

Perspective and Mindset

March 20, 2020

Dear Valued Clients,

It's sometimes hard to wrap our heads around how much has transpired in the last month. In times of trouble, many of us are programmed to seek answers and jump into action, only to be told the best course is to shelter in place as we wait for more information. **As we attempt to look through this period of time to the other side, it is important to remember the strategy in place.** As a firm, this is our third bear market. Although the circumstances of each are different, in our opinion the strategy to get to the other side remains the same.



The first step is always preparedness. Take a step back and remember your plan. Don't look at your overall portfolio as a single strategy. If you are in or near retirement, you probably have portions of your portfolio out of the stock market that are not subject to the recent turmoil. Those are the portions of the portfolio we can lean on for those near-term needs while allowing the stock portion the necessary time needed for opportunities to recover. To the extent you were overweight stocks coming into this, chances are you have the time horizon to support that level of risk. Time can heal many things, including stock market downturns. **Many of us remember all too well the last bear market.** The S&P 500 Total Return Index from the top of the last cycle (10/09/2007) to the bottom (03/09/2009) saw an agonizing drawdown of -55.25%. However, the annualized return from the last peak, through the downturn, up to 02/19/2020 was 8.75%. Past returns are no guarantee of future results, but bear markets typically don't impair long-term return assumptions. **Bad decisions in the midst of bear markets, selling low and not allowing the opportunity for recovery, is what can have a devastating impact on an overall financial plan.**

That is not to say constant evaluation of the current landscape isn't warranted. Using our rules-based models, all but the very growth-oriented portfolios took down a portion of stock market exposure and/or increased the credit quality of holdings in early March in response to dramatically increased volatility. **Currently, we are in a subsequent data-gathering phase.** We currently have our eyes on three important areas. The first and most important is the trajectory of the pandemic from a health standpoint. Shy of a cure, the ability for us to control the spread and treat the ill over the coming months will be the key indicator of when life may be able to get back to normal. Secondly, we will look at the hard economic and corporate data coming in. Lastly, we look at the policy response globally. Most central banks have already taken the necessary monetary steps to provide relief and confidence to markets. The most important next step is the fiscal response out of Washington and around the globe. We have been pleased with the level of communication and apparent cooperation to date. The price tag is likely to be massive, but necessary to bridge the impact seen in every corner of our nation. **Based on the data, additional portfolio adjustments may become necessary in the coming weeks and months.** This will follow the same rules-based methodology that has seen us through prior downturns. Lastly, the final step will be re-engagement. The rule book for the next market cycle may not be the same as the last one. What worked well may change. **We will not anchor to the past, but strategically follow the data to determine the best course in what has always been a period of recovery after the storm.** The timeline from here is anyone's guess, but try to take comfort in the process.

Last night was the Spring Equinox in the Northern Hemisphere, a time when night and day are equal. From here, each day will be filled with more light than dark. We find this to be a beautiful and much-needed analogy to go along with the prayers that are on all of our lips. We leave you today with words from author Laura Kelly Fanucci. **May the coming weekend bring you rest, comfort, and hope.** It may not seem like it, but spring is here.

Be well and stay healthy,

Your Wealth Management Team,

Kyle Witt, MBA
Daniel Tresemer, CFP®
Richard Kitick, CFP®
David Kujawa, ChFC® CFP®
Erin K. Brown-Carter

When this is over,
may we never again
take for granted

A handshake with a stranger
Full shelves at the store
Conversations with neighbors
A crowded theatre
Friday night out
The taste of communion
A routine checkup
The school rush each morning
Coffee with a friend
The stadium roaring
Each deep breath
A boring Tuesday
Life itself.

When this ends,
may we find
that we have become
more like the people
we wanted to be
we were called to be
we hoped to be
and may we stay
that way—better
for each other
because of the worst.

LAURA KELLY FANUCCI

The information provided here is for general information only and should not be considered an individualized recommendation or personalized investment advice. The investment strategies mentioned here may not be suitable for everyone. Each investor needs to review an investment strategy for his or her own particular situation before making any investment decision.

All investing involves risk including loss of principal. No strategy assures success or protects against loss.

There can be no guarantee that strategies promoted will be successful and no guarantee of positive results.

Any economic forecasts set forth in this material may not develop as predicted.

Securities offered through LPL Financial. Member FINRA/SIPC. Investment advice offered through HighPoint Advisor Group, LLC, a registered investment advisor. HighPoint Advisor Group, LLC and OnPath Financial, LLC are separate entities from LPL Financial.

The information contained in this e-mail message is being transmitted to and is intended for the use of only the individual(s) to whom it is addressed. If the reader of this message is not the intended recipient, you are hereby advised that any dissemination, distribution or copying of this message is strictly prohibited. If you have received this message in error, please immediately delete.

