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Jane Doe
123 Holly Lane
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Dear Jane,

We thought with the tragedy unfolding in the Ukraine and the recent market volatility (mostly downward), we would check in a little early with our quarterly update. Recent events create a number of questions: Will war spread and how active will NATO become? How will China respond and are we in the early stages of a change in post-Cold War world order? Like you, we have been reading and listening to the experts, the generals, the economists, the politicians and perhaps most importantly, the historians. As one would expect, opinions vary widely and we are reminded of the impossible task of accurately forecasting the future. Even if we could correctly forecast the Russian outcome, understanding its impact on the investment markets is equally, if not more, challenging. Making major portfolio changes based on our predictions of these outcomes hardly seems prudent. This wasn't the case when we were much younger. We would have likely been quick to act and most confident in our forecasting abilities. Let's hope that with experience we gain a little wisdom. If nothing else, we've gained a healthy dollop of humility.

It's not uncommon for people to ask "what's hot, what are your best ideas, is Apple a good buy, how about oil, Tesla, bitcoin or value stocks?" However, what's most often needed aren't hot ideas but rather great habits, like discipline. What's most needed for long-term success is a reasonable process and the discipline to stick with it. So it is with this uncertain backdrop, that we are asking ourselves, what, if any, changes we should be making in your portfolio? The following is a list of what we are thinking and doing:

- We spent most of last year in our client meetings, discussing how a strong decade in equity markets has pushed the percent of stocks in many portfolios to rather high levels. For those who didn't have big concerns over this fact, we generally held ground. For some who had greater cash needs or less comfort with volatility, we reduced stock exposure in areas we thought were rather expensive or vulnerable. If you think we need to revisit your current balances, please call or email.

- As you know, we missed out on many of the more exciting hyper-growth stocks of the last several years. We aren't very comfortable paying high prices for these newer companies and prefer to settle for the more established slower growing, dividend paying companies that can occasionally be purchased at attractive prices. Over the past few years, we must admit to feeling a little envious of the sky high returns achieved in some of these new and exciting stocks. What was the popular line from late night TV in the early 70's? "We felt a little like a pair of brown shoes at a tuxedo convention." However, lately we are pleased we stuck with the more established "blue chips." As an example of how dramatic the selloff has been in the "high growth" sector of the market relative to the "value" sector over the last six months, names like Zoom, Facebook, Peloton and Docusign are down on average about 65%[1]. In contrast, Berkshire, CVS, Union Pacific and Lockheed Martin have average gains of 25%[1]. We won't avoid taking our lumps in a broad-based market decline.

Nevertheless, it's periods like these that we are reminded of why we prefer slow and steady over glamourous and exciting.

- It should probably be noted that while we favor the more established investments, we aren't at all averse to buying into higher growth situations if the price is right. In some ways the current situation reminds us of when the Internet bubble burst in 2000. In the years that followed, companies like Microsoft, Apple, eBay and Amazon could be bought very cheap. Of course, it's not like shooting fish in a barrel. I remember at the time we did lose money in AOL and Yahoo.

- As you know, we have been anticipating the possibility of inflation perking up after an extended hibernation. We had been trying to prepare for this possibility and have been pleased by the performance of several of our recent investments. Holdings like the Inflation Indexed Treasury bonds (TIPs) as well as our natural resource related holdings are doing quite well. Both of these areas have moved up nicely. We continue to believe the companies that supply scarce minerals to the alternate energy companies are well positioned for future earnings growth.

- We are always looking for those businesses that have "pricing power." We're hoping that this enviable trait will allow them to increase dividends as (if) inflation continues. Perhaps any continued market weakness will allow us to add to some of these holdings.

- For those of you who recently added or rolled over cash to your accounts, we had been investing this money rather slowly. We had hoped the market might give us a chance to buy a few things at more "bargain" levels. We are now finding reasonably attractive opportunities and have been buying.

And so here we are, in what seems to be an inflection point after a period of low inflation, dramatically lower interest rates, rising markets and now a major conflict. In some ways it feels like we have been planning for this for the last few years. I'm sure that if things get rather difficult, we will wish we had gotten more conservative. But, I believe we have been reasonably disciplined in sticking to our investment philosophy. I guess we'll see how this plays out over the next several years. As for the Ukraine, for now I suppose the best we can do is pray. I was deeply touched by an interview with a young Ukrainian mother fleeing to Poland with her infant child. During the interview, she said she had no words to express her feelings. What can we say when the poets can't find the words? If nothing else, these times remind us of what's truly important and how fortunate we are. Please don't hesitate to check in if you would like to talk further about any of this.

Sincerely,

Your Blueprint Financial Advisors Team

[1] https://www.dividendchannel.com/drip-returns-calculator/