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Stay the Course, Despite the Turbulence

Stocks fell sharply intraday today (2/24/22) before rebounding sharply as Russia attacked Ukraine, creating a volatile day of trading for investors. Our thoughts are with the people of Ukraine and the impact on the human lives at stake. The invasion's impact on the markets comes on the heels of other market headwinds caused by the ongoing COVID-19 pandemic, record-high inflation numbers, and an increasingly hawkish Federal Reserve. However, when we take a look back historically, the economic impacts from past geopolitical crises have been relatively short-lived.

We think this type of market volatility is best compared to experiencing turbulence on an airplane. Inexperienced fliers often panic when the plane bounces around, but you know who doesn't panic? The pilot and crew. Why? Because they know turbulence is normal when flying. Stock market volatility is also normal. As shown in the chart below, in an average year, the stock market has three 5% pullbacks or more per year, one 10% correction or more per year, and a 20% correction about every three years.

Corrections Are Normal — Frequency of Declines

S&P 500 Declines	Occurrences Per Year	Frequency Average	Probability of Decline to Next Stage	Mean Decline
-5% or more	3.4	Every 14 weeks	32%	-10.9%
-10% or more	1.1	Every Year	45%	-19.5%
-15% or more	0.5	Every 2 years	58%	-28.2%
-20% or more	0.3	Every 3 years	N/A	-35.7%

Source: Ned Davis Research, Past performance is not indicative of future results.

During periods of heightened volatility, it's important to remain calm and stay focused on long-term goals and objectives. Fasten your seat belt, but don't jump out of the plane.

The chart below shows how the market has performed after 10 significant political crisis events. It's important to note that in each of the three times the market was still down 12 months later, stocks had already been in a bear market BEFORE the crisis event:

Navigate
Your Future.
Enjoy the
Journey.

*Past performance is not indicative of future results.
This is not a recommendation to buy or sell a particular security. Please see attached disclosures.*



Crisis Events

Date	War/Political Event	S&P 500 % Gain/Loss				Bear Market
		1mo	3mos	6mos	12mos	
05/10/1940	Invasion of France	-25.8	-14.5	-5.9	-20.9	Y
12/07/1941	Pearl Harbor	-4.1	-12.3	-10.4	-0.9	Y
06/25/1950	Korean War	-4.6	5.7	10.0	17.6	—
10/14–28/1962	Cuban Missile Crisis	5.6	14.5	20.8	27.0	—
06/05–10/1967	Six-Day Middle East War	1.7	4.9	6.1	11.2	—
04/15/1986	U.S. Bombs Libya	-1.2	-1.5	0.6	19.9	—
08/02/1990	Iraq Invasion of Kuwait	-9.3	-12.3	-3.5	8.9	Y
01/17/1991	U.S. Launches Operation Desert Storm	16.7	23.5	20.6	32.5	—
09/11/2001	9/11 Terrorist Attack on U.S.	0.4	4.0	6.9	-16.8	Y
03/20/2003	U.S. Launches Operation Iraqi Freedom	-2.2	13.9	18.6	27.0	—

Source: InvesTech Research, Past performance is not indicative of future results.

Taking the averages of these 10 events, market performance was as follows:

	S&P 500 Performance
1 month later	-2.3%
3 months later	2.6%
6 months later	6.4%
12 months later	10.6%

Past performance is not indicative of future results.

Looking specifically at when Russian invaded and annexed the Crimean Peninsula beginning on 2/20/2014, the market performed as follows:

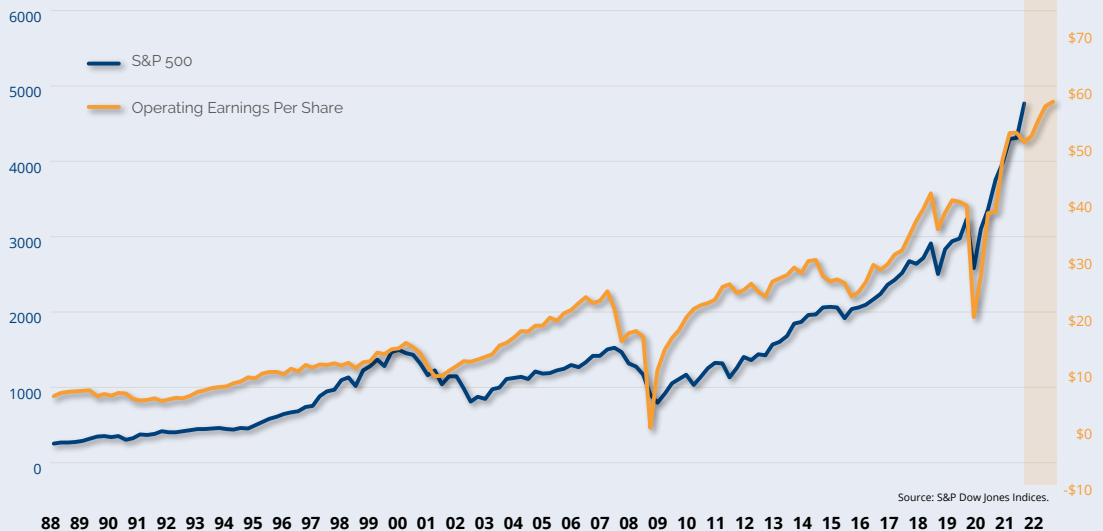
	S&P 500 Performance
1 month later	1.8%
3 months later	1.8%
6 months later	8.0%
12 months later	14.7%

Past performance is not indicative of future results.

We believe that over time, market returns follow earnings as the graph below shows. We do not believe the economic sanctions that have and will ensue from Russia's invasion of Ukraine will change the trajectory of S&P 500 earnings, which we still expect to be in the +10%-12% range this year.

Earnings Drive Stock Prices

S&P 500 & Operating Earnings



Source: S&P Dow Jones Indices.

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History shows that markets sell off in advance of geopolitical events, but then rally once the news is out (sell the rumor, buy the news). To be clear, we anticipate some downside risk to the market as emotions and fears run high. In fact, the likelihood of Russia's invasion has been a catalyst for the market's recent weakness, so we believe some bad news has already been priced into the market. But embracing the premise that the value of any business, stock or market is ultimately driven by earnings leads us to believe that this will be a short-term volatility event and will not have lasting consequences.

The major indices have officially entered correction territory with declines since the January highs. This was not unexpected. In our [2022 Market Outlook](#), we highlighted risks that the market and economy face this year including COVID variants, lofty valuations, the potential for a Fed policy error, the Mid-term elections in November, and geopolitical risks with China and Russia. We expected the markets to suffer a 10-15% correction in the first half of the year before recovering in the second half of the year. Now that we have endured the correction, investor sentiment has soured to the point of maximum pessimism, which often sets the stage for the market to rebound.

Russia's invasion into Ukraine will have far-reaching political and economic impacts. Oil prices are already high, and this conflict will result in even higher prices. Sanctions will target the Russian economy and the conflict will transition into an economic battlefield. The United States has announced new sanctions to be imposed on energy producers, key mining and steel manufacturers, and financial institutions. Russia controls roughly 10% of global copper reserves and is a major producer of aluminum, nickel, platinum and other precious metals, including palladium, which is also used in chipmaking. Tensions with Russia are nothing new. Just as in the past, the markets will find a new equilibrium given the geopolitical events and return to focus on what drives asset prices over the long-term.

We believe the surest way for investors to achieve their financial goals is for them to stay calm and to stick with their long-term plans.

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The S&P 500 is a stock market index tracking the performance of 500 large companies listed on stock exchanges in the United States.

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