Fourth Quarter 2023

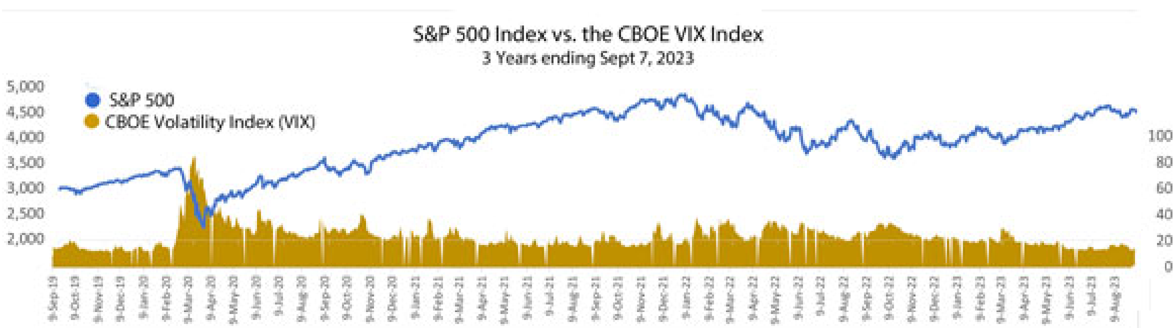
Volatility Increases in Uncertain Markets

One of the more useful tools for measuring investor uncertainty is the Chicago Board of Options Exchange VIX index. The VIX Index is designed to produce a measure of constant, 30-day expected volatility of the U.S. stock market, derived from real-time, mid-quote prices of S&P 500® Index call and put options. In declining markets, volatility tends to increase as shown by the VIX index versus the S&P 500 over the past three years.

The problem with market declines is that no one knows how much will be lost, how long the fall will last, or how much time it will take to recover. It doesn't matter how good a portfolio might potentially perform if the investor is unable to stay the course during bear markets.

Unfortunately, real people tend to sell when the pain is the greatest and then hesitate to re-enter the market until they have missed too many "good" days. It's not that they are stupid. It's that they don't have sufficient funds that they can afford to wait a decade to recover. It's "easy" to sit out a market crash with a $1 billion portfolio and no immediate need for all $1 billion. Watching a $500,000 retirement portfolio whittled down to $300,000 can be devastating.

This is where the results of missing the best and worst market days are so important. While no investment manager will ever miss just the best and worst days, by reducing portfolio volatility and enabling investors to stay with their investment plan for the long term, the potential for investment success is enhanced.



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