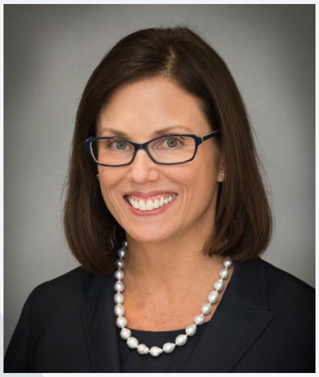

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A Sound Investment Strategy Needs a Long-Term Plan

Riding out a bear market

Investors have a tendency to use emotional terms to describe the market. For example, as markets climbed from their 2009 lows (-49 percent) to their bull market highs (+202 percent), investors described the market's ascent first as cautiously optimistic, then hopeful and, as positive momentum grew, investor sentiment became confident, elated and, at the recent high, euphoric.

In 2018, volatility reasserted itself after several relatively calm years in the markets. Not once but twice over a twelve month period of time, the S&P 500 experienced a correction, declining 10% or more in the span of weeks. The market's decline was chronicled across every media outlet and as a result, created a renewed uneasiness for investors. Emotionally charged conversations could be heard with investors describing the market as confusing and turbulent. They had become nervous, concerned and apprehensive.

In light of the turbulent December we experienced I was reminded of similar periods of investor anxiety, spurred by spikes in volatility and the evergreen advice of maintaining a long-term perspective and staying the course. The message remains timely and warrants recognizing that the markets' path is rarely an uninterrupted, continuous uptrend. At this market juncture, it is imperative that investors of all ages remember that downward movements, which can trigger angst, are part of a normal market cycle. They are the natural corrective process of the market ultimately providing future opportunity.

Wealth management has evolved beyond building a portfolio of stocks and bonds. It has grown to encompass estate planning, tax planning, and financial planning, as well as financial education and empowerment delivered through personalized advice. In working with clients over the past 20 years,

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I have found nothing more central to that process than that human element of being able to listen, validate and address client concerns. The ability to provide sound counsel during uncertain times is vital in the client relationship. Every day, investors are flooded with financial news and information from a variety of sources ranging from the nightly news and social media, to the golf course and soccer field. It is our role as portfolio managers, to remind clients that while we cannot always control the events unfolding around us, we can control how we react to them. We take these times as an opportunity to reassess a client's risk tolerance, reaffirm a long-term perspective, and alert our clients on the dangers of emotionally responding to market events. Clients often ask, "What is your team doing during these volatile times? What changes are you making to my portfolio?" In short, we stay the course. We do not alter our well-thought out, long-term investment plans based on short-term market movements, nor do we recommend exiting entire classes of investments based solely on emotion or daily market activity. Instead, we recommend that investors distance themselves from the daily media blitz. We educate them to the financial dangers of market timing, such as moving to cash when fear gets the best of them.

J.P. Morgan Asset Management provided a compelling example showing how a hypothetical $10,000 stock investment over the past 20-year period (January 1998-December 2017) would have grown to $40,135 by staying invested the entire period. Now, consider the investor who missed just ten of the top performing days during that 20-year period, he or she would have only ended up with $20,030. What if that investor missed 20 of the best days in that period? The resulting portfolio falls to $12,569. In fact, several sources comment historically a majority of the largest net gains have occurred weeks from the largest declines. For example, 11 of the 20 highest single-day point gains have occurred within two weeks of at least one of the index's 20 largest single-day point declines. Meanwhile, 14 of the Dow's top 20 single-day point losses have occurred within two weeks of one of its top 20 biggest single-day gains. A powerful testimony to staying the course!

It is human nature to respond to the way information is presented to us. If the media negatively frames the current market environment, it is difficult to see past the negativity and recognize the opportunities a repriced market may present. It is through continued communication with clients that we hope to overcome the negative emotional obstacles and refocus client energies on the long-term positive possibilities.

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