

Email to Clients and Prospects

Subject: Update: Economic Outlook and Market Perspective

Body:

Greetings and Happy New Year!

We hope that you and your family are well. We would like to take a few minutes of your time to bring you up to date on our economic outlook, market perspective and improvements to our team.

While there are plenty of gathering headwinds (to be discussed in a bit), we cannot help but be impressed by the resourcefulness and resilience of the economy, our businesses, families, schools, governments, monetary authorities and the world stock markets. In the face of what is now approaching two years of a persistent and mutating worldwide pandemic, we appear to be, hopefully, rounding the corner. At the risk of being premature, it does appear that cases are peaking and there is hope that, within a few months, we will be free from isolations, lockdowns and masks. We look forward to seeing everyone again!

We have been, and remain, optimistic that the world economy will rebound once COVID-19 dissipates. We are especially confident that travel will reignite and that travel related companies should succeed mightily.

One of the things about the stock market that has been surprising (other than the market hitting new highs in the same week that COVID-19 infections hit new highs) is the lack of volatility. From 1980 to 2021, the average intra-year decline in the S&P 500 Index was 14%. Last year, the largest intra-year decline was only 5%.¹ We are prepared and hope to be able to make opportunistic purchases should market volatility return.

Our investment focus for the year ahead is the belief that valuations will matter. We expect that numbers will succeed over narrative. Over the past two years, it sometimes felt like all a company needed was a good narrative and their stock could be valued at many multiples of revenue. In a like manner, momentum investing (buying a stock because the price was

rising) became quite the rage. We suspect those ships have sailed. In essence, we are staying disciplined and diversified.

We are also quite aware of the gathering inflationary headwinds and we favor companies that can thrive in a rising price world. Likewise, we expect interest rates to rise and we favor lower bond durations to help protect client portfolios.

In other news, we are delighted to announce that Andrew Bevan, CFA, CAIA, has been promoted and will now be more involved with and accessible to all of our clients. Andrew has a sharp mind and multi-disciplined experience. He has become an integral member of our investment committee, providing valuable insight and analysis. The depth and breadth of our team has never been stronger.

Lastly, we are conscious that many of us have overwhelmed inboxes. We never want to risk becoming “spam”. For those of you that would like to see more analysis from us and our firm, we invite you to visit two locations. The first is the Newsletter section of our website (<https://www.prentiswmg.com/commentary.htm>). On this page, we post useful new planning and investing related articles each month under the Newsletters section. Additionally, we welcome you to follow us on Facebook ([Prentis Wealth Management Facebook Page](#)) and/or LinkedIn ([Peter Prentis LinkedIn](#) and [Michael Knuff LinkedIn](#)) where we frequently post market and economic commentary and other useful information.

There is an old saying that: “now is always the hardest time to invest”. We face much uncertainty in the world in the coming year. We remain optimistic, but cautious.

We are here for you and your family. We look forward to connecting with each of you this year. Hopefully, that will be in person, with a hug or a handshake!

Wishing you good health, happiness and prosperity (and travel!) in the year ahead.

Best,

Peter, Mike, Stuart, Andrew, Joe and Edita

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1. Source of data: Wall Street Journal Markets.