Important Topic: So, When Should We Make Changes?

A well-structured investment strategy is designed to withstand market fluctuations and short-term noise. However, there are key moments when making adjustments is not only appropriate but necessary. Below are the three primary reasons we would make changes to your portfolio:

1. When Your Personal or Financial Circumstances Change

Your plan is based on several important and dynamic assumptions: your current assets, savings rate, spending needs, retirement timeline, and legacy goals. If any of these factors change, it's important to reassess the strategy to ensure it still aligns with your objectives.

Some examples of major life changes that may warrant a portfolio adjustment include:

- A significant inheritance or windfall: If you receive a large sum of money, we may need to reconsider future spending, asset allocation, tax efficiency, and legacy planning strategies.
- An unexpected large expense: If you need to withdraw a substantial amount, it may be necessary to revisit the plan and what we are able to accomplish.
- Changes in retirement plans: If you decide to retire earlier or later than expected, your investment strategy may need to be adjusted to account for a longer or shorter time horizon.
- Shifting estate planning goals: If you change the portion of your wealth to beneficiaries, we should revisit the risk tolerance and time horizon.
- Getting older: If you are depending on your portfolio to provide funds for retirement, the risk level should be lowered as you get older. However, if you have excess funds this may not be necessary nor prudent.

2. When the Portfolio's Risk Exposure Shifts from Its Target

A key component of long-term investing is maintaining an appropriate balance of risk and return. Over time, market movements can cause your portfolio to drift away from its original asset allocation, leading to unintended risk exposure.

If, for example, equities perform particularly well, they may take up a larger percentage of your portfolio, increasing overall risk. Or, if the stock market declines, the equity portion of your portfolio may shrink below the target allocation.

To correct this, we employ a rebalancing process—buying or selling assets to restore the portfolio to its intended risk level.

Rebalancing ensures that your investments remain aligned with your financial goals rather than being dictated by short-term market fluctuations.

3. When an Investment Manager's Strategy Changes or Underperforms

Investment management is both an art and a science, requiring discipline, expertise, and consistency. Occasionally, investment managers may change their approach in a way that no longer aligns with our expectations.

For example:

- A fund a manager becoming overly concentrated in a few positions, or is increasing portfolio risk in some other way.
- A fund begins experimenting in unfamiliar asset classes or strategies outside of its expertise.
- A manager underperforms benchmarks over a five, or ten-year period, raising concerns about effectiveness.

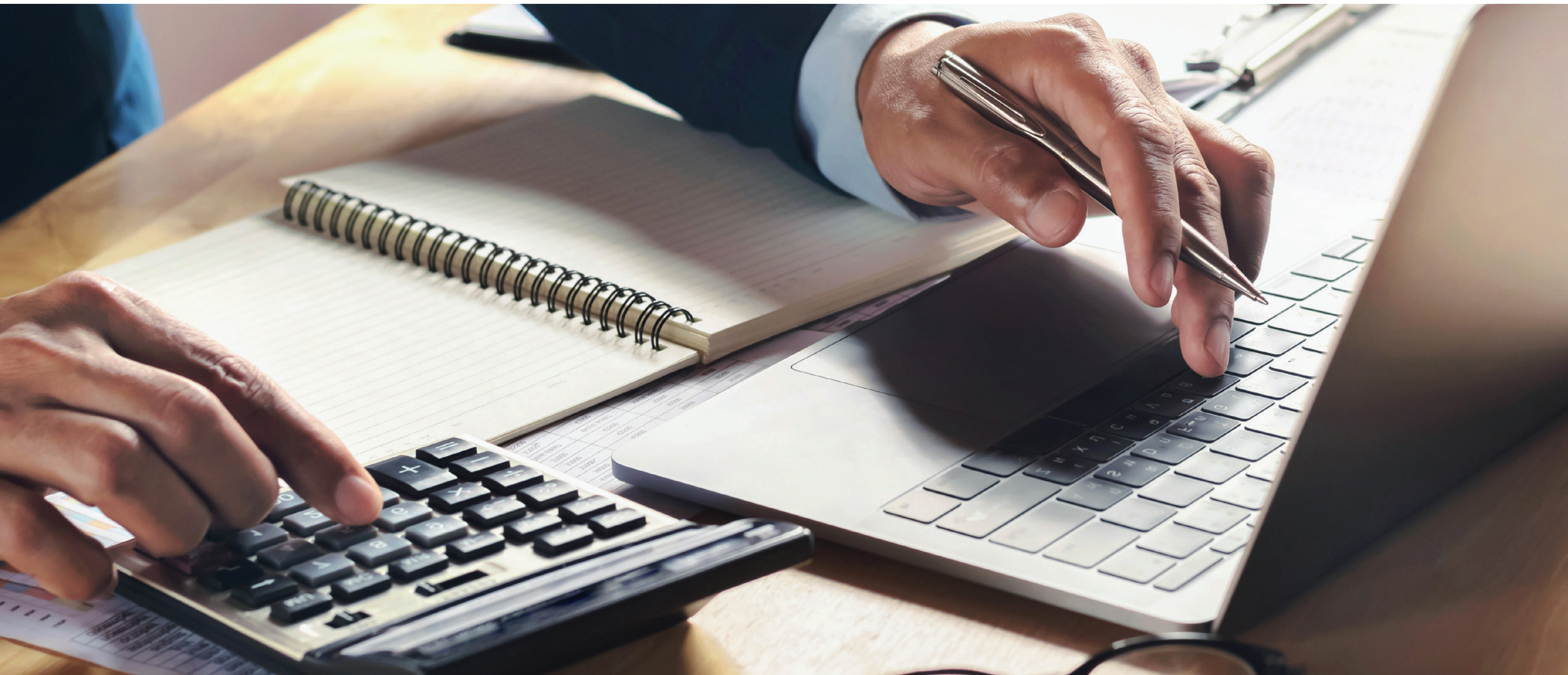
Through ongoing due diligence, we monitor investment managers and make changes when necessary to ensure they continue to meet our high standards.

The Importance of Staying the Course

While there are valid reasons to make adjustments, it's equally important to avoid unnecessary changes driven by short-term noise. Common, but, in our opinion, misguided reasons for portfolio changes include:

- Reacting to market headlines and political events: The market has historically absorbed economic and geopolitical shocks over time. Reacting emotionally to headlines often leads to poor investment decisions.
- Temporary downturns: Market corrections are normal and should not be mistaken for long-term declines. An 11-month decline will feel like forever, but that is the average length of a market downturn. Some are longer.
- Advice from friends or media personalities: Investment decisions should be based on personal financial goals, not general opinions or speculation.

Your portfolio is built to weather market fluctuations, and history has shown that patience and discipline yield the best long-term outcomes.



Market Update: February 2025 – Markets Were Down

February was a challenging month for most markets, with the exception of international equities, real estate, and bonds, which saw positive performance.

In the investment world, and almost everywhere else, the news has been dominated by a rapid series of US Government announcements and activities. What these all mean, how they will play themselves out, is still very unclear.

What is clear:

The new US Administration is focused on putting the US first.

Their "America First" strategy is reshaping trade, taxation, and regulation, creating both opportunities and uncertainties in the markets.

While at times the Administration's activities appears in line with such an objective, at other times it appears that they are doing themselves more harm than good. For example, tariffs have never had a positive effect, on either country. Increasing the cost of goods hurts consumers. Even if a US producer gains by selling more of their goods, this would have happened on its own if the US producer had a superior product or lower pricing. Increasing prices to make this producer more competitive only means every buyer is paying more.

Trolling Will Continue

What is also clear is that President Trump continues to enjoy 'trolling' those who disagree with him. 'Trolling' is defined as deliberately making or posting offensive or provocative material online. While one can correctly describe trolling as childish and of questionable dignity, one cannot describe it as unsuccessful. Ridiculous statements, and videos, are being used successfully to get opposing players to shift their positions, sometimes dramatically.

Move Fast & Break Things

Lastly, what is clear, is that this Administration intends to disrupt Government and almost all of its activities. There is a book titled Move Fast and Break Things that has been very popular in Silicon Valley. The theory is that when things are complacent, old habits continue unquestioned and bureaucracy takes hold, then it is best to move fast and break things.

Note that it is expected that such action will result in the breaking of some things that will need to be rebuilt. This has already been seen as the government fires a slew of employees one day, only to hire a bunch of them back a day or week later.

This approach is very disruptive, as it is meant to be. It is not appreciated by those affected and leaves many problems in its wake.

But it has had successes and people, like Elon Musk, believe in it.

Our Perspective

Investing requires both patience and adaptability. While short-term events can be unsettling, they should not derail a well-crafted financial plan. Our focus remains on preserving and growing your wealth through disciplined, long-term investment strategies.

Currently companies have continued to post strong earnings. The US manufacturing sector is still expanding. The US economy remains strong and is probably one of the only strong economies in the world.

We continue to believe that the economy will continue to push forward, though likely a tad slower, and with real volatility. As long as earnings continue to grow, consumers continue to defy expectations and spend, wages remain strong, jobs are available, we do not expect markets to fall and believe the odds are in favour of attractive gains.

We remain cautious about the short term and positive and optimistic about the medium, and long term. Most importantly, we are confident that working together we are able to meet your, our client's, objectives. At the end of the day this is all that truly matters.

Have a great month and let us know if there is anything we can do for you,

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