Joan K. Norton & Associates
Independent Financial Advisors

FINANCIAL NEWSLETTER UPDATE-February, 2022

Effective March 1st, Franklin Templeton has announced a dividend increase of over 7% in all share classes

Between the Fed's upcoming moves --mostly tapering bond buying and incrementally increasing interest rates, and the Russian invasion of Ukraine, 2022 has been a bit volatile. In saying that, we are still looking at U.S. GDP to grow 2% to 3% in 2022 and inflation to decline from its current 7%+ to closer to 5% by year's end. This slower, but still positive, economic growth should support an increase in corporate profits and help calm the markets. We still favor high quality US Equities and although earnings may be pinched a bit after 2021's impressive performance, we still look for generally positive results. That said, we anticipate the first half of 2022 to be especially rocky.

Remember, what does the market hate most? Uncertainty. The only thing we are certain about now is that there is uncertainty. This affects markets and short-term volatility. Even with positive earnings and expectations, some companies are paying the price (figuratively, of course) for the Fed's recent policy shift and the Russia/Ukraine crisis. *How aggressively will the Fed raise rates? How many times will the rates be raised in 2022? Will they go .25% or .50% in March? Will COVID numbers stay down? How long will Putin's invasion of Ukraine last? What about Europe and energy prices? And what about inflation?* Uncertainty for sure.

Especially during these periods, keeping a long-term perspective is imperative. We've been here before --most recently a scant two years ago. It's important through any market cycle and it's essential when markets are volatile. A look back at history shows that while markets react to news events in the short term, they have tended to reward investors over the long period of time. As we have previously quoted Mark Twain, *"history doesn't repeat itself, but it does rhyme*."

The Russia/Ukraine conflict adds uncertainty, especially for Europe, but we are seeing volatility globally. As we have stressed, these are typically short-term responses. Your broadly diversified, dividend-producing portfolios are designed to participate in the gains when the market is up, and help to minimize losses (as much as possible) when the market is down. Most of you hold funds that span many different regions, sectors, and industries, thus helping you withstand market volatility while keeping you focused on your long-term objectives.

In fact, times like these often present long-term opportunities. Some sectors are a currently a "good buy". Most of your accounts rebalance twice a year –selling high and buying low. This is important to remember anytime, but again, especially in times like these. We don't like to sell into weakness.

The Standard & Poor's 500 Composite Index has typically dipped at least 10% about once a year, and 20% or more about every six years, according to data from 1952-2021. While past results are not predictive of future results, each downturn has been followed by a recovery and a new market high.

Standard & Poor's 500 Composite Index (1952-2021)

Size of decline	-5% or more	-10% or more	-15% or more	-20% or more
Average frequency*	About three times per year	About once per year	About once every three years	About once every six years
Average length†	43 days	110 days	251 days	370 days
Last occurrence	October 2021	September 2020	March 2020	March 2020

* Assumes 50% recovery of lost value.
† Measures market high to market low.

Again, a diversified portfolio doesn't guarantee profits or assurances that investments won't decrease in value, but it does help lower overall risk. We always look to spread investments across a variety of asset classes. Overall returns won't reach the highest highs of any single investment — but they won't hit the lowest lows either. Again, this is especially important to note in a volatile market.

Just as it wouldn't be reasonable to expect 20% returns every year, you shouldn't expect a downturn in the market to be the start of a long-term trend, either. Even including downturns, the S&P 500's average annual return over all 10-year periods from 1937 to 2021 was 10.57%.

So as we keep focused on your long-term objectives, volatility isn't always a bad thing. With the market at record highs for most of last year, you probably didn't get any "deals" in your reinvestment of dividends and interest. When the market is rocky, your reinvested dollars can buy less pricey shares, thus more of them. And that's what matters most in any economy cycle –the number of shares you hold. The price can go up, it can go down, but the number of shares you hold, unless you sell, can never go down. That's what helps sustain you during market downturns and that's what ultimately helps grow your money.

Dividends. Dividends. Dividends...

Thank you, as always.

Best,

Joan K. Norton Associates