QUARTERLY INSIGHT

It's Not Different This Time

I chose this subject "It's Not Different This Time" as I am celebrating 50 years as an investment advisor. I thought it would be helpful to share with you many of the experiences I have learned from over the past 50 years. Naturally, I have seen my fair share of ups and downs during this period.

I was always a great saver. Incredibly, by the age of 13, I had saved $100 dollars in a bank account. I was with my grandfather one summer day, while he was on the phone making an investment in the Stock Market. The share price of the stock he was investing in was exactly $1. After a lot of discussion, explanations, and questions, we both felt this would be a perfect opportunity for me to take the plunge. I

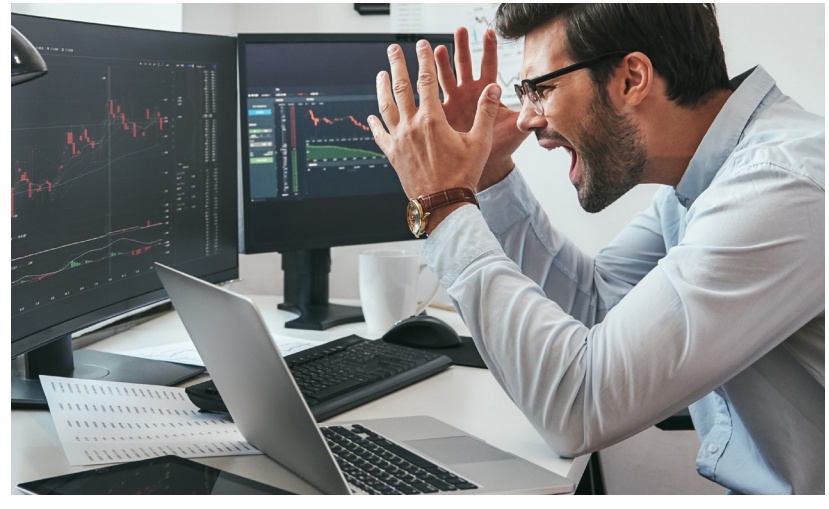
purchased 100 shares of Lehigh Valley Industries and my grandfather even paid the $3 dollar commission fee. Within 6 months the share price had risen to $1.50, thus began my passion for the Stock Market. I have never stopped investing since.

Needless to say, I have met one of the most crucial rules of Stock Market investing, the importance of being a long-term investor. While it is not easy to accept major market drawdowns and embrace market volatility, it is and will always be an integral part of investing.

One must always keep in mind and realize market fluctuations are a normal and inevitable part of investing.

During my lifetime of investing, I have experienced several substantial events that have caused many emotional moments.

A second important rule is not to let these emotions affect your investment decisions.



Bear markets don't last forever. My most memorable day as an advisor was October 19th, 1987, when incredibly the stock market fell almost 23%. Think of this, $1,000,000 would fall to $770,0000 if you just matched the market averages. Naturally, I spent many hours speaking on the phone, and meeting with clients for several weeks helping calm their fears.

10 Substantial Events

(In no particular order)

Dot-com bubble 2000-2002. The S&P 500 fell approximately 44.7% over a two-year period.
Global Financial Crisis 2008. This was the worst period since the Great Depression. The S&P fell about 57% over a 17-month period.
The Gulf War 1990-1991. The S&P fell 20% in just over 6 months.
9/11 attacks 2001. In only a two-week period the S&P fell 14%.
The Iraq War 2003. Only six months later the S&P 500 was down 22%.
The S &P bear market 1973-1974. The S&P fell 45% in two years. What a time this was for me to have begun my career as a professional investment advisor.
The European Debt Crisis 2009-2011. The S&P fell about 20% in one year.
The Covid 19 Pandemic had a significant impact on the global markets around the world. Not only were there massive market declines, jobs losses, economic uncertainties, and fears. Sadly we lost many great American lives, including clients.
Black Monday 1987. The Dow Jones Industrial Average fell almost 23% in one day.
2020–2021: Five Trillion Covid Stimulus- the S&P fell 20% while the Nasdaq fell 30%.

One might ask, "what is the primary cause of the current market's weakness?" As we pointed out the NASDAQ 100 was down over 30% in 2022. Many highly leveraged aggressive companies and investors are down as much as 50%, 60%, 70% of their capital. It is well known that the current cost of living has skyrocketed due to the inflated inflation rate. Sadly, this has affected all Americans in one way or another. During the last ten years inflation has not been a problem. And our inflation now, while elevated, is far from what we experienced in the late 1970s and early 1980s. Today's inflation must be dealt with to avoid the runaway inflation of the 1980s. On a personal note, I had a mortgage in early 1980s with an astonishing 16% interest rate. Paul Volker, the then-chairman of the Federal Reserve, took the difficult approach and increased interest rates until inflation was under control. Our current Fed chairman Jerome Powell is following the same path and it will work. The uncertainty is how high interest rates must go, to bring inflation under control. This uncertainty causes large market fluctuations on an almost daily basis. The cause of our current inflation is relatively simple. 5 trillion dollars of stimulus has been pumped into the economy since the beginning of COVID. To put that in perspective, 5 trillion dollars if converted into seconds would equal 160,000 years. This unprecedented situation continues to have a cause and effect on the stock market, creating undue speculation. Many new and unseasoned investors received large sums of money from COVID relief which pushed equity prices in some cases to ridiculous levels. This is a mirror image of the 2000-2002 dot-com bubble. Overspeculation is the surest way to create a bubble and when that bubble bursts, all investors are affected. Major stock market valuations decline. While not the only reason for the market volatility it surely is a big part of the equation. When these occurrences happen it seems like a once-in-a lifetime event, but sadly, it is not. It

was reported that that legendary investor Peter Lynch was known to say, "It certainly seems different this time, but it never really is."

Economies and the stock market rise and fall with similar regularity but for totally different reasons. We all remember events that affected the stock market such as Madoff, the Enron scandal in 2001, the Lehman Brothers bankruptcy in 2008, the subprime mortgage crisis of 2007-2008 and currently Sam Bankman-Fried with FTX, that caused investor mistrust. This is, of course the dark side of a free economy. Unfortunately, it affects investor confidence which flows through to an uneasy stock market.

Short term speculators and especially those trading on margin, always seem to get hurt the worst during major corrections. Before investing, one should ask themselves, are the potential risks of attempting to become rich in the stock market really worth it? Would losing less during market corrections be a more comfortable approach? I know the answer for myself and the clients I have served over the last 50 years. What now, you may ask? For the many investors who feel uneasy in the current environment they have many wonderful investment choices. We have been investing in Treasury notes, certificates of deposit, short-term tax-free bonds, defined outcome ETFs, high interest rate money market funds, and structured investments to name a few. Keep in mind that a well-constructed portfolio, will stand the test of time and should never be cashed in because of emotions. Those who have taken this approach, in my experience, never seem to get reinvested in a timely manner. Market timing, in my opinion is difficult if not nearly impossible in the short and long term.

I want to thank you for taking the time to read this report. I am confident our time-tested approach will continue to reap rewards in the future. One final thought, for any young people you may counsel I have no doubt starting an investment program early in life, which fortunately I did, will provide a wonderful future. Young investors will look back at this time in history and realize what a wonderful time it was to invest.

As always, we appreciate your calls, your visits, your time and your questions. We are enthusiastically looking forward to hosting Zoom videos to further discuss our approach and answer any and all questions. Wishing all a happy, healthy, and prosperous New Year.

Important Disclosure Information

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