THE SYLVESTRE - WALL GROUP
of Wells Fargo Advisors


Alan Sylvestre

Time has flown by since my last “From the desk of” in July. I wanted to reach out with some quick thoughts, and a sincere wish that you are well.

It seems that in that short time since I have written, a whole decade worth of events has happened. The significance of these events in the world and how we receive (and react to) the information, continues to create a feeling of insecurity. Our group has seen this in almost all of the meetings that we have done this year. I think it is fair to say that most people feel uncomfortable about what is happening and where we may be going.

As it relates to investments and planning, my experience has been that a strong investment plan and growing cash flow that can be tied to and measured against specific goals helps to create certainty. In history, investors who have kept emotions in balance, have had greater returns and a higher ability to achieve success. Today, this could never be truer. Assets and income have grown over the last few years; despite events such as contested elections, health pandemics (COVID), world conflicts (Ukraine, Gaza), inflation, interest rate rises, the worst bond market**s** in history, and a bear market in stocks.

A key goal of our group is to understand how to create and reinforce financial security for you and to be laser focused on what success means to you individually. We hope by doing this, it gives you a sense of relief and that the pressure of financial insecurity is lifted from the other weights on your shoulders. I encourage us all to prioritize measuring our investment and financial progress against our own specific goals. This helps us to not always feel as if we are chasing after a moving target. On the personal front, let’s commit to finding the good in each day and help remind each other to enjoy the blessing, and not just worry about what we can’t control.

In July, I wrote emphasizing that the volatility in the markets could be a friend to those of you who are accumulating, and to invest in those times of weakness. That certainly has been the case. Since that day on July 11 this year, we have seen a lot of volatility with the S&P 500 now up **+7%** since then (on 7/11/23 the S&P 500 was at 4,439 and as of 12/20/23 is at 4,770). Importantly in the stock market, more stocks are participating in the positive returns. For most of this year, the indexes had been driven by just a few growth oriented companies. Comparing investment results to indexes helps foster uncertainty (as it is a moving target) and sometimes a desire for change just for changes sake.

I do understand how it was especially hard to keep the faith of diversified portfolios on the heels of the difficult 2022. Fortunately, as we had been expecting, we have seen an improvement in the bond market as well as the stock market. In previous writings I talked about a primary driver of bond improvements was interest rates stabilizing. Since my last writing that process has started. The bond market measured by the Bloomberg US Aggregate Bond Index is up **+4.8%** year to date. As we add in income as well, it is looking likely that a diversified portfolio approach will once again provide solid returns.

For those of you taking distributions, the math is starting to work in your favor, as we have been able to take advantage of the increase in yields and income. Volatility in prices is not easy if you are in the distribution mode. As I often talk about, it is important to hold onto high quality units during volatile times as they work to return back in price. If you tie your budget needs to income it allows units to recover. In many portfolios built for investors taking distributions (that tend to be more income oriented), we are seeing values come back and an increase of income that is rather significant. Yes, it is possible that values are the same or even less than they were at the highs of 2021, but income could be up significantly. Stay the course!

Our end of 2023 processes of continuing to take losses where it makes sense, extending duration and increasing quality in bond portfolios, and keeping a watchful eye to add to equities in 2024 looks like a solid plan. Admittedly, for us as well, it has been hard to keep emotions in balance. Since 1997, I have not experienced a period of news and market volatility as difficult as the last few. We will continue to focus on the things we can control and the individual tasks at hand that you direct us to accomplish. As a group, we will look to help you create certainty in an uncertain world. Many blessings in the New Year to you and your family. We are here, reach out!

Alan Sylvestre

CFP®, CRPC® Managing Director – Investment Officer

Alan J. Sylvestre, CFP®, CRPC®
Managing Director - Investment Officer
860-572-2885
alan.sylvestre@wfadvisors.com

Caroline T. Wall
Senior Vice President - Investment Officer
860-572-2897
caroline.wall@wfadvisors.com

Heather M. Brissette, CFP®
Associate Vice President - Investment Officer
860-572-2899
heather.m.brissette@wfadvisors.com

Kerry B. Morgan
Officer - Senior Client Associate
860-572-2898
kathleen.morgan@wfadvisors.com

86 Denison Avenue • Mystic, CT 06355
Fax 860-572-7079
www.sylvestrewallgroup.com

Trevor C. Anderson
Client Associate
860-245-2115
trevor.anderson@wfadvisors.com

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