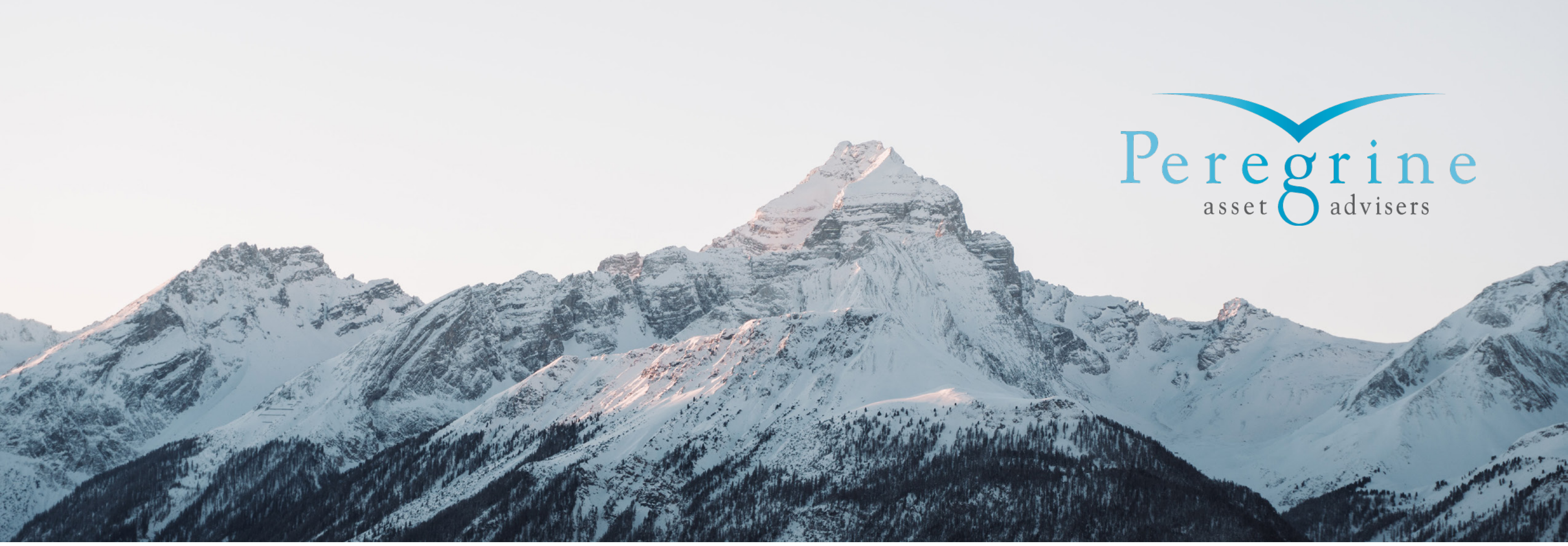

1ST QUARTER 2022 MARKET OVERVIEW

WHAT TO DO WITH A WAR, INFLATION, AND HIGHER INTEREST RATES

Investment accounts need resilience, as economic conditions worsen in 2022. Resilience from inflation. Resilience from rising interest rates. Resilience from the fallout of the Ukraine invasion.

The Federal Reserve is signaling six rate hikes this year, possibly totaling 2.50%. Inflation has toppled consumer confidence to new recent lows. Fed Chair Powell initially dismissed inflation as "transitory", but one year later, it is far from being curtailed.

Borrowing a page from Economics 101, critics long warned of the ill effects from excessive money printing. They also sounded the clarion call in protest of the monumental assistance from Covid relief plans. In textbook fashion, these policies have created an inflation monster, just as we were alerted.

The Russian invasion of Ukraine made the inflation outlook even more acute, due to the resulting upheaval in raw material and commodity supply lines.

As a result, the economy is now embarking on drastically different challenges than we are accustomed.

As a consequence, it has not been a friendly start to the year for investors.

In the first quarter, the broad market indexes for stocks fell between 11% and 21% through mid March, before partially recovering in the final two weeks of the quarter. Inflation also inflicted pain on the bond market. The aggregate bond index dropped 6%, which is it's worst quarterly return in nine years.

Most stocks actually began their descent last year. There were steadily sequential bellweathers. The speculative frenzy in Gamestop and AMC Theatres quickly fizzled. SPAC ventures, marijuana stocks, and cryptos, all broke down. Stocks in aspirational ideas such as, alternate energy, electric vehicles, artificial intelligence, space travel, and breakthrough software solutions, crashed. Meta Platforms (formerly Facebook, down 35% in Q1) coined the term "metaverse" but investors rejected the idea by punishing the shares.

Formerly popular concept names such as Paypal, Zoom Video, Docusign, Moderna, and Peloton, all fell over 70%.

The current rage are stocks of energy and materials companies. Based on outcomes of so many former favorites, caution is probably warranted for these sectors, as well.

The market continues the steady progression of pricking every balloon it creates. This is why resilience is the new password in investing for 2022.

THE APPEAL OF CASH

The Federal Reserve's efforts to curb inflation will almost certainly compromise economic growth and corporate earnings. The Fed has no choice but to raise rates until it chokes the economy.

This process promises to weigh on the stock market. Eventually, the cost of money reaches a point where the economy grinds to a halt and a recession ensues.

Normally, when stocks drop, bonds rise and thereby provide an antidote for investment accounts. Since bond values are now falling, this is no longer the case. Now, investors are left with cash as the best protection from falling stock and bond prices.

The good news is that cash is certain to begin earning a return during the upcoming months. The yield on money market has been almost zero for two years. This is sure to change. The current 2 year Treasury yields 2.4%, so we can look forward to finally earning a return on cash balances.

PEREGRINE STRATEGY

During the market turbulence and dour outlook, we aim to shorten the holding period for our stocks and to use oversold conditions to make new investments. We expect cumulative trading gains to be incremental to accounts over the course of the year. Trading gains also blunt the impact of a bear market, should that occur.

Managed accounts continue to carry foundational holdings in companies with relatively impregnable business models. These stocks have defensive characteristics, which have been increasingly recognized. Our favored weightings center on consumer staples, like General Mills. Energy utilities, and certain energy companies that pay dividends, also represent core holdings. **Waste Management** is a new addition. It's operations are relatively immune to both inflation and a recession. It also holds an attractive feature of addressing environmental concerns.

We recently sold our **Pfizer** shares following a long, disappointing performance.

Fixed income investments are minimized, with the exception of **Treasury Inflation Protection Securities**, which make rising payments based on inflation.

The volatility of the stock market is sure to lead to many opportunities as oversold conditions set up short term recovery moves.

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