

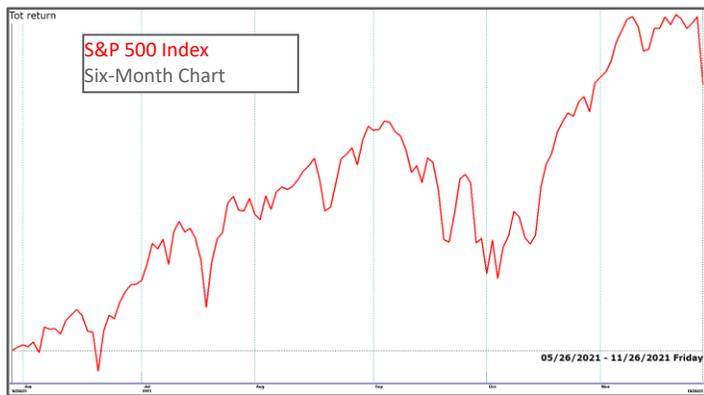


RGB Perspectives

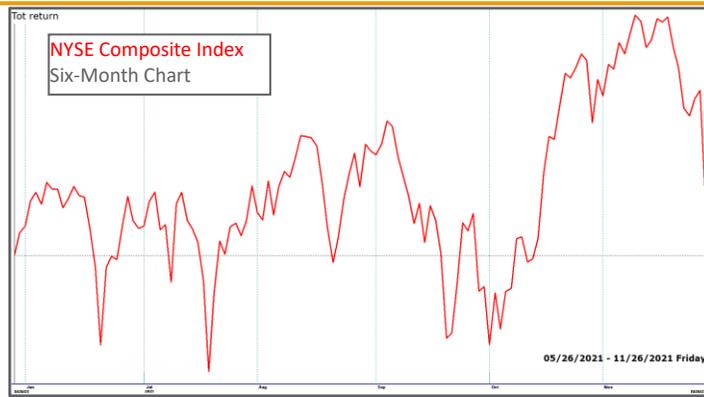
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The **S&P 500 Index** was near an all-time high on Wednesday before falling -2.3% on Friday as news of a new COVID variant was discovered in South Africa and investors feared this would lead to an increase in government restrictions and a decrease in overall economic activity.



Other indices, such as the **NYSE Composite Index**, were already in short-term declines. The index fell -2.4% on Friday and is approximately -4% below its all-time high.



Junk bonds have been indicating an increased level of uncertainty for the last several months as they have traded in a sideways trading range while much of the stock market continued to climb higher. The **BAML High-Yield Master II Index** fell below the bottom of that trading range prior to Friday's plunge and is now 2% below its recent peak. This recent decline is an indication that risk is above normal.

The sell off on Friday appeared to be a result of traders “selling first and asking questions later”. It will likely take some time to ascertain the true impact of the new, Omicron variant. While the variant appears to be highly transmittable, the hospitalization and death rates, as well as the efficacy of the current vaccines, is still unknown.

I reduced the risk exposure of the RGB Core and Balanced strategies last week prior to the Friday sell off. The adjustment to the strategies was not based on any knowledge of what would happen but rather making proactive adjustments as perceived risk in the market escalated. I have no way to know how long the downside volatility will last but will continue to adjust the strategies based on what the market is doing.

No adjustments have been made to the Flex+ strategy, which is designed to have higher, day-to-day volatility. Risk management in this strategy is focused on minimizing declines during protracted, recessionary periods. At this time, I do not see the current decline as anything more than a short-term decline within a longer-term uptrend.

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