



July 8, 2024

Dear client,

It is our pleasure to report to you on the progress of your financial plan during the tumultuous first six months of this very eventful year. As always, let us first remember a handful of the timeless truths about successful wealth management - a philosophy and a set of principles that guide our work together toward reaching your goals.

Your financial plan is the roadmap by which we measure your personal success – not by comparing your performance to a handful of stock market “benchmarks.” In the end, your investments are simply a tool we use to help you live the life you want to live by providing income and wealth for your lifetime - and perhaps the next generation as well. We use the investment markets to tether your success to the success of a growing global economic pie. The market capitalization of the global stock market was \$1.15 trillion in 1975. Today, 50 years later - it is approximately \$135 trillion. Just over 10% per year growth. This is a number we frequently quote as our long term estimate for the equity part of your portfolio.

Our Philosophy

- We are goal-focused, plan-driven, long-term investors. Our portfolios are derived from, and driven by helping you reach your most important lifetime financial goals, not by short term views of the economy or the markets.
- We do not believe the economy can be consistently forecast, or the markets consistently timed. Nor do we believe it is possible to gain any advantage by going in and out investments in your portfolio - regardless of current conditions.
- We therefore believe that the most efficient method of capturing the full premium compound return potential of your portfolio is by remaining fully invested all the time.
- Thus, we are prepared to ride out the financial market’s frequent, often significant, but historically *always temporary* declines. We believe that even during such trying periods, your reinvested dividends and new savings will be buying more lower-priced shares—and that the power of equity compounding will be continuing, to your long-term benefit.

Our Investment Principles

1. **Disciplined diversification** means following your plan in both good and challenging market conditions.
2. **Risk level, time horizon, and income need** define the target portfolio allocation and should be confirmed annually.
3. **New industries, innovations, and investment products** should be incorporated when appropriate.
4. Large directional movements in the market present **rebalancing** opportunities.
5. Near term cash needs should be **“carved out”** of the core portfolio and safeguarded.
6. Short term market and economic events **do not impact** or change our approach to following the other principles.

Current commentary

If you looked at the equity market on the first trading day of this year, and not again until the end of June, you may have concluded that not much— if anything—had happened. In fact, a great deal happened - but at least so far, to no lasting effect.

- The S&P 500 Index made a new all-time high on February 19th. By April 8th, it had closed 18.9% lower. And even that does not express the degree of sheer panic (there is no other word for it) that enveloped the markets upon President Trump’s announcement on April 2 of a dramatically increased tariff protocol.
- The panic ended just as abruptly after Mr. Trump announced a 90-day postponement of most of the new tariffs. In the last ten weeks of the quarter, buoyed by continued strength in the economy and signs that inflation may continue to moderate—the S&P 500 jumped just over 20% ending the quarter by reaching its high for the year. The NASDAQ also closed Q2 at its high for the year. Both were records.
- As it virtually always is, the optimal course of action for long-term investors when the panic ensued was simply to continue working your plan. That is what we encouraged you to do. And as the second half of the year begins, that recommendation stands. Please do not mistake this for an economic or market outlook. We have no such forecast for the next six months, any more than we did on January 1.
- Our only forecast is that quality investments that own excellent businesses (the kind we like to invest in) will go on innovating over time—increasing their earnings, raising their dividends, and supporting our clients’ pursuit of their long-term goals.
- Panic does not often seize the investing public as suddenly as it did in the first week of April, nor vanish as suddenly as it did shortly after. Yet it provided another example (in a seemingly an endless string of examples) of an important investing lesson:

Investors succeed over time by continuously working their plan regardless of the current “crisis.” Others fail by reacting to negative events and liquidating even the highest quality investments at panic prices. We believe that is always a free choice for investors, and our mission—which we cherish—is to help you continue to choose wisely.

Thank you, as always, for your trust and letting us serve you. It is a privilege.

Sincerely,

A handwritten signature in black ink, appearing to read 'Allan M. Pelkonen', with a long horizontal flourish extending to the right.

Allan M. Pelkonen CFP®ChFC®
CERTIFIED FINANCIAL PLANNER™

Sources: Global Market Cap estimates: Bloomberg, data.worldbank.org.