



Champion Advisors LLC
Wealth Management

July 2022

Dear Client,

The second quarter of 2022 saw the global stock market continue its fall from previous all-time highs and experienced extreme volatility.

The values of the US stock market (as measured by the Russell 3000 index), the non-US developed markets (as measured by the MSCI World EX US Index), and the emerging markets (as measured by the MSCI Emerging Market Index) each lost 16.7%, 14.7%, and 11.5% of their values, respectively.

We'd like to stress to our clients that the market has always consisted of periods of extreme volatility, profitability, and loss. Over the last century, there have been fifteen recessions – eleven of which produced stock returns that were positive two years after the recession began. The heightened risk of an economic downturn may influence investors who are more risk adverse to move out of stocks and into cash; however, positive average performance after a recession should placate those with these intentions and help them see a way forward.

Research has shown that stock prices incorporate expectations of a recession and generally have fallen in value even before the recession begins. This is good news for investors! This means that if a recession is here, the worst may already be over. The market tends to see negative returns at the beginning of a recessionary period and positive ones while in the trough.

For those investors concerned about the impact the high level of inflation is having on their portfolios, it's important to know that equity performance in the past three decades does not show any reliable connection between periods of high (or low) inflation and US stock returns. Stocks tend to outpace inflation over the long term.

Finally, remember to focus on three important keys to persevering through a stock market decline like this:



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1. Don't let a down market derail your long-term plan and the portfolio that has been constructed to withstand storms like the one in which we currently find ourselves.
2. Over the past century, US stock markets have averaged positive returns over one-, three-, and five-year periods following a steep decline.
3. Stay committed to a well-designed portfolio that focuses on small-cap stocks, value stocks, and the most profitable companies that give you the best chance of staying ahead of inflation given your assets.

As always, please feel free to call us to discuss any issues you may have with regards to your financial portfolio – we are always here for you!

Sincerely,

A handwritten signature in blue ink that reads "Thomas E. Tucker". The signature is fluid and cursive, with the first letters of each word being capitalized and prominent.

Thomas E. Tucker
President, CEO