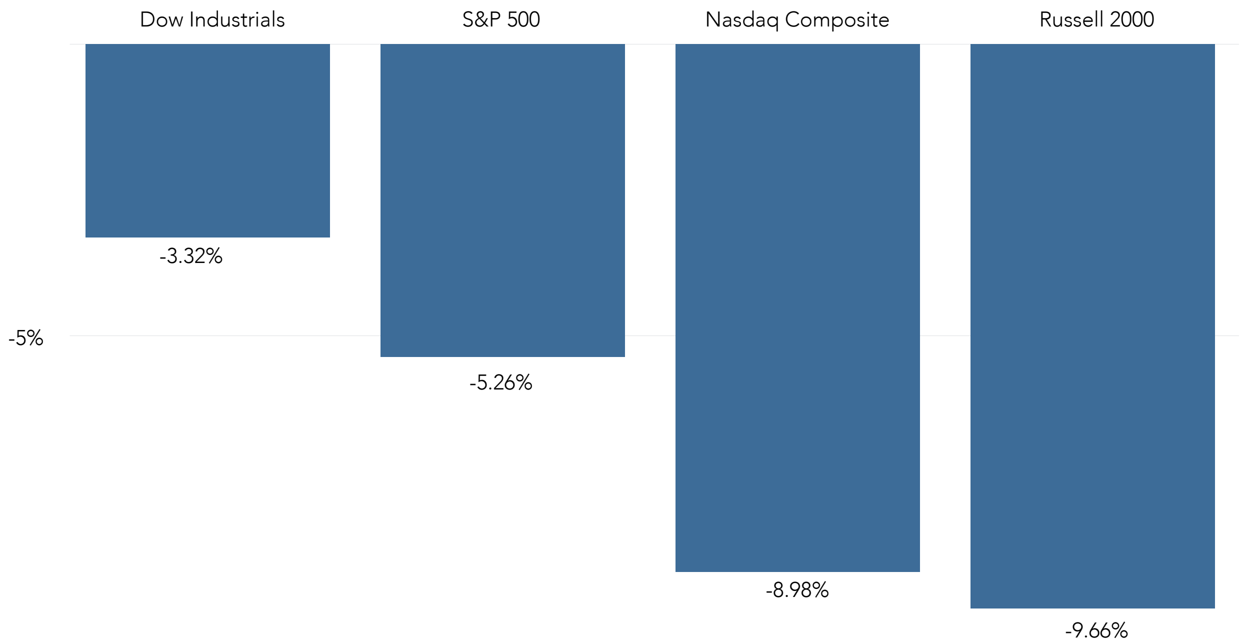
MARKET VOLATILITY:

HOW ALTERNATIVE INVESTMENTS MAY HELP LOWER THE COST OF INVESTING

For many investors, the recent market volatility has been the cause of a rough start to 2022. The Dow, S&P 500, Nasdaq Composite and Russell 2000 indices all finished the first month of the year down, with the S&P 500 hit particularly hard. It dropped 5.3% in January, the biggest drop since the pandemic officially began in March 2020.[1]

January 2022 Performance of Major Indexes[2]



The Dow Jones Industrial Average is a basket of stocks representing the 30 biggest publicly owned companies in the U.S. S&P 500 Index widely regarded as the best single gauge of the U.S. equities market, this index includes a representative sample of 500 leading companies in leading industries of the U.S. economy. Although the S&P 500 focuses on the large-cap segment of the market, with over 80% coverage of U.S. equities, it is also an ideal proxy for the total market. The NASDAQ Composite Index measures all NASDAQ domestic and international based common type stocks listed on The Nasdaq Stock Market. It is a broad based Index and is calculated under a market capitalization weighted methodology index. Russell 2000® Index measures the performance of the 2,000 smallest companies in the Russell 3000 Index, which represents approximately 8% of the total market capitalization of the Russell 3000 Index. Investors cannot directly invest in an Index. Past performance is not indicative of future results.

1. Krauskopf, Lewis. "Turbulent January Could Bode Poorly for Rest of Year for U.S. Stocks." Reuters. January 31, 2022. https://www.reuters.com/business/finance/turbulent-january-could-bode-poorly-rest-year-us-stocks-2022-02-01/
2. Refinitiv

THE CAUSES OF TODAY'S MARKET VOLATILITY

Volatility is often driven by changes in demand and earnings expectations. Many factors have contributed to the current market volatility, including:

- **Persistent inflation**
- **Possible Federal Reserve rate hikes**
- **Supply chain disruptions**
- **New COVID-19 variants**
- **Conflict in Ukraine**

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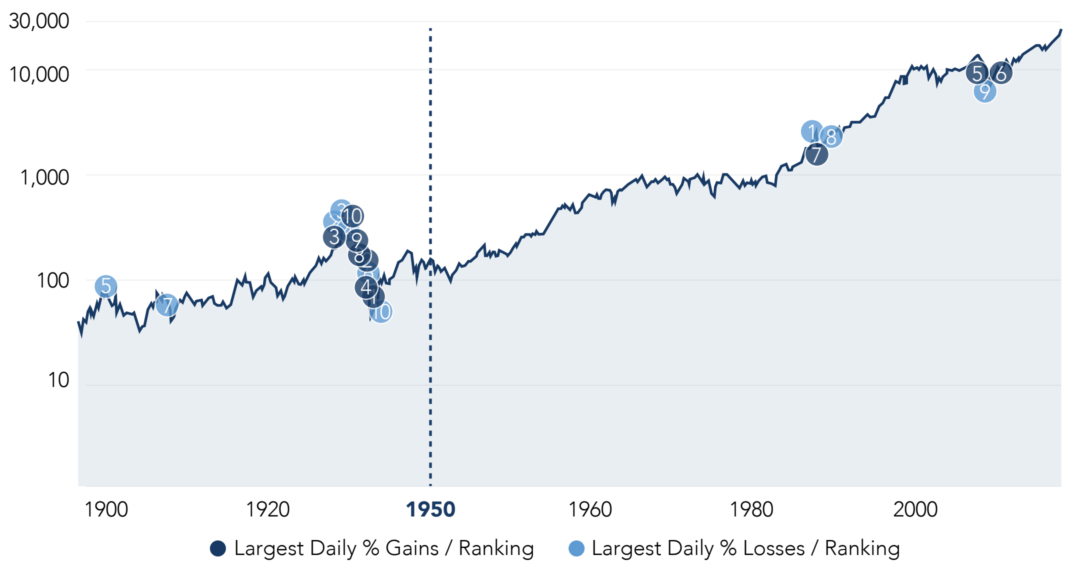
VOLATILITY IS NOT NEW

While even the most seasoned investor may become concerned in volatile times, it's important to remember that volatility is a historical phenomenon. In fact, many of the largest swings occurred before 1940.

Dow Jones Industrial Average[3]



14 of the 20 biggest swings occurred before 1940.

Despite these massive swings, patient investors that have endured them and remained fully invested, ended up seeing **POSITIVE RETURNS WITHIN THEIR PORTFOLIOS.**

All investing is subject to risk, including the possible loss of the money you invest. It is not possible to invest directly in an index. Past performance is not indicative of future results.

3. The Dow Jones Industrial Average (DJIA) is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange (NYSE) and the Nasdaq.

DIVERSIFICATION MAY HELP

Having a well-diversified portfolio may support investors as they attempt to navigate the storms of volatility. It is during these times that many investors turn to alternative investments. Alternatives may be attractive during market volatility because of:

LOW CORRELATION

With low correlation to traditional asset classes, alternatives may be a beneficial way to diversify your portfolio.

RETURNS

Alternatives provide a wide range of opportunities, which may result in a greater total return potential.

INCOME

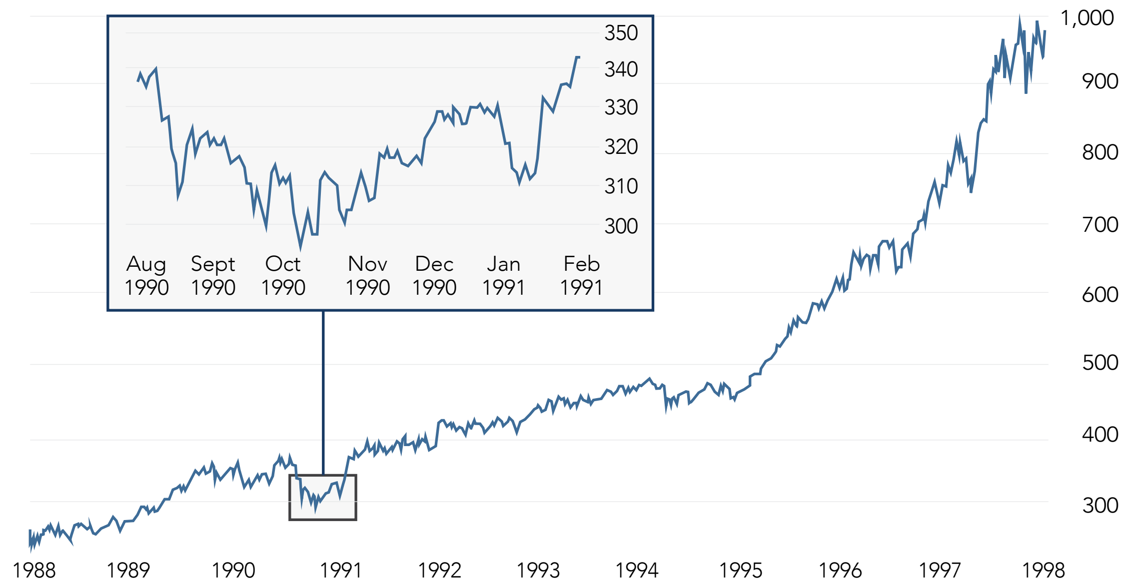
Alternative assets may garner higher income than traditional investments.

SHORT-TERM VOLATILITY DISAPPEARS IN THE LONG RUN

While it may cause fear for many individuals, volatility is nothing new in the world of investing, and, in the long run, can be microscopic in comparison to the overall long-term trend.

S&P 500[4]

From August 1990 through February 1991, daily volatility was rampant, and investors were uncertain.



In a 10-year span, daily or weekly swings **are barely noticeable.**

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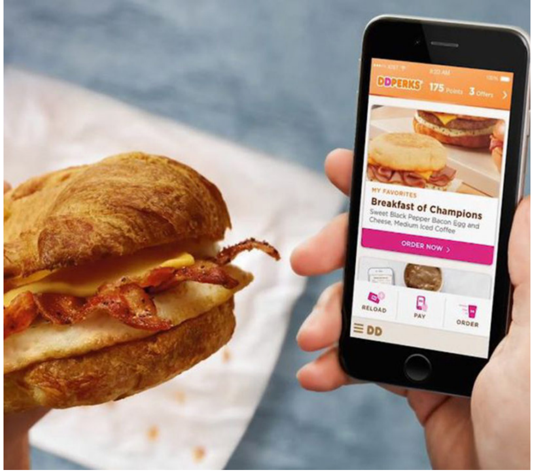
4. https://www.visualcapitalist.com/5-lessons-about-volatility-to-learn-from-the-history-of-markets



QUICK SERVICE RESTAURANTS: **A PRIVATE EQUITY STRATEGY**

Quick service restaurants (QSRs) may fit well into an investor's private equity bucket and have many traits which may appeal to an individual looking for diversification during a down market.

Some of these traits include:

1 RESILIENCY

With their low correlation, many QSRs actually thrived during the pandemic.[5]

2 DURABLE COMPETITIVE ADVANTAGES

QSRs can function with a smaller workforce, are e-commerce resistant, and have the ability to absorb increased costs.

3 ABILITY TO GENERATE CASH FLOW

During times of inflation, many families turn to QSRs for fast, affordable food, helping to contribute to stable cash flows.

Volatility may be seen as the cost one must pay for investing, but this cost, however, can be lowered by building a well-diversified portfolio. Alternative investments, such as private equity and quick service restaurants, offer many potential benefits which may help investors as they seek to minimize the effects of market volatility and improve their investment portfolios' performance.

Diversification does not ensure a profit or protect against a loss.

5. While past performance is never predicative of future results, QSRs have historically performed well in volatile markets as a low-correlated asset. Despite market fluctuations, consumers often turn to fast food as a reliable food source. Today, with more investors questioning the performance of the traditional 60/40 model and seeking out more low-correlated investment options, QSRs may provide a return enhancement option for any diversified endowment model portfolio.

34232 Pacific Coast Highway, Suite B, Dana Point, CA 92629 | www.TritonPacificSecurities.com
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