MASON FINANCIAL SERVICES
REGISTERED INVESTMENT ADVISOR

QUARTERLY UPDATE

"No man is rich enough to buy back his past"

-Oscar Wilde

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I'm getting déjà vu when I want to start by saying what strange times we live in. Just when things seem like they couldn't get any stranger, they get stranger! The economy and the markets are even stranger than life.

I have received a few calls asking if we should make any changes considering everything going on. Last year, I restructured most portfolios to be defensive while remaining invested. I anticipate a few changes will be needed in the months to come.

Inflation is still my biggest concern by far. The Fed balance sheet has grown by 1,000% over the last 15 years. The money supply grew by 4 trillion just last year and it appears they aren't done yet. What this means in plain English is the government has been printing money at a furious pace, far above anything that has ever been done before. Econ 101 says expanding the money supply at a pace faster than GDP will lead to inflation. We haven't seen it yet, but I don't see how it can stay low forever. The changes I made last year were made with inflation in mind, but I may not have gone far enough. A lot has happened.

So, how do we protect our investments in an inflationary environment? First, we limit risk with bonds. Bond prices take a beating when interest rates go up. Second, we stay invested in stock. Companies can generally weather inflation by raising prices. And finally, we choose some specific investments known to do well with inflation. The one I have been using for two years now is Treasury Inflation-Protected Securities (TIPS). These are US Government Bonds that come with a special inflation protection feature. I may also consider gold during the next rebalance. I have never been a big fan of gold as it doesn't have earnings or interest payments. But during the hyper inflation of the 1970s, gold prices increased 1,000%. It is hard to argue with that.