

In response to Wednesday's market drop, below is a note to investors from Chadd Mason, Cabana CEO and Co-Founder.

Dear Investors,

I believe it is important to touch base with you today regarding the selloff we are currently seeing in stock and bond markets. In our weekly commentary on Monday I pointed out that conditions felt eerily similar to those experienced in February - when interest rates jumped dramatically in response to our Federal Reserve beginning to raise rates after a decade of accommodative monetary policy, coupled with prospect of sustained economic growth causing inflation. Click [here](#) to read Monday's commentary in full. Those factors led to a swift and painful correction of more than 10% in our markets, erasing all the January gains and then some. Well, my feelings are proving correct and these same factors (rapidly rising interest rates and a continued hawkish position by the Federal Reserve) are causing another rapid and steep selloff. The Nasdaq is down nearly 8% in a matter of days. Industrial stocks are not far behind. As I pointed out in February and again Monday, the impetus for all this volatility is demand side growth rather than the selloff being the result of a credit crisis or failure in earnings. Thus, this is not 2008 by any stretch (at least in the United States). What does concern me is that while U.S. markets quickly recovered from the February correction and investors stepped back in, international markets have not recovered. In fact, almost all international equity and bond markets are down double digits for the year. I have commented on this disparity between the United States and the rest of the world numerous times over the past month. I did so again on Monday. We can't be the only economy moving forward while everyone else is moving in the opposite direction. The trade war with China, coupled with overwhelming strength in the U.S. dollar, puts pressure on international markets - and emerging markets in particular.

We are monitoring this situation closely and, absent an unusually strong bounce over the next two days, our algorithm will reallocate to defensive positions to protect against further losses should this decline worsen. We will remain disciplined and faithful to our primary goal of striving to avoid losses and stay within the target drawdown of each of our portfolios. There will be plenty of opportunity to invest when the skies clear. Should anyone have questions or concerns, please reach out to our team.

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