PRATO CAPITAL

Tuning Out the Noise

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For investors, it can be easy to feel overwhelmed by the relentless stream of news about markets.

Being bombarded with data and headlines presented as impactful to your financial well-being can evoke strong emotional responses from even the most experienced investors. Headlines from the ”lost decade”[1] can help illustrate several periods that may have led market participants to question their approach.

- May 1999: Dow Jones Industrial Average Closes Above 11,000 for the First Time
- March 2000: Nasdaq Stock Exchange Index Reaches an All-Time High of 5,048
- April 2000: In Less Than a Month, Nearly a Trillion Dollars of Stock Value Evaporates
- October 2002: Nasdaq Hits a Bear-Market Low of 1,114
- September 2005: Home Prices Post Record Gains
- September 2008: Lehman Files for Bankruptcy, Merrill Is Sold

While these events are now a decade or more behind us, they can still serve as an important reminder for investors today. For many, feelings of elation or despair can accompany headlines like these. We should remember that markets can be volatile and recognize that, in the moment, doing nothing may feel paralyzing. Throughout these ups and downs, however, if one had hypothetically

1. For the US stock market, this is generally understood as the period inclusive of 1999 - 2009.

invested $10,000 in US stocks in May 1999 and stayed invested, that investment would be worth approximately $28,000 today.[2]

Exhibit 1. Hypothetical Growth of Wealth in the S&P 500 Index, May 1999–March 2018

 Not representative of an actual investment. Indices are not available for direct investment; therefore, their performance does not reflect the expenses associated with the management of an actual portfolio.

When faced with short-term noise, it is easy to lose sight of the potential long-term benefits of staying invested. While no one has a crystal ball, adopting a long-term perspective can help change how investors view market volatility and help them look beyond the headlines.

THE VALUE OF A PRATO CAPITAL MANAGEMENT

Part of being able to avoid giving in to emotion during periods of uncertainty is having an appropriate asset allocation that is aligned with an investor's willingness and ability to bear risk. Creating a portfolio investors are comfortable with, understanding that uncertainty is a part of investing, and sticking to a plan may ultimately lead to a better investment experience.

2. As measured by the S&P 500 Index, May 1999–March 2018. A hypothetical dollar invested on May 1, 1999, and tracking the S&P 500 Index, would have grown to $2.84 on March 31, 2018. However, performance of a hypothetical investment does not reflect transaction costs, taxes, or returns that any investor actually attained and may not reflect the true costs, including management fees, of an actual portfolio. Changes in any assumption may have a material impact on the hypothetical returns presented. It is not possible to invest directly in an index.

The right financial advisor can play this vital role for an investor. The right financial advisor should provide the expertise, perspective, and encouragement to keep you focused on your investment and financial goals when it matters most. Every day I work to make you feel what matters most to me is how well we bring peace and clarity to your life. That's my goal as well as the goal of Gabriella, Brian and Chris.

There is no shortage of opinions in the media. As John Kenneth Galbraith once said, "Pundits forecast not because they know, but because they are asked." With all the news about tariffs and trade wars, political intrigues and social media subscribers, this may be a very good time to tune out the noise.