ACCOMPANY

WEALTH PARTNERS

April 11, 2025

Hello Everyone!

I hope this note finds you all doing well now that tax time is over! Between that and the tariff issues, it has certainly been busier than usual. Not complaining, mind you. As most of you know who read these notes, I have been expecting a downturn for quite some time, but the severity of the stock market's response to Trump's tariff announcements was quite a surprise. I am always hesitant to think that after 35 years in the industry of financial services, I have seen it all in the financial world. The past few weeks have only reinforced this view- the trials and tribulations are seemingly endless!

While it is certainly a bit too early to make a full year determination on 2025, I thought I would bring back this list from my February [2025] note to speculate…

- 2017 – I'm a genius!
- 2018 – I'm an idiot
- 2019 – I'm a genius again!
- 2020 – I'm an idiot…no wait I'm a genius!
- 2021 – I'm a golden god
- 2022 – I'm done for
- 2023 – I'm back!
- 2024 – I'm the world's smartest investor!
- 2025 – TBD

To Be Determined seems about right so far in 2025!

And while I may have anticipated a downturn of some sort, the shock of having it start with the tariff announcement from the new President is something that is impossible to anticipate and difficult to comprehend. It has only been three weeks since the tariff announcement on April 2, and we have no more clarity from the administration beyond the 90-day implementation delay, which itself seems as clear as mud. So, let's break this down a little further to put things in perspective. Here are what I see as the components of the current situation:

Extreme Uncertainty

The level of uncertainty is significantly high. This is true for consumers, investors, and companies themselves; we simply have no idea how the administration and our country's hundreds of trading partners will proceed. This is not a small matter and could potentially have significant negative impact on companies who depend on solid international relationships, and there are many. A few examples are cell phone or auto manufacturers who may assemble their products domestically but rely on parts from all over the world; consumer goods manufacturers, who now must contend with retaliatory tariffs on the products they sell overseas. These policies are likely reducing their revenues.

<u>Disjointed Administration Messaging</u>

Unclear messaging around trade policies traditionally bring no solace to the financial markets. We should absolutely expect this to continue for the foreseeable future.

Kate and I must pay close attention to all this news, regardless of our personal political beliefs, and seek balanced news sources to gather information on the topics on which we write. Perhaps the President believes bringing good jobs back to old factory towns, and in the process creating more affordability for these folks, will allow a greater number of Americans the ability to stop living from paycheck to paycheck. Time will tell, but in the process, we must assume that the messaging from the White House will continue to create investor stress. Some have called it focusing on Main Street versus Wall Street, and we can only hope this is a commitment to provide more access to the American Dream than has been the experience of many Americans over the last several years.

<u>Anticipated Downturn</u>

I have stated many times that I have no idea how the next day, month, or year will go in the markets, but after two extremely strong years of positive returns it seemed reasonable to expect a pullback of some sort. The odds simply were not there for a third strong year in a row. What makes this one slightly like that of 1999 through 2002 is that much of the gains in the stock market were driven by a small group of technology stocks that in my opinion had gotten extremely overvalued. Regardless of the trigger, it seemed likely that at the very least this group of stocks would lead the way lower, and this was true even before the tariff announcement. The downturn has broadened out since then, bringing down most stocks and sector groups along with technology. In fact, as I write this note, only Consumer Staples and Utilities are reporting positive sector returns so far this year.

<u>Immediate Gratification Society</u>

Last, it has been disappointing to see our society move away from working on long-term success to requiring immediate gratification on just about everything. Much of the investing public seem to have forgotten that markets don’t always go up, that they in fact can go down for an extended period. I would assume this is because our society has glorified the immediate results of virtually everything, as seen on TV and all social media. While it would certainly be welcome for any of us, immediate gratification in the stock market is unrealistic and very well may be contributing to the severity of the downturn, as investors focused on the short term sell out of their positions.

So here is the current market equation as I see it:

Extreme Uncertainty + Disjointed Administrative Messaging + Anticipated Downturn + Instant Gratification Society = Stress in the Markets.

I know I am feeling it, and I suspect many of you are too! Let's review what has been done in advance of this recent volatility and what can we plan to do moving forward. I am thrilled to report that for my clients at or close to retirement I have taken significant protective steps, including:

- Incorporating principal-protected buffered exchange traded funds to lock in gains over the past 12 months.
- Introducing an alternative strategy whose returns are not dependent on the stock market.
- Adding more to my fixed income strategies, using new and innovative securities to lock in returns in the bond market.
- Aggressively raising money over the past 18 months to cover anticipated distributions as the markets went higher.

For all my clients, I spent a significant amount of time and effort rebalancing all my stock market strategies in order to lock in the gains from the outsized returns of the technology sector as well as to make sure they did not represent too large of a percentage of any one portfolio. I did the most aggressive rebalancing of my career earlier this year, and I am pleased that this has helped keep losses to a minimum when compared to the technology sector downturn of just over 20% so far this year.

And for those clients younger (speaking as a 58-year-old) and still in the accumulation mode, I have rebalanced too but have purposely not made defensive moves for you. You have time to recover and should not need money from these portfolios any time soon.

So that is what we have done in advance of this downturn. The question now is what to do going forward, and for that I will go back to my airline pilot/turbulence analogy. The past two calendar years have been smooth but now we have entered a new storm or at least some significant turbulence. As your pilot, I will continue to guide you, using the all the resources available to me along with the wisdom I have gained going through past storms. I cannot tell you how long the storm will last, or how severe it will be; I have already turned on the secure your seatbelt sign by taking some preparatory action.

I remind myself that this too shall pass, my optimism for the future remains buoyed by a reflection of all the difficult things we have been through as a country and as an economy. No reason to think differently this time.

Going back to my younger clients, it may sound counterintuitive, but this market downturn is a special opportunity. While it is not enjoyable to look at your monthly statements for sure, if you are building towards retirement this is a great opportunity to buy into the market at discount prices. So please consider doing what you can to maximize your employer retirement plan contributions as best you can!

I have been aggressively reviewing each of my strategies with an eye towards adding some quality investments that are currently under pressure. There are also many opportunities for bonds and high dividend stocks, as those have been sold off more aggressively than anticipated. There are many that fit the bill, but I will say that the frequent swings up and down make it difficult to make changes while the time is right.

Beyond that, I am willing to sit pretty tight for the time being.   In times like this, when things get intense and emotional, it is important to recognize that doing nothing is a decision itself. And sometimes that is exactly the right thing to do!

Last, I did want to take a moment to ask each of you how you are doing. I suspect and hope that many of you continue to trust the plan we have in place, but if you are feeling concerned, in any way at all, and wish to have a one-on-one conversation with Kate and/or me, please DO NOT hesitate to reach out. One client who is close to retirement had his regularly scheduled strategy meeting with us last week, and the first thing he said is that he hadn't slept in a week. He said he figured that since the meeting had already been scheduled, he could wait until then to share his concerns. I said to him, as I say to all of you, if you have lost sleep for one night please don't make it two, or three, or four. Reach out by phone, email, or text and we will be more than happy to talk things through.

Ok, I will stop there. I thank all of you who made it this far in what is likely my longest note!

Wishing you all a great rest of April, and a wonderful start to May!

With Kind Regards As Always!

Chris and Kate