Atlantic Retirement & Wealth Advisors LLC

Custom Wealth Navigation

A Volatile Quarter with Varying Outcomes

First Quarter Highlights

•Overall, all diversified portfolios showed their flexibility by limiting downside and providing good protection from the market volatility

•Large cap growth firms underperformed during the quarter, posting negative returns

•Mid and small cap companies continued their difficult stretch with negative returns as a recession started to be priced in

•International and emerging markets showed resilience to possible tariffs and slowing economic activity by posting positive results during the quarter

•With investors worried about tariffs, slower economic growth and future Federal Reserve policy moves investors started to buy bonds, with the US fixed income aggregate up by over 2.76% for the quarter. However, these quaretly bond results had large variances between short and long term maturities. We do not believe this will last through 2025 should inflation prove to be sticky.

Preparing for Volatility and Uncertainty

The Federal Reserve has been celebrated for its efforts to engineer a “soft landing” for the economy following multiple bouts of inflation and rate increases. At the start of 2025 the market consensus pointed to success in maintaining the economic expansion and the focus shifted to when interest rates would be lowered, albeit over time. It appears a dramatic change started taking shape in March as weather related events, tariff discussions, continuation of wars and decreasing consumer sentiment started to impact economic activity.

Our analysis indicates that the odds of a long-anticipated recession in the US has increased significantly, we put it at 60-65% (two consecutive quarters of decline in the inflation adjusted GDP). There have been 11 recessions since 1950 and the average length is 10 months according to data from Statista. Investors need to keep in mind that the economy and the markets are not the same and can behave very differently. As an example, stock markets, on average, tend to achieve a bottom 5 months before the end of a recession. The difficultly in predicting an economic downturn is always challenging, more so when it is caused by policy changes such as tariffs or Federal Reserve actions. At this time, no investor truly knows what policies will be instituted, kept for the long term and or the level of dislocation.

While market pullbacks can be emotionally unnerving, they will not generally undermine a well-diversified portfolio and are not necessarily signals for panic. Even more severe pullbacks of 20-40 percent (as shown in the chart below) registered an average recovery period of only 14 months.

Declines in the S&P 500 Since 12/31/1945

Decline %	Number of Declines	Average Decline	Average Length of Decline	Average Time to Recover
40%	3	-51.4%	22.8 Months	58 Months
20%	10	-27.7%	10.5 Months	14 Months
10%	29	-13.9%	4 Months	4 Months
5%	90	-6.8%	1 Month	1.5 Months

Source: Guggenheim Investments. Data as of 2.7.2025. Past performance does not guarantee future results.

Currently, we at Atlantic Retirement & Wealth Advisors continue to review our asset allocations and make sure we understand the risks, opportunities and outcomes for each of our clients. Although we are seeing, like you, a different headline each day (or hour) that could be acted upon it is imperative we research possible impacts and separate noise from reality as well as position the portfolios not just on today's news but also longer term themes, risks and opportunities.

Just yesterday, the US administration imposed tariffs for numerous countries as well as specific goods. We are not here to say whether they are great or terrible for our country. Most of the time the answer(s) are not that simple. There is, however, no doubt they will have significant impacts on global trade and economic engines around the world. In some ways, the next steps will be more revealing than yesterday's announcement, and that is how other countries react and what the consequences are of implementing such a plan. Either way, these announcements are stronger than anticipated and we are now running numerous scenarios to understand the possible stock and bond return dynamics. Clearly there will be many expected as well as unexpected market conditions in the near term, some going in opposite directions. Such as; tariffs will cause inflation to increase again while at the same time the potential for the economy to slow or contract and thus increase unemployment. Going into this announcement ARWA tilted most portfolios in a more conservative position based on each client's risk tolerance. Going forward we will continue to ensure we make forward looking adjustments based on these new announcements and reactions.

Overall Landscape

As previously noted, we focus on long term results and client outcomes. Still today, a diversified portfolio can benefit investors as volatility increases and valuations become more important. Diversification can come in many forms: stocks, bonds, commodities, currencies, leverage, cash and real estate are good examples. Our goal is to match our portfolios to our clients' goals, risk levels, timeframe, market opportunities and dynamics as well as current valuations and thoughts. These are never static given all the variables included in our analysis.

Index Returns

Index	Q1 2025
Dow Jones Average (TR)	- .87%
S&P 500 (Price)	-4.59%
S&P 500 (TR)	-4.27%
NASDAQ 100	-8.25%
Morningstar US Mid Cap Core (TR)	-3.01%
Morningstar US Small Cap Core (TR)	-6.25%
Morningstar Large Cap (TR)	-5.08%
Morningstar Small Cap Value (TR)	-3.74%
International Equity	
MSCI EAFE (International)	6.86%
MSCI Emerging Markets GR	3.01%
Fixed Income / Bonds	
Bloomberg US Bond Aggregate (TR)	2.76%
BBGBARC Muni 10 Yr 8-12 TR US	.26%
BBGBARC Muni Inter-short 1-10 (TR)	.81%
Morningstar Target Risk Models	
Morningstar Conservative Target Risk (TR)	2.55%
Morningstar Moderate Conservative Target Risk (TR)	1.95%
Morningstar Moderate Target Risk (TR)	1.69%
Morningstar Mod Aggressive Target Risk (TR)	1.17%
Morningstar Aggressive Target Risk (TR)	.69%
S&P Target Risk Models	
S&P Target Risk Conservative	.92%
S&P Target Risk Moderate	.67%
S&P Target Risk Growth	.16%
S&P Target Risk Aggressive	-.34%

Atlantic Retirement & Wealth Advisors LLC
Custom Wealth Navigation

Important Disclosures

- Atlantic Retirement & Wealth Advisors is registered with the State of South Carolina as well as other States in which the firm has business. This presentation and information is being presented based on the individual's request and in no way constitutes any sale, offering or solicitation.
- All information contained herein is believed to be correct but accuracy can not be guaranteed. Information may change based on the firm's upcoming filings and requirements.
- Comments and general market related projections are based on information available at the time of writing, are for informational purposes only, are subject to change without notice, and may not be relied upon for individual investing.
- The firm and its employees do not provide tax or legal advice.
- References to future returns are not promises or even estimates of actual returns a client portfolio may achieve. The price of securities may rise or fall because of changes in the broad market or changes in a company's financial condition, sometimes rapidly or unpredictably. Investments in commodities may have greater volatility than investments in traditional securities, particularly if the instruments involve leverage.
- Past performance does not guarantee future results. Diversification does not guarantee investment returns and does not eliminate the risk of loss. The views and strategies described may not be suitable for all investors. Investors should consider their objectives, risks, expenses and timeframe when selecting an advisor or specific investment.
- Benchmarks and return data are provided by third parties. All information contained herein is believed to be correct but accuracy can not be guaranteed.