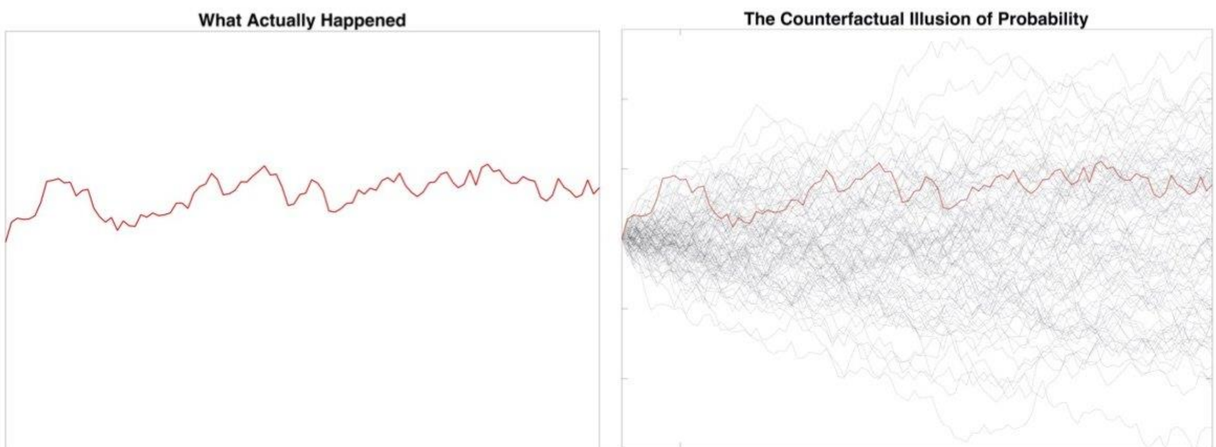
**The Illusion of Certainty**

First off, we hope that this finds everyone well. Every day is a gift. At the same time, we realize that every day carries a certain amount of uncertainty, good or bad. Being able to be at peace each day while living in an uncertain world, is something we probably all try to achieve.

I came across this diagram from Emanuel Derman (Writer and Professor of Financial Engineering at Columbia University).




Looking backwards, we only see what happened. The past seems obvious and clear. Things were either getting better (upward sloping) or getting worse (downward sloping). With hindsight, you now have a reason for each turn. History books look like the chart on the left.

However, if assumptions were changed just slightly, the road may have been very different. The right chart is how the future must be modeled to be prepared for various paths and adjust accordingly. When discussing the future, keep the right chart in mind.

Investing has always been a process where this understanding has been important. A certain investment may have worked out either good or bad for someone. Their specific experience is then retold to others. By the time that story has been told, the situation changed, and they are right back to the left-hand side of the chart. The next person's path with the same investment will be along a different squiggly line.

**Inflation**

This continues to be an important topic that everyone, including your MG team, continues to follow. This number effects everything involving personal finances. Accountants like to say it effects both sides of the ledger. For normal people (sorry fellow accountant friends), it means It effects our cash inflows

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(wages, Social Security[1], savings/investment returns) and cash outflows (living expenses). It also changes the value of our assets and debts. Inflation can be found wherever the light touches.

Inflation can be caused by many things. Basic economics would say the current price is where demand equals supply. To the extent either demand or supply change, the price should change. Since March 2020, both demand and supply have been disrupted. Governments and central banks around the world have intervened to help with demand. In normal times, the supply (amount of good and services) would follow the demand. Given various pandemic effects, this has not happened.

The normal supply chains have been disrupted. Cargo ships sit for weeks off the coasts waiting to be unloaded. Retailers have even started to charter their own ships to ensure they get supplies. Some of this is due to not having enough people. Some of this is due to COVID policies. The workforce has been severely disrupted. Raising or lowering interest rates by central banks is not going to fix these problems.

We all have stories about not being able to find a certain product or service[2]. What might have seemed easy and normal 18 months ago, is no longer as easy. My recommendation is do your Christmas shopping early this year. That product might not be there in late December. Retailers know this too, so the likelihood is not high there will be discounts at the end.

Just as there is not one playbook at the start of the pandemic, there is not one playbook to get us out. Future actions will be based on future events that have yet to unfold. Those unknowns can be unsettling.

We believe simplifying these uncertainties helps. Work hard to understand the complex, but do not lose site of the bigger picture. The current situation is no different. Here are some things we are thinking about:

- Incentives for companies to produce products and services at a profit are still in place. Every day this messy process plays out in office buildings, in factories, in transport, and in homes around the world. Incentives matter and stockholders profit from this incentive.
- Incentives for governments to avoid long-term downturns are still in place. We can certainly argue the specific policies, but betting against them stepping in to stabilize situations is not wise. As we have seen, government officials are humans with their own financial interests to look after[3].
- Business cycles are not going away. Bad days cannot be eliminated. Investing simply assumes there will be more good days than bad days. Experiencing bad days is no fun, but we must be reminded it is normal and part of process.

[1] Social Security benefits are increasing by 5.9% in 2022.
[2] The Miler twins are attending their first high school Homecoming dance. Rushing to find dance clothes has been a lesson for their father in the current supply chain system!
[3] Members of Congress and the Federal Reserve have made news recently about their financial trading during the pandemic. The quick summary is their investments were not all sitting in cash!

- Stock and bond returns do not perfectly align with business cycles. Even if we knew the exact start and stop of business cycles, investment results are not guaranteed. For that reason, timing the exact moments to invest has proven to be difficult and not recommended.

**Moving Forward**

Every day is filled with new challenges and new opportunities. Investing, at its core, implies that the future will be better, and we will overcome the challenges ahead. If it was not, there would be little reason to invest.

Your MG team is fortunate that we get to visit and hear your stories throughout the year. Yes, there are some challenges at times, but there is also good news happening all the time: People beginning to start traveling again (cars, airplanes, and RVs!). Children getting married. Grandchildren being born. Individuals and couples reaching financial independence. Businesses being bought and sold. Charitable successes.

Hearing your stories is a positive for everyone. Although the specific stories are not shared, we are able to use those experiences to help the next client get where they want to go. Thank you for your continued trust and we stand ready to help you through your "squiggling line"!