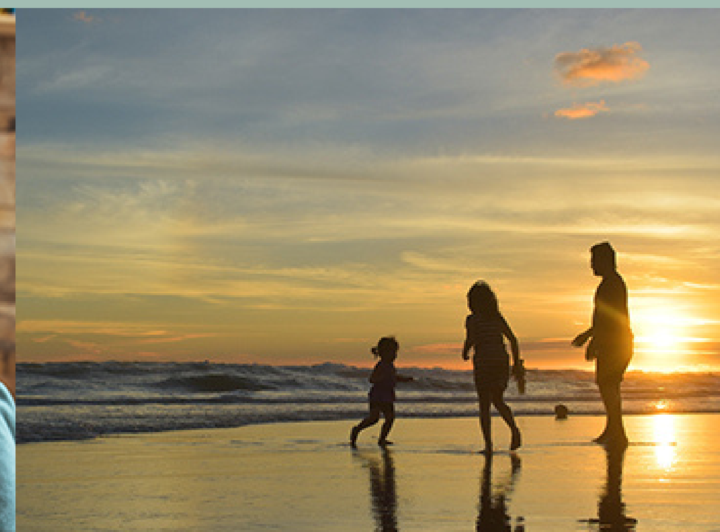
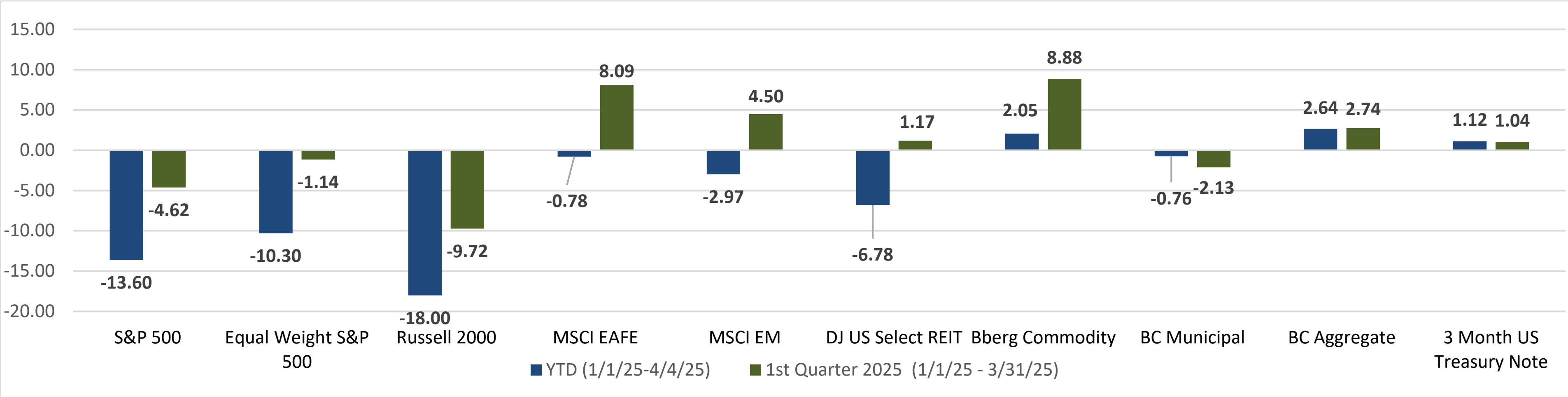
SCHNEIDER DOWNS
Wealth Management





Everyone Has a Plan Until They Get Punched in the Face

Q1 2025 Market Commentary



"Everyone has a plan until they get punched in the mouth," an unmistakable and timeless quote (sans one expletive) from former boxing heavyweight champion (and part time philosopher king?), Mike Tyson. My normal process for writing a quarterly letter is to open a Word document and start writing bullet point highlights, with corresponding dates of relevant events that occur during the first 2 ½ months of the quarter. At the midpoint of the last month of the quarter I start writing my first draft, with the thought process being that if a newsworthy event hits markets in the final two weeks, I will simply add it to the mostly finished commentary. It is a process that has served me very well over the years, allowing me to capture events in real time and produce the market commentary more quickly. However, as Mr. Tyson so eloquently put it, how you react to getting punched in the mouth affects your ability to execute your plan. On April 2nd, dubbed "Liberation Day" by the Trump administration, everything changed when the President announced his tariff plans. What ended up being announced/revealed was a much more expansive tariff regime that is part of a broader plan to reorganize, and fundamentally change, the global economy[1]. With the goal of ending trade deficits with every country, the announced tariff levels far exceeded even the most ardent trade protectionist's predictions; in short, the proverbial "worst case" scenario was announced. Markets reacted violently to the downside, with the S&P 500 declining by ~10%, U.S. small and mid-cap stocks declining by ~11%, and international developed and emerging market stocks declining by ~8%[2]. The markets punched investors (and this writer) in the face – how we react and implement our plan over the next several weeks/months will determine whether we are like Mr. Tyson or his unfortunate opponents.

There are a handful of times every twenty years that the market will decline precipitously. In the moment, the drop may, like Lehman Brothers filing for bankruptcy, or may not, like the flash crashes of 2010 or 2018, make sense. The truth often times lies in the middle (think March 2020 at the height of COVID or the current market predicament we find ourselves in courtesy of the tariff announcement). When investors are dealing with an "in the middle" situation, it can often feel like the "worst way" to get punched. Stuck in the mushy middle can lead to many different decisions: reacting emotionally/immediately, paralysis by analysis, or some combination of the two (which leads to a stuck in the mud feeling).

[1] https://www.whitehouse.gov/presidential-actions/2025/04/regulating-imports-with-a-reciprocal-tariff-to-rectify-trade-practices-that-contribute-to-large-and-persistent-annual-united-states-goods-trade-deficits/

[2] Returns generated from FactSet. VOO (S&P 500), IJH (US Mid cap), IJR (US Small Cap), EFA (international developed), and EEM (emerging markets).

The bedrock of the way SDWMA approaches market turbulence is to focus on the fundamentals. I am sure we all remember our parents, coaches, and teachers preaching the tried-and-true adage of "practice makes perfect" while growing up. Our team implements this approach in every meeting we have with our clients. When markets are good (like they have been for most of the past 10 years), we continue to review our financial plans. Despite what could be a "check the box" exercise, we ensure the progress we are making in investment portfolios is in line with projections and account for any change in realized spending/expenses versus what was planned. Similarly, as tax and estate laws change, we work with affected clients to make sure that the estate plan is current. Having a cadence to meetings and repetition is the practice for times like COVID/March 2020, the inflation crisis in 2022, or the tariff turbulence of 2025. The reps we put in every meeting together, as clients and advisors, creates the ability and foundation to react to getting "punched in the face," to stay the course with each of your unique plans, goals, and objectives.

In the months leading up to the market correction/turbulence, the SDWMA team did make some changes to allocations. We allocated additional capital to international markets and stayed true to our allocations to fixed income despite another strong year in U.S. growth/technology stocks. Our view was not to chase an ever more concentrated stock market in the large cap space; instead, we reinforced the fundamentals in our portfolio by staying true to diversification. International stocks have been the best performing of the broad equity asset classes and fixed income, both core and short-term bonds, have delivered positive performance amid the stock market decline. The performance of international and fixed income, reflected in the chart above, show the value of diversification. In addition, our allocation to real assets has proven to be a buffer against volatility while generating positive performance for the third quarter. Fixed income, in particular, is a lever our team can pull on to add capital to parts of the market that have sold off significantly in recent days.

Whether the market is acting rationally or irrationally the last few days, we won't know without the benefit of hindsight. What we do know is that the market declined quickly with most domestic stock markets down over 10% in two trading days. Historically, investors have been rewarded for doing one of two things when markets decline: 1) stay the course or 2) stay the course and add some money into the market along the way (be greedy when others are fearful as Warren Buffet often says). Neither of those two options feel particularly comfortable in the moment, with the former offering slightly more comfort than the latter. It is precisely the discomfort that is, over time, rewarded by the market. Trading in and out of the market has proven incredibly difficult, as the best days in the market tend to cluster around the worst (the largest "face ripper" rallies tend to occur when least expected, often without any sign prior to the swift upward move) – in short, day trading amid market volatility is no plan at all. Instead, when the market gives you a punch in the face as an investor, you flip the switch and revert back to the fundamentals. The fundamentals of an integrated investment, financial, and estate plan will help navigate the ship through tempestuous seas and back to the calmer waters at port.