During the first quarter of 2016 a confluence of investor fears moved to the forefront and drove the major stock indexes into correction territory. Concerns surrounding slowing growth in the U.S. and abroad, plunging oil prices, increasing illiquidity in the fixed income markets, and looming Fed rate hikes conspired to unnerve investors through mid-February. Then as quickly as the decline started, the global markets reversed course. Most global indexes rallied through late-February and into March as better than expected economic data began to allay investor fears. This was followed by the release of the January FOMC meeting minutes, which bolstered investor sentiment. The minutes provided dovish comments including a reduction in their anticipated rate increases from four to only two during 2016. These comments kept the dollar relatively flat providing support for commodities including oil. By quarter end, most major equity market indexes were well above the mid-February lows and near levels where they started the year.

The term "volatility" has become standard investment industry jargon. You seemingly cannot read an article about the stock market or listen to an interview on *CNBC* without hearing the term. Yet as its use has steadily increased, it appears as if its meaning has eroded. The period of quantitative easing in the U.S. from 2009 through late 2014 marked a phase of unusually low volatility where the general trend of stock charts was "up and to the right." This period of relative investment market calm lulled many investors into a false sense of security. What for years had been an environment of generally steady markets was jolted by the worst S&P 500 performance to start a year in decades.

As this was unfolding, Wall Street pundits went from forecasting significant gains for the S&P 500 index in 2016 to predicting ongoing losses, including a few forecasters calling for a return to the 2009 low below 700! Some investors, both institutional and retail, panicked and their minds immediately flashed back to 2008-2009 Great Financial Crisis. This temporary panic may have been made worse by financial advisors and investment consultants fueling the fire of their clients' concerns. These advisors fell victim to the uncertainty and encouraged their clients to make drastic changes in their asset allocation possibly exiting stocks near the bottom of the decline rather than providing reassurance in the form of a steady, rational, and long-term approach based on market analysis. This sudden move in the market and the simultaneous shift in investor sentiment is our definition of "volatility."

As we noted in our last quarterly commentary, we anticipated a "noticeable increase in volatility given a shift away from the Fed's easy money policies." While the uncertainty in the market arrived earlier than we may have expected, it didn't catch us unaware. Admittedly, had we known the exact timing we would have preferred to trim some of our equity exposure prior to the declines. However, we were comfortable strategically reducing equities as the markets fell and fundamentals appeared to be deteriorating. Our loss mitigation strategy, to trim risk positions into declining markets, is reserved for periods during which markets appear to be facing extraordinary events. While this may result in small losses being realized in the near term, we believe this prevents our clients from falling into an all-or-nothing market timing mindset, which can ultimately lead to realizing meaningful losses during prolonged declines or potentially missing out on profitable rallies once markets have bottomed. Our recent approach was to move our clients to a more neutral position. It is our belief that this may allow an investor to be more opportunistic and potentially capitalize on market disruptions that may unfold during the next few quarters, while providing adequate exposure to any ensuing rally. We continue to believe that the balance of 2016 will be marked with uncertainty and therefore have our clients' portfolios positioned accordingly.