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CORE INVESTMENT PRINCIPLES FOR TIMES OF MARKET TURBULENCE

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INVESTMENT STRATEGY GROUP

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Key Takeaways

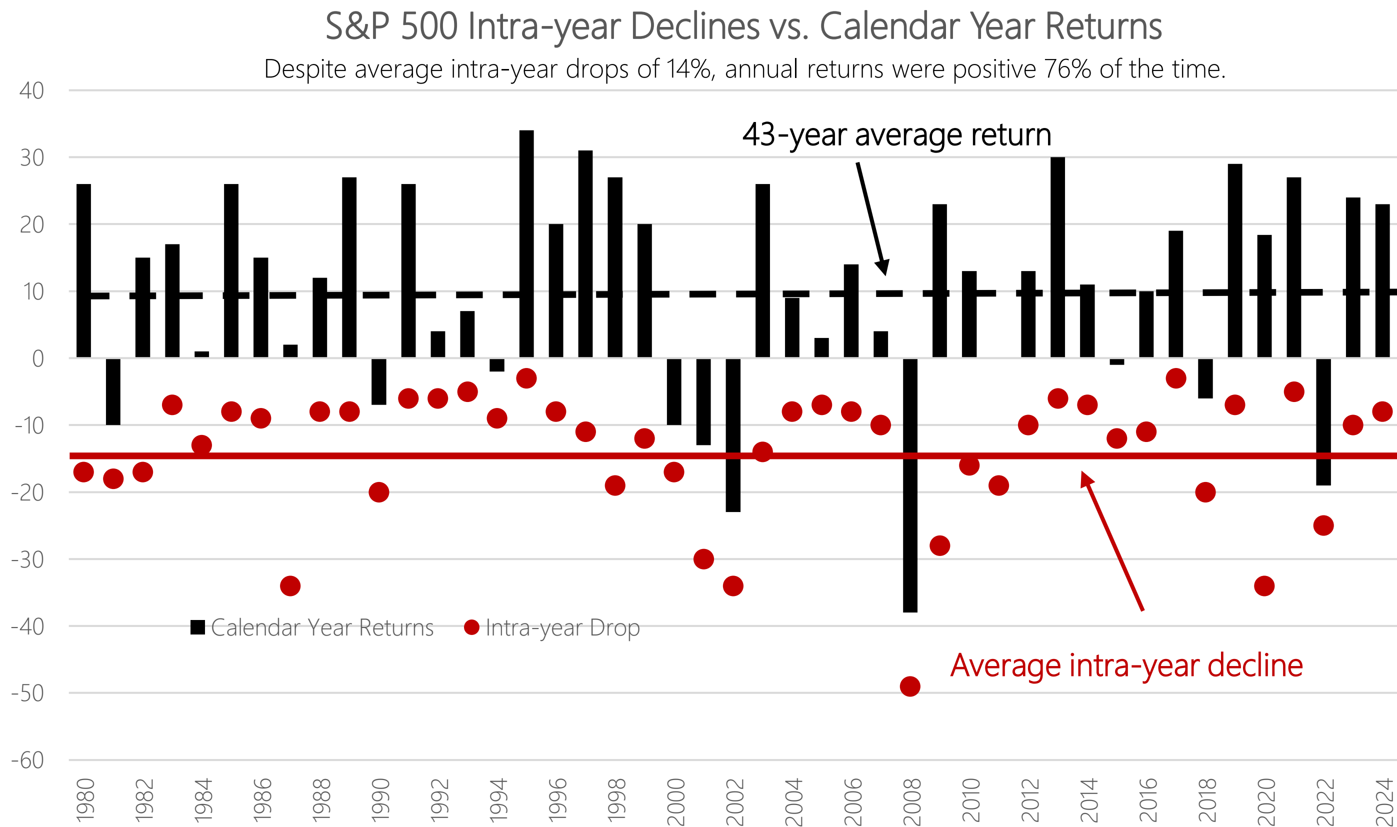
History shows that corrections typically occur every couple months, which can be unnerving for investors. With this in mind, we think it is prudent to periodically review our core investment principles for any potential market turbulence ahead.

- Stock market corrections are a normal occurrence. Despite average intra-year drops of 14%, the S&P 500 produced positive annual returns in 34 of the last 45 years with average returns over that period of over 10% (slide 3).
- Historically, owning stocks have been important for maintaining purchasing power. Stocks have outperformed every major asset class over long periods of time (slide 4).
- Market timing can be very difficult and a major impediment to portfolio returns could be short-term emotional decisions related to market volatility. Investor performance can be negatively impacted by poor market timing and a lack of portfolio diversification. Investors, in general, are usually best served by focusing on long-term returns and maintaining a diversified portfolio, which includes an appropriate amount of exposure to risky assets (slide 5).
- Diversification matters. Asset class returns vary from year-to-year and diversification can greatly reduce portfolio volatility. A balanced portfolio reduces volatility while helping maintain long-run returns (slide 6).
- Investment time horizon is also important for investment success. While yearly returns can be volatile, holding a diversified portfolio for longer time periods usually results in positive returns (slide 7).

Stock Market Corrections are a Normal Occurrence

Despite average intra-year drops of 14%, the S&P 500 produced positive annual returns in 34 of the last 45 years with average returns over that period of over 10%.

- Market corrections are not a financial loss…unless you sell.



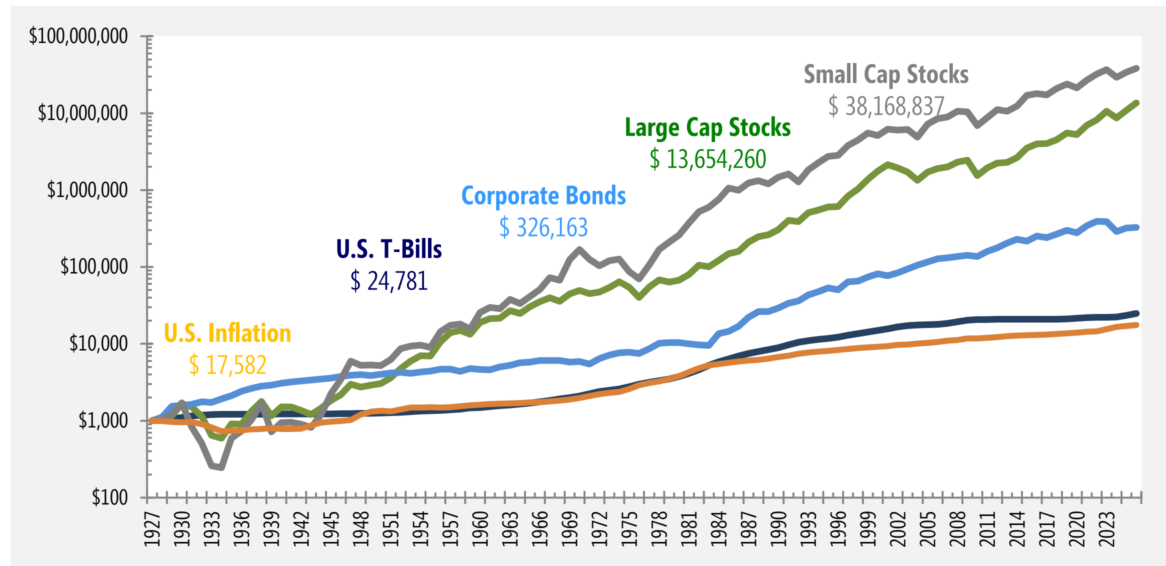
Source: Janney ISG, Bloomberg

Too Little Equity Exposure Could be a Mistake

Stock exposure is important for portfolio growth and maintaining long-term purchasing power.

- Compounding returns can be powerful over time, despite bouts of volatility.
- Stocks have outperformed every major asset class during long periods of time.
- While we face economic challenges today, stocks outperformed during the last 90 years, which included numerous economic and market challenges.

Value of $ 1,000 in 2024 invested in 1926	
Small Cap Stocks	$ 38,168,837
Large Cap Stocks	$ 13,654,260
Corporate Bonds	$ 326,163
U.S. T-Bills	$ 24,781
U.S. Inflation	$ 17,582



Sources: Janney ISG, Bloomberg, Standard and Poor's, Russell, and BEA

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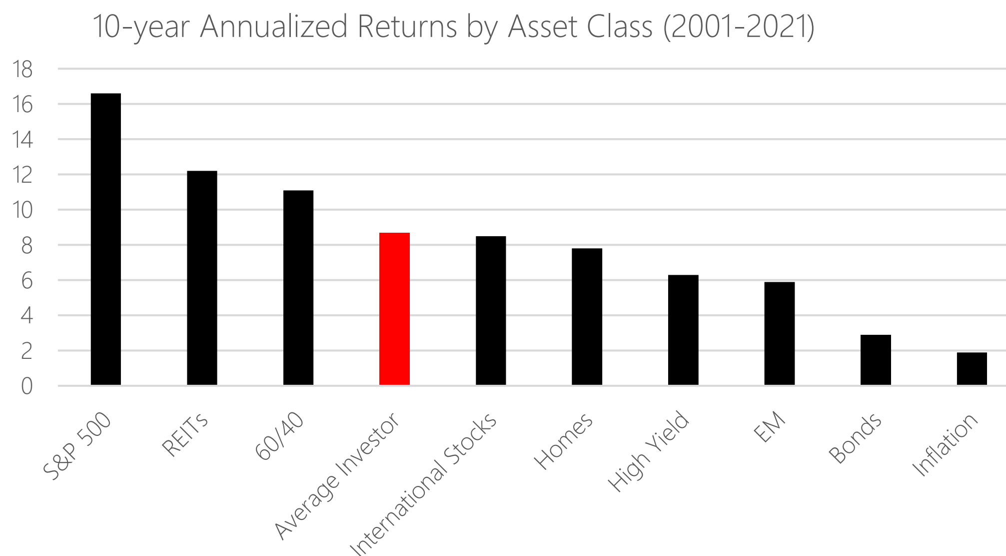
Market Timing and Lack of Diversification

Studies have shown the average investor can underperform because of poor market timing and a lack of portfolio diversification.

- Investors are usually best served by focusing on long-term returns and maintaining a diversified portfolio, including considering exposure to risky assets. A major threat to portfolio returns is short-term emotional decisions related to market volatility.

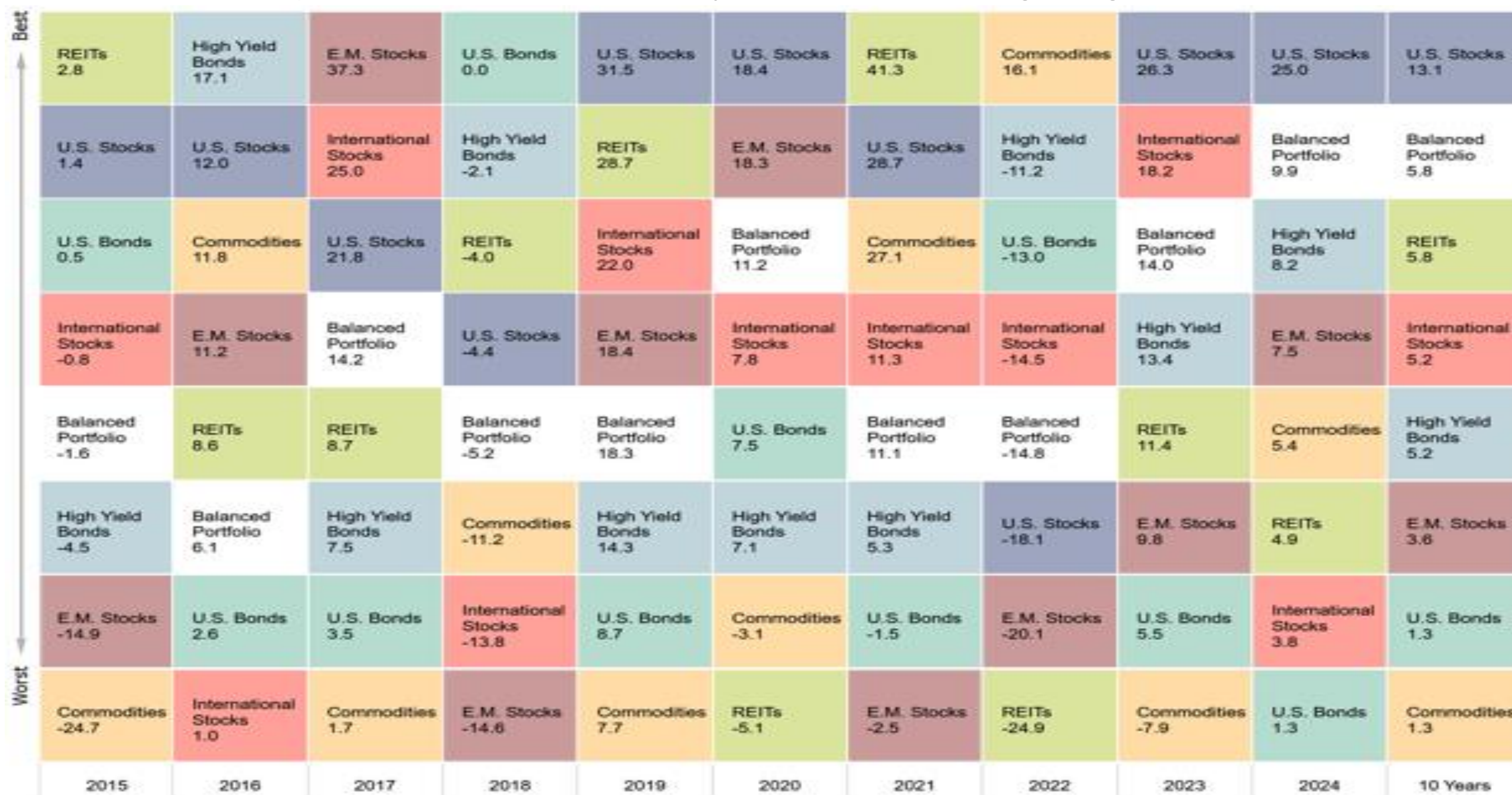


Sources: Janney ISG, J.P. Morgan, and Dalbar Inc.
Indexes used are as follows: REITS: NAREIT Equity REIT Index, High Yield: Bloomberg Barclays Global HY Index, EM Stocks: MSCI EM, Bonds: Bloomberg US Aggregate Bond Index, International Stocks: MSCI EAFE, Homes: median sale price of existing single-family homes, Inflation: CPI. 60/40: A balanced portfolio with 60% invested in S&P 500 Index and 40% invested in high quality U.S. fixed income, represented by the Barclays U.S. Aggregate Index. Average investor return is based on an analysis by Dalbar Inc., which utilizes the net of aggregate mutual fund sales, redemptions and exchanges each month as a measure of investor behavior.

Diversification Reduces Yearly Volatility

Asset class returns vary from year-to-year and diversification can greatly reduce portfolio volatility.

- A balanced portfolio reduces volatility while maintaining long-run returns.

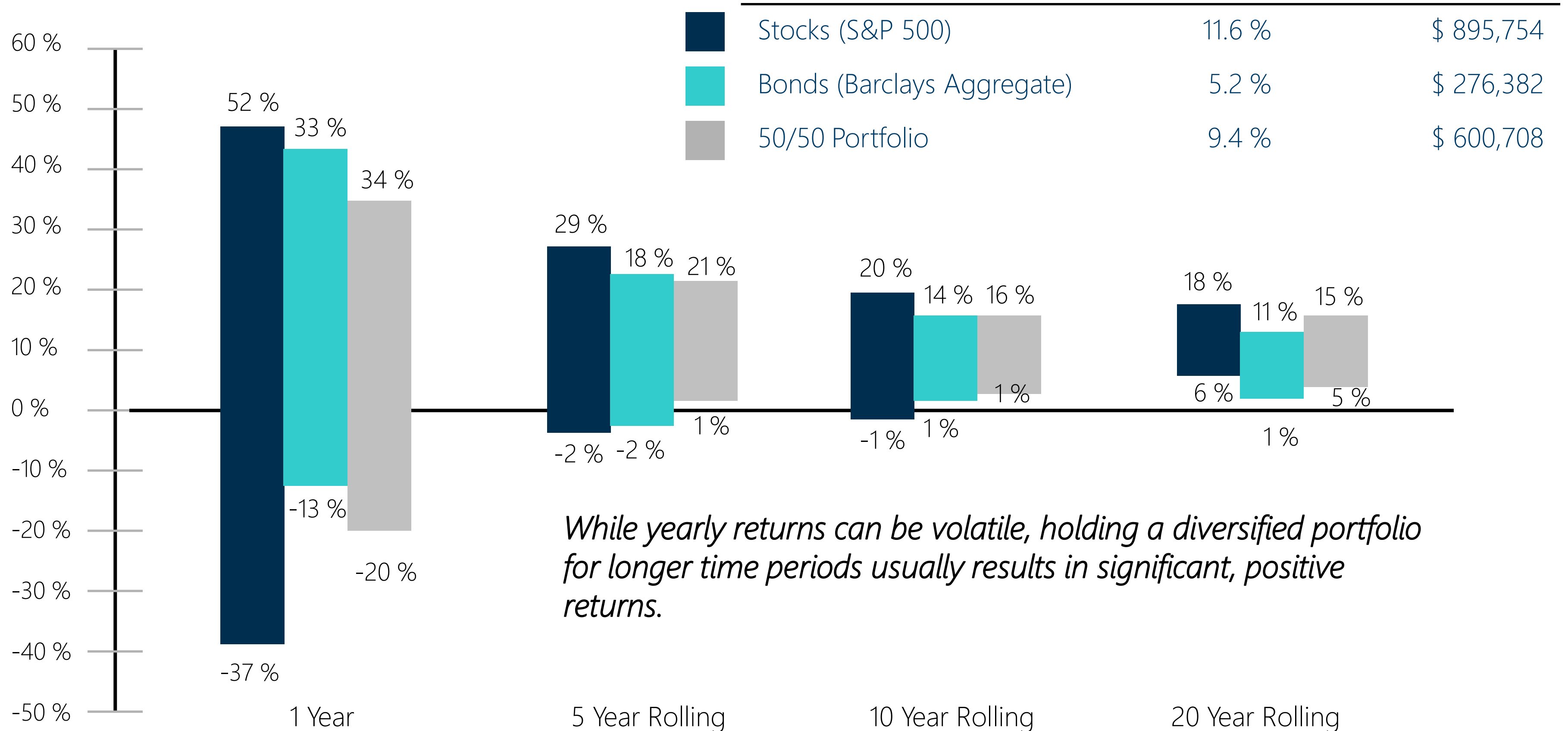


	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	10 Years
Best	REITs 2.8	High Yield Bonds 17.1	E.M. Stocks 37.3	U.S. Bonds 0.0	U.S. Stocks 31.5	U.S. Stocks 18.4	REITs 41.3	Commodities 16.1	U.S. Stocks 26.3	U.S. Stocks 25.0	U.S. Stocks 13.1
	U.S. Stocks 1.4	U.S. Stocks 12.0	International Stocks 25.0	High Yield Bonds -2.1	REITs 28.7	E.M. Stocks 18.3	U.S. Stocks 28.7	High Yield Bonds -11.2	International Stocks 18.2	Balanced Portfolio 9.9	Balanced Portfolio 5.8
	U.S. Bonds 0.5	Commodities 11.8	U.S. Stocks 21.8	REITs -4.0	International Stocks 22.0	Balanced Portfolio 11.2	Commodities 27.1	U.S. Bonds -13.0	Balanced Portfolio 14.0	High Yield Bonds 8.2	REITs 5.8
	International Stocks -0.8	E.M. Stocks 11.2	Balanced Portfolio 14.2	U.S. Stocks -4.4	E.M. Stocks 18.4	International Stocks 7.8	International Stocks 11.3	International Stocks -14.5	High Yield Bonds 13.4	E.M. Stocks 7.5	International Stocks 5.2
	Balanced Portfolio -1.6	REITs 8.6	REITs 8.7	Balanced Portfolio -5.2	Balanced Portfolio 18.3	U.S. Bonds 7.5	Balanced Portfolio 11.1	Balanced Portfolio -14.8	REITs 11.4	Commodities 5.4	High Yield Bonds 5.2
	High Yield Bonds -4.5	Balanced Portfolio 6.1	High Yield Bonds 7.5	Commodities -11.2	High Yield Bonds 14.3	High Yield Bonds 7.1	High Yield Bonds 5.3	U.S. Stocks -18.1	E.M. Stocks 9.8	REITs 4.9	E.M. Stocks 3.6
	E.M. Stocks -14.9	U.S. Bonds 2.6	U.S. Bonds 3.5	International Stocks -13.8	U.S. Bonds 8.7	Commodities -3.1	U.S. Bonds -1.5	E.M. Stocks -20.1	U.S. Bonds 5.5	International Stocks 3.8	U.S. Bonds 1.3
Worst	Commodities -24.7	International Stocks 1.0	Commodities 1.7	E.M. Stocks -14.6	Commodities 7.7	REITs -5.1	E.M. Stocks -2.5	REITs -24.9	Commodities -7.9	U.S. Bonds 1.3	Commodities 1.3

Source: Morningstar. Index definitions and disclosures are on last page of this report.

Index returns are total return calculations, which include the reinvestment of dividends. The MSCI Indices are shown as net returns in U.S. dollars. These returns net out foreign tax on dividends. This information is taken from sources believed to be reliable, but not guaranteed as to accuracy or completeness. Indexes are hypothetical portfolios. It is not possible to invest in an index. For periods of more than one year, returns are annualized.

Time and Diversification are Critical



Source: Janney Investment Strategy Group, Bloomberg, Barclays, Standard & Poor's

Definitions and Disclaimer

INDEX DEFINITIONS

The S&P 500 Index is widely regarded as the best single gauge of the U.S. equities market. The index includes a representative sample of 500 leading companies in leading industries of the U.S. economy. The S&P 500 Index focuses on the large-cap segment of the market; however, since it includes a significant portion of the total value of the market, it also represents the market.

The Russell 2000 Index® measures the performance of the 2,000 smallest companies in the Russell 3000 Index.

The MSCI ACWI (All Country World Index) is a free float-adjusted market-capitalization-weighted index that is designed to measure the equity market performance of developed and emerging markets.

The MSCI EAFE Index (Europe, Australasia, Far East) is a free float-adjusted market-capitalization index that is designed to measure the equity market performance of developed markets, excluding the U.S. and Canada.

The MSCI Emerging Markets Index is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global emerging markets.

The Barclays Global High Yield Index is a multicurrency flagship measure of the global high-yield debt market. The index represents the union of the US High Yield, the Pan-European High Yield, and Emerging Markets (EM) Hard Currency High Yield Indices. The high yield and emerging markets sub-components are mutually exclusive. Until January 1, 2011, the index also included CMBS high-yield securities.

The Bloomberg US Aggregate Bond Index is an unmanaged, broad-based index consisting of Treasury securities, government agency bonds, mortgage-backed bonds, publicly issued U.S. corporate and specified foreign debentures and secured notes that are rated investment grade (Baa3/BBB or higher) by at least two ratings agencies, have at least one year to final maturity, and have at least $250 million par amount outstanding.

The NAREIT EQUITY REIT Index is designed to provide the most comprehensive assessment of overall industry performance and includes all tax-qualified real estate investment trusts (REITs) that are listed on the NYSE, the American Stock Exchange or the NASDAQ National Market List.

The Bloomberg Commodity Index and related sub-indices are composed of futures contracts on physical commodities and represents twenty-two separate commodities traded on U.S. exchanges, with the exception of aluminum, nickel, and zinc.

The Bloomberg Barclays Long Term Corporate Bond Index is designed to measure the performance of U.S. corporate bonds that have a maturity of greater than or equal to 10 years.

ISG Balanced Portfolio assumes the following weights: 51% MSCI ACWI, 3% Bloomberg Commodity Index, 3% NAREIT Equity REIT Index, 3% Alternative Investments, 40% Barclays Capital Aggregate

DISCLAIMER

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