer to sell or solicitation to buy any security. It is intended for private information purposes only. Any opinions expressed are subject to change without notice. Alexander Capital and its affiliated companies and/or individuals may from time to time own or have positions in the securities or contrary to the recommendations discussed herein. Neither Alexander Capital, LP nor any of its affiliates (collectively, "Alexander Capital, LP") is responsible for any recommendation, solicitation, offer or agreement or any information about any transaction, security, customer account, or account activity in this communication.