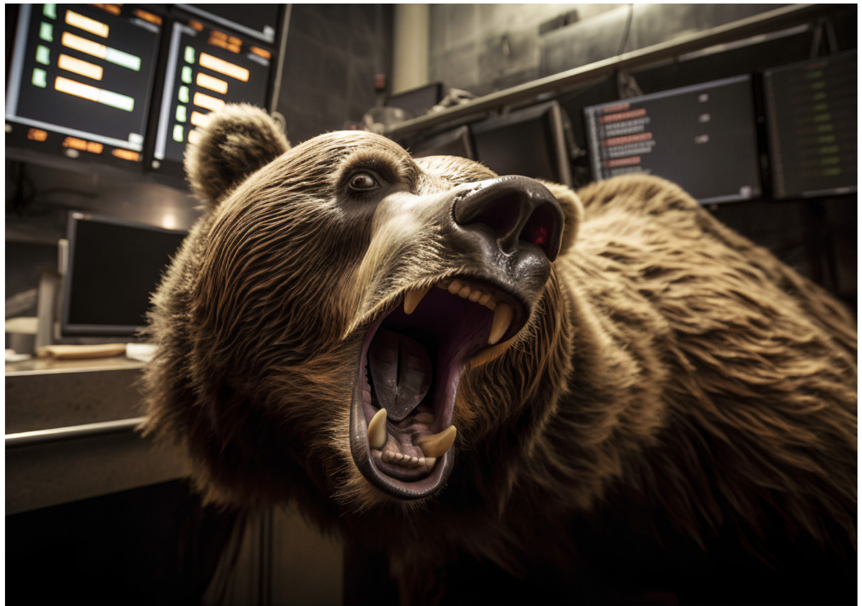
QUARTERLY INSIGHT

Lessons Learned from The Past: Navigating Market Uncertainty Today

Dear Clients,

In early February, I was out to dinner with a former high-ranking Federal Reserve employee. I asked the question, "What is your assessment of how the Federal Reserve is doing?"

WE PRIDE OURSELVES ON OFFERING OUR CLIENTS ONGOING FINANCIAL GUIDANCE. WHETHER YOU'RE JUST STARTING OUT OR LOOKING TO MAKE MAJOR FINANCIAL DECISIONS, OUR EXPERT PLANNERS ARE HERE TO SUPPORT YOU EVERY STEP OF THE WAY.



Mark your calendar

TWO GREAT EVENTS

APRIL 28 — CLIENT LUNCHEON

APRIL 30 — FPS WALK

See page 6 for more details

The answer I received was something like what I had expected. The Fed was too late in raising interest rates; they let inflation get out of control; "remember inflation is transitory, " and she expected a mild recession. However, the situation has evolved significantly since then, with many investors now feeling nervous and apprehensive. Several clients have asked me how I feel, and having experienced these types of occurrences in the past is a great equalizer. As a reminder, I became a partner in a New York Stock Exchange member firm after being in the investment business for only about 7 years. I will never forget my father's reaction when I told him I was asked to become a partner; he said, "are you sure you heard them correctly?" Less than three years later, I became a member of the 5-person board of directors. I was one of the youngest members of the New York Stock Exchange at that time. Honestly, I feel I was in the right place at the right time! We ended up selling our firm to Prudential Securities in April 1982, where I had a three-year contract; however, I remained until the year 2000. As an experienced investor who has witnessed numerous bear markets and financial crises, I understand the importance of staying vigilant and being prepared. For instance, I have personally survived at least seven bear markets during my career, including the one that occurred in the late 1970s and early 1980s when interest rates surged to 20%, and inflation hit almost 20% annualized. Inflation was totally out of control, and we entered a severe bear market. Unpleasant to say the least, these issues create lots of uncertainty, one's approach to their investment style became increasingly important. Back then, the goal of the Federal Reserve was to address out-of-control inflation without creating a deep recession. It seemed to be working well, and then the shock heard around the U.S. occurred. First Pennsylvania Bank failed! Why, you may ask? Their issue was borrowing using short-term rates (bank deposits, money market funds, and so forth) and lending money for the long term. Many major banks were using long-term Treasuries and other government securities for their required capital. When interest rates surged, the bank collapsed. It was the third largest bailout in U.S. banking history, even counting 1929. The cost in 1980 was $500 million. [1] Ironically, John Bunting, the former CEO, had been named the top banker in the US by a major investment magazine a few years earlier.

DOES THIS SOUND FAMILIAR, WHAT HAVE WE LEARNED IN THE LAST 43 YEARS?

Naturally, I am referring to the startling, unexpected failure of First Silicon Valley Bank and the subsequent run on many regional banks in March of this year. This was precipitated by the Federal Reserve's fight against inflation and the dramatic rise in interest rates. A probable explanation for this inflation increase would be that supply and demand costs are out of control, interest rates have been too low for too many years, there has been a dramatic increase in labor costs, our dollar is losing value, and certain government policies are to blame, among other factors. A recent U.S. Bureau of Labor and Statistics study found $20 worth of groceries in 1967 would cost $181 in 2023.[2] Hopefully, at least today's food is more nutritious than it was in 1967, you may remember many cereals had sugar directly in the name.

What is most important for our clients is what we are doing to protect your investments. Having begun investing at a very young age and experiencing some of the most shocking stock market performances, (let's not forget October 19, 1987, when the stock market fell 22.6% in one day), I quickly realized the joy of making money is far less exciting than the pain of losing it, thus my conservative investing approach. To protect our clients' investments, we have been using an investment approach that includes downside protection.

Our client investment categories have five different tiers: conservative, moderately conservative, moderate, moderately aggressive, and aggressive. Most of our clients fall somewhere in the middle of the categories. Naturally, all client portfolios are affected by market declines and conditions, but at different levels.

Question: Will we have a recession? YES.

Will it be moderate as my dinner friend predicted, or will it be more severe? Only time will tell. Another reason for the recent wild stock market fluctuations can be traced to the 2020–2021 stock market results. Back then valuations were historically much too high, the fear gauge much too low, increased government spending at one of the fastest paces ever, elevated fuel prices, an incredibly strong labor market, rising medical costs, elevated recreational spending, and extremely low interest rates resulted in these fluctuations. We have been preparing for this market decline for some time. One rule is we don't time the market; we take a long-term investment approach, we carefully watch fees, and we seek out value on all our purchases. Some examples of our investment approach include purchasing closed-end funds at a high relative discount to their net asset value, finding discounts on defined-outcome securities, writing or selling covered calls, creating our own structured investments through a competitive bid process, and embracing the advantages of exchange-traded funds. Recently, we have been using U.S. Treasury securities and high-yield money market funds where possible. We have been able to do this due to the rapid rise in short-term interest rates over the last year. This past week, the optimism that interest rates are close to a peak and predictions that rates will begin to fall this year, have pushed stock prices higher. We believe that we are near the top of interest rates, but unlike some others, we do not expect interest rates to be cut this year.

Scott Jr., Justin Capetola, and I started our firm with the goal of becoming fiduciaries, enhancing our clients' investment prospects, being extremely transparent, and using a fully disclosed investment management process. I could never have started our firm on my own. As a fiduciary, this means that they must prioritize their clients' interests over their own and disclose any potential conflicts of interest. Fee-only advisors, like Blue Bell Private Wealth Management, are compensated solely by our clients, and do not receive commissions or other compensation for recommending products. This helps to eliminate potential conflicts of interest that could arise if advisors are incentivized to sell certain products to their clients. Overall, choosing a fiduciary and transparent investment firm can help ensure that your investments are managed in a responsible and ethical manner. There are no hidden commissions; we are fee-only advisors.

As most of you know, Jon Sobotkin has become our fourth partner. Together, we have over 112 years of professional investment experience. In my opinion, the single most important consideration when choosing a firm are the individuals you are trusting with your hard-earned dollars. On a personal note, I have witnessed, some retail brokerage firms do not always act in the best interests of clients. I am opposed to those being sold a commissionable product especially if that commission were hidden. Perhaps this is why registered investment advisors (RIA's), fiduciaries have experienced the fastest growth in our industry.

Spring is here!
Let's walk at *Citizens Bank Park* together to show our support to For Pete's Sake Cancer Respite Foundation!

We walk so that families facing cancer never have to walk alone. Enjoy a family fun afternoon with mascots, yummy treats, an easy route within the stadium and the love of community.

Contact **Jon Sobotkin** for more info.
610-825-3540

Lunch is ready!

Our next luncheon date is April 28th.If you have not yet attended or did not see an invitation but would like to attend, please call **Bonnie Indelicarto** and she will gladly add you to the guest list. Seating is limited.

We encourage everyone to attend!

Please RSVP by calling **Bonnie Indelicarto.**
610-825-3540

Overall, it's important for investors to stay informed, stay disciplined in their investment approach, and maintain a long-term perspective. While there may be short-term bumps in the road, history has shown that a diversified investment strategy with a focus on long-term growth of capital can lead to success over time. I hope this letter has provided you with some valuable insights and as always, we appreciate the trust you place in us, and encourage you to ask questions. We are here to serve your needs. In addition to providing money management services, we pride ourselves on offering our clients ongoing financial guidance. Whether you're just starting out or looking to make major financial decisions, our expert planners are here to support you every step of the way.

We thank you for your continued partnership and trust.

Sincerely,
Scott Sr.

[1] First Pennsylvania Bank failed in 1980 and was the third-largest bailout in U.S. banking history, costing $500 million (source: https://www.nytimes.com/1980/11/22/archives/first-pennsylvania-failed-after-years-of-fast-exp

[2] According to the Bureau of Labor Statistics, $20 worth of groceries in 1967 would cost $181 in 2023 (source: https://www.bls.gov/data/inflation_calculator.htm)

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