BARRISTER BULLETIN

TACTICAL CHANGES AND REBALANCING

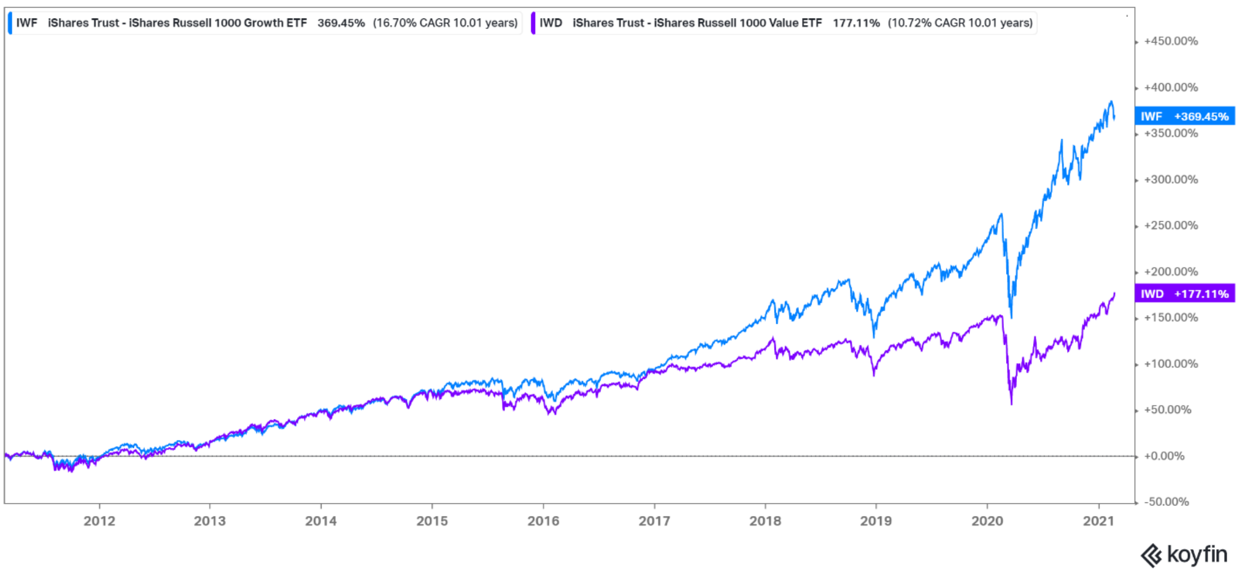
We've all heard the expression "buy low and sell high" the simplicity of which seems so alluring. However, consistently calling market tops and bottoms is a challenge. History has proven time and again that attempting to do so has a dramatic negative impact on long-term investment returns. Instead, we manage risk by making tactical changes and rebalancing back to target weights when warranted by the overall picture of economics, fundamentals, and valuations.

Tactical Changes

This week we made tactical changes across our portfolios. We believe due to the current level of government deficit spending, accommodative central bank and significant pent-up consumer demand, rising rates of inflation are on the horizon. Rising inflation will bring higher interest rates which will negatively impact fixed income and preferred securities. As a result of these views, we reduced the overall exposure to securities directly impacted by interest rates in our portfolios.

In light of changes to fixed income, we increased exposure to alternatives at the asset level. Within the alternative allocation we added exposure to commodities, which traditionally perform well in an environment of rising inflation.

Equity allocations remain unchanged for now. While we believe there are areas of the market, and other asset classes, that are unhinged from reality (see Tesla, Mico-cap stocks, and CryptoPunks), we don't see the eventual mean reversion severely impacting overall markets. For example, see the chart below of the Russell 1000 Growth versus Value. Weathering corrections is a feature of long-term investing. When this occurs, we will council – as we always have – to hang in there and stay the course.



<u>Rebalancing</u>
Rebalancing is another essential element of our strategy. When one asset class outperforms another, it leads to the better performing asset making up a larger part of the portfolio. You may have started with 60% in stocks and 40% in bonds, but after a great year in stocks you are now at 65% vs 35%. Left unchecked, this leads to increased and unnecessary risk. When we rebalance, we reduce exposure to winners that are now possibly overpriced and purchase unperforming, and likely undervalued, assets. The systematic nature of this activity also suppresses an in-built behavioral bias where we typically chase winners and sell losers – kind of like "selling low and buying high."

As always please contact us with any questions, and feel free to pass this note along to anyone that may find it useful.

Best,