SPECIAL CLIENT LETTER 2

 Austin L. Peterson, CFP®, CLU®,MBA | March 18, 2020

We have no doubt that over the past few weeks you have felt a range of emotions with the volatility of the current market. We truly understand and want you to know that we are here for you and together we will weather this storm. In times of uncertainty, it can be hard to stay the course. It's the unknown of today's environment that leads most to rumor and conjecture; but not us.

With knowledge and information in your back pocket, you can have the optimism to face the future with confidence. Let's start with the facts.

Putting markets in perspective.

- Bear markets occur roughly every six years. They are not uncommon, but our perspective has been skewed after nearly 11 years since the financial crisis. During that elongated period, the S&P 500 had a nearly 530% cumulative total return.[1]
- Historically, the average number of days from market peak to entering bear market territory (-20%) was 256 days. This market turn occurred in just 21 days. To put in perspective, the financial crisis took 274 days to reach this trough and culminated after 17 months in March of 2009.[2]
- Over the past 60 years we have experienced six bear markets. They have an average length of 15 months, and recovery tends to take two years.[3]

Diversification can work.

- It is rare that investors are exposed to any single index or asset class. In comparison to market losses, a balanced and well-diversified portfolio is typically down less than the market.
- As is the case in many bear markets, diversification can act as a ballast to mitigate equity risks. During the financial crisis, a balanced (50% stocks/50% fixed income) portfolio helped to moderate losses by 22%. In addition, recovery from those losses occurred almost two years earlier than if you otherwise would have been fully exposed to the market.[4]
- What hasn't worked?
    - Traditional forms of "risk off" strategies such as gold, alternatives, and hedge funds, as well as less-traditional Cryptocurrency, have also experienced losses.
    - Trying to time the market. Between January 3, 2000 and December 31, 2019, six of the best 10 days occurred within two weeks of the worst 10

days. Recently, we have seen market swings of significance day after day in both directions. Earlier this month we saw the fifth most-significant percentage drop in the S&P 500 – nearly 10%. The very next day the tenth largest gain of all time occurred – of 9.4%. Participation in markets is key, irrespective of daily outcomes. [5]

What does this mean for you?

During times of extreme uncertainty, it is tempting to listen to those with extreme positions and shrill voices. Our commitment is instead to use prudence and mathematical principles to help build your future. Our response to this crisis is not to shrink away and hope for the best. Instead, we will confront these challenges with discipline and strength. This, we believe, is the only way back.

We will be here, whatever comes next, to help with your goals. Our advice is crafted to last decades, not days. That is our commitment to you.

Sincerely,

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