Cobblestone Investment Update

April 11, 2018

The Return of Volatility. A consistent theme of our communications to clients since the days immediately following the 2016 Presidential election has been the startling lack of volatility. From November 2016 through January 2018, a surreal and abnormal calm settled over the market. Stronger than expected economic data, broad-based optimism, and robust corporate earnings pushed stock prices consistently higher, while any signs of softness were generally ignored. The S&P 500 posted a record 15 consecutive months of positive returns and went over 300 days without so much as a 3% pullback.

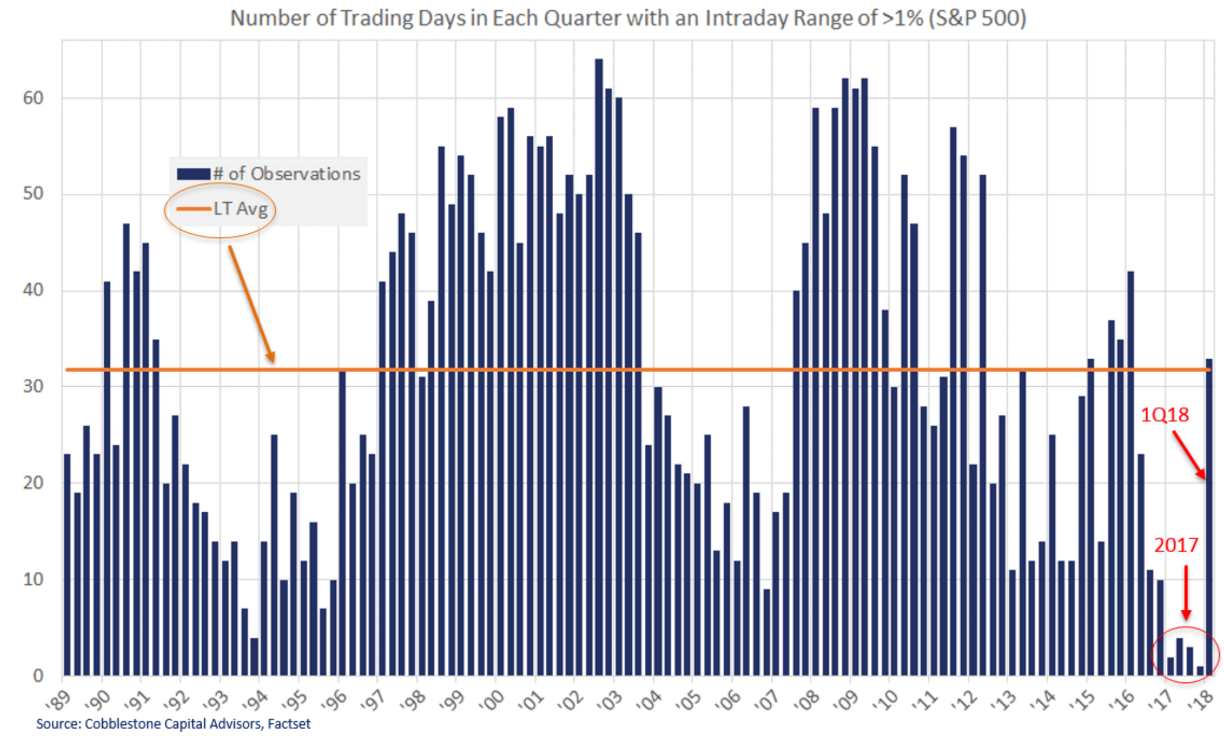
Although enjoyable, unsurprisingly, it didn't last. In our first quarter *Cobblestone Advisor*, published on January 23, 2018, we advised that the "recent lack of volatility seems to be increasingly unsustainable." Though the timing of the statement owed a fair amount to luck—in truth we had been expressing similarly cautious statements for a while prior to that point—the markets did indeed top out very shortly thereafter. Since closing at an all-time high on January 26th, the stock market has been on a relative roller coaster ride, plunging almost 12% in just two weeks before mounting a couple of failed rallies and generally just gyrating around wildly for a couple of months.

Some Perspective. We will have more thoughts on this topic in our forthcoming *Cobblestone Advisor*, including the possible causes of the surge in volatility (spoiler alert: spiking interest rates and talk of tariffs don't help) and what to do about it (primarily, remaining vigilant about confirming that your asset mix remains appropriate). In the meantime, we want to assure you that we understand that this dramatic return of volatility, while perhaps not entirely unexpected, can still be quite unsettling for investors. And having acknowledged that, hopefully the following perspective proves useful.

First, through yesterday, the broad U.S. stock market is down less than -1% for calendar year 2018 and remains up over +20% since the beginning of 2016. Were it not for the incredibly strong start to 2018, investors would likely be less unsettled about recent market returns.

Second, while the recent volatility may feel extreme relative to the preceding quarters, it is actually a lot closer to the historical average experience. This is illustrated by the chart on the reverse side, which measures the number of days per quarter in which the S&P 500 moved greater than 1% in either direction. At least by this measure, recent market movements are a lot closer to normal than those of previous quarters.

As always, please call with concerns or questions. We believe it is in times of uncertainty that conversations with clients are the most valuable.



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