Thoughts from the Holy City – April 2024

Golf is the closest game to the game we call life. You get bad breaks from good shots; you get good breaks from bad shots - but you have to play the ball where it lies.

~ Robert (Bobby) Tyre Jones, Jr.

I find it fitting to start with the above quote as we are on the eve of one of my favorite weeks of the year; *The Master's*. Having grown up in Georgia and being an avid golfer, it is something that is near and dear to me as I have fond memories of not only attending, but watching as so many people, golfers and non-golfers, tune in. There is something about The Master's that is different from all of the other professional tournaments during the year. There is the nostalgia, the history, and the sacred grounds of Augusta National. The course itself is much different now than it was when the tournament was first played in 1934. It has had undergone many changes throughout its history, and like investment and wealth management, we must adapt to the changing conditions, but should not completely overhaul a portfolio, or a golf course, because a handful of stocks continue to carry the market higher, or a handful of players continue to drive it further.

The third quarter was another blockbuster quarter with March being a month of new records as the S&P 500, DJIA, and NASDAQ continue to hit all time highs and were positive for the fifth straight month. As the quarter concludes, the DJIA is positive 5.03% for the year, the NASDAQ positive 9.03%, and the S&P 500 up 10.16%. International markets as measured by the MSCI EAFE are also up on the year by 4.83%. Meanwhile fixed income has faced some headwinds as it becomes more evident that the Fed may be cutting rates less than originally thought, and the Bloomberg Aggregate bond index is down .79%.

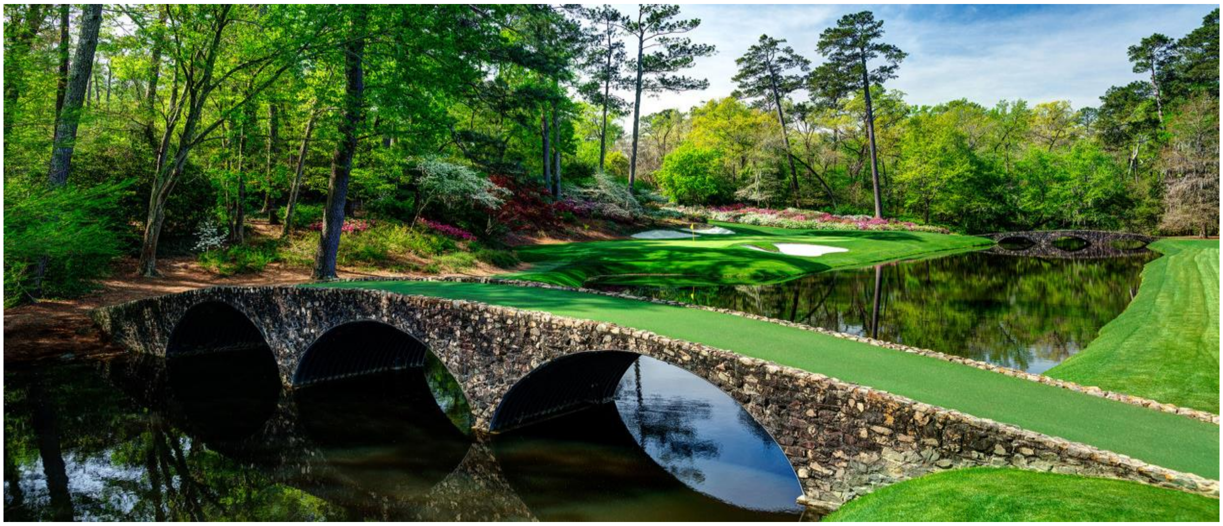
It is times like these that prove to be challenging as an advisor. Many clients and investors wonder why they would not just own the S&P 500 index as many of their portfolios are not getting the return of the S&P 500. Afterall, the S&P 500's market value has grown by more than $9 trillion since October, and the index set 22 record closes in 2024. This is a common misconception during any type of fad in the markets that results in stellar performance for a certain sector, asset class, individual stocks ("magnificent 7"), etc. However, I must remind those that question why we invest and construct portfolios in the way we do that broad diversification is a risk management device. It is important to have a diversified portfolio, especially one that is designed to meet your goals and get you to where you want to go.

See, these were many of the questions that I heard, or at least was hearing until the markets started to pull back and suddenly everyone thinks we are on the brink of a significant correction. That may be the case, and I have absolutely no idea as to whether it is. I do know that chasing returns is a dangerous venture. History is usually a good teacher. Just this century on two different occasions in a ten-year period the S&P 500 has declined by 49% and 57% (Dot com collapse and Global Financial Crisis), and during COVID it dropped by nearly 25%. That is not exactly a ride I personally want to be on. We construct portfolios that are broadly diversified to avoid such gut-wrenching drops.

There are a few things to note as we look to the remaining three quarters of the year. The current equity investing environment is becoming more favorable for active investing. There were four stocks, Nvidia, Meta, Microsoft, and Amazon that accounted for over 50% of the S&P 500's first quarter advance. There are a significant number (almost 23%) of companies in the S&P 500 that are very expensive, leaving the remaining 77% at much more attractive valuations. That simply means the odds of those expensive stocks continuing higher are not great. Thus, it would be more prudent to own more of less expensive stuff and not the expensive stuff. Not surprisingly, we began the year expecting six rate cuts and now expect three to four. The first rate cut was expected in March and now the first rate cut is expected in June at the earliest. Lastly, if history is a teacher, keep this in mind. The 1920's started off with a global pandemic and then a sharp recession. That was followed by a nearly 500% increase in the Dow. The 2020's started with a global pandemic and a severe recession, and the Dow is up 100% from the lows. History may not repeat itself, but it does rhyme…

It is nearly impossible to predict what the markets are going to do in the near term. I, of course, have long term views of the markets and base portfolio construction on those. As Benjamin Graham said, ***"the best way to measure your investing success is not by whether you are beating the market but buy whether you've put in place a financial plan and behavioral discipline that are likely to get you where you want to go."*** We will certainly make changes to portfolios as we see fit and adjust them accordingly to the risk profiles of our clients. Just as they are not going to reconstruct Augusta National to an all par 5 golf course because the winds have changed or the length of the players has gotten longer, we are not going to put all our eggs in one basket.

Enjoy this spring season and if you're a golfer, enjoy a weekend at The Master's



Be Well,

Grier

L. Grier Williford, CFP®, CPWA®

Financial Advisor