Rockwell

Rockwell Market Update Newsletter

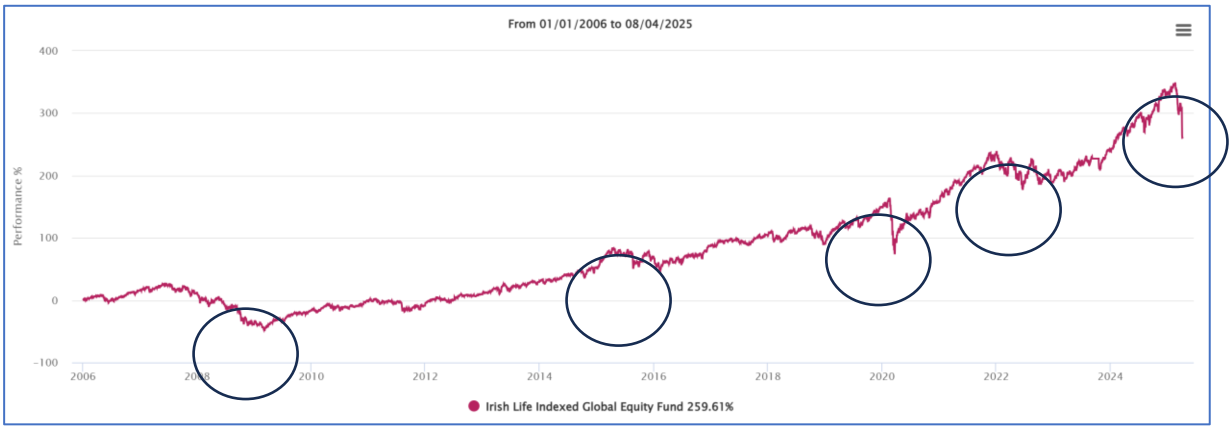
10th April 2025

1. So, what's happening in the markets?

In short, they are having a 'correction' in the form of a reaction to tariffs announced by Donald Trump last week, which has caused a subsequent re-evaluation of the value of companies listed on the stock market. We've seen huge volatility over the last few weeks and I expect this to continue over the next few months.

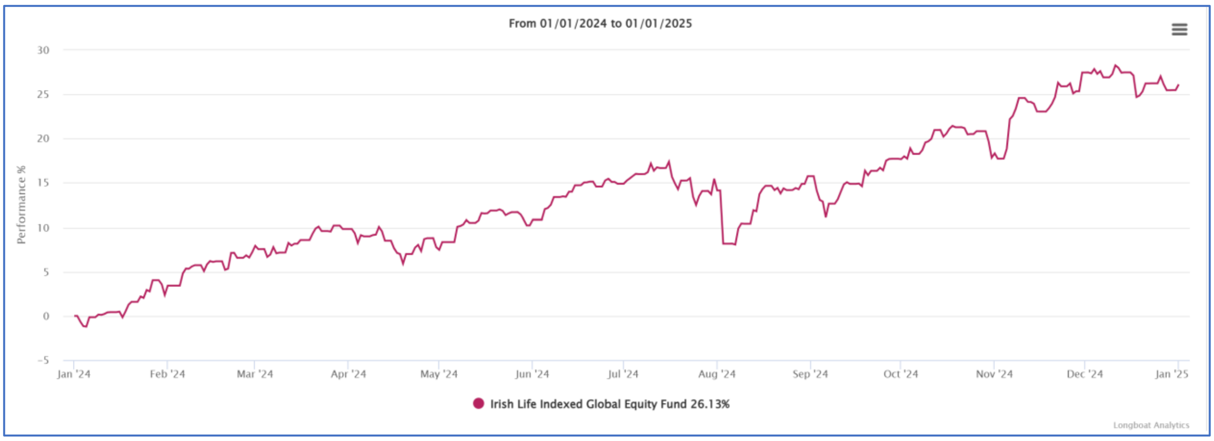
It's worth saying that we've had an incredibly positive journey the last 15 years and the markets have performed spectacularly but, unless you've been paying really close attention, you'll have missed the fact that we've had 5 pretty steep declines in that period. (see Chart A below) None of which were obviously as bad as the most recent correction but significant, nonetheless.

Chart A. 20 Year Global Stock Market Performance



It is also worth highlighting that we had a record year in 2024 which added fuel to the fire, and can part explain the sudden 'sell off' as people were simply profit taking. (see Chart B)

Chart B. Global Stock Market Performance 01/01/2024 to 31/12/2024



2. What does this mean for your Portfolio?

Your portfolio has thankfully performed fully in line with expectations. I've put together a chart (see Chart C below) outlining the performance of 4 different risk weighted portfolio's over the past 5 years. The reason for 5 years is to demonstrate the medium-term performance of each portfolio.

Chart C. Typical Performance of Multi Asset Portfolio's over past 10 years

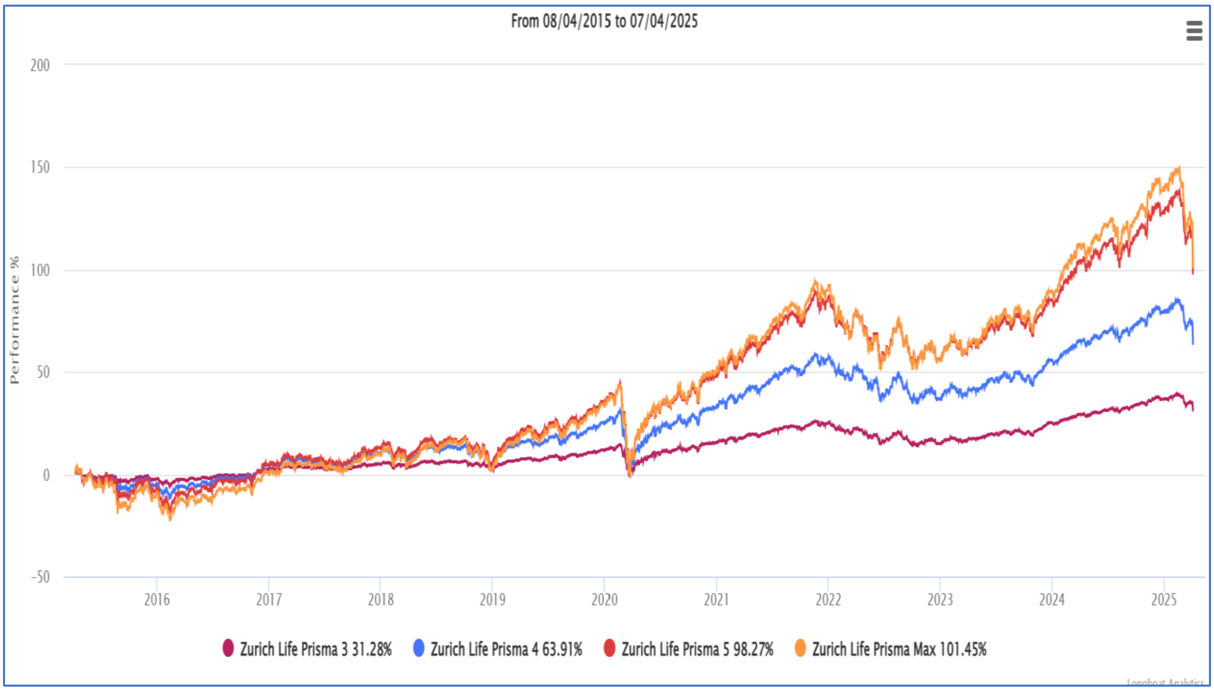
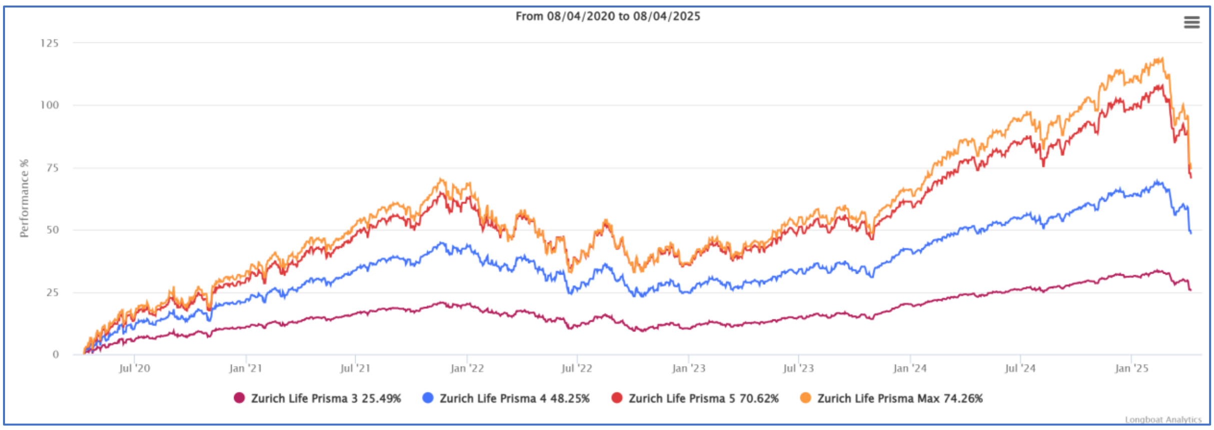
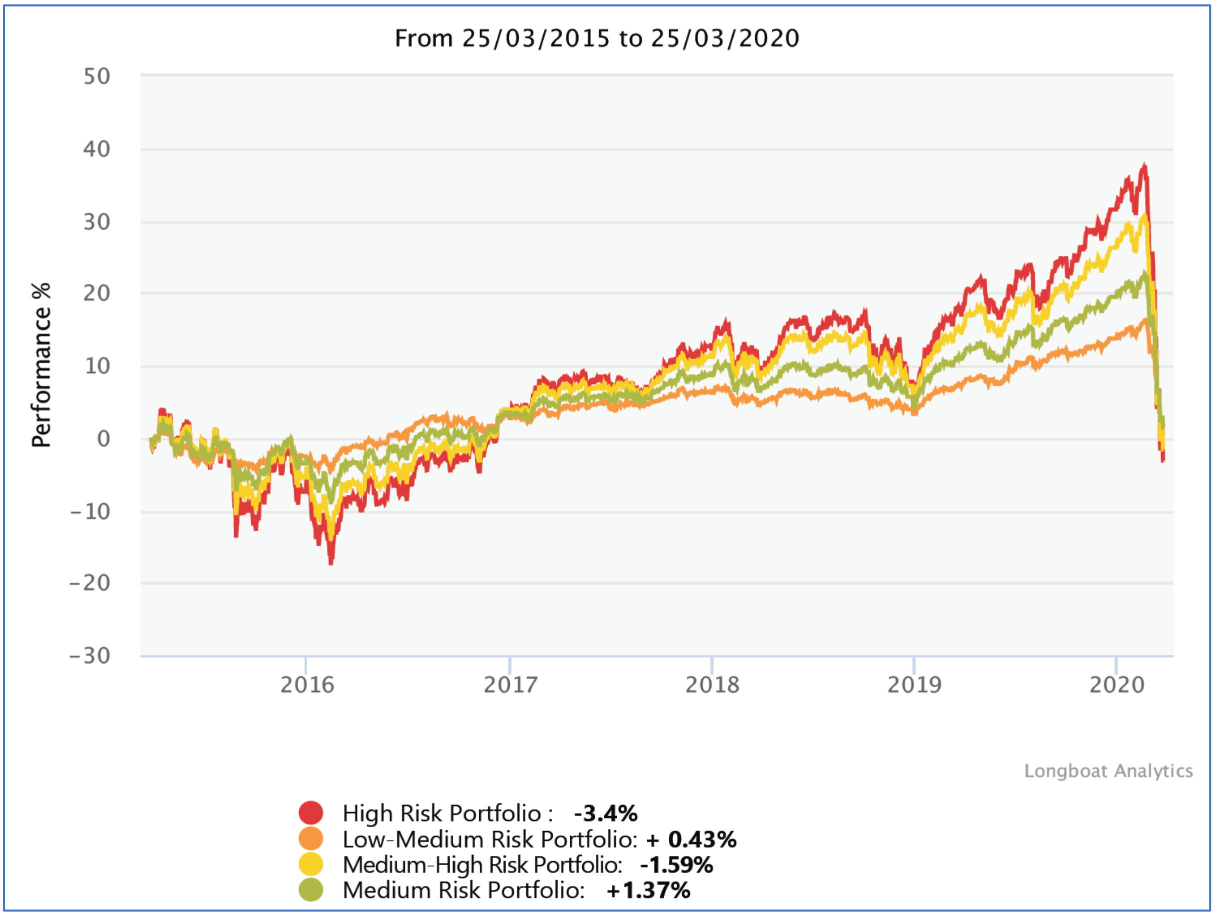


Chart D. Typical Performance of Multi Asset Portfolio's over past 5 years



The recent downturn is also nowhere near as steep as the one we experienced at the start of the Covid outbreak. I'm showing you this chart for some perspective on the 5 year return chart above

Chart E. Covid Drawdown vs Previous 5 years



As you see, the personalized 'risk weighting' of your portfolios has paid off. In simple terms if you have a high-risk portfolio then you've had a period of enormous gains but have suffered the worst loss but in real terms it's still only -3.4% in 5 years. Stomach churning? Yes. But 'total wipeout'? Absolutely not. In fact you'll see that whilst the Lowest Risk portfolio has had a positive performance over that period it still lags the medium risk portfolio which, as expected, has performed the best as it has less money invested in Cash than a lower risk portfolio and Cash which has returned approx. 4% in total over the last 5 years

3. So what do we do now?

Only a fool calls the bottom of a market so I'm happy to say I'm not going to do that here. What I will do is state the obvious:

The one thing you don't do is switch to Cash. It's an awful asset, yielding **c.1.5% pa** and, with the impending interest rate cuts being signaled by the European Central Bank, it will remain that way for the foreseeable future. The only thing you'll guarantee for yourself is a LOSS in real terms vs Inflation.

Therefore, the best advice is to do nothing with your existing portfolio. Here's a link to a great article which expands on this but as I explained earlier, you are already in a risk weighted portfolio which will not have performed as terribly as the media will have told you.

I should state here that this isn't the advice I'd give to everyone in all circumstances. If you're investing directly in the stock market and have shares in a bad company which are performing terribly, they will continue to perform terribly and there's zero value in holding on to them in the vain hope that they turn around. Best to cut your losses and re-invest in the best companies.

But this doesn't apply to you as you are not invested in a single asset class containing only a small basket of shares. A typical medium-risk portfolio will be invested in 8 different asset classes, across 4000 companies in 82 countries so one company or even one asset class having a bad time of it will not take down your portfolio.

So that's what we shouldn't do. What should we do?

Depends! If you've made it this far and agree with most of what I've said, then you simply continue to save as you have been. Nothing should change.

However I will go out a limb and say that those of you who would now be prepared to take more risk, and are making regular premium contributions, should be considering the option to increase the risk on those contributions going forward for at least the next 18 months. It may sound counter intuitive but that way you will catch the downside (buying on the dip). **It goes without saying that we don't want anybody making such a decision without speaking to their advisor first**, but I am happy to put it out there for people to consider. Anyone with the capacity to make a Lump Sum investment should choose a suitably risk weighted portfolio. It's the same logic.

What gives me the confidence to say such things? Because it always has worked out. Warren Buffet famously said It's not "Timing the market" but "Time In the market" however you must be able to psychologically withstand the volatility as it will get more volatile from here. It's likely you won't see the benefit of this for at least 5 years, but it will pay off. The chart below demonstrates the returns earned post every major stock market crash over the last 100 years and I see no reason why this time will be different. Below is a chart showing the stock returns following 13 major crashes in the last 100 years.

Drawdown	Peak	Trough	1 Year	3 Years	5 Years
-86.2%	07/09/1929	01/06/1932	162.9%	170.5%	344.8%
-40.6%	07/09/1932	27/02/1933	98.7%	194.5%	154.6%
-29.8%	18/07/1933	21/10/1933	2.9%	120.1%	87.3%
-31.8%	06/02/1934	14/03/1935	83.8%	16.3%	84.9%
-54.5%	06/03/1937	31/03/1938	35.2%	38.2%	84.5%
-31.9%	25/10/1939	10/06/1940	8.0%	59.7%	118.8%
-34.5%	09/11/1940	28/04/1942	61.2%	128.6%	144.9%
-36.1%	29/11/1968	26/05/1970	34.7%	50.6%	42.2%
-48.2%	11/01/1973	03/10/1974	38.1%	72.7%	117.5%
-33.5%	25/08/1987	04/12/1987	23.2%	55.5%	121.7%
-49.1%	24/03/2000	09/10/2002	24.4%	59.0%	105.1%
-56.8%	09/10/2007	09/03/2009	53.6%	97.9%	181.6%
-29.2%	19/02/2020	23/03/2020	15.4%	20.5%	51.7%
-17.3%	19/02/2025	?	?	?	?
		Averages	**52.2%**	**88.6%**	**132.3%**

As for the benefits of long-term investing, I've included a chart below which shows the performance of the Global Stock market over the last 25 years. In real terms €200 invested in 1985 is worth €4,345 today, a **2072%** return, despite the numerous corrections that have taken place over that time. **"Time In the market!"**

In Conclusion

I hope this newsletter has helped give you a better understanding of the current situation in the investment world. Each investor is different, and we recognize that, so please get in touch with us if you have any questions about this or anything else that is happening to you financially.

Robert Whelan

Managing Director