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From the TFA Investment Committee 3/11/25:

Market Commentary: Recent Market Volatility

Suffering through market corrections is painful, even if you expect them. And we do expect them, periodically. In fact, the S&P 500 has experienced an average annual intra-year peak-to-trough correction of -14% each year since 1980 yet has recovered and produced average annual returns of +10% in 75% of those years. This year, the S&P's peak was +4.5% in mid-February. Through Monday's market downturn, the index was -4.5% YTD, a peak-to-trough drop of 9%. Even though this movement is well within average historical market ranges, investor emotions are frayed.

The market is very fluid and likely to continue to be unsettled. Regardless of any single activity, some of the reasons for recent volatility are:

- Headline rhetoric on tariffs, along with their uncertain endgame, has shaken the markets and investor psyche
- Companies pulling forward imports ahead of tariffs have propelled the US trade deficit to a record high of $131 billion in January
- Economic policy uncertainty is at its highest level since the pandemic
- Stubbornly high inflation and elevated company valuations have been weighing on equity returns
- Global macro tensions (Canada/Mexico, Ukraine/Russia, Mideast-Gaza, etc.) persist
- Market indecision on future Fed rate moves continues

Given all this noise, our Investment Committee continues to emphasize these economic and financial characteristics:

- The US economy will experience a near-term slowdown followed by more moderate growth going forward, as interest rates and inflation remain elevated. After two consecutive robust equity market years, this slower growth outlook is disappointing to perpetual market bulls
- Diversification continues to be a risk-reducing tenet of our portfolios. Proactive allocation moves by the Investment Committee, not reactive measures, have positioned accounts to weather these market declines and provide sound risk controls and lower cost exposures
- Numerous company valuations are now trending in the right direction from historical valuation levels
- Our emphasis on owning companies with fortress balance sheets, free cash flow generation, strong competitive advantages and sustainable earnings will continue to benefit client portfolios through all manner of market cycles
- Market noise never goes away completely, but it does inevitably subside
- Time in the Market, not Timing the Market, is the proven way to compound wealth

Please remember, our wealth advisors and investment committee members are always available to discuss these and other topics with you. Please do not hesitate to lean on this experienced team to help educate and advise you and your family as we navigate these market storms thoughtfully and cautiously.