**Client Letter on Market Volatility**

**Tariffs, Trade Wars, and Economic Uncertainty**

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Dear Valued Client:

The first few months of 2025 have left many investors feeling uncertain and unsettled.

The threat (and imposition) of tariffs on major U.S. trading partners, including Canada, China, Europe and Mexico, has sparked fears of an escalating trade war that could boost inflation and curb economic growth.

This has led many economists to forecast the increasing likelihood of economic recession. Even President Donald Trump and Treasury Secretary Scott Bessent have said "there are no guarantees" when it comes to a recession impacting the United States.

While a government shutdown was averted, political uncertainty has been growing, fueled by substantial cuts to a number of programs, as well as widespread government employee retirements and layoffs.

U.S. stocks have been sinking steadily over the last few weeks, falling into correction territory (defined as a 10%+ drop) by March 13, before recovering slightly by the end of the week. While International and Emerging Markets have seen declines, they are still in positive territory for the year.

What all these events will mean in the longer term is almost impossible to foresee, but it is likely that markets will continue to experience a higher degree of short-term volatility, as inevitably happens in periods of uncertainty.

Despite what pundits and prognosticators may claim, it is important to remember that no one knows exactly what will happen or how or when. The current situation is fluid and fast changing, making prediction almost impossible.

You will likely see news stories about “5 stocks to own right now,” or “recession-proof investments.” There is generally any number of “attractive” investments touted as a “safe harbors” against possible downturns.

But making changes to your portfolio based upon what may or may not happen is not a winning strategy, particularly in volatile times, when even the right investment today could be upended tomorrow. Any change exposes your portfolio to all kinds of new and unpredictable risks and selling when markets are down also runs the risk of turning a temporary decline into a permanent loss.

Staying the course may feel stressful and even challenging. However, especially in uncertain times, we believe there is no better path.

That is why we build portfolios for our clients that factor in a wide variety of market and economic conditions. Based on historical long-term trends, in any 10-year period, in a diversified portfolio, history suggests you may experience one or two years with strong investment returns[[1]](#footnote-1), one or two down years, and the other six or so years may yield average returns. While past performance is no guarantee of future results, if you put all those up and down and average years together, historically, portfolios have shown an average annual growth rate of 6% to 8%, which could potentially lead to a doubling or almost doubling of value over a 10-year period.

Here's the key takeaway: Whatever is going on in the world, markets rise and fall, and then they tend to rise again. It is simply the nature of how markets work. A long-term, balanced, and consistent approach to investing may help mitigate the impact of short-term market fluctuations, including those influenced by current events.

You can be confident in knowing that we diligently monitor the Domestic and International markets and watch the impacts of events on your portfolios closely. However, while we regularly monitor market movements and economic conditions, we remain committed to our disciplined and diversified approach to investing and recommend extreme caution in making any changes to portfolios based on current events.

We appreciate the opportunity to serve you.

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Diversification seeks to improve performance by spreading your investment dollars into various asset classes to add balance to your portfolio. Using this methodology, however, does not guarantee a profit or protection from loss in a declining market. Past performance does not guarantee future results.

1. The Rewards of Long-Term Investing,” Franklin Templeton, <https://www.franklintempleton.com/forms-literature/download/RLTI-FL> [↑](#footnote-ref-1)