Uptime
Market Review & Outlook

TRUXTON TRUST
A PRIVATE BANK

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I was wrong about a couple things. First, I thought inflation related to Covid constraints would be a temporary phenomenon. Second, I thought Russia was bluffing.

Inflation continues with energy and other commodity constraints related to the sanctions for Russian aggression likely to exacerbate near-term readings from existing levels not seen since 1982.

Russia has shocked the world with an unprovoked attack on what they thought was a defenseless neighbor. In the social media age, we are all getting constant glimpses of the depravity of a modern-day despot.

We don't know when or how either of these unexpected intrusions will be resolved, just like I didn't foresee them coming. Investing requires a point of view on future events because you are literally buying the future. That being the case, it should follow that the best soothsayer is the best investor. Diligence is critically important to good investment decisions, but predicting the future is a step beyond doing your homework. Self-proclaimed soothsayers are always frauds. When predicting the future, I would say 50% is an exceptional (almost unattainable) batting average. That doesn't sound very good, but that is more than enough if an investor has the right perspective.

Many think of investments as a bucket full of assets. If you have a bucket, what is your biggest concern? That there is a hole in the bucket or that everything sloshes out. That you are probably going to lose something. A whole lot of work, lots of worry and not much productivity.

A colleague recently used an analogy comparing investments to an engine. I like it so I'm going to run with it. As opposed to a bucket, an engine is the pinnacle of productivity. They are necessary to do almost everything we do in the modern world. They are also risky. Engine failures can range from

Equity Market Index Returns

As of March 31, 2022

Asset Class	Index	March 2022 (%)	1Q 2022 (%)	YTD (%)	1 year (%)	3 years (%)	5 years (%)	10 years (%)
Large Cap U.S.	S&P 500 Index	3.71	-4.59	-4.59	15.66	18.94	16.00	14.64
	Russell 1000 Large Growth Index	3.91	-9.04	-9.04	14.97	23.60	20.89	17.05
	Russell 1000 Large Value Index	2.82	-0.74	-0.74	11.66	13.02	10.29	11.70
	DJ US Select Dividend Index	4.10	5.26	5.26	16.28	13.76	11.31	12.84
Mid Cap U.S.	S&P 400 Mid Cap Index	1.38	-4.89	-4.89	4.59	14.13	11.10	12.20
Small Cap U.S.	S&P 600 Small Cap Index	0.37	-5.62	-5.62	1.23	13.58	10.89	12.56
Developed International	MSCI EAFE Index	0.64	-5.91	-5.91	1.16	7.78	6.72	6.27
Emerging Markets	MSCI Emerging Market Index	-2.26	-6.98	-6.98	-11.37	4.94	5.98	3.36
Commodities	Bloomberg Commodity Total Return Index	8.65	25.55	25.55	49.25	16.12	9.00	-0.70
Real Estate	MSCI REIT Equity Index	6.49	-4.05	-4.05	26.20	11.15	9.65	9.74
Global Market Cap Weighted	MSCI World Index*	2.74	-5.15	-5.15	10.12	14.98	12.43	10.88

**The U.S. represents about 51% of the MSCI World Index.*
All returns greater than one year are annualized. Source: Greenhill Market Index Review as of March 31, 2022

frustrating to catastrophic, but we have decided (almost unanimously) the risks are worth it because engines get us places, move big things, provide comfort, etc. They do the hard work.

Investments are the same. There are risks, but investments are necessary to do the work of growing the value of savings beyond the rate of inflation. They are a way of tapping into the productivity that has defined human history into an uncertain future. They offer a return because people organize capital and ingenuity to make life better for other people. They are risky because people are fallible and sometimes just plain bad.

Engines need to run. Cold starting an outboard or lawnmower after winter can be an agonizing experience. In the middle of the summer, they usually turn over on the first try. If we put the engine away for a little while every time it gives us trouble, we are losing the productivity. We fix it and move on. Investments need to run. There are all kinds of forces telling us there are times to put them in the shed for a while; they are too risky. As discussed earlier, soothsayers are frauds. Getting in at the “right time” and getting out at the “right time” require much more than a 50% chance of guessing the future. A good engine and the right perspective only require time based on history.

Building a good engine requires diligence. What is the purpose of the engine? How durable does it need to be? What materials and technologies will meet those requirements? Investments are the same. A portfolio should be built to achieve an objective and accommodate the investor’s risk tolerance. The assets should be selected in detail and in proportions that serve those ends.

We address the risk of engine failure with maintenance (and occasional replacement). Once again, investments are the same. They should be reviewed at least annually and compared to the objectives and risk tolerance again to be sure they are still appropriate.

I'm not walking down the primrose path. I went through the Covid March (stocks fell over 30%), Global Financial Crisis and the Dot Com meltdown. I've studied longer and more painful periods. I've predicted recessions that never happened and extrapolated booms that came to a surprising end. What I've learned is to focus on the construction and maintenance of the engine; remember that it is there for a purpose; and remind myself of that purpose when the cacophony of doomsayers dominates the conversation. There will be turbulence, high seas, overheating, jump-starting and the list goes on. The trick is to account for those things in the beginning, but to remember the goal. "Uptime" is manufacturing and technology industry jargon referring to the percentage of time in which a piece of equipment is performing. Success (a high percentage of "uptime") incorporates design, maintenance and economics. There is work to be done. If the machine isn't running, the work is not getting done. ■