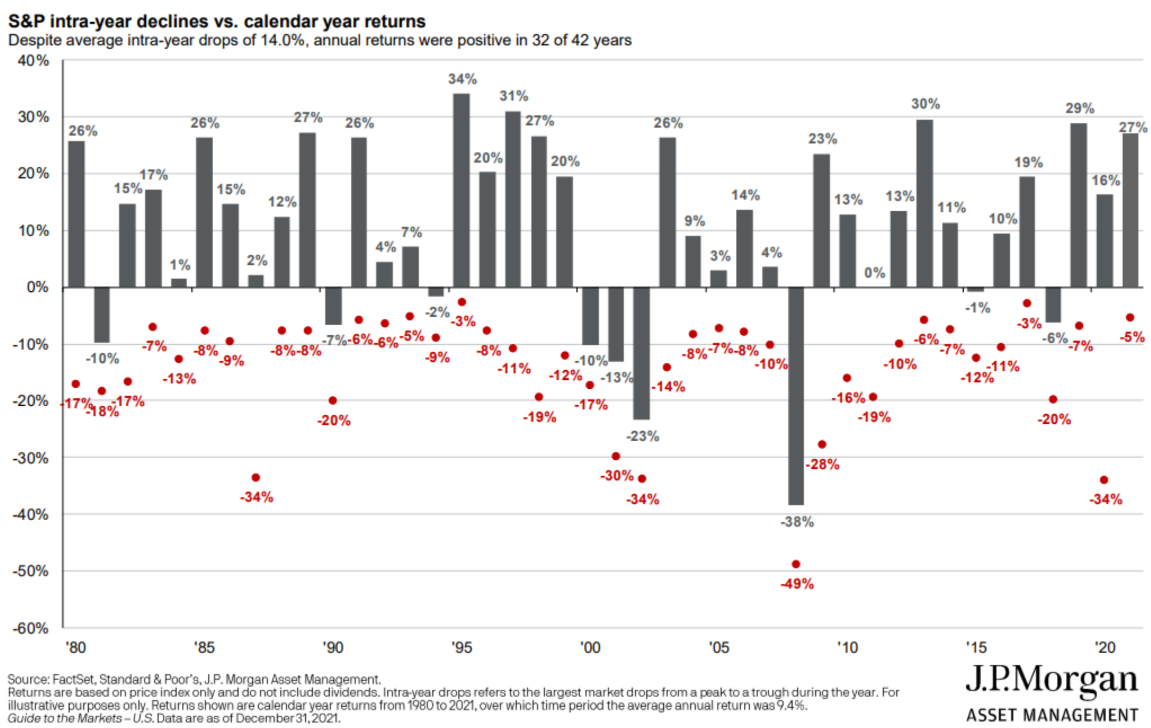
HIGHTOWER
Financial Principles, LLC

Markets Start the Year with Some Volatility

First, we would like to wish a happy, healthy, and prosperous New Year to all our clients and friends who we have not yet seen or spoken to. For those of you who recently attended our 2022 Market Outlook call, we hope that you found it informative, and enjoyable. For those who missed it, we plan to release a recording in the coming weeks.

Over the last decade, we have been blessed with a market that has delivered mostly positive calendar year returns with a historically below average amount of volatility. Over the last decade, we have had 8 positive years in the market, each yielding double-digit returns for the Standard and Poor's 500 Index. The only two negative years were a -1% (which was positive when you factor in dividends) in 2015 and a -6% year in 2018.

While over time, markets have historically moved higher, they have never done so without a bump along the way. *On average, there are 253 trading days in the year. Some of those days, the markets move higher, and on some of those days the markets move lower.* ***Throughout the course of the year, the Standard and Poor's 500 Index has declined an average 14% during the year***. This means that at some point in time during the year, the broad market was 14% off its high. We call these bouts of market declines, volatility.



S&P 500 Declines	Occurrences Per Year	Frequency Average	Mean Decline
-5% or more	3.4	Every 15 weeks	-10.8%
-10% or more	1.1	Every Year	-19.5%
-15% or more	0.5	Every 2 years	-28.2%
-20% or more	0.3	Every 3 years	-35.6%

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

Volatility, while unsettling, is part of a normal market. Over the last few years—except for COVID-19 and a government shutdown—we have been a little spoiled as investors in that we have had remarkably little volatility. Remember, on average, ***the Standard and Poor's 500 Index has declined by at least 5% three times per year and at least 10% once per year (with the average decline being 14%).*** We have also historically experienced a *"bear market" of a 20% correction once every three years.*

The Standard and Poor's 500 Index as of today has experienced a correction by hitting 10% off its highs set in 2021. With an average intra-year decline for the index of 14% per year over the last 40 years, and markets on average experiencing a correction of 10% at some point during each year, this recent volatility is unsettling, but not abnormal.

We remind clients that we do not seek to time the markets – *We are "investors," we are not "traders."* As of now, economic data remains strong, and we have been telling clients that we do anticipate volatility to rise to more normal levels. *Each of our clients has a financial plan, which is designed to (depending on where you are in your life journey) help get you to, or through, retirement.* For clients who are already retired or depending on their portfolios for retirement income, they are designed with those needs in mind. *For clients who are still accumulating and building their wealth, we view these periods of volatility as opportunities for the long term.*

While volatility is unsettling, even for us as advisors (we are invested alongside our clients), we have a focus on our clients' long-term goals and financial plans—not the day-to-day trading patterns of the market. We continue to monitor and review the markets and where appropriate make adjustments. As always, should you have any questions, please do not hesitate to contact the office.

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