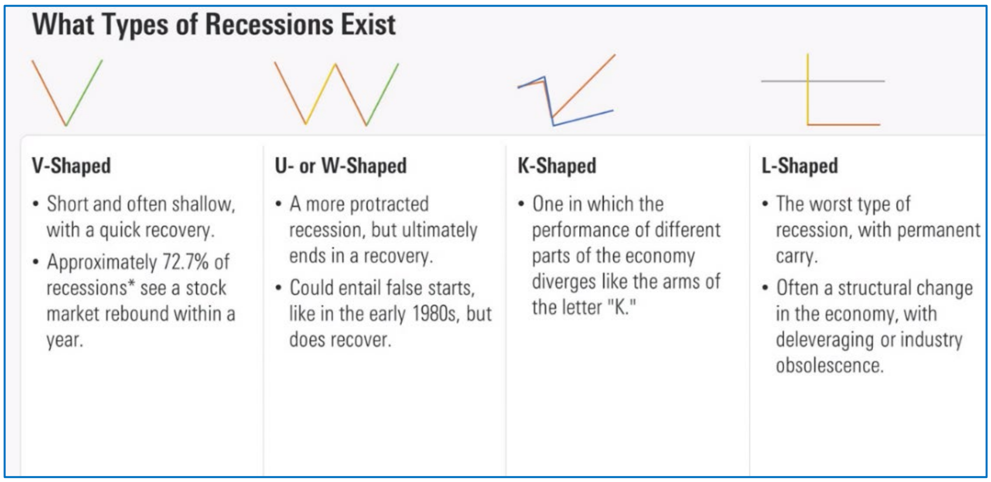
ALTIUS FINANCIAL
EMPOWERED FUTURE REPORT
SHORT-TERM THOUGHTS ABOUT LONG-TERM MATTERS

March 3rd, 2023

The Shape of Things to Come

Most of the financial markets' attention has been focused on the potential recession that economists have been predicting for some time. We're only at the beginning of March and my headline last month about "getting ready for more mixed news" seems to have been spot on with lots of flip-flopping between an ominous pessimism to predictions of a soft landing or even avoiding recession altogether this year. While I often remind our clients of how truly strong the American economy is and how adaptive a free people can be, I'm not sure we've seen the worst of it. Economists often characterize the shape of a recession to convey how long and difficult it might be:



We had very strong consumer spending in January, even when adjusted for inflation and while there are significant layoffs, employment numbers are still quite good. And in the past few weeks, CEOs seem to have changed their tune too, generally reversing their sentiment from recession worries to a more optimistic tone. But that pesky inflation is still not coming down enough and the Fed seems serious about raising interest rates until it does. With higher interest rates and the money supply reversing hard since 2021, and with the yield curve being steeply inverted comes a much greater risk of a hard landing. I don't know how long or what shape the recession will be, but I think it pays to be prudent in such an environment.

As we finally have higher interest rates on short-term fixed income…

Quote of the Day:

"Enlarge the close contracted mind and fill it with thy fire."

– From A Hymn to Humanity, by Phillis Wheatley

WHAT'S NEW

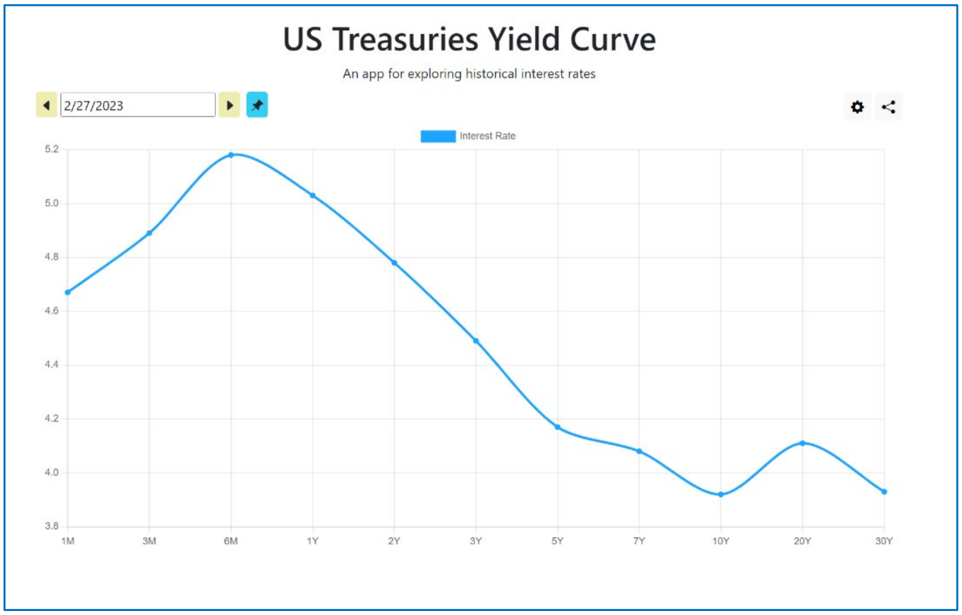
Q1 IN-PERSON WORKSHOP COMING UP

Join us on March 22nd at 4:45pm for drinks and snacks before our workshop starts at 6pm in the ALTIUS Second Floor Conference Room. RSVP to jennifer@altiusfinancial.com!

TAKE A LOOK INSIDE

Happy Almost Spring!

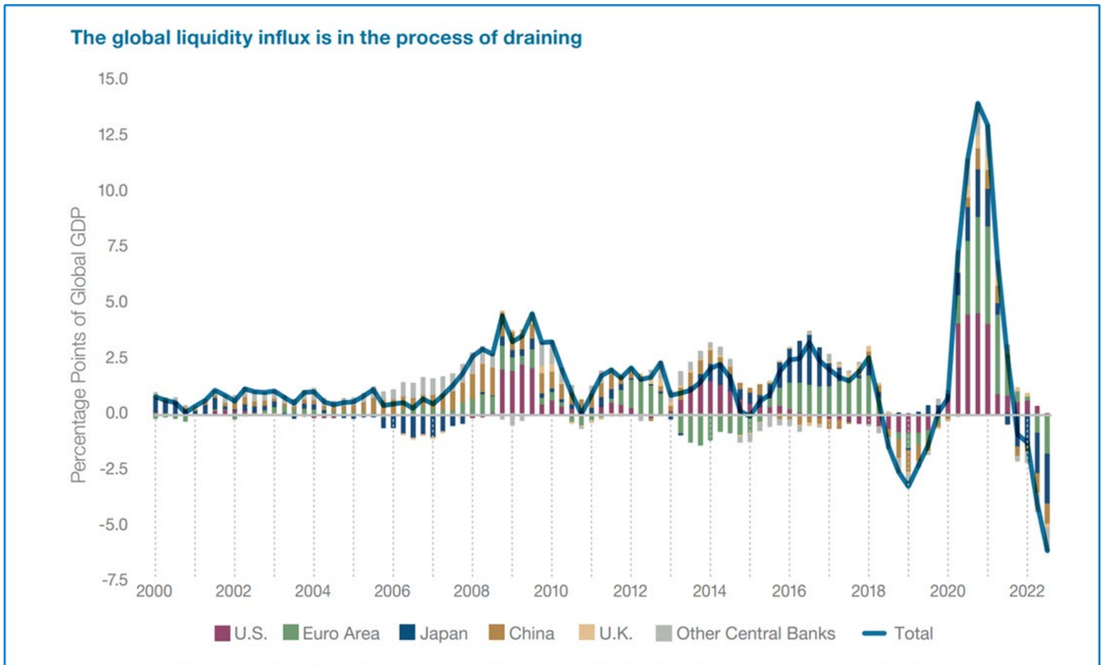
The Shape of Things to Come (continued)



investments, we're seeing long term interest rates on US Treasury bonds yielding quite a bit less than those with short (up to a year) durations. This is what is meant by an "inverted yield curve" since, normally, you'd see higher interest rates on the longer term bonds. Such an inversion usually represents that investors see the trajectory of the U.S. economy coming down.

Another concern is the reversal in liquidity across the globe. Many governments response to the pandemic involved large-scale national debt issuance to fund economic backstops to households (stimulus checks) and businesses (payroll support grants and loan forgiveness). Facilitating this spending, central banks engaged in Quantitative Easing (QE), by which they purchased vast amounts of government debt, creating an excess of liquidity. This imbalance is slowly being corrected through a reduction of the Fed's balance sheet, or Quantitative Tightening (QT). The resulting liquidity drain has already been felt in some areas of the bond market. For 2023, the Fed faces a balancing act: tightening policy to prevent inflation on one hand and preserving proper market functioning on the other.

Lastly, while it seems that some form of geopolitical risk is always sort of hanging in the background, this cycle is different because the reality is that Russia's invasion of Ukraine has tipped many over into an anti-globalist view and the implications for inflation, energy volatility and "reshoring" of supply chains means that growth will be much harder to come by.



Sources: New York Life Investments Multi-Asset Solutions, Macrobond, Central Banks of the U.S., United Kingdom, Euro Area, Japan, China; International Monetary Fund, November 2022. Observations within 2022 are based on International Monetary Fund World Economic Outlook estimates of global GDP.

America Saves Week

We don't usually get too excited about the various "national" days or weeks of the year. Did you know February alone has National Dark Chocolate Day and National Pride in Food Service Week and National Library Lovers Month?

So, what's America Saves Week why should you care? The Consumer Federation of America established the last week of each February as a week to encourage Americans to revisit and revamp their savings strategy. This year the theme of America Saves week is: A Financially Confident You. Each day focuses on a savings opportunity to build upon: Monday is saving automatically, Tuesday is saving for the unexpected, Wednesday is saving for major milestones, Thursday is paying down debt as saving, and Friday is saving at any age.

What does this all mean for our readers and clients? Now is a great time to check in on your savings strategy. Are you already doing a great job saving, but want to discuss how to adjust your savings for better tax benefits? Maybe you have a new goal you'd like to work towards and want to create a saving and investment strategy around that goal. Maybe you are focused on paying down debt and want to revisit that strategy. If you're interested in what this whole week is all about tune into our social platforms for daily posts on each of the day's saving topics. For many Americans this week is a call for action to get saving, however, for many of you this is friendly a reminder that you are already on track. Keep on keeping on!

ALTIUS 2022 Survey Results

In January and February, we sent out our annual ALTIUS Client Satisfaction Survey for 2022 and close to 50% of our clients submitted responses. Here are some key takeaways from the results:

- Our average score (for multiple choice) was 4.55 / 5
- 85% of responses said they are referring ALTIUS
- Areas our clients want the most help in 2023:
    - ALTIUS' Strategy & more investment education
    - Retirement transitions & preparations
    - Staying ahead of inflation
    - RMDs/Tax implications
    - Budgeting & paying down loans
    - More frequent check-ins

Thank you to those who filled out our survey - we appreciate the feedback and are focusing on meeting your needs in 2023! If you missed the survey, but still have feedback for us, please reach out. We'd love to hear your thoughts and answer any questions you have.

2023 ALTIUS Events

Quarter 1

March 22nd –

Q1 Workshop (In-Person): Capital Markets Outlook & What to Expect in 2023.

Quarter 2

May 10th – Q2 Workshop (Virtual)

Quarter 3

July 19th – Summer Client Appreciation Event

September 27th – Q3 Workshop (In-Person)

Quarter 4

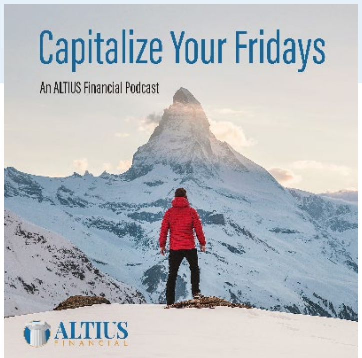
November 8th – Q4 Workshop (Virtual)

December 5th – Holiday Client Appreciation Event

Quick Clarification

A clarification for those of you who saw our regulatory update regarding fees. The regulators consider it material that we changed our fee range from ".5% to 2% per year" to "a maximum of 2% annually" and many thought that meant an increase in fees. This ***did not change our fees to anyone*** and it's a rare and unique case that we charge someone 2%. Most of our clients pay dramatically lower fees than this and the new language allows us to charge even less on large portfolios.

ALTIUS Podcast Highlight



Mortgage Lending with Kim Crea: If you missed this Capitalize Your Fridays episode, you missed a good one! I interviewed Kim Crea, the Senior Vice President of Residential Lending at Draper & Kramer Mortgage. Kim has been helping people with their home financing needs since 2003 and her goal is to make the loan process as easy and smooth as possible. In our discussion, Kim walks through the process of "locking in" interest rates, the typical closing timing in the current market, and answers questions about the current housing market.

Taylor's Take: What's with These Egg Prices?

For those of you who have listened to our podcast episodes you may be aware that I am intending to start a small backyard flock this spring. Now you're probably wondering what came first, the chick (order) or these egg prices? Answer: Chick order. I have considered over the last few years as part of expanding my culinary hobbies to add chickens for fresh backyard eggs and a small garden. In California I enjoyed my porch garden, but with a whole back yard in Texas I plan to expand to a handful of garden beds and a small flock of chicks.

So what's up with these prices? And do I advise chickens will make cost effective kitchens? The initial egg pricing (and chicken meat pricing might I add) issue started last year when the avian influenza began taking out flocks left and right. Part of the US FDA regulations requires any flock with one infected bird to irradicate the entire flock. For egg and meat farms this quickly meant killing off millions of birds and starting fresh. Basic economics would suggest that with lower supply we will see an increase in price. In addition to the spreading health concerns, inflation began hitting the bottom line for these businesses. Everything from increased grain prices to increased labor costs have built up the underlying cost for eggs. To make matters worse (depending on who you ask) Colorado passed a law restricting the sale of eggs to only cage free birds. For animal lovers this is a win; for the pocketbook- not so much. The increased overhead cost to safely raise chickens and distribute eggs has quickly passed onto the consumer and, depending on where you live, you may see eggs sold for upwards of $10 per dozen.

With the increasing prices we may have clients calling me for tips on where and how to order chicks, but I would go with caution. Like any furry family member, chicks come with their own set of needs. I'd advise checking out our Furry Family Member podcast episode if you're considering adding any pets to your household. Please also keep in mind that buying chicks comes with the responsibility of raising them to maturity (often 6-8mos) before they begin laying eggs. For those of you seriously considering chickens I would check your neighborhood regulations, your city ordinance, your backyard, and your family to determine if chickens are for you.

Podcast Recommendation – The Human Flourishing Project

Of course, we want you listening to, liking, sharing and giving feedback on our very own Capitalize Your Fridays! Podcast where Mike and Taylor regularly take on various investing, economic and cultural topics. Recent episodes include discussions around all the layoffs going on, an expert guest on mortgages and home financing, a lesson on what is meant by "market cap" and more.

But here's another great podcast for those interested in the continual quest for knowledge and self-improvement. Alex Epstein's Human Flourishing Project has 99 episodes full of actionable advice on topics ranging from "How Not to be Tired" to "6 Kinds of Focus" and "The Wisdom of Cal Newport". He's a very clear thinker and comes at each topic with a fresh perspective. Even if you don't agree with his answers on how to flourish, we're betting you'll enjoy how he thinks through the topic.

Happy Almost Spring!

I have never heard the phrase "I'm done with winter" more often than I have this 2022/23 season. It's been a particularly cold and snowy one here in Denver and we all say/believe "good thing we'll have more moisture this year" given how dry it is in the high desert of the region, but everyone I know is itching to hear the birds singing and see the flowers blooming. I, for one, don't want to rush things and hope to get up and ski a couple more times, given the epic snow that our resorts have received. Just as in investing, the weather will change and get better. Lion or Lamb, I'm resolved to enjoy the month of March and hope you are too.

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