

Pathstone Updates Portfolio Positioning

March 20, 2020



Good Afternoon,

First and foremost, we hope that all of you are healthy and safe. All of us here at Pathstone are hard at work, fully connected, and completely engaged to our constant review of circumstances and client care.

Paramount to our activities this week were the meetings of our Chief Investment Office, Strategy Committee, and then culminating with the meeting yesterday of our complete Investment Committee. We are extremely proud of the detailed and thoughtful work our teams are providing, and we are pleased with the actionable analysis that allows us to stay true to our mandate to always be “Smart in a way that Matters.”



Empowered by the proprietary data made possible by our Stress Tests, Capital Market Assumptions, and Pathstone Data Dashboards, our Investment Committee voted yesterday to proactively adjust our growth allocations directionally back towards our Long Term Strategic models. As many of you will recall from our published Tactical Memos shared over prior quarters, Pathstone felt at the beginning of 2020 that the risk-adjusted returns provided by growth assets were adversely tilted towards an unfavorable risk/reward ratio. As such, we began 2020 tactically underweight to Growth Assets. As the environment and circumstances regarding COVID-19 and the increasing likelihood of economic distress became clearer, we purposely chose against rebalancing into Growth Assets as markets contracted, and therefore allowed the Stability overweight we had in place to increase as it outperformed. We tactically raised cash earlier this month from our bond accounts when the US Ten Year bond yield traded below 75bps as we sought to lock in gains and prepare ourselves for upcoming opportunities to re-engage Growth Assets.

Now that we believe markets have materially “priced in” our Stress Test’s representation of the economic disruption and our proprietary Capital Markets Assumptions now support a forward projection of market returns that are far more favorable, we have approved a portfolio rebalance to restore half of our strategic underweight to Growth Assets. We will accomplish this by adding to growth from the opportunistic cash raised earlier, which still leaves us additional room to further increase growth allocations should markets trend lower.

Our Operations teams have been hard at work, ensuring that executions can take place quickly and effectively in light of just how volatile markets continue to be. Your advisor teams have been empowered with the tools and data to ensure that each unique client portfolio can be appropriately modified while respecting each Client’s distinct needs relative to risk, liquidity, return profile, etc.

We are incredibly grateful to all of you for your trust and faith in us. And we are equally proud of our people and processes that have continued to perform at even these unpredictable and volatile times. All of us at Pathstone stand ready to help address any questions or concerns you may have on any front.

Please don’t hesitate to reach out to any of us at any time. And most importantly, stay well!

Your Pathstone Team

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