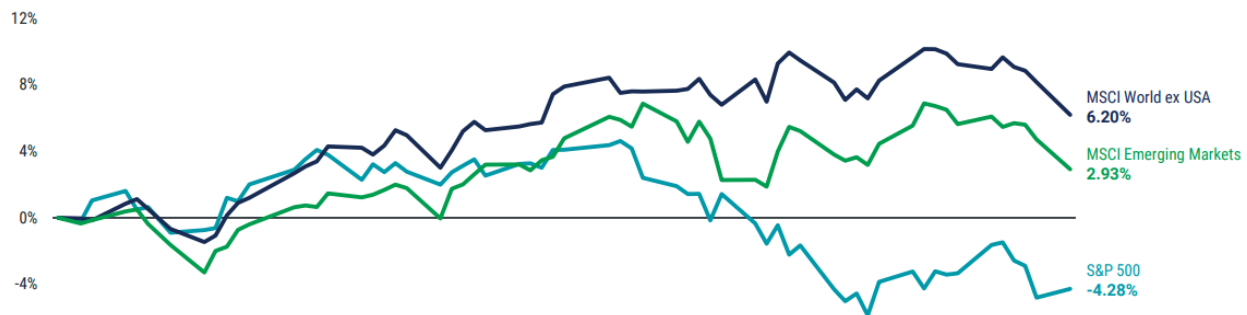


April 2025

I'm going to level with you - This has been a frustrating market commentary to approach. I have written and scrapped this commentary three times since I began writing it after the quarter ended. The chaos in which the Trump Administration announced, provided guidance for, and modified the Tariffs that were unveiled on April 2 has led to massive swings in value across equity, bond, commodity, and currency markets on a literal hour-to-hour basis. There were a lot of interesting insights to come out of Q1, but it was all overshadowed in the days that followed.

I will get to the tariffs, but I do want to briefly share some performance notes from the quarter that was. Prior to the frenzied start to April, U.S. equities were already bringing investors ire trading down almost 5% across the quarter, carried lower mostly from large growth and technology names. However, U.S. markets only told part of the story. Despite the drawdowns in domestic stocks, international stocks performed quite well. This highlights the role diversification plays in a balanced investment portfolio.

Cumulative Performance of U.S. and International Market Indexes in 2025



Data from 12/31/2024 – 3/31/2025. Source: Avantis Investors, Bloomberg.

Tariffs

We just lived through historic days in the stock market. This will be a period of consequence and volatility that you will see referenced for the next 50 years (probably in future FJWM commentaries!). Over six trading days beginning after the announcements of massive “reciprocal” tariffs on most of the developed (and in some cases, unpopulated) world, the S&P 500 returned: -4.84%, -5.97%, -0.23%, -1.57%, +9.52%, -3.46%.

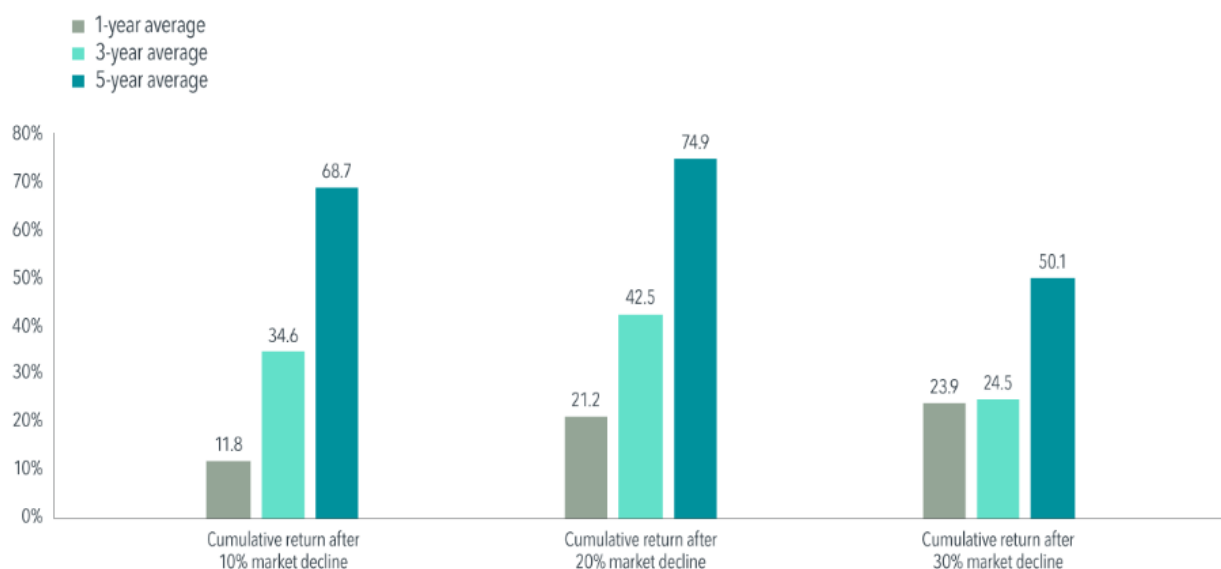
So, where do we go from here? Unfortunately, your guess is as good as mine. The administration’s strategy with tariffs seems to change with the wind. Based on rhetoric

from other world leaders and who happens to be currying favor with Trump at any given moment, adjustments or exemptions to tariffs have been made on a near-hourly basis.

Because of both the haphazard rollout of tariffs and the apparent lack of conviction (thankfully, thus far) in these tariffs, the administration has created a tremendous amount of uncertainty across global economies. Markets don't like uncertainty.

This doesn't mean that we are doomed to step lower or that retirements need to be delayed or adjusted. If it were obvious that markets were destined to fall further, well they would have already fallen. Market participants are not blind. They are seeing, reading, and digesting the same news as you are and are making calculated estimations of what the path forward for various securities might be considering the possibilities for, not just tariffs and Trump, but a variety of other socioeconomic factors. Markets have moved significantly lower, but historically, expected returns rise after market pullbacks. Prior to the pop last week, the S&P 500 had hit a drawdown of just under 20%.

Fama/French Total US Market Research Index, Cumulative Returns



Fama/French Total US Market Research Index: July 1926–present: Fama/French Total US Market Research Factor + One-Month US Treasury Bills. Source: Dimensional Fund Advisors, Ken French website.

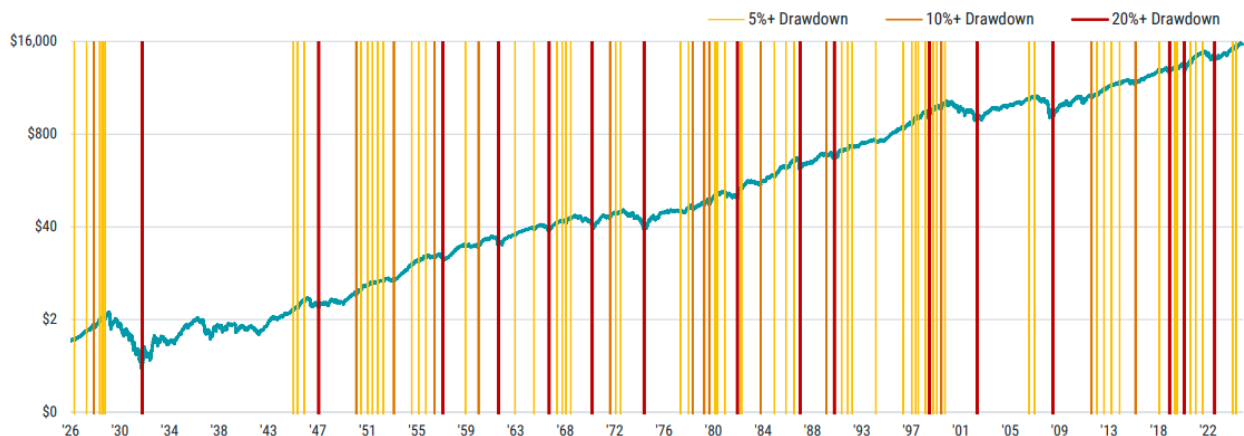
One of the nice things about investing in stocks is that a stock represents an interest in the long-term profit-making capacity of a business. Businesses are trying to make money. Certain policies or regulations may make that easier or more difficult from one year to another, but at the end of the day, these businesses are seeking a profit as their primary goal. Microsoft, Apple, Visa, and Coca-Cola will not just roll over and shutter

when faced with challenges to cost inputs. They will find whatever path through to continuing earning as sizable a profit as possible for shareholders.

Even if policymakers don't seem to have a plan - you do! The financial plans we build for clients account for severe market drawdowns and economic recessions - usually several. We build portfolios that aim to take an appropriate level of risk for each of our clients given the expected cash flow needs in both the near- and long-term. Identifying expected portfolio needs in advance enables us to pursue higher returns with assets unlikely to be needed during potential market declines. For that portion of the portfolio that may be needed in the near-term, we allocate those assets more conservatively.

For better and worse, periods of higher volatility and market declines are part of the experience of investing. The risk premium that we can earn from investing in stocks and other occasionally volatile investment vehicles is only possible because of this inherent uncertainty. These periods of panic happen with more frequency than our goldfish memories seem to be able to recall.

Growth of \$1 in U.S. Stock through Market Drawdowns Since 1926



Returns data from 7/1/1926 – 3/6/2025. U.S. stocks sourced from the Center for Research in Security Prices (CRSP) include all firms incorporated in the US and listed on the NYSE, AMEX, or NASDAQ. Drawdowns are calculated from market peaks to subsequent bottoms. Graph Source: Avantis Investors.

They have all started for different reasons, but so far have all ended up the same. While it's easy to be pessimistic around the day-to-day happenings of our world, when it comes to financial markets, it would be foolish to think that this time will be truly different.

Past performance is no guarantee of future results.

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