LYNCH & Associates

Registered Investment Advisor

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Dear Valued Client:

Returns for the major stock indexes for 2025 and the current bond and money market yields are as follows:

Index	**2025 YTD**
Dow Jones Industrial Average	-1.28%
S&P 500	-4.59%

Fixed Income Yields	**1 year**	**2 year**	**5 year**	**10 year**	**30 year**
Municipals	2.56%	2.66%	2.87%	3.20%	4.27%
US Treasuries	4.02%	3.89%	3.96%	4.22%	4.59%

Fidelity Government Cash Reserves Money Market Fund	4.24%
Fidelity Money Market Fund Class Premium	4.36%

After two robust years for equity investors, the markets have begun 2025 by giving back some of their gains. All the major US indexes are off to a negative start for the year. The S&P 500 has posted a 10% decline since its peak on February 19th, the most significant drawdown since 2022. The largest names in the index, also known as the Magnificent 7, which contributed significantly to the outperformance in 2023 and 2024, are now leading the indexes lower. Yet, the year-to-date market declines remain modest, with the S&P 500 down just 4%. Value stocks have been the best-performing index style, as is typically the case during periods of market uncertainty. The markets are doing what they do, correcting some of their lofty valuations and reverting closer to their historical averages. Although this is an oversimplified view, it is worth remembering that markets have eventually rebounded to new highs every single time in history.

At LYNCH & Associates, we continue to recognize that market fluctuations are normal and that tolerating them is an absolute necessity for wealth creation. As we often repeat, markets experience a 10% decline on average once a year, and nearly every time, there is a seemingly compelling narrative explaining the reasons. Further, since the market bottom in March 2009, there have been 30 instances when the market has declined by 5% or more. As we often discuss the admirable principles of investing legend Warren Buffett, we believe he would never have the gall to explain specifically why markets are down in any particular quarter with any conviction, so we will not overly pontificate other than to acknowledge today's popular narratives. The narratives of the moment include the possibility of fallout from tariff wars, a few instances of a slowdown in the AI spending boom, and fears that China may develop more cost-effective AI solutions. Indeed, each is its own concern, but we remember that with every market threat comes the possibility of its end, and overcoming these concerns becomes a bullish narrative.

We encourage you to reread our end-of-year quarterly letter, as the list of concerns we highlighted remains at the forefront of our minds. The valuation disparities we discussed have improved somewhat, but equity prices in their entirety remain elevated on both a price-to-sales and earnings basis. We have remained cautious, adding slightly to our value holdings. We remain conservative in our bond positioning and are laddering our portfolios very modestly, generally not adding bonds that mature beyond ten years, and in most cases, we opt for much shorter durations. Additionally, our money market options remain incredibly competitive. As we often remind our clients, we proactively position your cash into the best available money market rates, unlike most banks.

Lastly, some industry-wide changes have been implemented at Fidelity. Over the past year, Fidelity has made a significant push toward electronic communication for all paper correspondence, citing several reasons, including cost savings, delays with the USPS, and an increase in theft from individual mailboxes. Fidelity has been sending emails to clients in the hope that they will switch from paper to electronic documents. Please note that LYNCH & Associates does not have the authority to change how you receive your correspondence from Fidelity directly. However, clients can choose how they receive their documents on Fidelity.com, and our team at LYNCH & Associates is here to assist you through those changes.

We encourage our clients to remain focused on long-term investment goals. Our team is here to provide guidance and support as needed, and we remain committed to helping you achieve your investment objectives. We thank you for your continued confidence in LYNCH & Associates.

Sincerely,

Ryan T. Lynch, CFP® ChFC®
President