

April 18, 2022

Market/Index	2019 Close	2020 Close	2021 Close	2021 Change	As of 03/31/22	2022 Change
DJIA	28,538.44	30,606.48	36,338.30	18.73%	34,678.35	-4.57%
NASDAQ	8,972.60	12,888.28	15,644.97	21.39%	14,220.52	-9.10%
S&P 500	3,230.78	3,756.07	4,766.18	26.89%	4,530.41	-4.95%
Prime Rate	4.75%	3.25%	3.25%	0.00%	3.50%	0.25%
10-year Treasury	1.92%	0.93%	1.52%	0.59%	2.32%	0.80%

One of the wonderful things about this profession is the opportunity to concentrate on current events, while trying to put them in context with past events and possible future outcomes. The world is always changing, and nobody has a crystal ball. The subject of our 4th Quarter Newsletter was all the good things happening in the world. The first three months of 2022 almost turned that view upside down but instead really proved the resilience of the global economy.

In the First Quarter of 2022 the following things occurred:

- The Federal Reserve, as well as European and Asian Central Banks, began the process of raising interest rates
- Russia invaded Ukraine, causing commodity prices to soar and the first thoughts of a world war with Russia in 30 years
- Gasoline prices rose to \$4.33 per gallon
- Supply chain issues continued to disrupt global trade
- Total US Public Debt exceeded \$30 Trillion
- Inflation rose to 8.5%

Considering all this bad economic news the US financial markets remain mostly unfazed, closing the quarter down less than 5%. The global economy remains incredibly strong. JP Morgan estimates GDP rose 10.4% in the last 12 months, unemployment is at 3.6%, and new home building permits are up 7.8%. Looking forward, we must decide how to respond to the present and prepare for future events.



Here's the outlook at Anchor:

Interest rates should rise in the short and long-term. Central banks are planning to raise short-term interest rates and sell off a portion of their bond inventories to decrease the money supply. We see little reason to hold long-term bonds as yields will not offset the short-term decline in value of these instruments. All other things being equal, real estate values should fall as the cost of borrowing increases.

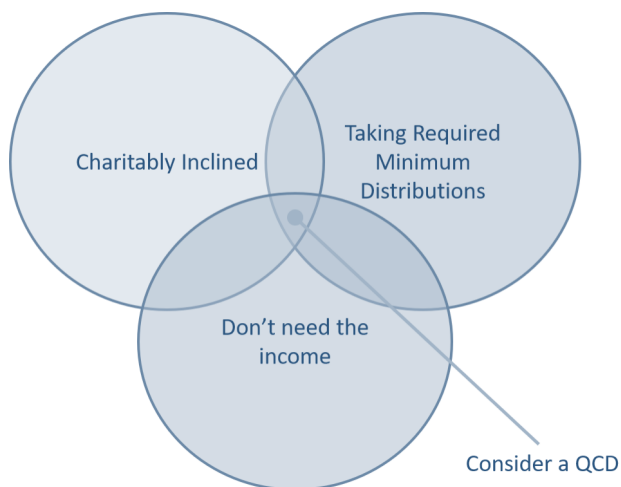
We expected some inflation this year as we rebounded from the collapse of prices during COVID. We did not expect the possible longer lasting inflation that may be brought on by the economic sanctions against Russia. So what should we do? During periods of high inflation the worst place to have your money is in cash; it loses value every day. Bonds and real estate aren't a great choice for reasons previously mentioned. Stocks



should be a good choice, but you must be selective and patient. Energy and mining stocks are up about 38% this quarter, but both

sectors have been sub-par investments for decades. More importantly, when the war ends, oil and commodity prices will fall quickly, and you don't want to be left holding the bag. At Anchor we are doing what we always do: buying good companies with good management teams who can mitigate risks and successfully navigate their companies through different circumstances. In many ways the next three years will be easier to navigate than the last three. Every CEO has a plan for rising prices; few had a plan for a global pandemic.

One thing we can all do is make sure our emotions don't get ahead of us. An extra \$30 per fill up or \$50 at the grocery store isn't going to wreck our retirement plans. A 10% reduction in the stock market won't change the outcome 15 years from now unless you sell at the bottom. It's an excellent time to meet with your Anchor advisor, review your financial plan, and make minor changes rather than major ones. Having a plan and sticking to it helps alleviate stresses during times of uncertainty.



Anchor clients have made a good deal of money through their investments over the last 5 years and are incredibly generous as a group. Perhaps now is a good time to make contributions to your favorite charities. We can help you make Qualified Charitable Donations from your IRA, donate appreciated stock, or setup a Schwab Charitable Fund that allows you to take a tax deduction in 2022 and give in future years. In 2021, Anchor clients donated over \$2 million using these methods.

All of us at Anchor would like to thank you for your business and the trust and confidence you put in us each day. We look forward to working with you in the years to come and hope you have a fantastic 2022!



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